



April 15, 2014

Ms. Jane Benton  
Office of State Procurement  
1500 West 7<sup>th</sup> Street, Suite 300  
Little Rock, AR 72201

Ms. Marty Garrity  
Bureau of Legislative Research  
State Capitol, Room 315  
Little Rock, AR 72201

Re: Notification of Imminent Need under Act 1211 of 2009 (A.C.A. §19-11-1303)  
Investment: Thoma Bravo XI, L.P.

Dear Ms. Benton and Ms. Garrity:

As Executive Director of ATRS, my intent and plan is not to use the Imminent Need provisions of Act 1211 unless warranted. Due to fund manager changes and speed of the markets, it is occasionally needed. The investment presented at this time is considered Imminent Need due to the fact that the first and possibly only closing for it may take place prior to the Arkansas Legislative Council (ALC) meeting scheduled for April 18, 2014.

Based on recommendations of ATRS's private equity consultant, Franklin Park and ATRS staff, on April 14, 2014 the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolution 2014-30 to declare an Imminent Need exists for investment in Thoma Bravo XI, L.P. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreement for this investment.

This letter has been sent in compliance with the five-day rule in Act 1211. In accordance with Act 1211, ATRS is providing a copy of the aforementioned resolution to the Office of State Procurement and the Arkansas Legislative Council. The total amount that ATRS intends to invest in this investment is up to \$25,000,000. For full and open disclosure, ATRS is attaching an Executive Summary for this investment to provide further details.

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ATRS is hereby requesting that the investment mentioned above be reviewed by ALC at the next scheduled meeting. If any additional information is needed, please feel free to contact me on my direct line at 501-682-1820, my cell phone at 501-318-5998, or by email at: [georgeh@artts.gov](mailto:georgeh@artts.gov)

Respectfully,

A handwritten signature in black ink, appearing to read "George Hopkins". The signature is stylized with a large "G" and a long horizontal stroke.

George Hopkins  
Executive Director

GH:lw

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

<b>Investment</b>	Thoma Bravo XI, L.P. (the "Fund")
<b>Managing Party</b>	Thoma Bravo LLC (the "General Partner" or "Thoma Bravo")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	April 2014
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of up to \$3.5 billion. ATRS is expected to close in April 2014.
<b>ATRS Commitment &amp; Reason for Entry</b>	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.
<b>Placement Agent</b>	No placement agent was used to assist with marketing and fundraising.
<b>Key Terms</b>	<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>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	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.
<b>Investment Strategy</b>	The Fund is being formed to acquire 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.
<b>Management Team</b>	The General Partner team is led by seven managing partners: Orlando Bravo, Scott Crabill, Seth Boro, Holden Spaht, Robert Sayle, Carl Thoma and Lee Mitchell (the principals). The principals have worked together for the last nine years, and on average, have nineteen years experience in the private equity industry. They are supported by eight operating partners and a staff of junior level professionals.

**Historical  
Performance**

The General Partner's team has raised three prior funds that have averaged a net IRR of approximately 34% as of September 30, 2013. Historical returns are not indicative of future performance.

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

**RESOLUTION**  
**No. 2014-30**

**Approving Investment in Thoma Bravo XI, 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

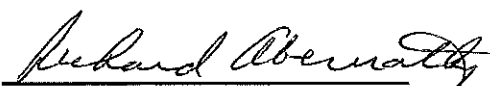
**WHEREAS**, The ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Thoma Bravo XI, L.P.**, a fund that will primarily seek companies in the application, infrastructure and security software industries, with a secondary focus on business, media and technology-enabled businesses; and

**WHEREAS**, The ATRS Board approves an investment of up to **\$25 million (\$25,000,000.00)** in **Thoma Bravo XI, L.P.** and the Board, after its review of the timing of the period in which the general partner of **Thoma Bravo XI, L.P.** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the only closing to participate in this fund is scheduled within the week of this ATRS Board meeting. 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 agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Thoma Bravo XI, L.P.**; and

**FURTHER, BE IT RESOLVED**, That the ATRS staff is hereby authorized to take all necessary steps to implement this investment, if acceptable terms are reached.

**Adopted this 14th day of April 2014.**

  
**Dr. Richard Abernathy, Chair**  
**Arkansas Teacher Retirement System**