



April 5, 2016

Mr. Edward Armstrong
Office of State Procurement
1500 West 7th 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 XII, L.P.

Dear Mr. Armstrong 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 next scheduled Arkansas Legislative Council (ALC) meeting.

Based on recommendations of ATRS's private equity consultant, Franklin Park and ATRS staff, on April 4, 2016, the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolution 2016-16 to declare an Imminent Need exists for investment in Thoma Bravo XII, 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 these investments is up to \$30,000,000. 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@atrs.gov

Respectfully,

A handwritten signature in cursive script, appearing to read "George Hopkins".

George Hopkins
Executive Director

GH:lw

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

RESOLUTION
No. 2016-16

**Approving Investment in Thoma Bravo XII, 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

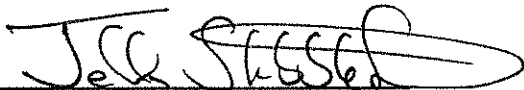
WHEREAS, The ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park Associates, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Thoma Bravo XII, L.P.**, a fund that will invest in middle market to large software companies; and

WHEREAS, The ATRS Board approves an investment of up to **\$30 million dollars (\$30,000,000.00)** in **Thoma Bravo XII, L.P.** and the Board, after its review of the timing of the period in which the general partner of **Thoma Bravo XII, 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 one week of this ATRS Board meeting and 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 agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Thoma Bravo XII, 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 4th day of April 2016.



Mr. Jeff Stubblefield, Chair
Arkansas Teacher Retirement System

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

Investment	Thoma Bravo XII, 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 2016
Expected Closing Date	The General Partner is targeting capital commitments of up to \$7.0 billion. ATRS is expected to close in April 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 1.5% of commitments during the six-year investment period. Thereafter, management fees will equal 1.5% of funded capital contributions.</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 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 (the principals). The principals have worked together for the last fourteen years, and on average, have twenty-two years experience in the private equity industry. They are supported by eight operating partners and a staff of mid and junior level professionals.

**Historical
Performance**

The General Partner's team's three prior funds have generated net returns greater than 23% IRR as of September 30, 2015. Historical returns are not indicative of future performance.