



July 23, 2018,

Senator Bill Sample  
Representative Jim Dotson  
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: Thoma Bravo Fund XIII, LP

Dear Senator Sample and Representative Dotson:

By means of the enclosed Investment Summaries, ATRS is submitting one investment 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 also authorized an investment of up to \$30 million in Thoma Bravo Fund XIII, L.P., a private equity buyout fund focused on acquiring software companies. This investment was recommended by Franklin Park, private equity consultants for ATRS and by ATRS staff.

The ATRS Board approved the investment described above at a July 20, 2018, called meeting and anticipates a closing date by the end of September 2018. A summary of this 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,

George Hopkins  
Executive Director

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

<b>Investment</b>	Thoma Bravo Fund XIII, 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>	July 2018
<b>Expected Closing Date</b>	The General Partner is expecting capital commitments of up to \$12.0 billion. ATRS is expected to close in September 2018.
<b>ATRS Commitment &amp; Reason for Entry</b>	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.
<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 1.5% of commitments during the six-year investment period. Thereafter, management fees will equal 1.5% 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 2028) 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's investment team is led by seven principals: Orlando Bravo, Scott Crabill, Seth Boro, Holden Spaht, Carl Thoma, Lee Mitchell and Robert Sayle. The principals' average tenure with Thoma Bravo is sixteen years, and on average, they have twenty-three years experience in the private equity industry. They are supported by thirteen operating partners and a staff of mid and junior level professionals. The firm has offices in San Francisco and Chicago.

**Historical  
Performance**

The General Partner's team's prior four funds have averaged net returns greater than 16% IRR as of December 31, 2017. Historical returns are not indicative of future performance.