



December 12, 2019

Mr. Edward Armstrong  
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 Explore Fund, L.P.

Dear Mr. Armstrong and Ms. Garrity:

On December 2, 2019 Arkansas Teacher Retirement System (ATRS) notified both the Office of State Procurement and Arkansas Legislative Council (ALC) of an Imminent Need for investment in a fund titled Thoma Bravo Explorer Fund, L.P. via the attached letter. This notification was made within the five-day rule of Act 1211 of 2009 (A.C.A. § 19-11-1303). It has since come to the attention of ATRS that a scrivener's error occurred in connection with the name of the fund. The correct name of the fund is Thoma Bravo Explore Fund, L.P.

Revised ATRS Board Resolution 2019-47 declares that an Imminent Need exists to commit up to \$20 million in Thoma Bravo Explore Fund, L.P. As stated in our previous letter, this investment was recommended by both Franklin Park, ATRS's private equity consultant and ATRS staff.

Please accept this letter as well as the revised ATRS Board Resolution and executive summary in lieu of the documents previously sent. ATRS is hereby requesting that this investment be reviewed by ALC at the next scheduled meeting. If any additional information is needed, please feel free to contact me at 501-682-1820, or by email at: [clintr@artrs.gov](mailto:clintr@artrs.gov)

Respectfully,

Clint Rhoden  
Executive Director

CR:lw

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

**RESOLUTION  
No. 2019-47**

**Approving Investment in Thoma Bravo Explore Fund, 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

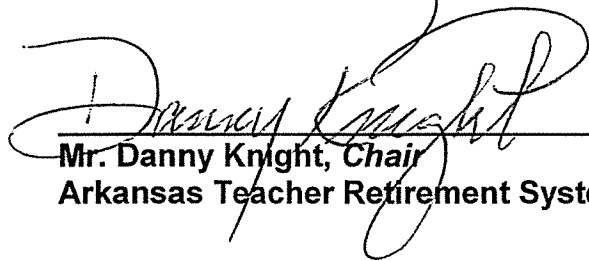
**WHEREAS**, the ATRS Board has reviewed the recommendation of its private equity consultant, Franklin Park, LLC, along with the recommendation of the Investment Committee and ATRS staff regarding a potential investment in **Thoma Bravo Explore Fund, L.P.**, a private equity buyout fund focused on small and lower middle market software companies; and

**WHEREAS**, the ATRS Board approves an investment of up to **\$20 million dollars (\$20,000,000)**, in **Thoma Bravo Explore Fund, L.P.** and the Board, after its review of the timing of the period in which the general partner of **Thoma Bravo Explore Fund, L.P.** will accept investors for this fund, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement since the anticipated closing to participate in this fund will occur 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)** in **Thoma Bravo Explore Fund, L.P.** and agrees to immediately move to close and subscribe the approved ATRS limited partnership investment interest in **Thoma Bravo Explore Fund, L.P.** The total investment amount is to be determined by the private equity consultant and ATRS staff based upon the allocation available to ATRS and the overall investment objectives set by the ATRS 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 12th day of December, 2019.



A handwritten signature in cursive script, appearing to read "Danny Knight", is written over a horizontal line.

**Mr. Danny Knight, Chair**  
**Arkansas Teacher Retirement System**

Arkansas Teacher Retirement System  
Private Equity Investment  
Executive Summary

<b>Investment</b>	Thoma Bravo Explore Fund, 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>	December 2019
<b>Expected Closing Date</b>	The General Partner is targeting capital commitments of up to \$1.0 billion. ATRS is expected to close in December 2019.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$20 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 2029) 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 small and 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.
<b>Management Team</b>	The General Partner team is led by six managing partners: Orlando Bravo, Scott Crabill, Seth Boro, Holden Spaht, Carl Thoma and Lee Mitchell (managing partners). The team dedicated to this fund includes Carl Press (principal), as well as two vice-presidents and two associates.

**Historical  
Performance**

The General Partner's funds originated prior to 2018 have generated an average net IRR of approximately 20% as of June 30, 2019. Historical returns are not indicative of future performance.