

Investment Summary

Global Investment Management

Francisco Partners V, L.P.

September 2017

Executive Summary

Overall Rating

Francisco Partners ("FP," "Francisco," or the "Firm") is a compelling technology buyout firm due to its size of team, scope of coverage, value orientation, flexible deal structure, strong network, and operating capabilities.

Category	Rating
Business	✓
Staff	✓
Process	✓
Risk	✓
Operations	✓
Performance	✓
Terms &Conditions	✓

Aon Hewitt Investment Consulting, Inc. ("AHIC") has reviewed performed an in-depth analysis of the above categories which includes, but is not limited to:

- Retention of Limited Partners
- Institutional Investor Representation
- Management Company Ownership
- Reporting Transparency
- Back-office Resources
- Complementary Skill Sets
- Alignment of Interest
- Turnover/Tenure
- Depth of Team Resources
- Management Team Network
- Firm Leadership
- Market Opportunity
- Stability of Strategy
- Investment Restrictions
- Approval process
- Ability to handle troubled deals
- Exit strategy
- Size of Fund

- Consistency / Volatility of Returns
- Realization Record
- Unrealized Portfolio Performance
- Write-Offs
- Transaction Experience in Strategy
- GP Attribution Concentration
- Management Fee and Offsets
- Priority of Distributions
- Clawback
- Investment Period
- No Fault Divorce
- Key Man
- Advisory Board
- Ability to Create Value in Deals
- Quality of Source
- Valuation Discipline
- Sole or Consortium Deals
- Overlap with Prior Portfolios

In addition, AHIC's Operational Due Diligence Team has reviewed the Firm from an operating perspective and has given Francisco a passing rating.

Recommendation

As part of its recommended 2017 private equity investment pacing of $150 million for Nebraska Investment Council's ("NIC")'s Defined Benefit/Cash Balance Benefit plan, AHIC supports NIC Staff's recommendation to make a $50 million commitment to Francisco Partners V, L.P. (the Fund) subject to completion of a legal review and satisfactory agreement of terms. This recommendation is based on our due diligence of this fund and is supported by our full due diligence report.

Firm Summary

Head Office Locations	San Francisco, CA	**Parent Name**	Francisco Partners Management, LP
Firm AUM	$10.3 billion	**Investment Staff**	42

Strategy Summary

Target Geography	North America, (60-80%), Europe and Israel (15-25%), other (5-10%)	**Ownership Target**	Primarily control
Target Industries	Technology		

Fund Overview

Francisco Partners V, LP is a continuation of the same core strategy as Francisco Partners IV, LP and it will primarily invest between $75 million and $250 million in 15 to 25 investments. The Firm makes private equity investments in middle-market technology companies. Sub-sector focuses include infrastructure software, healthcare IT, tech-enabled healthcare services, network security, cybersecurity, applications software, communications, systems, hardware, semiconductors, financial technology, Internet, and information services.

History

Francisco Partners was founded in 1999 by Dipanjan ("DJ") Deb, David Stanton, Sanford ("Sandy") Robertson, Benjamin ("Ben") Ball, and Neil Garfinkel. Prior to founding FP, DJ and David were senior investment professionals leading the technology investment practice at TPG. While at TPG, DJ Deb and David Stanton developed relationships with top-tier technology-focused venture capital firms to gain foresight into the dynamic technology industry. The relationships proved to be beneficial as it gave DJ and David the ability to establish a relationship with Sequoia Capital upon the founding of FP. Since 1999, the Firm has raised and invested four funds.

Business Strategy

Francisco Partners makes private equity investments in middle-market technology companies. FP uses a value-oriented approach using a variety of transaction strategies, including buyouts, divisional divestitures, recapitalizations, restructurings, and growth equity. Using a barbell approach, FP targets value and growth companies that are facing operational or market challenges or strategic inflection points.

Francisco Partners characterizes value investments by those with slow revenue growth, operating in a maturing industry, significant planned operating and cash flow improvements, potential for management

change, and ability to acquire the company lower than its intrinsic value. FP characterizes its growth investments as those with 15% or more revenue growth (with the potential to accelerate under FP's ownership), potential for management augmentation rather than replacement, potential for increased strategic coherence, potential for geographic and/or product expansion, and a moderately discounted purchase price. FP avoids investing in slow growth; highly profitable technology companies that are already strategically optimized and can be highly leveraged as the Firm believes these are in the center of the barbell and are fully valued at entry.

Competitive Landscape

The rapid pace of technological innovation and obsolescence risk make it difficult for generalist private equity firms to invest in technology companies. Therefore, most of the activity is undertaken by specialist firms such as FP.

Below are some private equity firms that invest in the technology space:

- Accel-KKR
- Insight Ventures
- K1 Advisors
- Marlin Equity
- Sumeru Equity Partners
- Thoma Bravo Discover Fund
- Vector Capital
- Vista Equity Foundation Fund

Investment Team

FP has one of the largest teams of private equity investment professionals dedicated to technology. This allows for sector specialization, with each senior investment professional developing deep expertise and networks specific to several technology sub-sectors. FP consists of 42 investment professionals with long-term experience covering all major software, hardware, systems, and service-related sectors. The partners average more than 17 years of investing or technology sector experience and 13 years at FP.

The investment team is further supported by three partners that focus externally on business development with strategics and internally with portfolio management and firm administration. The team recently added a director of capital markets to make the investment team more efficient at making new investments, add-ons, and refinancings. There is also a head of investor relations, a Chief Operating Officer, a Chief Financial Officer, and a Chief Compliance Officer and General Counsel.

Professionals	Title	Years of Experience/ Tenure	Background
Dipanjan ("DJ") Deb	Chief Executive Officer	25/18	▪ Co-founded FP in 1999 ▪ Principal at TPG focused on technology investing ▪ Director of semiconductor banking at Robertson Stephens & Company ▪ Management consultant at McKinsey & Company ▪ B.S. in Electrical Engineering and Computer Science from U.C. Berkeley, where he was a Regents Scholar ▪ M.B.A. from the Stanford Graduate School of Business
Ezra Perlman	Co-President	22/14	▪ Joined FP in 2003 ▪ Venture capitalist at Battery Ventures, focused on software investing ▪ Director of Risk Management at Advanta ▪ Management consultant at Oliver, Wyman & Company ▪ A.B. in Applied Mathematics from Harvard College ▪ M.B.A. from the Stanford Graduate School of Business
Deep Shah	Co-President	17/14	▪ Joined FP in 2003 ▪ Morgan Stanley – M&A and Princes Gate Investors private equity fund ▪ M.A. in mathematics from the University of Cambridge (UK) with First Class Honors
David Golob	Chief Investment Officer	26/16	▪ Joined FP in 2001 ▪ Managing Director at Tiger Management, where he was co-head of the global technology group ▪ Private equity investor focused on the software industry at General Atlantic Partners and Sutter Hill Ventures ▪ Management consultant at McKinsey & Company ▪ Product Manager at Newport Systems Solutions ▪ A.B. from Harvard College, summa cum laude ▪ M.B.A. from the Stanford Graduate School of Business
Andrew Kowal	Partner	18/16	▪ Joined FP in 2011 ▪ Morgan Stanley Prince Gate Investors private equity fund ▪ B.S. in economics with a concentration in finance from The Wharton School of the University of Pennsylvania
Chris Adams	Partner	14/9	▪ Joined FP in 2008 ▪ American Securities Capital Partners ▪ Strategy consultant at Bain & Company ▪ B.S. in computer engineering from Georgia Institute of Technology, summa cum laude ▪ M.B.A. from the Stanford Graduate School of Business

Professionals	Title	Years of Experience/ Tenure	Background
Peter Christodoulo	Partner	15/9	▪ Joined FP in 2008 ▪ Associate at Thomas H. Lee Partners ▪ Analyst, technology investment banking at Credit Suisse ▪ A.B. from Harvard College
Petri Oksanen	Partner	14/12	▪ Joined FP in 2005 ▪ Morgan Stanley technology investment banking ▪ Microsoft ▪ B.A.Sc. with joint honors in computer engineering and economics with distinction from the University of Waterloo
Matt Spetzler	Partner	13/11	▪ Joined FP in 2004 ▪ Bain & Company ▪ B.S. in mechanical engineering from Georgia Institute of Technology, where he was a Richard K. Whitehead Memorial scholar ▪ M.B.A. from the Stanford Graduate School of Business, where he was a Arjay Miller scholar

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