

October 11, 2024

Senator Terry Rice  
Representative Jeff Wardlaw  
Arkansas Legislative Council  
State Capitol, Room 315  
Little Rock, AR 72201

Re: Submission of Investment for Review under Act 1211 of 2009 (A.C.A. §19-11-1302)  
Investment: The Veritas Capital Fund IX, L.P.

Dear Senator Rice and Representative Wardlaw:

By means of the enclosed Investment Summary, Arkansas Teacher Retirement System (ATRS) is submitting an investment for review by the Arkansas Legislative Council (ALC) as required under A.C.A. §19-11-1302 et seq., otherwise referred to as Act 1211 of 2009.

The ATRS Board (Board) recently approved a commitment of up to \$35 million to be made in The Veritas Capital Fund IX, L.P., a buyout fund that will focus on large and middle market companies that provide services and/or products to the federal government. Targeted sub-sectors will include aerospace & defense, national security, healthcare, education, and sustainability & infrastructure. This investment was recommended by Franklin Park Associates, private equity consultants for ATRS, and ATRS staff concurs.

The Board authorized the investment described above at its regular meeting on September 30, 2024 and anticipates closing by the end of November. A summary of the investment including key terms and investment strategy is enclosed for review by ALC. If any additional information is needed, please feel free to contact me on my direct line at 501-621-8853 or by email at: [markw@artts.gov](mailto:markw@artts.gov)

Respectfully,



Mark White  
Executive Director

MW:lw  
enclosure

# Arkansas Teacher Retirement System Private Equity Investment Executive Summary

<b>Investment</b>	The Veritas Capital Fund IX, L.P. (the "Fund")
<b>Managing Party</b>	Veritas Capital (the "General Partner" or "Veritas")
<b>ATRS Legal Interest</b>	ATRS will be a limited partner
<b>Report Date</b>	October 2024
<b>Expected Closing Date</b>	ATRS is expected to close by November 30, 2024.
<b>ATRS Commitment &amp; Reason for Entry</b>	The investment of up to \$35 million is to help achieve the 12% target allocation to private equity. The fund was recommended by the ATRS private equity consultant.
<b>Placement Agent</b>	The offering was sourced directly from the General Partner; however, the General Partner has retained PJT Park Hill to assist with fundraising.
<b>Key Terms</b>	<p><u>Management Fee</u>: The General Partner will be paid a management fee of 1.75% of commitments during the five-year investment period. Thereafter, the fee will equal 1.50% of net invested capital.</p> <p><u>Carried Interest</u>: After the limited partners receive their aggregate capital contributions for realized investments, write-offs, fees, expenses and an 8% preferred return, the General Partner will be entitled to 20% of the Fund's profits.</p>
<b>Justification of Investment Term &amp; Anticipated Termination Date</b>	<p><u>Term</u>: Ten years (anticipated termination in 2034) plus two one-year extensions which is industry standard due to the time required for acquiring, developing and selling underlying assets.</p>
<b>Investment Strategy</b>	The Fund is being formed to make control equity investments in large and upper middle market companies that provide services and/or products to the U.S. government. Targeted sub-sectors will include aerospace & defense, national security, healthcare, education, and sustainability & infrastructure. The Fund will target mature, profitable businesses with enterprise values between \$500 million and \$5 billion.
<b>Management Team</b>	The General Partner was founded in 1992 by Robert McKeon. Currently the fund's investment team consists of forty-nine investment professionals led by ten principals including Ramzi Musallam, CEO.
<b>Historical Performance</b>	The General Partner has invested more than \$18 billion in its previous four funds that have generated aggregate gross returns of over 29% IRR. Historical returns are not indicative of future performance.