



February 17, 2011

Ms. Jane Benton
Office of State Procurement
1500 West 7th Street, Suite 300
Little Rock, AR 72201

Mr. David Ferguson
Bureau of Legislative Research
Administrative Rules Review Section
State Capitol, Room 315
Little Rock, AR 72201

Re: Notification of Imminent Need Under Act 1211 of 2009
Investment: Tennenbaum Capital Partners - Tennenbaum Opportunities
Fund VI, LLC

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 ATRS Board approved the need for Imminent Need in a recent special board meeting.

Based on the consultant and staff's recommendation on February 14, 2011, the ATRS Board of Trustees, in a special Board Meeting, adopted Resolution 2011-10, to declare an Imminent Need exists for an investment in the Tennenbaum Capital Partners. Specifically, this investment had a last closing in February, which is before the next meeting of the Review Committee. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreement for this investment. In accordance with Act 1211, ATRS is providing a copy of the aforementioned resolution to the Office of Procurement and the Legislative Council. ATRS tries to be very limited in the use of the imminent need process and will continue to do so.

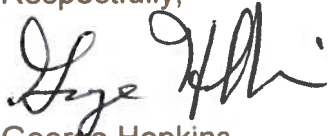
This letter has been sent in compliance with the five-day rule in Act 1211. In addition to providing meaningful early disclosure, ATRS intends to comply with the notification procedures set forth in Act 1211. The amount that ATRS intends to invest in this investment is up to \$40,000,000.00. For full and open disclosure, ATRS is attaching an Executive Summary of the investment and details on the investment.

George Hopkins, Executive Director – 501-682-1820 – Email: georgeh@artrs.gov

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ATRS will be following up with a specific procurement form as required in Act 1211. 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@artts.gov.

Respectfully,

A handwritten signature in black ink, appearing to read "George Hopkins". The signature is written in a cursive style with a large initial "G" and "H".

George Hopkins
Executive Director

GH:kd
attachment

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

RESOLUTION
No. 2011- 10

WHEREAS, The Board is authorized to invest and manage trust assets for the benefits of its plan participants; and

WHEREAS, The Board has reviewed the recommendation of its investment consultant, Hewitt Ennis Knupp, Inc., along with the recommendation of the Investment Committee and staff regarding a potential investment in **Tennenbaum Opportunities Fund VI, LLC**, a fund which will focus on acquiring corporate securities and commercial loans through both deep value distressed/special situations credit and distressed-for-control strategies; and

WHEREAS, The Investment Committee has already recommended an investment in **Tennenbaum Opportunities Fund VI, LLC** of up to **\$40 million**, subject to final due diligence which was favorably completed; and

WHEREAS, The Board of Trustees of the Arkansas Teacher Retirement System approves an investment of **\$40 million (\$40,000,000.00)** in **Tennenbaum Opportunities Fund VI, LLC** and the Board, after its review of the timing of the period in which the general partner of **Tennenbaum Opportunities Fund VI, LLC** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreement due to a closing requirement in February 2011. 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 Board of Trustees agrees to immediately close and subscribe the approved ATRS limited liability company investment interest in **Tennenbaum Opportunities Fund VI, LLC**; and

FURTHER, BE IT RESOLVED, that the Board instructs the staff to provide to the Arkansas Legislative Council and the Office of State Procurement all appropriate documents and information regarding this investment as required by law.

Adopted this 14th day of February 2011.



Dr. Richard Abernathy, Chair
Arkansas Teacher Retirement System

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

Fund	Tennenbaum Opportunities Fund VI, LLC (the "Fund")
Manager	Tennenbaum Capital Partners, LLC (the "Managing Member" or "Tennenbaum")
Report Date	March 2011
Fundraising	The Managing Member is targeting capital commitments of \$1 billion. Closings were held on July 29, 2010 and February 15, 2011.
ATRS Commitment	\$40 million (to help achieve 10% target allocation to private equity)
Placement Agent	The General Partner has retained Greenhill and Co., LLC to assist with marketing and fundraising.
Key Terms	<p><u>Management Fee</u>: 1.5% on all capital commitments during the Investment Period; 1.5% on invested capital after the Investment Period. During the ramp up period, Management Fees as a percentage of capital commitments will be reduced and will be as follows: 0.25% pro-rated from the first closing date through the end of the calendar quarter in which the first closing occurs; 0.25% for the first full quarter after the first closing; 0.50% for the second quarter after the first closing; 1.0% for the third quarter after the first closing; and the full 1.5 % thereafter.</p> <p><u>Carried Interest</u>: 20% on cash distributed, including a catch-up, after the preferred return. Any carried interest earned (net of tax distributions) will be held in escrow during the Investment Period. At the end of the Investment Period, provided that Members have received distributions at least equal to their capital contributions plus the preferred return, the escrowed amount will be distributed to the Managing Member.</p>
Term of Agreement	Ten years (anticipated termination in 2021) plus two one-year extensions (industry standard for private equity funds due to the time required for buying, improving and selling underlying assets).
Investment Strategy	The Fund will focus on acquiring corporate securities and commercial loans through both deep value distressed/special situations credit and distressed-for-control strategies. The Fund will accumulate debt securities that are trading at a steep discount to par or provide rescue financing as well as acquire deeply discounted distressed securities and commercial loans in the secondary market and arrange and fund direct capital infusions into distressed companies.
Management Team	The Managing Member, based in Santa Monica, CA, was founded in 1996 by Michael Tennenbaum, Mark Holdsworth, and Howard Levkowitz.

Today the Managing Member is led by Mr. Tennenbaum, Mr. Holdsworth, Michael Leitner, Mr. Levkowitz, Eric Pagel, Rajneesh Vig, and Hugh Wilson (the "Principals"). The Principals are supported by 13 investment and trading professionals, a CFO, three administrative professionals, and a General Counsel.

**Historical
Performance**

Since 1996, the Managing Member has invested \$9.6 billion in 449 deals. In aggregate, these investments have generated a gross IRR of 12.3% and a multiple of 1.2x cost as of September 30, 2010. Historical returns are not indicative of future performance.