



April 8, 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

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 need for its use is due to the need to move \$200 million that is currently sitting in cash with a small interest rate into the intended investments quickly to not lose a special opportunity that exists in opportunistic debt and global macro funds at this time.

Based on Aon Hewitt Ennis Knupp's (ATRS's consultant) and ATRS staff recommendations on April 4th, 2011, the ATRS Board of Trustees, in a scheduled Board of Trustees meeting, adopted Resolutions 2011-12, 2011-13, 2011-14, & 2011-15 to declare an Imminent Need exists for investments in the following funds: Anchorage Capital Partners, L.P.(2011-12), Capula Global Relative Value Master Fund, L.P.(2011-13), Graham Capital Management Proprietary Matrix 10-V Portfolio,L.P. (2011-14) & York Credit Opportunities, L.P. (2011-15) Funds. The Board determined that all criteria were met under Act 1211 to enter into the partial equity ownership agreements of these investments and to move to fund these investments as soon as possible. In accordance with Act 1211 of 2009, ATRS is providing a copy of the aforementioned resolutions to the Office of State Procurement and the Arkansas Legislative Council (ALC).

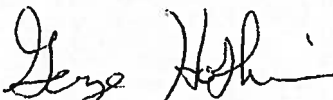
This letter has been sent in compliance with the five-day notice rule in Act 1211. In addition to providing the required notice, ATRS will address all the required and

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important disclosures about the investments as set forth in Act 1211. The total amount that ATRS intends to invest in these new investments is \$50 million in each of the four (4) funds for a total of \$200,000,000. For full and open disclosure, ATRS is attaching an Executive Summary and executed resolutions for each of the investments to provide further details.

ATRS will be following up with a request for the investments above to be reviewed by ALC at the next scheduled meeting or at a later date if preferred by the committee. 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@atrs.gov

Respectfully,



George Hopkins
Executive Director

GH:kd

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

RESOLUTION
No. 2011-12


WHEREAS, the Board of Trustees, in accordance with its planned schedule of investments in hedge funds, has approved an investment totaling \$50 million in **Anchorage Capital Partners, L.P.** which will result in partial equity ownership agreements, and

WHEREAS, the Board of Trustees, after its review of the timing of the period in which the general partner of **Anchorage Capital Partners, L.P.** will accept new investors, has determined that there is an imminent need to immediately enter into the partial equity ownership agreements. The board also deems it financially appropriate to enter into the partial equity agreements 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, and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees agrees to immediately close and subscribe the approved ATRS limited partnership investment interests in **Anchorage Capital Partners, L.P.** , and

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

Adopted this 4th day of April 2011.



Dr. Richard Abernathy, *Chair*
Arkansas Teacher Retirement System

**Arkansas Teacher Retirement System
Alternative Asset Investment
Executive Summary**

Fund	Anchorage Capital Partners, L.P. (the "Fund")
General Partner	Anchorage Capital, L.L.C (the "General Partner" or "Anchorage")
ATRS Ownership	ATRS will be a limited partner in the fund.
Report Date	April, 2011
Fundraising	Anchorage is targeting additional investments into the fund of approximately \$9 billion. Anticipated funding date by ATRS is May 1 st , 2011.
ATRS Commitment	The \$50 million investment is to help achieve the 5% target allocation to alternative investments at ATRS. This is an excellent fund and was recommended by the ATRS financial consultant.
Placement Agent	The General Partner does not utilize a placement agent.
Key Terms	<p><u>Management Fee</u>: The Fund has an annual management fee of 2.0%. The fee is payable quarterly (0.50% quarterly) in advance, based on the aggregate capital balance of the Limited Partner.</p> <p><u>Carried Interest</u>: The General Partner will be entitled to 20% of the Fund's profits, subject to a high water mark.</p>
Term of Agreement	The fund is an "open ended" fund and will remain open until it is liquidated, if ever. The fund has a one year lock up period. For new investors a 3% redemption charge for withdrawals made on the initial expiration of the lock up. Thereafter, investors may redeem on the quarter end of the annual investment anniversary date subject to 90 days' notice. The justification for the term of this investment is due to the quality of the investment team at the fund and its historical returns. Additionally after an illiquid period of approximately 15 months ATRS can withdraw without penalty upon 90 days notice.
Investment Strategy	The Partnership makes credit-oriented investments primarily in non-investment grade corporate issuers. In doing so the Partnership employs both directional and hedged investment strategies. Directional strategies include investments in the bonds, bank debt, and/or equity securities of stressed and distressed companies. Hedged strategies seek to isolate relative value inconsistencies within a company's capital structure or across an industry sector. In both types of investments the investment manager may seek to minimize market, industry or company specific risks. The Partnership makes both long and short investments.

**Management
Team**

Kevin Ulrich, CEO; Anthony Davis, Portfolio Manager; Dan Allen, Sr. Portfolio Mgr. The firm is based in New York and was founded in 2003.

**Historical
Performance**

The Fund was launched in July 2003 and since inception has generated an annualized return of 14.4% as of December 31, 2010. Historical returns are not indicative of future performance.