



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. 2011-14

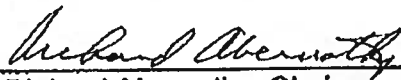
WHEREAS, the Board of Trustees, in accordance with its planned schedule of investments in hedge funds, has approved an investment totaling \$50 million in **Graham Capital Management Proprietary Matrix 10-V Portfolio** which will result in partial equity ownership agreements, and

WHEREAS, the Board of Trustees, after its review of the timing of the period in which the general partner of **Graham Capital Management Proprietary Matrix 10-V Portfolio** 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 **Graham Capital Management Proprietary Matrix 10-V Portfolio**, 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	Graham Capital Management Proprietary Matrix 10-V Portfolio (the "Fund")
General Partner	Graham Capital Management, L.P. (or the "General Partner" or "Graham")
ATRS Ownership	ATRS will be a limited partner in the fund.
Report Date	April, 2011
Fundraising	Graham is targeting additional investments into the fund of approximately \$1 billion. The anticipated funding date by ATRS is May 1st, 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 General Partner has proposed an annual management fee of 2.0% of aggregate invested capital.</p> <p><u>Incentive Fee</u>: The General Partner will be entitled to 20% of the Fund's net quarterly profits, subject to a high water mark.</p> <p>In addition to the management and incentive fees listed above, the fund charges annual trading fees of 85 basis points (negotiated down from 1.7% by HewittEnnisknupp) which include Forward Markets Commissions.</p>
Term of Agreement	The fund is an "open ended" limited liability investment company incorporated under the laws of the British Virgin Islands, and will remain open until it is liquidated, if ever. The justification for the term of this investment is due to the quality of the investment team at the fund and its historical returns. ATRS may redeem monthly with a 4 day notice. There are no lock-ups.
Investment Strategy	The fund is a hybrid of the firm's systematic and discretionary trading strategies, split 50%/50%. The systematic strategy employs hedged investment strategies utilizing G-7 currencies, futures, fixed income, commodities & equity financial instruments. The fund employs a diverse set of macro market direction indicators such as trend-following, pattern recognition, short term momentum, relative value and mean reversion. With time frames from long term to high frequency, the fund trades both trend-following and countertrend strategies. The discretionary strategies are macro-oriented in nature, may focus on specific market or trading themes, and vary by timeframe, strategy type, asset class, and sector.

**Management
Team**

Kenneth Tropin, Founder & Chairman; Paul Sedlack, CEO; & Pablo Calderini, CIO.

**Historical
Performance**

The 5 year absolute return performance is 13.2%. The fund has successfully exploited the moderate to low correlations of the component strategies to provide strong risk-adjusted returns in a variety of market environments. In addition, the fund has historically exhibited low correlation to several indices and other hedge funds.