



State of New Jersey
DEPARTMENT OF THE TREASURY
DIVISION OF INVESTMENT
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JON S. CORZINE
Governor

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State Treasurer

February 13, 2009

MEMORANDUM TO: State Investment Council

FROM: William G. Clark
Director

William G. Clark

SUBJECT: **Redemption from GoldenTree Master Fund, L.P. and
Satellite Fund II**

This memorandum is intended to inform the Council of a proposed hedge fund redemption from GoldenTree Master Fund, L.P., and to provide an update on the unwinding of Satellite Fund II that was discussed at the January 2009 meeting of the State Investment Council.

GoldenTree Master Fund, L.P.

The Division originally presented a proposed \$100 million investment in the GoldenTree Master Fund, L.P. ("GoldenTree") to the Investment Council on November 16, 2006 and the investment was made on January 2, 2007. The Fund invests in a variety of credit instruments including below-investment-grade bank loans, high yield bonds, middle market loans, mezzanine investments, real estate and equities. (Please note that this investment is separate and distinct from our investment in GoldenTree Credit Opportunities L.P. fund).

Like many other credit-oriented funds, GoldenTree suffered significant losses during 2008. As a result of this and other factors, GoldenTree Master Fund received redemption requests totaling 30% of net asset value as of December 31, 2008. The fund's legal documents provide for a 20% gate per quarter with the annual maximum of 50%. In order to preserve assets in the fund, GoldenTree unilaterally elected to change three key provisions in their legal documents to reduce the liquidity rights of investors, and communicated to investors that if they did not approve these changes they would be automatically terminated as limited partners in the fund.

After careful consideration, we decided to not accept these amendments and communicated our desire to redeem from the fund. GoldenTree has agreed to establish a liquidating account for redeeming investors, and they will monetize investments in an orderly manner and return cash. Cliffwater, our Absolute Return Consultant, was heavily involved in our deliberations and our negotiations with the GoldenTree management.

Satellite Fund II

At the January 2009 meeting of the State Investment Council, we informed the Council that Satellite Fund II (“Satellite”) had communicated its intention to commence an orderly liquidation of the fund and to distribute proceeds to investors periodically.

In early February, Satellite provided investors with an update to their plans, and they are now offering investors two options: the ability to proceed with the liquidation of their interest as previously communicated, or the option to transfer to a new credit fund, Satellite Strategic Credit Fund (“Credit Fund”).

Cliffwater and Division staff had several meetings with Satellite to review this new option. After careful consideration, we are proposing to not accept this new alternative, and will request that our investment be paid out over time in accordance with the original plan.

We look forward to discussing these actions at the upcoming Council meeting.

WGC:lt