

INVESTMENT MANAGEMENT AGREEMENT

This INVESTMENT MANAGEMENT AGREEMENT is made and entered into as of this 21st day of February, 2013 (the "Agreement"), by and between the Kentucky Teachers' Retirement System Insurance Trust Fund (the "Client") and Shenkman Capital Management, Inc. (the "Investment Manager"), a New York corporation.

WHEREAS, the Investment Manager offers a discretionary investment advisory service for the management of accounts to trade and invest in high yield securities;

WHEREAS, the Client's assets are those of a state public pension plan which governed by, and are to be invested in accordance with the provisions of Section 430 of Chapter 161 of the Kentucky Revised Statutes;

WHEREAS, the Client wishes to avail itself of the experience, advice and assistance of the Investment Manager with respect to the investment of certain of its assets; and

WHEREAS, the Client and the Investment Manager desire to enter into this Agreement for the purpose of retaining the Investment Manager to manage, invest and reinvest the assets placed by the Client under the Investment Manager's supervision on a discretionary basis.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby agree as follows:

1. Retention of the Investment Manager; The Account. (a) The Client hereby retains the Investment Manager to provide investment management services for the Account (as defined below) subject to the terms and conditions of this Agreement. The Investment Manager hereby accepts such retention and agrees to manage the Account in accordance with the terms and conditions of this Agreement.

(b) For purposes of this Agreement, the "Account" shall mean and consist of cash and other assets acceptable to the Investment Manager as may be allocated by the Client to the Investment Manager from time to time, including profits and interest (realized and unrealized) and less losses (realized and unrealized) on the investment and reinvestment of such cash and other assets and less withdrawals.

(c) The Client shall advise the Investment Manager of the amount initially allocated to the Account. The parties agree that the Client may make additional allocations to, or make withdrawals from, the Account upon ten (10) business days prior written notice to the Investment Manager. Notwithstanding the foregoing, on the last business day of each calendar quarter, the Client shall upon four (4) business days' prior written notice to the Investment Manager, make a withdrawal of all income generated by the Account during such quarter.

2. Authority of the Investment Manager. (a) The Investment Manager shall manage and direct the investment of the Account in accordance with the investment objectives,

restrictions and other guidelines (collectively, the "Investment Policies") set forth in Schedule A attached hereto, Section 430 of Chapter 161 of the Kentucky Revised Statutes and subject to the terms and conditions of this Agreement. Subject to the foregoing, the Investment Manager shall have full discretion and authority to manage and direct the investment and reinvestment of the Account without obtaining the Client's prior approval. In furtherance of the foregoing, the Client hereby designates and appoints the Investment Manager as its attorney-in-fact, with full power and authority and without further approval of the Client to carry out the following with respect to the Account, to:

- (i) buy, sell, hold, exchange, convert and otherwise trade in straight and convertible debt instruments and other securities and obligations of every kind;
- (ii) place orders with or through brokers or dealers selected by the Investment Manager;
- (iii) instruct the Custodian (as defined below) to deliver securities sold, exchanged, disposed of or otherwise traded for the Account and to pay cash for securities delivered to the Custodian for the Account;
- (iv) exercise or direct the exercise of any privilege or right attaching to the assets held in the Account, including voting rights and proxies solicited by or with respect to the issuers of such assets;
- (v) direct the Custodian as to the investment of cash balances of the Account;
- (vi) perform any other act necessary or desirable to enable the Investment Manager to carry out its obligations under this Agreement; provided, that in no event shall the Investment Manager have any authority to take or maintain possession or custody of assets in the Account; and
- (vii) exercise "investment discretion" over the Account within the meaning of Section 13(f) of the Securities Exchange Act of 1934 (the "Act"), provided that only the Investment Manager shall be responsible for filing any required reports with the SEC pursuant to Section 13(f) of the Act, and the rules and regulations thereunder.

The foregoing power of attorney is a continuing power, coupled with an interest, and shall remain in full force and effect until revoked by the Client in writing; provided, that any such revocation shall not affect any transaction initiated prior to receipt of such notice.

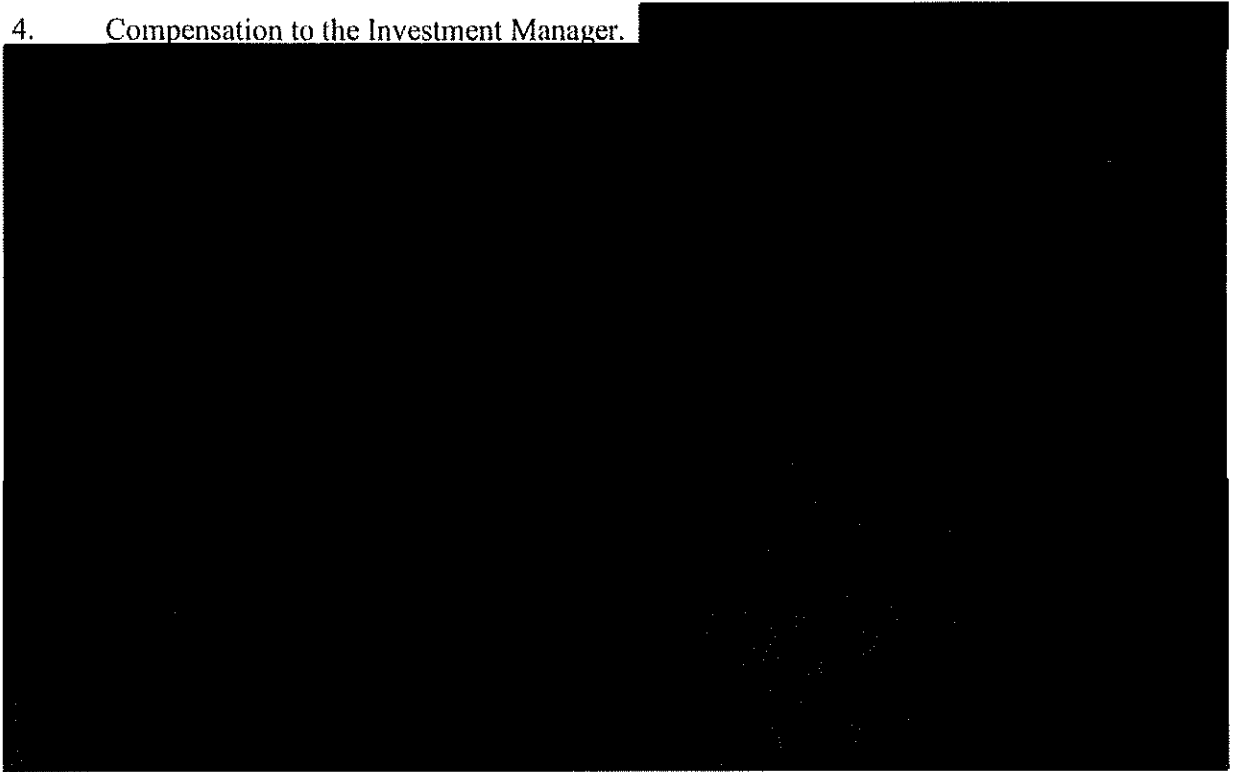
(b) The Client shall, to the extent permitted by applicable law, execute, or cause to be executed, all such additional certificates, documents and instruments and take all other actions as the Investment Manager may consider reasonable or advisable to carry out its duties hereunder.

(c) The Investment Policies may be amended from time to time by the Client upon written notice to the Investment Manager; provided, that such amended Investment Policies shall not affect any transaction initiated prior to the receipt thereof by the Investment Manager. The

Client shall not initiate any transaction for the Account, or terminate the Investment Manager's authority with respect thereto, without first notifying the Investment Manager.

3. Custodian; Transaction Procedures. The Client shall notify the Investment Manager in writing of the name and address of the institution serving from time to time as the custodian of the Client (the "Custodian") and all transactions for the Account shall be consummated by payment to and delivery by, or delivery to and payment by, the Custodian. In no event shall the Investment Manager act as custodian with respect to, or have possession of, any of the assets of the Account, although it may issue instructions to the Custodian as may be appropriate in connection with its services and authority hereunder. All transactions effected by the Investment Manager for the Account in accordance with the provisions of this Agreement shall be at the expense and risk of the Client, and the Client shall be liable for all obligations, losses, transaction costs or other charges (including clearing and settlement fees), calls for payment and other liabilities sustained in accordance with the provisions of this Agreement.

4. Compensation to the Investment Manager.



5. Investments for the Account of Others. The Client understands and agrees that the Investment Manager's services hereunder are not exclusive and that the Investment Manager and its employees and affiliates may give advice and effect transactions for their own account and for the account of other clients for which they provide investment advisory services, including other clients' discretionary accounts, that may differ from advice given, or the time or nature of action taken, with respect to the Account. The Client also understands that the Investment Manager may render advice and/or take action on securities of companies with respect to which the Investment Manager acts as investment adviser and that in certain instances, it may be necessary for the Investment Manager to execute transactions between or among client accounts (including

rebalancing trades between client accounts) by executing simultaneous purchase and sale orders for the same security with a broker/dealer selected in accordance with the Investment Manager's applicable policies and procedures. The Client further understands and agrees that nothing contained in this Agreement shall be deemed to impose upon the Investment Manager any obligation to purchase or sell, or to recommend for purchase or sale, for the Account any security or other asset that the Investment Manager or its employees or affiliates may purchase or sell for their own account or for the account of any other client, if in the sole discretion of the Investment Manager it is for any reason undesirable or impracticable to take such action or make such recommendation for the Account. Notwithstanding the foregoing, the Investment Manager agrees to allocate, to the extent practical, investment opportunities to the Account, over a period of time on a fair and equitable basis relative to other similarly situated clients.

6. Representations of the Investment Manager. The Investment Manager hereby represents and warrants to the Client that:

(a) it is duly authorized and empowered to execute, deliver and perform this Agreement;

(b) this Agreement constitutes a valid and binding obligation of the Investment Manager, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency or similar laws from time to time in effect that affect the rights of creditors;

(c) the person executing this Agreement on its behalf has full power and authority to do so;

(d) it is a registered investment advisor as defined under the Investment Advisers Act of 1940, as amended (the "Advisers Act");

(e) it has obtained all applicable licenses and qualifications required to render the services contemplated under this Agreement and agrees to maintain the same in effect for so long as this Agreement is in effect;

(f) It is a "fiduciary" as defined in Section 3(21)(A) of ERISA and as required under Section 161.430 of the Kentucky Revised Statutes, with respect to the Account, will conduct itself in accordance with such requirements, including those contained in Section 161.430(3)(b) of the Kentucky Revised Statutes, and will not delegate its fiduciary responsibilities;

(g) It shall purchase and maintain at its own expense an Errors and Omission and Directors Officers Liability insurance policy, to be in effect during the entire term of this contract, which includes a minimum Limit of Liability of [REDACTED]. In the event that the Investment Manager's policy is written on a "Claims Made" form, Investment Manager shall, upon written request of the Client, furnish evidence that the liability coverage has been maintained for at least five (5) years after this contract's expiration or cancellation date, either by submitting renewal policies with a retroactive date of not later than the date work commenced under this contract, or by evidence that Investment Manager has purchased an Extended Reporting Period Endorsement that will apply to any and all claims arising from work performed under this contract. Upon request of the Client, Investment Manager shall provide

copies of renewal policies or Certificates of Insurance on an annual basis to the Client so that continuous coverage is provided during the term of this Agreement;

(h) It has not and will not pay or cause to be paid any money, fees, political contributions or other things of value to any third party as result of or in relation to investment counseling services provided to the Client, without the Client's informed written consent. Investment Manager hereby certifies that it has not and will not accept any money, fees, or other things of substantial value from any third party as a result of or in relation to investment counseling services provided to the Client, without the Client's informed written consent. In addition, Investment Manager agrees to act as a fiduciary to the Client in regard to any payments, fees or other things of substantial value nevertheless received from a third party in relation to providing investment counseling services to the Client, unless the Investment Manager's acceptance and retention of such item was fully disclosed to and approved by the Client in writing. Investment Manager agrees to exercise independent professional judgment, without material conflict of interest, in providing independent investment counseling services to the Client. Investment Manager shall certify as to its compliance with this section and the Client's Conflict of Interest and Confidentiality Policy by executing the Client's External Service Provider Conflict of Interest Statement. The Client's Conflict of Interest and Confidentiality Policy and External Service Provider Conflict of Interest Statement are attached hereto and incorporated herein as Schedule C. Investment Manager hereby certifies that Investment Manager is legally entitled to enter into this Agreement with the Client and certifies that by entering into this Agreement Investment Manager is not and will not be violating KRS 121.056 and will not create any conflict of interest that has a materially adverse affect on its ability to perform its duties and obligations hereunder. The Investment Manager shall not knowingly engage directly or indirectly in any financial or other transaction with a trustee or employee of the Client which would violate standards of the Executive Branch Ethics provisions, as set forth in KRS Chapter 11A. Further, the Investment Manager certifies that neither the firm, nor its employees, have knowingly violated any of the Executive Branch Ethics provisions or the campaign finance laws of the Commonwealth, and the award of a contract to the firm will not violate any of the Executive Branch Ethics provisions or the campaign finance laws of the Commonwealth or the Client's Conflict of Interest and Confidentiality Policy;

(i) To the extent permitted by applicable law, Investment Manager shall promptly advise the Client in writing of any investigation, examination, complaint, disciplinary action or other proceeding that has a materially adverse effect on its ability to perform its duties under this Agreement (hereinafter referred to as "Investigation"), which Investigation is commenced by any of the following: the Securities and Exchange Commission of the United States, any securities exchange, the National Association of Securities Dealers, any Attorney General or any regulatory agency of any state of the United States, any United States government department or agency, or any governmental agency or self-regulatory agency regulating securities or derivative transactions of any country in which Investment Manager is doing business or to which Investment Manager is subject. Except as otherwise required by law, the Client shall maintain the confidentiality of all such information until the investigating entity makes the information public. The Investment Manager shall also provide to the Client, on no less than an annual basis, a report summarizing all material litigation to which the Investment Manager is a party to and the details of any settlement thereof;

(j) Investment Manager shall disclose in its Form ADV Part 2A all material conflicts of interest, whether actual, potential or perceived. No less frequently than annually, the Investment Manager will review and update, if necessary, its Form ADV Part 2A and will provide a copy to the Client;

(k) The Investment Manager shall promptly advise the Client in the event of any change in control of the Investment Manager or in the Investment Manager's Chief Investment Officer;

(l) The Investment Manager has adopted and implemented compliance policies and procedures that are reasonably designed to prevent violations of the federal securities laws. Additionally Investment Manager shall maintain an adequate system of controls to ensure that the financial information reported to the Client is accurate and complete, and that the Investment Manager, at all times, is in compliance with the terms of this Agreement; and

(m) To the extent permitted by law, it will promptly advise the Client if any of the foregoing representations are no longer true.

7. Representations of the Client. The Client hereby represents and warrants to the Investment Manager that:

(a) it is duly empowered and authorized to execute, deliver and perform this Agreement;

(b) this Agreement constitutes a valid and binding obligation of the Client, enforceable against it in accordance with its terms, subject to bankruptcy, insolvency or similar laws from time to time in effect that affect the rights of creditors;

(c) the person(s) executing this Agreement on its behalf has (have) full power and authority to do so;

(d) it has a net worth as of the date hereof in excess of \$1.5 million;

(e) it is a "qualified institutional buyer" as defined in Rule 144A under the Securities Act of 1933, as amended;

(f) it is not a "private investment company" (i.e., a company that would be an "investment company" as defined under Section 3(a) of the Investment Company Act of 1940, as amended (the "Investment Company Act"), but for the exception to such definition under Section 3(c)(1) or (7) of that Act) nor an investment company registered under the Investment Company Act; and

(g) it is not involved in money laundering activities or other illegal activities.

8. Term; Termination. (a) The initial term of the Investment Manager's appointment hereunder shall expire on June 30, 2013 (the "Initial Term"). Upon the expiration of the Initial Term, this Agreement shall automatically extend from year to year unless earlier terminated. For

purposes of this Section 8, the term "year" shall mean the Client's fiscal year, which is the 12 month period ending on June 30th of each calendar year."

(b) This Agreement may be terminated as of the last day of any month by either the Client or the Investment Manager upon thirty (30) days prior written notice to the other party; provided, that this Agreement shall automatically terminate in the event of its assignment (within the meaning of the Advisers Act) by the Investment Manager (unless such assignment is consented to by the Client). Such termination shall be without the payment of any penalty, except that any party required to pay compensation or refund compensation previously paid under any provision of this Agreement with respect to services rendered before the effective date of such termination shall remain liable to the party to whom such compensation or refund is due and owing, regardless of such termination. Notwithstanding any such termination, the Client shall be obligated to honor all orders and trades effected by the Investment Manager prior to the effective date of such termination.

(c) Upon termination of this Agreement, the Investment Manager shall cease and suspend all trading activities hereunder, other than trading activities to liquidate the Account's assets as instructed in writing by the Client or in respect of transactions in progress or transactions effected prior to the receipt of a notice of termination.

(d) The terms and provisions of Sections 4, 11 and 12 shall survive termination of this Agreement.

9. Brokers and Dealers. The Client acknowledges that the Investment Manager shall be authorized to select the brokers and dealers through which transactions for the Account are to be effected and such brokers and dealers will be paid brokerage commissions from the Account in respect of such transactions. In selecting brokers and dealers to effect transactions, the Investment Manager will consider such factors as price, the brokers' or dealers' facilities and ability to effect the transactions, reliability and financial responsibility and any research or research-related services provided by such brokers or dealers. The Investment Manager may cause an amount to be paid to a broker or dealer that furnishes research or research-related services at a higher price than that which might be charged by another broker or dealer for effecting the same transaction; provided, that the Investment Manager determines in good faith that the amount of commissions charged is reasonable in relation to the value of the brokerage and research and research-related services provided by such broker or dealer.

10. Reports. (a) The Investment Manager and the Client shall each furnish to the other, and the Client shall cause the Custodian to furnish to the Investment Manager, upon request, such information, authorizations and documents as it may from time to time reasonably require in order to carry out its obligations under this Agreement.

(b) The Investment Manager shall maintain records of its actions taken with respect to the Account and shall furnish copies thereof to the Client from time to time upon request. All such records books and accounts shall be maintained and preserved as provided for in Rule 204-2 of the Investment Advisers Act of 1940. During such period, the Client, its auditors, accountants and authorized agents, from time to time, upon reasonable notice and during normal business hours, shall have the right to inspect and audit such records, books and accounts. In addition, the

Investment Manager shall provide the Client, as soon as practicable following the end of the applicable period, with (i) monthly unaudited valuations and performance summaries, (ii) quarterly unaudited valuations and performance summaries, and (iii) any such reports and information regarding the investment activity of the Account as it may from time to time reasonably request.

11. Confidentiality. All information and advice furnished by one party to the other party (including their respective agents, employees and representatives) hereunder shall be treated as confidential and shall not be disclosed to third parties, except as may be necessary to comply with applicable governmental laws, rules and regulations, subpoenas or court orders. Notwithstanding the foregoing, the Client authorizes the Investment Manager, in the normal course of its business activities, to disclose to others that the Client is an investment advisory client of the Investment Manager and acknowledges and agrees that the Investment Manager may use the Account's investment performance under this Agreement on an undisclosed basis in its composite performance presentations. Notwithstanding the foregoing, the Client shall be entitled to disclose the following information to any person at any time, without the consent of, or advance notice to the Investment Manager: (i) the fact that the Client has entered into this Agreement with the Investment Manager, (ii) the amount of the assets held in the Account, (iii) the amount of aggregate distributions from the Client's investment in the Account, and (iv) the fair market value of the Account.

12. Scope of Liabilities. The Investment Manager shall provide the Client the benefit of its best judgment and efforts in rendering its services under this Agreement, and as an inducement to provide such services, the Investment Manager and its directors, officers, shareholders, and employees shall not be liable hereunder for any mistake of judgment or in any event whatsoever; provided, that nothing herein shall be deemed to protect or purport to protect the Investment Manager or its directors, officers or employees against any liability to the Client that it may otherwise be subject by reason of willful malfeasance, bad faith or gross negligence in the performance of the Investment Manager's obligations and duties hereunder or for a violation of applicable securities law.

13. Indemnification. (a) To the extent permitted by law, the Investment Manager agrees to indemnify and hold harmless the Client, its directors, officers, employees and agents from and against any losses, liabilities damages, costs or expenses, including reasonable attorneys' fees and any legal or other costs or expenses reasonably incurred, that are the direct result of the Investment Manager's gross negligence, bad faith, willful misconduct, material breach of its representations, duties or obligations under this Agreement, or violation of any applicable securities law.

(b) To the extent permitted by law, Client agrees to indemnify and hold harmless the Investment Manager, its directors, officers, employees and agents from and against any losses, liabilities damages, costs or expenses, including reasonable attorneys' fees and any legal or other costs or expenses reasonably incurred, that are the direct result of the Client's gross negligence, bad faith, willful misconduct, material breach of its representations, duties or obligations under this Agreement, or violation of any applicable securities law.

14. Valuation. In computing the fair market value of the Account, loans shall be valued either (i) at the bid price on the date of determination as quoted to the Investment Manager by one or more brokers or dealers, or if no sales occurred on such date, at the closing bid price on the last day a sale occurred; or (ii) as determined by a pricing service selected by the Investment Manager. Securities traded over the counter that are freely transferable shall be valued at the mean of the bid and asked price as quoted to the Investment Manager as of the relevant valuation date by one or more brokers, dealers or pricing services selected by the Investment Manager; provided, that if bid and asked price quotations are not available for any particular security or investment in the Account, such security or investment shall be valued in a manner determined in good faith by the Investment Manager.

15. Independent Contractor. The Investment Manager shall for all purposes of this Agreement be deemed to be an independent contractor and, except as otherwise expressly provided herein, shall have no authority to act for or represent the Client or otherwise be deemed an agent of the same.

16. Notices. All communications and notices required or permitted to be sent under this Agreement shall be in writing and shall be given (and shall be deemed to have been duly given upon receipt) by delivery in person, by telecopy or other electronic means (which is confirmed), by registered or certified mail (postage prepaid, return receipt requested) or by overnight delivery service to the addresses set forth below or other such address as either party may specify in writing to the other.

If to the Client:

Kentucky Teachers' Retirement System Insurance Trust Fund
479 Versailles Road
Frankfort, KY 40601
Attn: Paul Yancey
Fax: (502) 573-6695

If to the Investment Manager:

Shenkman Capital Management, Inc.
461 Fifth Avenue, 22nd Floor
New York, NY 10017
Attn: Mark R. Shenkman
Fax: (212) 867-9106

17. Authorized Persons. (a) Each person listed on the list of signatures set forth on Schedule C hereto (as amended, supplemented or modified from time to time, the "Authorized

Signatories List”) shall be an “Authorized Person” hereunder. The Authorized Signatories List: (i) constitutes the valid signatures of all directors, officers, employees or agents of the Client who are authorized to take action with respect to the Account; and (ii) sets forth the level of authority that each such Authorized Person has with respect to the Account.

(b) The Authorized Signatories List may be amended, supplemented or modified only upon satisfaction of the following conditions:

- (i) the Investment Manager shall have received notice of such amendment, supplement or modification in accordance with Section 16;
- (ii) such notice shall have been delivered by an Authorized Person who is specifically designated with the authority to add or delete Authorized Persons or to change the authority levels of Authorized Persons; and
- (iii) such notice shall include a copy of a new Authorized Signatories List listing each Authorized Person, the level of authority of each Authorized Person and a copy of the true signature of each Authorized Person.

(c) The Investment Manager shall conclusively rely on the authority designated in the Authorized Signatories List of such persons set forth thereon to act on any document executed by any of them, anything to the contrary contained in this Agreement notwithstanding.

18. Responsibilities upon Termination. Upon expiration or termination of this Agreement for any reason, and except as otherwise expressly directed by the Client, the Investment Manager shall: (i) take all necessary steps to immediately cease active investment services under the Agreement; provided however, until all funds have been transferred, Investment Manager remains a fiduciary to the Client and shall continue to perform its routine accounting and reporting obligations; (ii) upon notice from the Client, transfer to the Client or to investment manager(s) of the Client’s choosing, under terms and conditions directed by the Client to Investment Manager, management of the assets of the Account; (iii) cooperate with the Client in good faith to effect a smooth and orderly transfer of the Account, all services and all applicable records; and (iv) retain all the Client records according to the record retention provisions set forth in Paragraph 10 of this Agreement. Investment Manager understands and agrees that Investment Manager’s fiduciary responsibilities under this Agreement extend through the orderly wind up and transfer of the Account to any party or entity designated by the Client, and if Investment Manager is so directed by the Client, such responsibilities may include decisions related to the liquidation or conversion of specific investments within the Account. The Client’s obligation to pay Investment Manager fees for investment management activities shall cease upon the removal of all assets under management.

19. Entire Agreement; Amendment; Assignment. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement shall

not be amended, nor shall any provision of this Agreement be considered modified or waived, unless evidenced by the written consent of both parties. This Agreement may not be assigned, nor may any obligation hereunder be transferred or delegated, by either party without the prior written consent of the other.

20. Severability. If any term or provision hereof, or the application thereof to any person or circumstance, shall to any extent be contrary to any exchange or government regulation or otherwise invalid or unenforceable, the remainder of this Agreement or the application of such term or provision to persons or circumstances other than those as to which it is contrary, invalid or unenforceable shall not be affected thereby and, to the extent consistent with the overall intent hereof as evidenced by this Agreement taken as a whole, shall be enforced to the fullest extent permitted by applicable regulation and law.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Kentucky, without giving effect to the conflict of laws principles thereof.

22. Sovereign Immunity. The Investment Manager acknowledges that the Client reserves all immunities, defenses, rights, or actions arising out of its sovereign status or under the Eleventh Amendment to the United States Constitution, except to the extent waived by statute. No waiver of any such immunities, defenses, rights, or actions shall be implied or otherwise considered to exist by reason of its entry into this Agreement, or any agreement related thereto, by any express or implied provision thereof, or by any act or omission to act by the Client or any representative or agent of the Client, whether taken pursuant to any agreement with Investment Manager or prior to the Client's execution thereof. The forgoing shall not be interpreted to relieve the Client of any of its obligations under this Agreement or any agreement related thereto, nor shall it reduce or modify the rights of Investment Manager to enforce such obligations at law or in equity.

23. Disclosure Statement. The Client acknowledges receipt of the Investment Manager's Form ADV, Part II, as required by Rule 204-3 under the Advisers Act.

24. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which shall together constitute one and the same instrument. Facsimile and electronic signatures shall be acceptable and binding.

25. Survival of Provisions. The provisions of paragraphs 10, 11, 13, 18, 21 and 22 hereof shall survive the expiration or termination of this Agreement.

[signatures appear on the following page]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

**Kentucky Teachers' Retirement System Insurance
Trust Fund**

By: 

Name: KARY L. HARRIS, CPA

Title: EXECUTIVE SECRETARY

SHENKMAN CAPITAL MANAGEMENT, INC.

By: 

Name: Richard H. Wansten

Title: Chief Operating Officer

SCHEDULE A
INVESTMENT OBJECTIVES, RESTRICTIONS AND OTHER GUIDELINES

DATED AS OF: February 21, 2013

The Investment Manager was selected by the Client primarily because of its expertise in the high yield fixed income market. 


Capitalized terms used but not otherwise defined herein shall have the meaning ascribed thereto in the Agreement. For purposes of the investment guidelines and restrictions set forth below, (i) all percentages and ratings apply immediately after a purchase or initial investment; (ii) any subsequent change in any applicable percentage resulting from market fluctuations (or other changes in total assets) or ratings shall not require corrective action by the Investment Manager; and (iii) if applicable, during the Account's "ramp-up" period, the Investment Manager may manage the Account towards the anticipated fully funded amount of approximately \$100 million (i.e., the minimum and maximum percentage limitations set forth herein shall not apply until the Account is fully funded).

Investment Objective: The investment objective of the Client in respect of the assets in the Account is to maximize excess returns.

Eligible Investments: The Investment Manager is authorized to invest in high yield instruments, including:

- Bank loans made to corporate borrowers, including term loans, bridge loans, delayed draw term loans, revolving loans and letter of credit facilities
- Notes
- Bonds (cash pay and zero coupon)
- Yankee bonds
- Bonds with attached warrants or equity shares
- U.S. Treasury and Agency issues (for investment strategy or defensive purposes)
- Investment grade rated securities
- Derivative or synthetic securities that (A) derive their value from an underlying security or instrument that is eligible for investment under these guidelines and (B) do not leverage or margin the Account

Restrictions and Other Guidelines:

Bank Loans: No more than 15% of the Account's market value shall be invested in second lien term loans.

Bank loan purchases may be made in both the primary and secondary markets. Investments may be made via assignments or participations, and will be subject to the Standard Terms and Conditions of the Loan Syndications and Trading Association for par/near par and distressed bank loans. Assignment and participation fees for non-primary syndication bank loans, as well as fees charged by third-party vendors that perform settlement related or other services with respect to bank loan transactions, will be borne by the Client and will be accounted for in the performance measurement process.

The Client understands that the consent of the borrower and the syndication agent is generally required for each assignment. If settlement of any assignment does not occur because the necessary consents have not been obtained, there may be an amount payable to the seller if the bank loan cannot be remarketed for the same sales price as the Client's failed trade. If the sales price for the replacement trade is less than the sales price for the Client's failed trade, the Client may be responsible to pay the seller the amount by which the Client's sales price exceeds the replacement trade sales price. Conversely, if the sales price for the replacement trade is more than the sales for the Client's failed trade, the seller may be responsible to pay the Client the amount by which the replacement trade sales price exceeds the Client's failed sales price. In any event, the amount payable to the seller or the Client, as the case may be, will be accounted for in the performance measurement process.

Issue/Issuer: The portfolio will be diversified, so that, except for U.S. Treasury and Agency issues, no more than 5% of the Account's market value shall be invested in a single issue/loan or issuer/borrower.

Industry: No more than 20% of the Account's market value shall be invested in any one industry, except for U.S. Treasury and Agency issues.

Other: Except for U.S. Treasury and Agency issues, no more than 10% of the Account's market value shall be invested in non bank loan assets, including bonds and convertible securities.

There shall be no restrictions on the following activities: (i) turnover of the Account's portfolio; and (ii) the Account's realized gains or losses.

The Investment Manager shall not leverage or margin the Account or engage in short sales.

Acknowledged and accepted as of the date first set forth above:

Kentucky Teachers' Retirement System Insurance Trust Fund

By: 

Name: GARY L. HARBIN, CIA

Title: EXECUTIVE SECRETARY

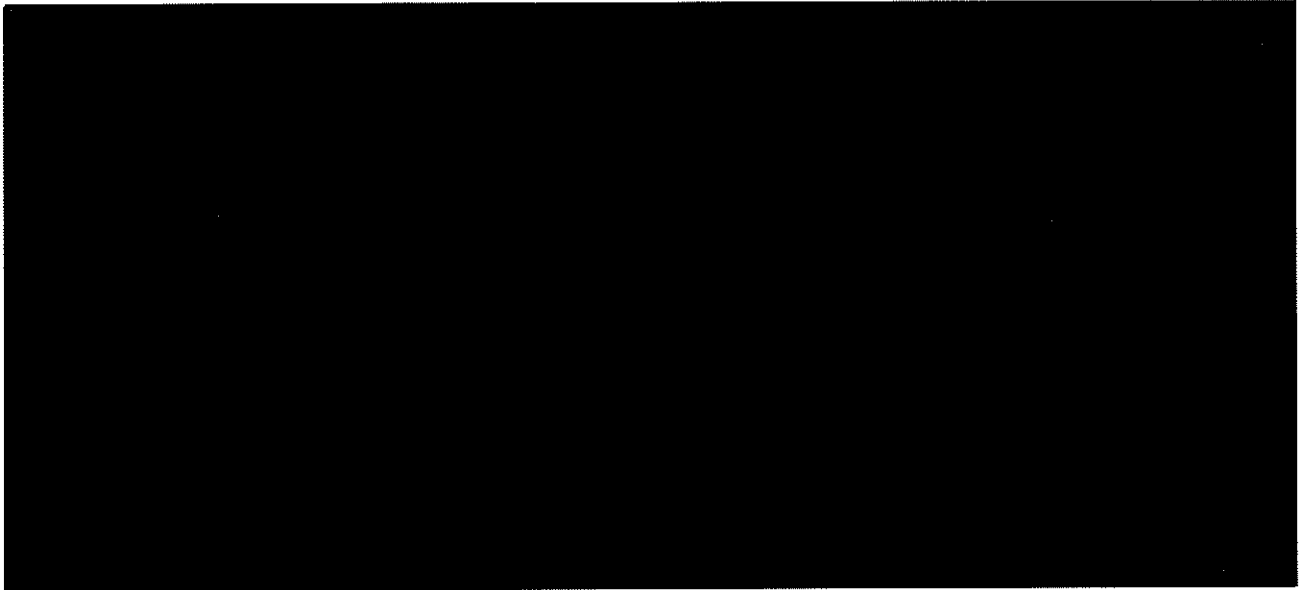
SHENKMAN CAPITAL MANAGEMENT, INC.

By: 

Name: Richard H. Weinstein

Title: Chief Operating Officer

SCHEDULE B
FEE SCHEDULE



**SCHEDULE C
AUTHORIZED SIGNATORIES LIST**

The following individuals are Authorized Persons within the meaning of Section 17 of this Agreement. Each Authorized person is hereby designated to (i) authorize additions or deletions of Authorized Persons from this schedule; (ii) change the authority level of any Authorized Person; (iii) implement any changes to the Investment Policies; and (iv) deliver any other notices or instructions necessary in connection with the Account.

NAME/TITLE	SIGNATURE	SPECIAL INSTRUCTIONS
Paul Yancey, Chief Investment Officer		Authorized to take all actions with respect to items (i) through (iv) above.
Gary Harbin, Executive Secretary		Authorized to take all actions with respect to items (i) through (iv) above.
Kevin Carrico, Director – Investment Management		Only authorized to take actions with respect to item (iv) above.
Phil Webb, Investment Accounting Manager		Only authorized to take actions with respect to item (iv) above.
Tom Siderewicz, Senior Investment Officer		Only authorized to take actions with respect to item (iv) above.

SCHEDULE C
CONFLICT OF INTEREST AND CONFIDENTIALITY POLICY AND EXTERNAL
SERVICE PROVIDER CONFLICT OF INTEREST STATEMENT

[see attached]