



Placement Agent Policy Disclosure Letter

March 5, 2011

Treasurer of the State of North Carolina
325 North Salisbury Street
Raleigh, North Carolina 27603

**Re: *Voluntary Disclosure Letter pursuant to Placement Agent Policy,
KRG Capital Fund III, L.P. ("KRG III")***

Ladies and Gentlemen:

Under Section II of the Placement Agent Policy adopted by the North Carolina Department of State Treasurer on October 19, 2009 (the "Placement Agent Policy"), KRG Capital Partners (the "Investment Manager") is voluntarily electing to comply with the Placement Agent Policy as such policy applies to KRG III managed by Investment Manager in which the NC Funds (as defined in the Placement Agent Policy) committed to invest prior to the effective date of the Placement Agent Policy. Pursuant to and in accordance with Section II of such Placement Agent Policy, the undersigned Investment Manager hereby makes the following voluntary disclosures. Capitalized terms not otherwise defined in this Disclosure Letter have the same meanings as specified in the Placement Agent Policy.

1. Use of Placement Agent *(please check the appropriate box):*

The Investment Manager (or any officer, partner, principal or affiliate thereof) elected to use the services of a Placement Agent to assist the Investment Manager in obtaining investments for KRG III from the NC Funds back in 2004-2005. *(Note that this box should be checked whether the compensation provided to the Placement Agent is a flat fee, contingent fee, or any other form of compensation or benefit (tangible or intangible).) If this box is checked, please provide the disclosures as prompted in paragraphs 2 through 8.*

Neither the Investment Manager nor any officer, partner, principal or affiliate thereof has elected to use the services of a Placement Agent to assist the Investment Manager in obtaining investments from or doing business with any of the NC Funds. *If this box is checked, no further disclosures are necessary.*

2. Placement Agent Information:

1800 Larimer Street ♦ Suite 2200 ♦ Denver, CO 80202
(303) 390-5001 ♦ Fax (303) 390-5015

(a) The name of the Placement Agent was: Probitas Funds Group, LLC

(b) Attached is a resume for each officer, partner, and/or principal of the Placement Agent, detailing the person's education, work experience and professional designations. NOTE: Please see Exhibit A. As the Placement Agent was retained in December 2004, the Investment Manager does not recall, nor did they have specific knowledge of, who all the partners of the Placement Agent were at that time. However, the Investment Manager had specific knowledge of four individuals who had founded the Placement Agent immediately prior to the Investment Manager retaining them. Those individuals are Michael Hoffman, Greg Hausler, Craig Marmer and Dale Meyer. Resumes of Messrs. Hoffman, Hausler and Marmer are attached, and were obtained from the Placement Agent's public website. Mr. Meyer joined the Investment Manager in April 2007, and the attached is his resume as disclosed on the Investment Manager's public website.

(c) Listed below are any and all officers, partners and/or principals of the Placement Agent that are current or former North Carolina Department of State Treasurer employees, Investment Advisory Committee members, or consultants or members of the immediate family of any such person (*attach additional pages as necessary*):

The Investment Manager is not privy to such information for Messrs. Hoffman, Hausler and Marmer, and Mr. Meyer is not a current or former employee of the North Carolina Department of State Treasurer.

3. Placement Agent Compensation: Described below is any and all compensation of any kind provided or agreed to be provided to a Placement Agent including the nature, timing and value of such compensation. (*Note that compensation to a Placement Agent is deemed to include compensation to third parties as well as employees of the Investment Manager who are retained in order to solicit, or who are paid based in whole or in part upon, an investment from or business with any of the NC Funds (attach additional pages as necessary)*):

The Placement Agent earned a cash fee of 1% of all capital committed to KRG III above \$250 million. Such fee, which totaled \$4.9 million, was payable in semi-annual installments to the Placement Agent from the closing of KRG III (March 2005) through December 2006.

4. Terms of Agreement with Placement Agent: Described below are the terms of the agreement or arrangement (oral or written) creating an obligation to pay a fee to or for the benefit of any Placement Agent the Investment Manager has elected to use in connection with obtaining investments or doing business with the Treasurer. (*Please note that in the case of any oral agreement, the full extent of*

such agreement should be written and summarized, succinctly describing the terms of such agreement or arrangement with the Placement Agent, including details of the nature, timing, and value of the compensation or benefit provided (attach additional pages as necessary))

The compensation described in (3) above was pursuant to a written letter agreement with the Placement Agent dated December 13, 2004. The Placement Agent was retained on an exclusive basis, and the Investment Manager agreed not to offer or sell any interest in KRG III other than through the Placement Agent (with the exception of high net worth "friends and family" investors).

5. Actions and Investigations Involving Placement Agent (please check the appropriate box): **NOTE: The Investment Manager was never privy to information necessary to answer this question.**

The Placement Agent (or any officer, partner, principal or affiliate thereof) has been the subject of an action, or investigation by a federal, state, or local government agency or regulatory body in the last ten (10) years and/or anticipates being the subject of such actions or investigations in the future. If this box is checked, the following describes any such action(s) or investigation(s) (attach additional pages as necessary):

Neither the Placement Agent nor any officer, partner, principal or affiliate thereof has been the subject of any actions, or investigations by any federal, state, or local government agencies or regulatory bodies in the last ten (10) years or anticipates being the subject of any such actions or investigations in the future.

6. Relationships between Placement Agent and Department of State Treasurer (please check the appropriate box): **NOTE: As the Investment Manager's engagement with the Placement Agent took place seven years ago, we do not have the knowledge necessary to respond to this question as to all current officers, partners, principals, etc. of the Placement Agent. However, with respect solely to the individuals identified in Section 2(b) of this letter (i.e. Messrs. Hoffman, Hausler, Marmer and Meyer), please find our response below.**

The Placement Agent (or any officer, partner, principal or affiliate thereof) has had a prior personal or professional relationship with a current or former

Department of State Treasurer employee, Investment Advisory Committee member, and/or consultant or a member of the immediate family of such person who suggested the retention of the Placement Agent. If this box is checked, the following lists the name(s) of such individual(s) (*attach additional pages as necessary*):

The Placement Agent (or any officer, partner, principal or affiliate thereof) has not had any prior personal or professional relationship with any current or former Department of State Treasurer employee, Investment Advisory Committee member, or consultant or a member of the immediate family of such person who suggested the retention of the Placement Agent.

7. Registration of Placement Agent and Licensing of Placement Agent Representatives. The Investment Manager hereby confirms that (i) the Placement Agent is registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, (ii) the individual officers, partners, principals, employees, or other representatives of the Placement Agent hold all required securities licenses, (iii) no placement fee has been shared with any person or entity not so registered and (iv) the Placement Agent is in the habitual systematized business of acting as a Placement Agent. **NOTE: The Placement Agent represented in the engagement letter that they were duly registered as a broker dealer under the Securities Exchange Act of 1934. Additionally, to the best of the Investment Manager's knowledge, Probitas Funds Group was in the habitual systematized business of acting as a placement agent during 2004-2005. Regarding (ii) and (iii) above, this information was not provided to the Investment Manager by the Placement Agent or represented as such in the engagement letter with the Placement Agent, therefore the Investment Manager is unable to confirm such representations.**

(a) The Placement Agent's registration details are as follows:

The following information is from the Placement Agent's public website: Probitas Funds Group, LLC is a member of FINRA and is regulated by the U.S. Securities and Exchange Commission.

(b) For each individual officer, partner, principal, employee and other representative of the Placement Agent, the registrations, number of years of employment by the Placement Agent and the number of years of experience directly related to such business are as follows (*attach additional pages as necessary*):

For individuals identified in question 2(b), see resumes attached in Exhibit A noting number of years of employment with the Placement Agent and experience disclosures. The Investment Manager is not privy to any information regarding registrations for these same individuals.

8. Lobbying Information of Placement Agent (please check the appropriate box):
NOTE: The Investment Manager was never privy to information necessary to answer this question.

The Placement Agent (and/or any officer, partner, principal or affiliate thereof) is registered as a lobbyist with a state government. If this box is checked, the following are the names and positions of such persons and the registrations held (attach additional pages as necessary):

Neither the Placement Agent nor any officer, partner, principal or affiliate thereof is registered as a lobbyist with any state government.

9. The Investment Manager hereby confirms that none of the Investment Manager nor their respective officers, partners, principals or affiliates has made any contribution to the Treasurer or any elected official in violation of any published policy approved by the Treasurer or applicable state or federal law.

[Signature Page Follows]

By signing below, the Investment Manager hereby represents and warrants that the information found in this Disclosure Letter is true, correct, and complete in all material respects.

Sincerely,

KRG Capital Partners

Name of Investment Manager

By: *Theresa D. Shelton*

Name: Theresa D. Shelton

Title: Chief Operating Officer & Director

Date: March 5, 2011

Disclosure Letter reviewed and accepted by:

NORTH CAROLINA DEPARTMENT OF STATE TREASURER

By:

Name: _____
Title: _____
Date: _____

By:

Name: _____
Title: _____
Date: _____

Exhibit A

Placement Agent Policy Disclosure Letter, KRG III

Question 2(b)

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Michael Hoffman, President and Partner, Probitas Funds Group, LLC

Mike has more than twenty-eight years of industry experience and is responsible for overseeing Probitas Partners' policy and overall corporate strategy as well as building and maintaining institutional investor relationships in North America and abroad. Prior to founding Probitas Partners, Mike was a Director at Credit Suisse First Boston (formerly Donaldson, Lufkin & Jenrette) in the Private Fund Group, where he was responsible for maintaining key investor relationships in western North America as well as sourcing and evaluating prospective general partners. Prior to CSFB, Mike held senior managerial and investment positions with MetLife Realty and AMB Realty Advisors, two of the leading institutional real estate advisory firms in North America. He began his career as an attorney with the law firms of Johnson Bromberg and Allen Matkins, specializing in the structuring of complex corporate transactions. Mike earned his BA in English, Sociology and Political Science at University of Wisconsin, Madison, where he additionally earned his JD and MBA. Mike is a member of the State Bars of California, Texas and Wisconsin. He has served on the Board of Directors of the University of Wisconsin Real Estate Alumni Program and continues to be an active academic and conference lecturer at various national symposia.

Greg Hausler, Partner, Probitas Funds Group, LLC

Greg has more than twenty-five years of industry experience and is in charge of Probitas Partners' relationship management activities. Prior to founding Probitas Partners, Greg was a Director at Credit Suisse First Boston (formerly Donaldson, Lufkin & Jenrette) in the Private Fund Group where he was responsible for maintaining key investor relationships in western North America as well as sourcing and evaluating prospective general partners. Before joining CSFB, Greg held positions of increasing responsibility marketing institutional financial products and providing investment advice at Banc America Robertson Stephens, La Salle Advisors and Prudential-Bache Capital Funding. Greg earned a BA in Political Science from Brown University and an MBA from Harvard Business School.

Craig Marmer, Partner, Probitas Funds Group, LLC

Craig has more than sixteen years of industry experience and is responsible for Probitas Partners' primary fundraising project management activities as well as leading its secondary practice. Prior to founding Probitas Partners, Craig served as a Vice President at Credit Suisse First Boston (formerly Donaldson, Lufkin & Jenrette) in the Private Fund Group. As a member of the Private Fund Group since 1994, Craig met with and evaluated hundreds of prospective general partners seeking to raise private equity capital globally. Craig led the firm's efforts in technology and venture capital origination and fundraising. Craig graduated Cum Laude with a BA in International Relations from the University of Pennsylvania and earned a BS in Finance from The Wharton School, University of Pennsylvania

Exhibit A

Placement Agent Policy Disclosure Letter, KRG III

Question 2(b)

Page 2 of 2

Dale Meyer, KRG Capital Partners

Mr. Meyer joined the Investment Manager in 2007 as a Director, and is actively involved in investor relations, deal sourcing and overseeing the Firm's fundraising efforts. Mr. Meyer has over 18 years of investment banking and private equity experience, has worked with over 300 private equity organizations in their capital raising efforts, and in his prior positions provided similar consulting services for the Investment Manager's two predecessor funds. Prior to joining KRG Capital Partners, Mr. Meyer was a Partner at Probitas Partners from 2002 to 2007 where he assisted private equity partnerships in their fundraising as well as working with limited partners seeking liquidity for their private equity portfolios. From 2000 to 2002, Mr. Meyer served as Managing Director at JP Morgan Chase where he led their global private equity fundraising team. From 1999 to 2000, Mr. Meyer was a Senior Managing Director at Bank of America Securities where he led their global private equity fundraising business. From 1988 to 1999 Mr. Meyer served in increasingly senior capacities in Merrill Lynch's Global Private Equity Group. Mr. Meyer has a BS in Metallurgy and Material Science from Columbia University and received his MBA in Finance from New York University Graduate School of Business.