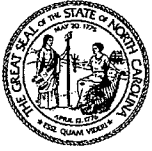


Sent: Thu Oct 22 10:51:26 2009

Subject: NC State Treasurer Placement Agent Policy



STATE OF NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
Investment Management Division

JANET COWELL
TREASURER
MICHAEL WILLIAMSON
DEPUTY TREASURER

October 22, 2009

SCS Financial
Kenneth Minklei
One Winthrop Square
Boston, Massachusetts 02110

Dear Kenneth:

I am writing to inform you of two new policies that North Carolina Department of State Treasurer has adopted. These policies are important and require your immediate attention.

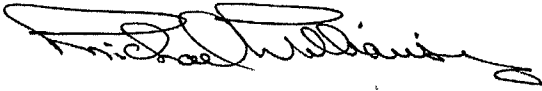
First, the Department has adopted a formal placement agent policy that requires external investment managers to disclose the retention of placement agents and related information in connection with obtaining investments from or doing business with the North Carolina Retirement System and other investment funds held by the Treasurer. Disclosures include the names of the placement agents, the fees paid to them, the resumes of key people, whether the agents are registered with the U.S. Securities and Exchange Commission or the Financial Industry Regulatory Authority and other similar information. Investment managers subject to the policy include general partners, managers and sponsors of private investment funds as well as managers of public equity investments.

The new policy applies to all external investment manager agreements made on or after the adoption of this policy. This policy will also apply to existing agreements if amended following the adoption of the policy to extend the term of the agreement, increase the commitment of funds by the Treasurer or change other substantive terms of the agreement. Finally, the Department requests existing investment managers to voluntarily disclose historical use of placement agents in connection with presently effective agreements. This voluntary disclosure should be made by submitting a Placement Agent Disclosure Letter, in the form attached to the enclosed policy, no later than Friday, November 20, 2009. Any existing investment manager who does not intend to voluntarily comply with this policy should notify the Department prior to the submission deadline.

Second, the Department has also passed a policy at the request of Governor Beverly Perdue to prohibit contractors, including money managers, to make gifts or give favors to any state employee. To comply with this policy, please do not send any gifts to the Investment Management Division or to any individual employed in the Investment Management Division.

Both policies represent an effort by the Treasurer to insure all investment decisions made by the Treasurer and staff be based solely on the merits in conformity with fiduciary standards. If you have any questions, please do not hesitate to contact us.

Sincerely,



Michael Williamson
Interim Chief Investment Officer



NC State Treasurer Addendum A - Form
Placement A... Investment M...

325 NORTH SALISBURY STREET, RALEIGH, NORTH CAROLINA 27603-1385
Courier #56-20-45 (919) 807-3101 (Fax 919-807-3120)
Web Page: <http://www.nctreasurer.com>
An Equal Opportunity/Affirmative Action Employer

ATTACHMENT A

Form of Placement Agent Policy Disclosure Letter

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

Re: Disclosure Letter pursuant to Placement Agent Policy

Ladies and Gentlemen:

Under Section III(A) of the Placement Agent Policy adopted by the North Carolina Department of State Treasurer on October 19, 2009 (the "Placement Agent Policy"), prior to entering into an engagement to engage, hire, invest with or commit to invest, or otherwise do business with the Treasurer of the State of North Carolina (the "Treasurer") or at such time as provided in Section II of the Placement Agent Policy, an Investment Manager (as such term is defined in Section VII(B) of the Placement Agent Policy) must make certain disclosures to the Treasurer regarding its use of Placement Agents (as such term is defined in Section VII(B) of the Placement Agent Policy). Pursuant to and in accordance with such Placement Agent Policy, the undersigned Investment Manager hereby makes the following 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) 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. *(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:

(a) The name of the Placement Agent is: Aqueduct Capital 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.

(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*):

Not applicable

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)*):

SCS to provide Aqueduct Capital Group LLC 20% of any management and incentive fees received by SCS Financial Services, that are attributable to the services provided by Aqueduct.

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)*)

SCS Financial Services and Aqueduct Capital Group entered a non-exclusive agreement where Aqueduct will provide marketing and capital raising services for the Funds, with respect to any and all Investor Prospects. The Investor prospect is defined as: The State of North Carolina.

5. Actions and Investigations Involving Placement Agent (please check the appropriate box):

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):

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):

Richard Moore

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.

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

Aqueduct Capital Group, LLC is registered with the SEC, FINRA and
SIPC.

(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*):

See attachment

8. Lobbying Information of Placement Agent (*please check the appropriate box*):

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.

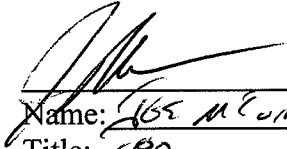
9. The Investment Manager hereby confirms that none of the Investment Manager, the Placement Agent nor their respective officers, partners, principals or affiliates has made any contribution to the Treasurer or any elected official in violation of any published policy approved by the Treasurer or applicable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

[Signature Page Follows]

By signing below, the Investment Manager hereby (i) represents and warrants that the information found in this Disclosure Letter is true, correct, and complete in all material respects, and (ii) agrees that it shall provide the Treasurer with a written update of any material changes to any of the information in this Disclosure Letter within fourteen (14) days from the date the Investment Manager knew or should have known of the change of information.

Sincerely,

SCS Financial Services
Name of Investment Manager

By: 
Name: Bob McCall
Title: COO
Date: 11/19/09

[Disclosure Letter should be signed by an authorized representative of the Investment Manager]

Disclosure Letter reviewed and accepted by:

NORTH CAROLINA DEPARTMENT OF STATE TREASURER

By: _____
Name: _____
Title: _____
Date: _____

By: _____
Name: _____
Title: _____
Date: _____

Answers to Questions.

2 (b) Bios of Managing Partners/Licensed Principals

Thomas A. Roupe, Managing Partner (Licensed Principal)

Tom is a co-founder and Managing Partner of Aqueduct Capital Group. Prior to founding the firm in early 2006, Tom held the position of Managing Director at Goldman Sachs & Co., and was Regional Manager of the Private Wealth Management group in Houston from 2000 through 2005 where his role was heading the southwestern business. Prior to Goldman Sachs, Tom was a Principal and Investment Professional at Morgan Stanley where from 1993 to 2000 he played a key role in developing their Private Client business in the southwest.

Tom received his M.B.A from Harvard University in 1993 and graduated *cum laude* from Stanford University in 1987, where he earned a B.A. in Art History and English. Tom serves on the Board of Directors for the Museum of Fine Arts, Houston, the Hispanic Scholarship Fund and the Alley Theatre. He is also a member of the Council of Overseers at the Jesse H. Jones Graduate School of Management at Rice University and has served on the board of the MD Anderson Cancer Center.

Frank H. Edwards, Managing Partner (Licensed Principal)

Frank is a co-founder and Managing Partner of Aqueduct Capital Group. Prior to founding the firm, he founded AlphaLink Partners, a similar alternative investment intermediary and the predecessor firm to Aqueduct, in 2003. In 2001, he co-founded Turnstone Capital Management, serving as head of marketing and leading the operations efforts of the business. Frank began his career at Morgan Stanley in the Private Client division in 1992, where his primary responsibility was developing the southeastern region. Upon leaving in 2001, he was a Principal of the firm and led one of their largest private client teams.

Frank received his B.S.B.A. from the University of North Carolina, Chapel Hill, in 1992 and currently serves on the UNC Board of Visitors. He is also a board member of KinderMourn in Charlotte, NC, as well as a member of the Advisory Council at Woodberry Forest School.

Marley Walsh Thackray, Marketing Director (Licensed Principal)

Marley is the Marketing Director for Aqueduct Capital Group in the New York City office. Before joining Aqueduct she was part of the marketing and product development effort for DB Absolute Return Strategies, Deutsche Bank's fiduciary hedge fund business, where her responsibilities included coordinating the activities of the New York team from 2003-2006. Prior to that, she spent four years at Deutsche Bank Securities covering hedge funds on the Institutional Equity Sales desk.

Marley received her B.S.B.A from the E. Claiborne Robins School of Business at the University of Richmond.

Marty Pizzo, Controller/Vice President of Operations (Licensed Principal/FINOP)

Marty is the Controller and Vice President of Operations for Aqueduct Capital Group in the Charlotte, North Carolina office. Prior to joining Aqueduct, Marty worked for almost a year at Bank of America as an analyst in the Global Corporate and Investment Bank. In 2001, Marty joined Turnstone Capital Management in New York, where she assisted Frank Edwards with the day to day operations of the fund until she moved to Charlotte in 2003. Before Turnstone, Marty spent three years as the head of investor relations at Narragansett Asset Management, a hedge fund in New York, and started her career at Quilcap Corp. as an assistant to the Chief Operating Officer.

Marty received her B.A. from the University of North Carolina, Chapel Hill.

7 b.

Frank H. Edwards – Managing Member, CCO, Principal - Series 7, 24, 63 – Frank founded Aqueduct Capital Group, LLC in 2006 with Thomas Roupe. He founded the predecessor firm, AlphaLink Partners, LLC in 2003. He has almost 6 years of experience working as a placement agent and over 16 years of experience in the financial services industry (see bio - #2 (b))

Thomas Roupe – Managing Member – Principal - Series 7, 9/10, 24, 63 - Tom founded Aqueduct Capital Group, LLC in 2006 with Frank Edwards. He has almost 4 years of experience working as a placement agent for Aqueduct and over 16 years of experience in the financial services industry (see bio - #2 (b)).

Marty Pizzo – Controller – VP Operations – Principal/FINOP – Series 7, 24, 28, 63 – Marty has worked with Frank Edwards since he founded AlphaLink Partners, LLC in 2003. She worked for several different hedge funds prior to joining AlphaLink and has 12 years experience in the financial services industry (see bio - #2 (b)).

Marley Thackray – Director of Marketing/Investor Relations – Principal - Series 7, 24, 63 – Marley has 4 years of experience working for Aqueduct. Prior to joining Aqueduct, Marley worked for Deutsche Bank for 7 years (see bio - #2 (b)).

Keri McDonald – Vice President - Series 7, 63 – Keri joined Aqueduct 2 ½ years ago and has 9 years of experience in the financial services industry.

Stephanie Holmes – Associate - Series 7, 63 – Stephanie has worked with Aqueduct Capital Group for 2 ½ years.

Steve Lessing – Sales Associate - Series 7, 63 – Steve has worked with Aqueduct Capital Group for 2 ½ years.

Michelle Libertiny – Associate - Series 7 (scheduled for Series 63 exam) – Michelle has worked for Aqueduct Capital Group for 2 months. She was previously employed by Andor Capital Management, LLC and has 8 years of experience in the financial services industry.

Suzanne Ford – Associate - not registered – Suzanne has been employed by Aqueduct Capital Group, LLC for almost 4 years. She is an assistant in the Houston office.