



THE HONORABLE CURTIS M. LOFTIS, JR.
State Treasurer

July 27, 2012

Mr. Mr. Paul A. Meister
Managing Director
Grosvenor Capital Management, L.P.
900 North Michigan Avenue, Suite 1100
Chicago, IL 60611-6558

Dear Mr. Meister:

The South Carolina Retirement System (SCRS) has invested public pension funds in the GCM Palmetto Strategic Partnership, L.P. (Grosvenor) and/or in other affiliated funds of Grosvenor (the Funds). The SCRS is therefore a limited partner (or similar position) in the Funds. We understand that the investment manager of the Funds is Grosvenor Capital Management, L.P., or other affiliated advisers of Grosvenor (the Managers), and may have made various investments in other entities, some of which may be affiliated with the Funds. The purpose of this letter is to request that the Funds or other authorized person inform us whether it has an objection to the South Carolina Retirement System Investment Commission and its staff (Investment Commission) granting access to confidential information about the Funds, their affiliates, and the related investments in which the SCRS has an interest with key members of the staff of the South Carolina State Treasurer.

The SCRS operates through multiple state agencies, and three State agencies serve as co-fiduciaries to the SCRS and its plan participants and beneficiaries. The co-fiduciaries are the Budget and Control Board (which is the trustee of the SCRS and the legal owner of the assets), the State Treasurer (which is the statutory custodian of the SCRS' funds), and the Investment Commission (which invests and manages the SCRS' funds). The State Treasurer has the most unique role because his office is the statutory custodian of all of the SCRS' funds and he serves as a member of both the Budget and Control Board and the Investment Commission. The State Treasurer, therefore, has fiduciary duties to the SCRS and its participants and beneficiaries as trustee, custodian, and investment decision-maker.

Because of its exclusive duty to invest the funds of the SCRS, the Investment Commission performs due diligence on prospective investments, partners, and managers and ultimately enters into limited partnership agreements (LPAs) and side letters with a general

partner (or other investments) like it does with the Funds. As part of this process and subsequent to contract execution, the Investment Commission acquires many documents and much information about the investment, the investment manager, the safekeeping of the fund's assets, other back-office controls, etc.

The Investment Commission will not allow key personnel of the State Treasurer's Office (STO) to have access to the information gathered by the Investment Commission about the investments made with Grosvenor or its affiliates, the Managers, other affiliates, the safekeeping of the Funds' assets, other back-office controls, etc., although the Investment Commission will allow the State Treasurer himself to review this information. For example, as General Counsel to the State Treasurer, I am unable to review the LPAs and side letters entered into by the Investment Commission for which STO has responsibilities.¹ Also, the chief investment officer in the STO is unable to review LPAs, side letters, and other documents although for years she has been asked by the Investment Commission to approve multi-million dollar transfers to funds like yours. The Investment Commission also prevents other key STO staff from inspecting confidential information.

In order to fulfill the State Treasurer's various fiduciary duties including STO's custodial duties to safeguard the assets of the SCRS, the State Treasurer needs key members of his staff to assist him in reviewing this information. Because of his multiple fiduciary duties to the SCRS and the plan participants and beneficiaries, a wide variety of confidential documents may need to be reviewed by STO staff from time to time. If the Investment Commission continues to deny the State Treasurer's key staff from inspecting confidential information, the State Treasurer may have to take legal action and may have to include the Funds and its affiliates as parties in that litigation.

The STO cannot be treated like the general public regarding access to confidential information and will respect the confidentiality of your information. The STO is aware of certain provisions in contract documents limiting disclosure of confidential information to the general public and referring to the applicable Freedom of Information Act. A co-fiduciary and his staff, however, are not the general public, and such limiting provisions do not apply to them. However, the STO recognizes that its key staff who are granted access to confidential information have a duty to maintain the confidentiality of the information. This duty is statutorily imposed on staff of the STO through Section 9-16-360 of the S.C. Code of Laws, which imposes eleven standards of conduct on fiduciaries and employees of fiduciaries. One of those standards of conduct specifically requires a fiduciary and an employee of a fiduciary not to disclose confidential information without proper authorization. S.C. Code Ann. § 9-16-360(B)(7).

¹ Because I am presently not allowed to read LPAs, side letters, and other information to understand the structure of the SCRS' investments or the scope of the Investment Commission's due diligence, please do not interpret the mention of any entities or investments as being exclusive. In order to assist the State Treasurer, key members of his staff need access to information about any entity or investment where the information would be useful to the State Treasurer in performing his various fiduciary duties. That is the access to which we are seeking your concurrence.

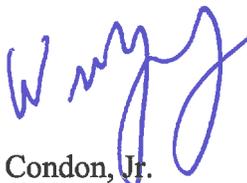
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With this background, please inform the STO whether the Funds, the Managers, or other Grosvenor-related entity, as applicable, object to key staff of the STO having access to the information that the Investment Commission has about the Funds, the Managers, other affiliates, the safekeeping of the Funds' assets, other back-office controls, etc. If you object to such access, please provide an explanation of why the key staff of an SCRS fiduciary cannot inspect confidential information related to the SCRS. If any prohibition to access is statutory, please refer to the statute. If any prohibition to access is contractual, please identify the applicable document and provision within the document and provide to me a copy of that document and/or provision.

If you have any questions, please contact me at 803-734-2655 or at bill.condon@sto.sc.gov.

This is an important matter to the State Treasurer and to the current and future retirees of the State of South Carolina. As stated, the State Treasurer may have to take legal action to gain access to the information so that he and the STO can perform the applicable fiduciary duties. Your prompt response affirming that the State Treasurer's key staff may have access to confidential information may prevent any legal action that may include the Funds or its affiliates as parties. We thank you for your thoughtful and prompt response.

Sincerely,

A handwritten signature in blue ink, appearing to read "W. Condon, Jr.", with a stylized flourish at the end.

William J. Condon, Jr.
General Counsel