

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
May 15, 2008

Subject: Alternative Asset Commitment

Action Requested: Approval of SCF VII, L.P.

Background and Summary: We recommend a commitment of \$5 million from the Long Term Portfolio to SCF VII, L.P., a \$525 million energy private equity fund.

Founded in 1989 by L. E. Simmons, SCF Partners is a private investment management firm with a singular focus on the energy service and equipment industry. Based in Houston, Texas, the firm has offices in Calgary, Canada and Aberdeen, Scotland. Over the past 28 years SCF Partners has invested approximately \$1.2 billion in 46 companies.

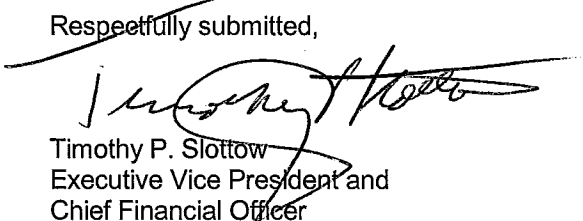
Fund VII will continue the strategy that was implemented in previous funds by making investments in the service and equipment sectors of the energy industry. SCF will target companies with strong fundamentals and reasonable pricing, and where SCF has the ability to create value. Companies with excellent management, a history of positive cash flow from operations, and a defensible market and product position will be emphasized by SCF. Once acquired, the General Partner will create value by assisting companies with strategic growth. This will be achieved through consolidating transactions that will combine companies in similar markets to attain a stronger market presence, geographic expansion, or product line extension.

SCF avoids transactions where high leverage is required to achieve the desired returns. Alternatively, they seek to balance the risk of the investment with the debt levels that are appropriate according to past and projected cash flows of the companies and the cyclical nature of the energy service and equipment sector. SCF will provide the capital necessary or will assist in raising capital in the public or private markets in order to expand a company's facilities or operations to create additional value.

While it is expected that the investments will be primarily focused on companies in the United States, Canada, the United Kingdom, and Western Europe, SCF may also invest in select opportunities outside of these regions.

An investment in SCF VII, L.P., is consistent with the University's energy investment strategy to invest in private equity partnerships with managers that have demonstrated an ability to add value. In addition, the Fund's oilfield services focus is an attractive complement to the existing portfolio which currently does not have any funds solely dedicated to this strategy.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2008