

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
December 15, 2006

Subject: Alternative Asset Commitment

Action Requested: SGAM/4D Global Energy Development Capital Fund II

Background and Summary: We recommend a commitment of up to \$15 million from the Long Term Portfolio to SGAM/4D Global Energy Development Capital Fund II, a \$200 million fund established to make private equity investments in small to medium sized companies in the upstream, midstream, downstream and services/technology sectors of the energy industry.

In addition, we recommend approval of up to an additional \$10 million commitment to be used for co-investment opportunities which will be offered to the limited partners to the extent that a partnership acquisition exceeds investment limitations. These co-investment opportunities are expected to be at more attractive terms than the Fund investment.

4D Global Energy Partners, the Paris-based Investment Advisor of the fund, was formed in 2002 by Tighe Noonan, Jérôme Halbout and Simon Eyers to develop a family of private equity funds specialized in the oil and gas industry and sponsored by Société Générale Asset Management (SGAM), one of Europe's largest fund managers. This will be the second fund for the team.

The fund will continue the team's strategy to provide development capital and strategic support to a limited number of companies with proven management teams, robust fundamentals and discriminating position value in their respective segment of the oil and gas industry. Portfolio companies will be established businesses in a development stage, having demonstrated achievements in their business and managers with successful experience in both growth and downturn situations. Prior to making an investment, the Fund, management and shareholders will have a shared objective of taking the company through a step change in growth and/or in its structure to take the company to the next level. Exit options are identified prior to 4D making the investment.

4D expects to invest in 5 to 15 companies headquartered primarily in Europe. Given the global nature of the energy industry, the operations of the portfolio companies may be located internationally.

An investment with SGAM/4D Global with its European focus provides diversification to the University's energy private equity portfolio which is primarily invested in North American funds. In addition, this investment is consistent with the University's energy strategy to invest with experienced managers who have demonstrated an ability to add value.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

December 2006