

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
May 16, 2013

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Blue Water Energy Fund I, L.P.

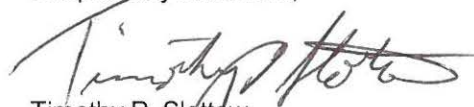
Background and Summary: We recommend a commitment of up to \$20 million from the Long Term Portfolio to Blue Water Energy Fund I, L.P., an \$800 million natural resources private equity fund that will invest in global companies across the energy supply chain.

Blue Water Energy was founded in 2011 by Jerker Johansson, Thomas Sikorski and Graeme Sword. Prior to founding Blue Water, Johansson spent many years at Morgan Stanley, often advising on energy company IPOs, Sikorski was a Managing Director for First Reserve, a US based energy private equity firm, and Sword was the Global Head of Energy for the 3i Group, a UK private equity firm. The three founding partners are supported by a team of nine additional people. Blue Water Energy is based in London, England.

The fund's strategy is to buy and build global companies across the energy supply chain with a focus primarily on oilfield equipment and services, and to a lesser extent oil and gas reserves. The fund will concentrate on middle market investments requiring equity of \$50 million to \$100 million. It is expected that most of the companies will be based in Europe, but with international customers. Blue Water intends to add value by expanding international operations, adding strategic customers and rationalizing costs. Exits of the companies will include sales to strategic or financial buyers or potentially initial public offerings.

An investment with Blue Water Energy is an opportunity to increase the global exposure in our existing currently U.S. centric natural resources private equity portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2013