MICHIGAN STATE
UNIVERSITY

June 8, 2012

MEMORANDUM

To: Trustee Finance Committee

From: Fred L. Poston

Subject: New Investment Manager - EnCap Investments LP

RECOMMENDATION

BE IT RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees select EnCap Investments LP as an investment manager.

BACKGROUND

EnCap Investments LP (EnCap) is seeking $1.25 billion for its sixteenth fund, EnCap Flatrock Midstream Fund II, L.P. (Fund). The Fund will make investments in the midstream sector of the oil and gas industry including pipelines, processing/treating plants, and storage terminals.

The Fund will provide growth capital to management teams targeting projects in economically-attractive natural resource basins where significant exploration and production activity requires substantial infrastructure investment. Two-thirds of the capital is expected to be invested in new projects and one-third to acquiring existing assets and enhancing value through operating improvements.

Cambridge Associates advises, and the Investment Advisory Subcommittee and Administration concur, that EnCap Investments LP represents an opportunity to expand MSU's inflation hedge portfolio by investing with an experienced manager whose strategy is complementary to the existing managers. The Administration plans to invest $5 million in the Fund.

cc: N. Carter, M. Haas, G. Klein

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