

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
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ITEM FOR INFORMATION

Subject: Alternative Asset Commitments

Background and Summary: Under a May 1994 Request for Action, the University may commit to follow-on investments in a new fund sponsored by a previously approved partnership provided the fund has the same investment strategy and core investment personnel as the prior fund.

Pursuant to that policy, this item reports on the University's follow-on investments with the previously approved two energy partnerships listed below.

MAP 2009, L.P., a U.S. focused energy fund based in Palo Alto, California, acquires royalty interests associated with large, long-life natural gas fields and renewable energy projects. Over the course of the past four years MAP has pioneered and is continuing to develop forms of ownership that constitute renewable energy royalty interests. MAP's activities have been focused on wind power projects and to a lesser extent on solar and energy efficiency projects. The Fund is expected to invest twenty five percent in the renewable energy space. Royalty interests are structured to generate long-lived cash flow streams and represent a percentage of the gross revenues from the different types of energy production that are paid to the mineral or wind easement owners, who in many cases are not the same as the owners of the land. MAP will buy the interests from owners and the percentage shares of the revenues are distributed to the Partnership and paid out to the investors.

This is the University's second investment with MAP. The University committed \$20 million to MAP 2009, L.P. in November 2008. The University committed \$10 million to a prior MAP sponsored fund.

Yorktown Energy Partners VIII, L.P., an energy fund based in New York, will continue the team's strategy to make private equity investments in a broad range of energy companies primarily in the exploration and production, transportation, marketing and other midstream and manufacturing sectors. Criteria for investments include demonstrated cash flow, audited financial statements and significant management ownership. The firm's philosophy is to invest in companies with proven management teams often with prior experience in Yorktown investments and to enhance the value of the investments by working closely with the management teams to build operating cash flows and income. In addition, the Fund will target companies that are market leaders in their sector or that have a specific geographical or geological expertise.

This is the University's sixth investment with Yorktown Partners. The University committed \$25 million to Yorktown Energy Partners VIII in September 2008. The University previously committed \$72 million to Yorktown Partners sponsored funds.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

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