

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

EXH	MOTION <i>McCurran</i>
	SECOND <i>Mumford</i>
	ACTION APPROVED BY THE REGENTS
NOTE: MAR 17 2005	

Subject: Alternative Asset Commitment

Action Requested: Approval of Cadent Energy Partners I, L.P.

Background and Summary: We recommend a commitment of \$10 million from the Long Term Portfolio to Cadent Energy Partners I, L.P, a \$250 million energy fund.

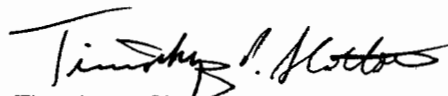
This is a first time fund with an experienced team. Prior to founding Cadent Energy in late 2003, the principals established and managed the energy investment fund of RBC Capital Partners, the private equity division of Royal Bank of Canada. In October 2003, for regulatory and strategic reasons, RBC elected to cease new direct private equity investments. RBC has retained Cadent to continue managing the unrealized portfolio investments of the RBC Energy Fund and will be an investor in Cadent Energy Partners I.

Cadent Energy Partners I will continue the team's strategy to invest in small to medium size companies located in North America that are positioned to capitalize on market trends and opportunities in the energy industry. The team has been successful in identifying attractive investment opportunities using a top-down approach, analyzing various macro factors and industry trends. Based upon their current outlook of the energy industry, Cadent will be targeting investments in the Canadian exploration and production sector, oilfield services and equipment, the downstream petroleum segment and power services and equipment. Typical investment size will be \$5 million to \$25 million and will either be control or influential minority investments with protective control provisions.

Once an investment is made, Cadent will create value by actively working alongside the management team to create a well run, appropriate capitalized and respected market leader in its field. The exit strategy will be clearly defined upon acquisition and will generally be a sale to a strategic company for cash or a highly liquid security.

An investment in Cadent Energy Partners I is consistent with the University's energy investment strategy to invest in private equity partnerships with managers that have demonstrated the ability to add value. The General Partner's focus on existing, small companies is an attractive complement to our existing portfolio.

Respectfully submitted,



Timothy P. Slotow
Executive Vice President and
Chief Financial Officer

March 2005