

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

ITEM FOR INFORMATION

EXH	MOTION
	SECOND
	ACTION APPROVED BY THE REGENTS
NOTE:	JUL 21 2005

**Subject:** Alternative Asset Commitment

**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 recent follow-on energy commitment to Merit Energy Partners X, L.P.

**Merit Energy Company** will continue their strategy to acquire, develop, and operate producing North American oil and gas properties. The team focuses on long-lived properties with a high percentage of proved, producing reserves. Merit intends to add value by operating the properties efficiently and by identifying and implementing value-added exploitation projects.

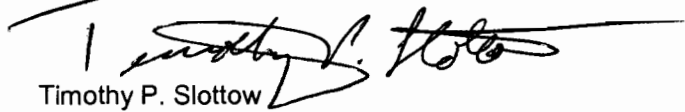
Merit Energy Partners X, L. P., is a separate partnership established in 1994 between the University and Merit Energy Company in which Merit is the General Partner and the University is the sole limited partner. Other early Merit investors have similar partnership structures; more recent investors invest through multi-investor partnerships. Our recent \$25 million commitment to Merit is a portion of the \$1.5 billion raised across all partnerships.

As Merit identifies investment opportunities, each of its separate partnerships and multi-investor funds shares in the opportunities on a pro rata basis.

In May 2005 the University committed \$25 million to Merit X, its fifth commitment to the fund. Additional commitments of \$12.5 million, \$17.5 million, \$15 million and \$25 million were made in 1994, 1996, 2000 and 2004, respectively.

This follow-on investment fits within 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

July 2005