

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the Regents
March 15, 2007

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 absolute return partnership, venture capital partnership, and two private equity partnerships listed below.

Sankaty Credit Opportunities III, L.P., is an absolute return fund which continues the team's strategy to invest in the credit markets including: stressed/distressed debt and bank loans, mezzanine debt, structured products and special situation investments. Sankaty uses fundamental credit analysis to identify the best opportunities across all four sectors and seeks to minimize downside risk. The team believes that each of the targeted areas will experience windows of attractive risk-adjusted returns. The Fund's flexible structure is designed to adjust the allocations to exploit changing market conditions.

This is the University's third investment with Sankaty. The University committed \$40 million to Sankaty Credit Opportunities III L.P., in February 2007. The University committed a total of \$80 million to prior Sankaty funds.

GSR Ventures II, L.P., a venture capital fund located in Beijing, China, will invest in early stage semiconductor, wireless, internet, and new media service companies based in China. GSR's investment companies are expected to have completed prototype development and have demonstrated significant customer interest, but have little or no revenue. GSR's investment professionals have extensive operating and corporate investing experience at major technology companies in China and/or the U.S. as well as entrepreneurial experience as founders and executives at venture capital funded technology companies.

This is the University's second investment in a GSR venture capital fund. The University committed \$15 million to GSR Ventures II, L.P. in December 2006. In 2005 the University committed \$5 million to GSR Ventures I, L.P.

Silver Lake Partners III, L.P., a private equity fund with offices in NY, NY, Menlo Park, CA, and London, U.K. invests in leveraged buyouts and recapitalizations of technology, technology-enabled, and related growth businesses. As with prior Silver Lake funds, Silver Lake III will invest in subsidiaries and divisions of large corporations that are attractive but under-managed businesses. In addition, the partnership will acquire and recapitalize closely held businesses and will invest in traditional growth companies in mature industries, such as financial services, in which technology or technology-based solutions can transform growth and profitability.

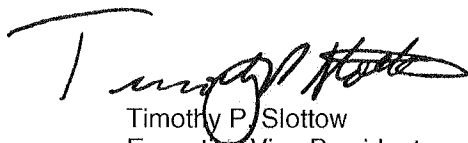
This is the University's third investment in a Silver Lake private equity fund. The University committed \$30.0 million to Silver Lake Partners III, L.P. in December 2006. The University committed a total of \$50 million to prior Silver Lake funds.

CVC European Equity Partners Tandem Fund, L.P. is a private equity fund that will co-invest with CVC European Equity Partners IV, L.P. in transactions requiring equity of EUR 250 million or more. Since CVC European Equity Partners IV, L.P. closed in 2005, the size of large buyout transactions and the capitalization of many private equity funds in the European and global buyout markets have increased significantly. The Tandem Fund was raised to permit CVC to compete more effectively for these larger transactions and will support CVC European Equity Partners IV's strategy of investing in management buyouts of mid to large sized companies across Western Europe.

While CVC will consider all business sectors and will assemble a portfolio diversified by industry, the investment team tends to concentrate its investments in construction products, packaging materials, services, chemicals, and manufacturing businesses. The investment strategy is to find businesses that can be built by internal growth or by add-on acquisitions.

The University committed EUR 10 million to CVC European Equity Partners Tandem Fund, L.P. in January 2007. In 2005 the University committed EUR 15 million to CVC European Equity Partners IV, L.P.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

March 2007