

April 21, 2006

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

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 three previously approved private equity partnerships and two venture capital partnerships listed below.

Candover 2005 Fund, a EUR 3.5 billion (~U.S. \$4.2 billion) private equity fund with offices in London, U.K., Paris, France, and Dusseldorf, Germany, will invest in mid to large sized buyout transactions in Europe. The enterprise value of 2005 Fund portfolio companies is expected to range from EUR 150 million (~U.S. \$180 million) to EUR 1.5 billion (~U.S. \$1.8 billion), with equity investments from EUR 50 million (~U.S. \$60 million) to EUR 500 million (~U.S. \$600 million) per company. Candover concentrates on buyouts of divisions or subsidiaries of larger public or private companies, and to a lesser extent on buyouts of privately owned companies. The fund will invest in established companies with predictable cash flows and good growth prospects across a number of different sectors, including media, financial services, leisure, and industrials.

This is the University's third investment with Candover. In August 2005, the University committed EUR 20 million (~U.S. 24 million) to Candover 2005 Fund. In 2001 the University committed EUR 15 million (~U.S. \$18 million) to Candover 2001 Fund. In 1997 the University committed GBP 5 (~U.S. \$8.5 million) to Candover 1997 Fund.

Summit Partners Private Equity Fund VII, L.P., a \$3 billion private equity fund with offices in Boston, MA, Palo Alto, CA, and London, U.K., will invest in growing, profitable, privately held later stage companies in North America and Europe. The fund will acquire minority or majority ownership positions in companies across a broad range of growth industries, including technology, healthcare, business and financial services, and consumer and industrial products. Equity invested per company will range from \$25 million to \$450 million. The capital will be used to finance company growth, provide liquidity to existing shareholders, recapitalize businesses, or complete management buyouts.

Concurrently with the Private Equity Fund VII, Summit Partners raised the \$300 million **Summit Partners Venture Capital Fund II, L.P.** Following the same approach Summit Partners uses in its private equity investment program, Summit Partners Venture Capital Fund II will invest in profitable, privately held, rapidly growing companies across a broad spectrum of industries, including business and financial services, software, consumer products, and healthcare. However, the Venture Capital Fund II investments will be in smaller companies at earlier stages of development than the private equity fund companies. Investments will be between \$5 million and \$25 million per company. Summit Partners resources are available to source, analyze, and manage the venture capital investments, with a designated team of Summit Partners investment professionals directly responsible for these earlier stage investments.

The University has eight investments with Summit Partners. These investments include private equity, venture capital, and subordinated debt funds. The University committed \$18.225 million to Summit Partners Private Equity Fund VII, L.P. in May 2005. Also in May 2005, the University committed \$3 million to Summit Partners Venture Capital Fund II, L.P. In 2004 the University committed \$10 million to Summit Subordinated Debt Fund III, L.P. In 2000 the University committed \$13.5 million to Summit Ventures VI, L.P. In 1998 the University committed \$7.5 million to Summit Ventures V, L.P. In 1995 the University

committed \$5 million to Summit Ventures IV, L.P. In 1994 the University committed \$15 million to Summit Subordinated Debt Fund, L.P. In 1991 the University committed \$5 million to Summit Ventures III, L.P.

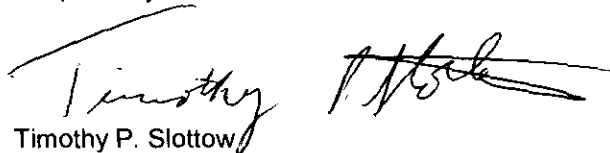
Vestar Capital Partners V, L.P., a \$3.7 billion private equity fund with offices in New York, NY, Denver, CO, Boston, MA, Paris, France, and Milan, Italy, will invest \$50 million to \$250 million per company in middle market businesses valued between \$100 million and \$3 billion. The investments will include growth equity, management buyout, and recapitalization transactions across a variety of industries, including consumer products, healthcare, industrial products, and financial services. Vestar relies on its Italian and French offices to pursue investment opportunities in Europe and to support U.S. based investment companies as they expand internationally. Vestar focuses on investing in public or privately held companies or their subsidiaries which are being sold or recapitalized.

This is the University's second investment with Vestar Capital Partners. The University committed \$20 million to Vestar Capital Partners V, L.P. in July 2005. In 1999 the University committed \$9 million to Vestar Capital Partners IV, L.P.

Menlo Ventures X, L.P., a \$1.2 billion venture capital fund based in Menlo Park, CA, invests in early stage and emerging growth companies in the technology sector. Menlo invests at all stages of a private company's growth, with initial investments of \$5 million to \$10 million at the start up stage and \$10 million to \$25 million at later stages. As with prior Menlo investments, the companies will be domestic and will be in the communications, internet infrastructure, software, semiconductor, data storage, and computer hardware industries. Investments are generally held between three and seven years, and liquidity usually results from either a public offering or the sale of the portfolio company.

This is the University's fifth investment with Menlo Ventures. The University committed \$20 million to Menlo Ventures X, L.P. in April 2005. In 2000 the University committed \$10 million to Menlo IX, L.P. In 1999 the University committed \$10 million to Menlo VIII, L.P. In 1996 the University committed \$7.5 million to Menlo VI, L.P. In 1993 the University committed \$5 million to Menlo VI, L.P.

Respectfully submitted,



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Executive Vice President and
Chief Financial Officer

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