

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

June 19, 2008

Subject: Alternative Asset Commitment

Action Requested: Flexpoint Ford Fund II, L.P. and Flexpoint Ford Overage Fund II, L.P.

Background and Summary: We recommend a combined commitment of up to \$25 million from the Long Term Portfolio to Flexpoint Ford Fund II, L.P. (the "Base Partnership") and its side car fund, Flexpoint Ford Overage Fund II, L.P. (the "Overage Partnership"). The Base Partnership will invest in healthcare and financial services companies while the Overage Partnership will invest alone or alongside the Base Partnership in larger transactions. Capital commitments will be allocated 62.5% to the Base Partnership and 37.5% to the Overage Partnership.

Flexpoint Ford will be led by Donald J. Edwards and Gerald J. Ford. Mr. Edwards has extensive experience managing private equity investments as Managing Principal of Flexpoint and previously as Senior Principal of GTCR Golder Rauner where he chaired that firm's investment committee and was head of its healthcare investment group. Mr. Ford has private equity investment experience, industry expertise, and operational experience from his more than thirty year career acquiring and operating numerous banks and financial services companies.

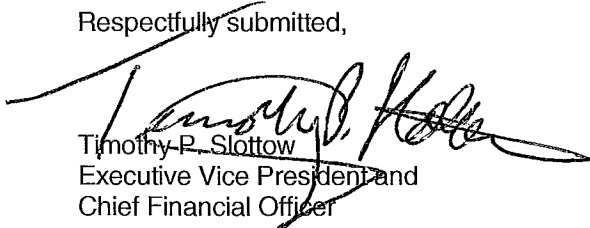
Healthcare and financial services are highly specialized, regulated industries where industry-specific knowledge is required to assess and manage investment opportunities properly. Mr. Edwards and his healthcare team, based in Chicago, IL, have significant knowledge of and experience investing in companies subject to the complex regulatory environment and reimbursement rules in healthcare. Mr. Ford and his financial services team, based in Dallas, TX, have significant expertise investing in financial services companies which required in-depth knowledge of banking and insurance industry regulations, loan valuation methodologies, and accounting rules specific to lenders and insurance companies. Understanding the complexities related to these two sectors is a competitive advantage for the Flexpoint Ford investment professionals when they evaluate and compete for investment opportunities.

The investment strategy for the fund will build on that established in Flexpoint Fund I, a 2005 vintage year fund. There are six financial services and healthcare companies in the fund, including ones in property and casualty insurance (homeowners, low-value dwelling, and condominium association), specialty commercial insurance, healthcare insurance, and home healthcare.

Based on their past experience and current market conditions, the Flexpoint Ford team expects attractive financial services opportunities will be significantly larger, on average, than attractive healthcare opportunities. As such, a large majority of the Overage Partnership is expected to be invested in financial services.

This commitment offers the opportunity to invest with an experienced team with a proven track record of investing successfully in the specialized healthcare and financial services sectors.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

June 2008