

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

EXH	MOTION	Brandon
	SECOND	Taylor
	ACTION	APPROVED BY THE REGENT
NOTE:	JUL 21 2005	

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of an Additional Commitment to Garnett & Helfrich Capital, L.P.

Background and Summary: We recommend a commitment of an additional \$6 million from the Long Term Portfolio to Garnett & Helfrich Capital L.P., a Silicon Valley based fund that acquires non-core business divisions or products lines from large public technology companies.

In March 2004, the Board of Regents approved a \$15 million commitment to Garnett & Helfrich Capital, L.P., a fund capitalized at \$250 million. Subsequent to closing this fund in May 2004, Garnett & Helfrich's investment team encountered a changed environment for technology spin-off investments. In particular, improvements in the technology sector have generated larger-sized equity investment opportunities than Garnett and Helfrich originally expected. To permit the fund to consider these larger transactions, the general partner plans to increase the fund size by \$100 million. Limited partners will commit additional capital on a pro-rata basis. The University of Michigan's additional capital commitment is \$6 million.

Garnett & Helfrich has completed one investment and expects to do a total of five or six transactions.

As presented in the March 2004 Request for Action, Garnett & Helfrich has focused on technology spin-out transactions from large corporations, seeking 100% ownership of the businesses. The target companies are in the software and communications sectors and have established products, customers, and revenues. Mr. Garnett and Mr. Helfrich assume active roles within companies, working with management to grow revenues and earnings.

This commitment further diversifies the University's investment portfolio by adding venture buyout technology transactions to the significant number of large leveraged buyout technology transactions currently in the University's private equity portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

July 2005