THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
December 13, 2007

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 previously approved two real estate partnerships, one energy partnership and one venture capital partnership, listed below.

CP Investment Fund III, L.P., a real estate fund sponsored by Carmel Partners, a San Francisco-based firm with offices in Denver, Honolulu, Southern California, Washington, DC, and Seattle, will acquire multi-family properties in selected U. S. markets that demonstrate favorable prospects for income growth and property appreciation and that have high barriers to entry. Typically these are properties that are not widely marketed, are under-managed, or can be repositioned through various strategies. Properties generally will be smaller in size, well-located within their competitive markets and often will be substantially leased, generating strong current income, yet in need of improved management and property renovations. Typical investments will be $15 to $35 million, a size which generally has broad appeal to both lenders and future buyers.

This is the University's third investment with Carmel Partners. The University committed $20.0 million to CP Investment Fund III, L.P., in August 2007. The University previously committed a total of $30.0 million to prior Carmel Partners' sponsored funds since 2003.

Europa Fund III, L.P., is a real estate fund sponsored by Europa Capital Partners, a London-based real estate firm. The fund will acquire primarily office, industrial distribution, and retail properties throughout Europe. Europa identifies properties that can, through active asset management, change of use or refurbishment, be brought into the core institutional market for disposal. To implement their strategy, Europa has developed a wide network of exclusive country partners who have worked with or been known to Europa for many years and who co-invest in each transaction in their respective territories. Europa believes local presence and knowledge is essential for the successful management of the fund in order to surmount language, cultural, political, planning and legal issues.

This is the University's second investment with Europa Capital Partners in this strategy. The University committed € 20 million to Europa Fund III, L.P., in October 2007. The University previously committed € 15 million to Europa Fund II, L.P., in 2004.

Natural Gas Partners IX, L.P., an energy fund based in Irving, TX, with offices in Santa Fe, NM, and Greenwich, CT, will make private equity investments primarily in companies focused on the production and development of crude oil and natural gas in North America. To a lesser extent, the fund will make investments in gathering and processing, energy service and other energy and resource related sectors, both domestic and international. NGP uses similar financial structures and governing principles as those commonly used by venture capital and buyout firms. NGP emphasizes the growth of portfolio companies through the effective reinvestment of cash flow and management of financial leverage, assisting the company with financial management and sponsoring the company in the marketplace.

This is the University's sixth investment with Natural Gas Partners. The University committed $40 million to Natural Gas Partners IX in September 2007. The University previously committed a total of $91 million to prior Natural Gas Partners' sponsored funds since 1996.

New Leaf Ventures II, L.P., a venture capital fund with offices in New York and Menlo Park, will invest in later stage biopharmaceutical product and product platform companies, in early stage medical device companies, and in both early and later stage diagnostic and laboratory infrastructure companies. Approximately half of the investments are expected to be in the biopharmaceutical sector, with the remainder allocated to medical devices, diagnostics, and laboratory companies. On an opportunistic basis New Leaf may invest in undervalued public companies or small technology buyouts.

This is the University's second investment with New Leaf Ventures. The University committed $20 million to New Leaf Ventures II, L.P. in October 2007. The University previously committed $20 million to New Leaf Ventures I, LP (formerly called Sprout Healthcare Venture I, L.P.) in 2004.

Respectfully submitted,

Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

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