

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents

January 17, 2008

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 equity partnership, real estate partnership and venture capital partnership, listed below.

Blum Strategic Partners IV, L.P., a public equity fund operating out of San Francisco, will continue Blum Capital's strategy of establishing influential positions in stocks of listed companies and actively working with management to enhance shareholder value. The primary focus will be on small- and mid-capitalization public companies. The fund will invest in a small number of companies that are not actively followed by Wall Street and that have the opportunity and demonstrate willingness to benefit from Blum's recommendations for financial and operating improvements. Investments are typically long-term and may include preferred equity, convertible equity and debt securities in addition to common equity.

This is the University's second investment with Blum Capital. The University committed \$40 million to Blum Strategic Partners IV in October 2007. The University had previously committed \$40 million to Blum Strategic Partners III, L.P. in 2005.

Moorfield Real Estate Fund II, L.P., a real estate fund based in London, will continue the team's strategy to make investments in U.K. real estate, targeting properties that require repositioning due to poor asset management, assets being sold as part of a corporate disposal program, and surplus properties resulting from reorganizations and consolidations of businesses and funds. Moorfield believes that real estate investing is opportunity driven, and as a result, the fund will consider a wide range of assets. Likely investments could include office, retail and mixed use projects, student housing, and hotels. Moorfield's focus on complex and innovative transactions reduces the amount of competition for deals. The portfolio will be diversified both geographically and by property type.

This is the University's second investment with Moorfield. The University committed £15 million (~ \$30 million) to Moorfield Real Estate Fund II in October 2007. The University previously committed £10 million (~ \$20 million) to Moorfield Real Estate Fund in 2004.

TCV VII, L.P., a venture capital fund with offices in Palo Alto, CA and New York, NY, will invest in expansion and late stage information technology companies. TCV is an active, long-term investor that stays involved with its portfolio companies through their initial public offerings and beyond. Within technology, TCV focuses on businesses in the Internet, software and services, infrastructure and communications, and financial technology sectors. The investments provide growth capital, financing for recapitalizations or buyouts, or liquidity for existing shareholders. While TCV generally takes significant minority ownership of its investment companies, it will take control ownership in certain situations.

This is the University's fourth investment with TCV. The University committed \$35 million to TCV VII, L.P. in October 2007. The University previously committed a total of \$75 million to prior TCV sponsored funds.

Respectfully submitted,



Timothy P. Slotow
Executive Vice President and
Chief Financial Officer