

February 17, 2006

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of Altor Fund II, L.P.

Background and Summary: We recommend a commitment of up to EUR 17 million (~ US \$20 million) from the Long Term Portfolio to Altor Fund II, L.P., a private equity fund located in Stockholm, Sweden, that will invest in middle market companies in the Nordic region. Altor II's target capitalization is EUR 1.15 billion (~ U.S. \$1.4 billion).

The fund will be managed by Altor Equity Partners' team of seventeen Scandinavian investment professionals who bring prior experience in private equity, consulting, industry, and investment banking in the Nordic region. Altor's investments target lower middle market Nordic companies valued between EUR 50 and 200 million. The team's local presence and the fund's focus on smaller deals are expected to minimize competition from other private equity firms that are generally more focused on larger transactions consistent with their larger fund sizes.

The investment team will focus on corporate spin-offs of non-core units, family businesses where owners are looking for liquidity, and companies in industries undergoing consolidation as sources of investment opportunities. Altor prefers complex transactions where the team can create value through growth of existing operations or growth generated from add-on acquisitions by platform companies. Altor takes an active role in its portfolio companies, helping management set strategic agenda and monitor financial performance.

Altor invests across a number of industry sectors, including consumer products, specialty manufacturing, business services, and specialty chemicals. For each investment, Altor analyzes the industry, the company's position within the industry, and the ways a target company can improve operating and financial results.

Exit opportunities include initial public offerings, sales to strategic acquirers, recapitalizations, and sales to larger private equity funds.

A commitment to Altor Fund II, L.P. will further diversity the University's private equity portfolio by adding exposure to mid-sized companies in the Nordic region.

Respectfully submitted,



Timothy P. Slotow
Executive Vice President and
Chief Financial Officer

February 2006