

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents

April 21, 2006

REQUEST FOR ACTION

Subject: Absolute Return Commitment

Action Requested: Approval of Avenue Asia Special Situations Fund IV, L.P.

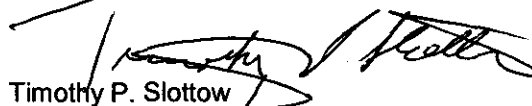
Background and Summary: We recommend a commitment of up to \$50.0 million from the Long Term Portfolio to Avenue Asia Special Situations Fund IV, L.P., a distressed debt fund that operates in the Asian region. Avenue Asia IV has a target capitalization of \$2.5 Billion.

Organization Overview: Avenue Asia is an extension of the Avenue Capital Group with whom the University invested in 2003 to pursue distressed opportunities in the U.S. Avenue Asia was formed when Malcolm Robinson joined Avenue Capital in 1999 to take advantage of opportunities in select countries in Asia. Avenue Asia maintains a local native presence in the countries in which it operates which gives it an advantage in sourcing and realizing investments. The team is comprised of 7 country managers assisted by 30 investment professionals with a broad skill set.

Strategy: Avenue Asia Special Situations Fund IV is the fourth in a series of funds through which Avenue Asia will continue its distressed debt strategy in Asia. Broad structural, political and economic objectives in its target markets provide Avenue Asia the opportunity to purchase distressed assets at less than their intrinsic value. The Fund intends, based on current market conditions, to initially focus on China, India, the Philippines, Indonesia and Thailand.

A commitment to Avenue Asia Special Situations Fund IV, L.P. will continue the University's policy of opportunistically allocating assets when economic conditions provide a favorable environment for distressed securities.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2006