

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
May 19, 2006

Subject: U.S. Equity Investment

Action Requested: Approval of Sageview Capital Partners, L.P.

Background and Summary: We recommend a commitment of up to \$50 million to Sageview Capital Partners, L.P., a partnership which will make investments in both private and public companies. Sageview, with offices in Greenwich, CT and Palo Alto, CA, was founded in 2005 by Edward A. Gilhuly and Scott Stuart who previously were partners at Kohlberg Kravis Roberts & Co., a leading private equity firm.

While Sageview will make private equity investments on an opportunistic basis, the majority of the transactions will be public equity investments employing a "private equity approach". Underlying this approach which Mr. Gilhuly and Mr. Stuart successfully implemented at KKR is a long term investment focus, allowing Sageview to participate in creating shareholder value over a three to five year period.

Sageview will focus on investments in primarily North American and European public companies having market capitalizations between \$500 million and \$3 billion. Sageview finds this smaller capitalization market segment an attractive source of investment opportunities. Limited investment banking and research coverage here create inefficiencies in which the prospects of smaller companies may be undervalued. Smaller companies also offer the opportunity to acquire meaningful ownership positions, giving large shareholders access to management and the chance to work constructively with companies to create shareholder value.

Key to Sageview's private equity approach will be proactive investment idea generation involving the firm's independent research supplemented by its global network of relationships within the business and investment communities. Top-down and bottom-up reviews of industry and company fundamentals, a focus on the quality of management teams, and a rigorous approach to company valuations will be central to Sageview's investment strategy.

Sageview intends to exercise strict discipline in security selection and only invest when there is a compelling opportunity. The investment team will construct a concentrated portfolio of approximately ten to twelve core positions. For the public company investments, Sageview will focus on long term company fundamentals, as opposed to near term volatility in share price.

The private market investments will include going-private transactions with existing portfolio public companies. These would be friendly transactions completed alongside company management and would give Sageview controlling ownership. Private investments in public entities ("PIPEs") and mid-market leveraged buyout transactions sourced from Sageview's investment network may also be included in the portfolio.

This commitment is consistent with the University's U.S. equity strategy to invest with experienced managers who have a niche strategy and a proven ability to add value.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer