

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

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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 real estate partnership, two private equity partnerships, and three venture capital partnerships listed below.

Shorenstein Realty Investors Eight REIT, a real estate fund based in San Francisco sponsored by the Shorenstein Company, will continue the firm's strategy to invest in office buildings and mixed-use projects with a significant office component. The Fund will focus on top-quality assets that by virtue of location, physical quality, amenities, tenant base or other outstanding features always will enjoy leasing advantages in their respective markets. Within this type of asset, Shorenstein will focus on those situations in which the firm can acquire a property at an attractive price and then add value to the investment by applying the firm's operating expertise to correct leasing, operating or physical issues that are impairing values. The General Partner believes that on a risk-adjusted basis, these types of assets, when well-bought and well-managed, present a compelling opportunity to participate in the upside of real estate markets with a significant reduction in downside exposure. Historically, trophy properties in top locations are most resilient when markets soften because the premier tenants will continue to want to operate in the best quality properties in the market.

This is the University's third investment with Shorenstein. The University committed \$25 million to SRI Eight REIT in August 2006. The University previously committed a total of \$40 million to prior Shorenstein sponsored funds.

Berkshire Fund VII, L.P., a private equity fund based in Boston, MA, will make equity investments in established middle market companies ranging in value from \$200 million to \$1 billion and having attractive growth prospects. Berkshire expects to invest \$50 million to \$200 million per company across a number of industries in which the firm has prior investment experience, including retailing, business services, industrial manufacturing, consumer products, transportation and communications. The firm's primary geographic focus is the U.S., but it will pursue investments outside the country on an opportunistic basis. Berkshire's international investments have been in Canada, the United Kingdom, New Zealand and Australia.

Berkshire's private company investments may include leveraged buyouts, recapitalizations, growth capital transactions, privatizations, and industry consolidations. In special situations, Berkshire will invest in public companies in going-private transactions and in preferred stock or other non-public securities of public companies (PIPE transactions).

This is the University's third investment with Berkshire Partners. The University committed \$40 million to Berkshire Fund VI, L.P. in July 2006. The University previously committed a total of \$40 million to prior Berkshire sponsored funds.

EQT V, L.P., a private equity fund headquartered in Stockholm, Sweden, will make controlling equity investments in medium to large sized companies based in Northern Europe, primarily in Denmark, Finland, Norway, Sweden and Germany. EQT, founded in 1994 as the private investment arm of Investor AB, Scandinavia's largest public holding company, invests in a wide range of industries, including light engineering and consumer products and targets situations where EQT has a specific industrial angle and can grow local businesses into global leaders over a three to five year period.

EQT is differentiated from its competitors by its network of senior industrialists who work with EQT at various stages of investment, helping the team identify opportunities, evaluate company operations and management, and implement growth strategies. Frequently these successful industrialists serve as board members and advisors to EQT's companies. The primary sources of EQT's investments come from the sale of family owned

businesses, public company to private business transactions, and joint ventures with companies undergoing reorganization and divestiture of peripheral subdivisions and businesses.

This is the University's second investment with EQT. The University committed EUR 30 million (~ U.S. \$38 million) to EQT V, L.P. in August 2006. In 2004 The University committed EUR 20 million (~ U.S. \$25 million) to EQT IV, L.P.

DCM V, L.P., a venture capital fund headquartered in Menlo Park, CA, will invest in early-stage software, communications, semiconductor and internet companies. In addition, the fund may make later-stage venture capital investments in these sectors on an opportunistic basis.

A differentiating aspect of this fund is the firm's established business development relationships with leading Asian companies. This network gives DCM's portfolio companies access to the region's large customer base and to lower cost of outsourced services and manufacturing. In addition, DCM has strong ties to the Asian investment community and has been successful investing in private growth companies in the region.

This is the University's second investment in a DCM venture capital fund. The University committed \$13 million to DCM V, L.P. in July 2006. In 2004 the University committed \$10 million to DCM IV, L.P.

Formative Ventures Emerging Technologies Fund, L.P., a Silicon Valley-based venture capital fund that provides seed and early-stage capital to start-up and development stage technology companies, increased its fund size by a modest amount to support the investment activities of a recently added general partner. The investment team will continue to focus on opportunities in the advanced semiconductors, wireless components, electronic design automation software, and communications hardware and software sectors, bringing not only capital but also meaningful business guidance and support to the portfolio companies.

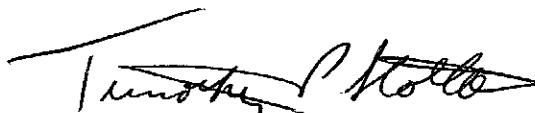
The University committed \$10 million to Formative Ventures Emerging Technologies Fund, L.P. in 2004 and made an additional 10% commitment in July 2006, taking the total commitment to \$11.0 million.

Matrix Partners VIII, L.P., a venture capital fund with offices in Waltham, MA, and Menlo Park, CA, will invest in early stage technology companies. Matrix invests in a number of technology categories, including components, internet and mobile businesses, software, and systems. On an opportunistic basis, Matrix will make later stage venture capital investments in technology companies. Recently Matrix opened an office in Mumbai, India, and sponsored Matrix Partners India, a venture capital fund to invest in consumer services companies in India.

Matrix takes an active role with its portfolio companies, helping and guiding entrepreneurs through all stages of company development. Matrix's general partners serve on all portfolio company boards, facilitating access to customers, management teams, and information technology professionals in the service provider, equipment and enterprise marketplaces. The firm's emphasis is on companies with strong management and technologically advanced product concepts that enable competitive advantage and limit duplication by competitors.

The University committed \$20 million to Matrix Partners VIII, L.P. in August 2006. The University committed a total of \$53.1 million to prior Matrix sponsored funds, including Matrix Partners India.

Respectfully submitted,



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