

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the Regents
April 16, 2009

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 one energy partnership and four venture capital partnerships sponsored by one venture capital investment firm listed below.

Kayne Anderson Energy Fund V, L.P., an energy fund based in Los Angeles, with an office in Houston, will continue the team's strategy of making investments primarily in small and mid-cap oil and gas exploration and production companies and companies servicing those businesses. Kayne Anderson targets high-quality management teams with attractive business plans or assets that need capital and that, because of size, stage of development or a historical problem or limitation, cannot obtain that capital from traditional sources or can do so only at high cost levels. Kayne Anderson will source the opportunities primarily through its well-established network. Investment commitments are typically drawn down and invested over a period of years as Kayne Anderson works with the management teams to implement their strategies. The investments are expected to be geographically diversified across North America.

This is the University's third investment with Kayne Anderson Capital Advisors. The University committed \$15 million to Kayne Anderson Energy Fund V, L.P. in January 2009. The University has previously committed \$50 million to two Kayne Anderson sponsored funds since 2005.

Kleiner Perkins Caufield & Byers, a Silicon Valley based venture capital firm, increased the sizes of four prior funds to provide additional capital to invest in existing and new portfolio companies. KPCB continues its strategy to back entrepreneurs and innovation in greentech, information technology, life sciences, and other fast-growing industries. KPCB's venture funds focus on early stage initiatives in mobile and web services, personalized medicine and medical devices, and communications and semiconductor technologies. The KPCB Green Growth Fund focuses on finding, funding, and accelerating green solutions addressing energy needs and environmental concerns and invests in growth stage companies.

The University committed an additional \$10.81 million to four existing KPCB limited partnerships in January 2009. The University has previously committed \$54.65 million to eleven KPCB sponsored partnerships since 1992.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2009