THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
September 20, 2007

Subject: Alternative Asset Commitment

Action Requested: Roark Capital Partners II, L.P.

Background and Summary: We recommend a commitment of $20 million from the Long Term Portfolio to Roark Capital Partners II, L.P., an Atlanta, GA based private equity fund that will invest in lower middle market companies in the franchising/multi-unit, direct marketing, and financial and business services sectors. A majority of the capital is expected to be invested in companies located in the Southeast part of the country.

Founded in 2001, the firm is managed by Neal Aronson and a team of 20 investment professionals. During its first three years, Roark invested capital for individual investors on a deal-by-deal basis in six franchise businesses. In 2004 Roark raised its first institutional fund and has since expanded its niche beyond investments in multi-unit and franchise companies to include non-franchise businesses.

Roark benefits from its presence in the Southeastern market which is underserved by private equity capital. The firm actively seeks opportunities to purchase local companies owned by families or entrepreneurs at attractive valuations in situations where issues other than price are often important to the sellers. Roark provides capital and industry expertise needed to grow businesses while generating liquidity and estate planning for owners. Target companies may be profitable, stable and growing, or troubled businesses that are either unprofitable or in a state of decline.

The investment team’s strategy is to identify businesses which have defensible market positions that can be improved with industry insight and operating experience. The companies should be readily understandable, have strong customer appeal, offer organic and acquisition growth opportunities and provide the potential for free cash flow generation. Roark’s specific industry focus is a competitive advantage that allows the investment team to better understand opportunities and risks, to access proprietary or less competitive deal flow, and to create operating improvements more readily.

Roark prefers to use low leverage in its initial company acquisitions. This allows management teams to focus on operating efficiency and growth rather than be distracted by pressures that can accompany an aggressively leveraged business.

This commitment offers the opportunity to invest with an experienced team dedicated to investing in lower middle market companies in a geography and in sectors which will further diversify the endowment’s private equity portfolio.

Respectfully submitted,

Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

September 2007