

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Received by the Regents

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ITEM FOR INFORMATION

**Subject:** Alternative Asset Commitment

**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 recent follow-on private equity commitment to Graham Partners II Co-Investment, L.P.

**Graham Partners II Co-Investment, L.P.** is a \$150 million private equity fund that will invest equity capital alongside Graham Partners II, L.P. Graham Partners, located near Philadelphia, PA, makes private equity investments in industrial companies based principally in the United States and Canada.

Graham Partners has a focused strategy to invest in lower middle market companies poised to benefit from raw material conversions or product substitution in their markets. As an example, Graham Partners invested successfully in a company that manufactures synthetic stone veneer products which are low-cost substitutes for natural stone used in home building.

While Graham Partners II, L.P. can commit up to twenty percent of its \$463 million of committed capital to any single investment, the investment team's preferred investment size for Graham II is \$40 million to \$45 million of equity per company. To maintain appropriate portfolio diversification while taking advantage of larger, attractive investment opportunities, Graham Partners raised a co-investment fund to invest \$10 million to \$30 million alongside Graham Partners II, L.P. in transactions requiring equity greater than the preferred amount. The co-Investment fund has lower management fees than Graham Partners II, and the General Partner takes no carried interest.

Graham Partners II Co-Investment, L.P. held its final closing in November 2005, and the University committed \$20 million to this co-investment fund. In October 2004 the University committed \$20 million to Graham Partners II, L.P.

Graham Partners II Co-Investment, L.P. offers the University the opportunity to commit additional capital to a private equity firm implementing a differentiated strategy and managed by an experienced investment team.

Respectfully submitted,



Timothy P. Slotow  
Executive Vice President and  
Chief Financial Officer

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