

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

March 19, 2009

Subject: Absolute Return Investment

Action Requested: Approval of Stone Tower Structured Credit Recovery Fund Ltd.

Background and Summary: We recommend a commitment of up to \$30 million from the Long Term Portfolio to Stone Tower Structured Credit Recovery Fund Ltd, a fund that makes investments in structured credit products of various asset types, vintages, maturities and capital structure priorities.

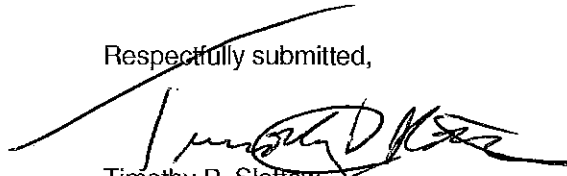
Stone Tower Capital, a New York, NY, based investment advisor was formed in 2001 and manages approximately \$31.5 billion in assets. Stone Tower Capital is a fixed income alternative investments group with specific expertise in senior secured bank loans, high yield bonds, mezzanine debt and structured credit products.

The Fund will invest primarily in a diversified portfolio of various tranches of residential mortgage-backed securities (RMBS), commercial mortgage-backed securities (CMBS), collateralized loan obligations (CLOs), collateralized debt obligations (CDOs) and other asset-backed securities where market conditions have led to distressed pricing.

The portfolio of investments will be selected by assessing cash flow generation, the timing and probability of principal recovery and the prospect for credit improvement of each individual asset. Risks will be managed through continuous monitoring and evaluation of the security construction as well as through diversification and hedging of market risk.

An investment in Stone Tower Structured Credit Recovery Fund Ltd is consistent with the University's absolute return strategy to invest with experienced managers who have a niche strategy and to opportunistically allocate assets to distressed opportunities when economic conditions are favorable.

Respectfully submitted,



Timothy P. Slotow
Executive Vice President and
Chief Financial Officer

March 2009