

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

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| EXH | MOTION <i>White</i> |
| | SECOND <i>Maynard</i> |
| | ACTION APPROVED BY THE REGENTS |
| NOTE: | |
| APR 21 2005 | |

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 investment with the previously approved distressed debt partnership listed below.

Sankaty Credit Opportunities II, L.P., is a \$1.3 billion fund that will continue the team's strategy to invest in distressed debt and bank loans, mezzanine debt, structured products and special situation investments. Sankaty Advisors, advisor to the General Partner of the fund, was formed in 1997 as the fixed income investment affiliate of Bain Capital, one of the world's leading private equity firms.

Sankaty is an opportunistic fixed income manager that seeks to invest only in those areas of fixed income that offer the greatest potential for return at any given time. Sankaty uses fundamental credit analysis to identify the best opportunities across a spectrum of fixed income. The team targets investments in distressed debt and bank loans, mezzanine debt, structured products and special situation investments that it believes will experience windows of attractive risk-adjusted returns over time. The flexible structure of the Fund allows Sankaty to shift the mix accordingly.

This is the University's second investment with Sankaty. The University committed \$40.0 million to Sankaty Credit Opportunities II, L.P. The University previously committed \$40.0 million to Sankaty Credit Opportunities I, L.P.

Respectfully submitted,



Timothy P. Slotow
Executive Vice President and
Chief Financial Officer

April 2005