

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
July 21, 2006

ITEM FOR INFORMATION

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 three private equity partnerships, three venture capital partnerships, and one real estate partnership listed below. All except the real estate partnership are LTP commitments. The real estate partnership is a UIP commitment.

TA Associates, a private equity firm with offices in Boston, MA, Menlo Park, CA and London, U.K. raised two funds, TX X, L.P. and TA Sub Debt Fund II, L.P., to which the University committed \$40 million and \$15 million respectively in March 2006. TA invests in profitable, private companies in growth industries. The investments focus on investments in which TA Associates has prior expertise, including technology, financial services, business services, healthcare, and consumer.

TA X's investments, which will range in size from \$50 million to \$300 million, will be in primarily North American companies, with selected investments in European opportunities. TA Sub Debt Fund II's investments, which will range in size from \$10 million to \$75 million, will provide subordinated loans to middle market growth companies in opportunities developed and led by TA Associates.

These are the University's sixth and seventh commitments to TA Associates. The University previously committed a total of \$45 million to prior TA Associates sponsored funds since 1991.

Francisco Partners II, L.P., a private equity fund headquartered in Menlo Park, CA, will invest in mature technology and technology-related companies in the communications, hardware, information technology services and software sectors. Francisco Partner's investments focus on businesses valued from \$30 million to more than \$2 billion and include divisional spinouts, management buyouts, recapitalizations and restructurings, going-private transactions, and growth equity financings.

This is the University's second commitment to Francisco Partners. By June 30, 2006, the University committed \$25 million to Francisco Partners II, L.P. in two separate closings. The first closing was in June 2005, and the second closing was in April 2006. In 2000 the University committed \$20 million to Francisco Partners I, L.P.

Pacven Walden Ventures VI, L.P., a venture capital fund headquartered in San Francisco, CA with additional offices in Beijing, Honk Kong, and Shanghai, will invest in early stage technology companies located in the U.S. or in Asia. Pacven's investments focus on areas in which Pacven Walden has prior experience, including the communications, electronics and digital consumer products, software, information technology services, internet, and semiconductors sectors. The investment team's strategy is to target high growth opportunities at attractive valuations, acquiring a substantial ownership position in each company.

This is the University's third commitment to Pacven Walden Ventures. The University committed \$10 million to Pacven Walden Ventures VI, L.P. in December 2005. The University previously committed a total of \$16.4 million to prior Pacven Walden Venture sponsored funds since 1997.

Kleiner Perkins Caufield & Byers, a Silicon Valley based venture capital firm, raised two funds, KPCB XII and KPCB Pandemic and Bio Defense Fund, in a continuation of their strategy to back entrepreneurs and innovation in information technology, life sciences and other fast-growing industries. KPCB XII will focus on initiatives in mobile and web services, personalized medicine and medical devices, and communications and semiconductor technologies. The KPCB Pandemic and Bio Defense Fund, an investment fund that continues KPCB's long-standing commitment to life sciences investments, will invest in companies focused on worldwide pandemic preparedness and global health, with an emphasis on surveillance and detection, diagnostics, vaccines, and drugs. The University committed \$5 million to KPCB XII and \$1.65 million to KPCB Pandemic and Bio Defense Fund in February 2006.

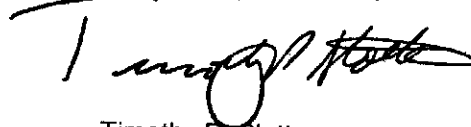
These are the University's seventh and eight commitments to KPCB. The University previously committed a total of \$26 million to prior KPCB sponsored funds since 1992.

Canyon Capital Realty Advisors LLC: Discretionary Mortgage Investment Account II, a fund that invests in various forms of real estate loans including bridge and mezzanine financing, notes and corporate securities collateralized by real estate, and loans to both investment grade and non-investment grade tenants.

Canyon focuses on mortgage investments that are significantly over-collateralized relative to the intrinsic value of the underlying real estate, investments where Canyon can control the events necessary to create value and minimize downside risk through ownership or structure, and investments where the team can capitalize on its financial, credit, legal, political, architectural, environmental and engineering expertise. Canyon targets investments with identifiable exit strategies and will take advantage of their extensive network to identify negotiated transactions and avoid bidding situations.

This is the University's second Discretionary Mortgage Investment Account commitment. The University committed \$75 million to Canyon Capital Realty Advisors LLC: Discretionary Mortgage Investment Account II in April 2006. In 2004 the University committed \$50 to the first Canyon Capital Realty Advisors LLC: Discretionary Mortgage Investment Account.

Respectfully submitted,



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Executive Vice President and
Chief Financial Officer

July 2006