

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

EXIT	MOTION <i>Brandon</i>
	SECOND <i>Taylor</i>
	ACTION APPROVED BY THE REGENTS
NOTE: SEP 15 2005	

Subject: Alternative Asset Commitment

Action Requested: Approval of Russia Partners II, L.P.

Background and Summary: We recommend a commitment of \$15 million from the Long Term Portfolio to Russia Partners II, L.P., a \$350 million private equity fund that will provide expansion capital to companies operating in the Russian Federation and other countries of the former Soviet Union.

Russia Partners II, a successor to Russia Partners Company, L.P., will invest in companies that provide basic goods and services to the Russian consumer. The investments will be in areas where Russia Partners has prior experience, including food processing and distribution, financial services, telecommunications, television and radio broadcasting, pharmaceuticals, and construction materials.

Russia Partners, an affiliate of New York-based Siguler Guff & Company investment firm, has been active in the Russian private equity market since 1994. The first Russia Partners fund, which was invested during a challenging period that included the 1998 Russian currency crisis, has generated positive investment returns and successful realizations of several investments. A number of companies having significant revenue and profit momentum remain in the portfolio.

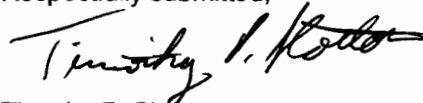
Russia Partners local investment team consists of fifteen Russians professionals who have both Russian and Western education and work experience and come from a cross section of backgrounds, including private equity, investment banking, private industry, Russian government, and consulting. Their ties to key Russian financial institutions and to a broad range of government, business, and industrial leaders facilitate access to investment opportunities.

Since the inception of the first Russia Partners fund, the Russian investment environment has improved. The Russian economy has experienced notable growth and stability, domestic financial markets have matured, and corporate governance has improved. However, local debt and equity markets remain unable to meet capital demand, and many foreign investors remain reticent to make private equity investments in the region. Russia Partners sees a significant opportunity to provide expansion capital to medium sized growth companies.

The typical investment size is expected to be between \$10 million and \$40 million. The fund plans to acquire a controlling interest in investment companies and will co-invest with strategic and financial investors. Exits are expected to come from the sale of portfolio companies to strategic buyers.

Russia Partners II offers the opportunity to invest with an experienced local team in an inefficient, emerging market where there is a shortage of growth capital for companies providing desired goods and services to a growing economy.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

September 2005