

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the Regents
October 25, 2007

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 one venture capital partnership, three real estate partnerships, and one energy partnership listed below.

Battery Ventures VIII, L.P., a venture capital fund with offices in Wellesley, MA, and San Mateo, CA, will invest in technology companies at all stages of growth. As in prior Battery funds, the fund will invest in sectors where the general partner has expertise and experience, including software, communications services, semiconductors and components, internet and digital media, financial services, tech enabled businesses, and clean tech and advanced materials.

Battery typically is the first institutional investor in companies and investments range from seed rounds through late stage investments. Selectively, the fund may invest in buyouts or growth equity roll-ups or make private investments in public companies. The investments are primarily in domestic companies, but Battery has invested on an opportunistic basis in companies based in Israel and India.

This is the University's sixth investment with Battery Ventures. The University committed \$15 million to Battery Ventures VIII, L.P. in July 2007. The University previously committed a total of \$48.3 million to prior Battery Ventures sponsored funds.

Hampshire Partners REIT VII, Inc. In a December 2006 Item for Information the Board was informed of our recent follow-on investment in Hampshire Partners REIT VII, Inc., a real estate fund based in Morristown, New Jersey. The fund invests primarily in office, industrial and retail properties throughout the Northeastern and Mid-Atlantic States. An additional \$10 million allocation became available and the University has increased its commitment to the fund from \$20 million to \$30 million.

This \$10 million commitment in July 2007 combined with the initial commitment of \$20 million in November 2006 increases the total commitment to Hampshire Partners REIT VII, Inc. to \$30 million. In 2004 the University committed \$10 million to Hampshire Partners Fund VI.

EnCap Energy Capital Fund VII, L.P., an energy fund with offices in Houston and Dallas, will continue the team's strategy to make privately negotiated equity and equity-related investments in independent oil and gas companies operating in the upstream sector of the industry. The fund targets companies with seasoned management teams that have a demonstrated track record of value creation and where proved reserves support the basic investment economics. The fund focuses on investments with underlying assets of oil and gas reserves, gas processing plants, and gas pipelines.

This is the University's fifth investment with EnCap Investments. The University committed \$25 million to EnCap Energy Capital Fund VII, L.P., in July 2007. The University previously committed a total of \$100 million to prior EnCap Investments sponsored funds.

LaSalle Asia Opportunity Fund III, L.P., is a real estate fund with offices in Tokyo, Singapore, Hong Kong and Seoul focused on the firm's Asian real estate platform. The parent company, LaSalle Investment Management, is based in Chicago. The fund will continue the team's strategy to invest opportunistically, focusing on acquisitions from sellers undergoing restructuring and seeking to take real estate off their balance sheets, development

opportunities in emerging sectors such as logistics, institutional-quality retail and residential, office acquisitions and developments in emerging and established financial capitals throughout Asia, and re-positioning and/or lease-up of assets to add value. LaSalle will seek to acquire properties in countries and sectors exhibiting signs of increasing and strong capital flows, growth, increasing transparency, favorable market regulations and attractive yields.

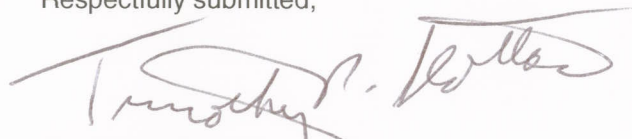
It is expected that the majority of the investments will be made in Japan, Korea, Hong Kong, Singapore, and China with potentially some acquisitions in India.

This is the University's second investment with LaSalle Investment Management. The University committed \$25 million to LaSalle Asia Opportunity Fund III, L.P., in July 2007. In 2005 the University committed \$20 million to LaSalle Asia Opportunity Fund II, L.P.

NIAM Nordic Investment Fund IV, L.P., a real estate fund based in Stockholm, Sweden, will make real estate acquisitions in the Nordic Region. As in prior funds, NIAM will identify attractive sectors and target markets using a research driven investment model based upon macro-economic data and real estate trends provided by NewSec, a real estate advisory, management and research company which is a division of NIAM's parent company, Stronghold. Once an attractive market or sector is identified, the team targets deals that are considered to be too small or management intensive for the large, opportunistic institutional funds. NIAM focuses on value creation by repositioning, re-tenanting, and controlling expenses. It is expected that the majority of the fund will be invested in Sweden and Finland, although they may make investments in the Baltics and other markets.

This is the University's second investment with NIAM. The University committed €25 million to NIAM Nordic Investment Fund IV, L.P., in July 2007. In 2004 the University committed €20 million to NIAM Nordic Investment Fund III, L.P.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

October 2007