

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents

November 20, 2008

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

Odyssey Investment Partners IV, L.P., a private equity fund with offices in NY, NY and Los Angeles, CA, invests in middle market companies in the industrial and business services sectors. Within these sectors, the investment team has particular experience in aerospace, basic manufacturing, distribution, equipment rental, insurance, outsourcing, and supply chain management. Key to Odyssey's investment strategy is the examination of macro-themes such as regulatory changes and market dislocations which help identify investment opportunities in companies expected to experience significant revenue growth. Investment opportunities flow from corporate spin-offs, family-controlled businesses seeking liquidity, and management or market constrained companies poised to benefit from more professional management. As appropriate, there are add-on acquisitions to expand a company's products, distribution network, or geographic reach.

This is the University's second investment with Odyssey Investment Partners. The University committed \$30 million to Odyssey Investment Partners IV, L.P. in July 2008. The University previously committed \$20 million to a prior Odyssey fund.

Claremont Creek Ventures II, L.P., a venture capital fund located in Oakland, CA, invests in early stage information technology companies. The focus is on high growth opportunities involving the application of technology to the health care, mobile and wireless communications, and security sectors. An important component of Claremont Creek's investment process involves a disciplined screening process to mitigate risk in early stage investment opportunities. To accomplish this, Claremont Creek identifies prospect companies and, prior to investing any capital, monitors them for several months through their early development period. This approach permits the investment team to measure company progress and is expected to enhance investment decision making.

The University committed \$15 million to Claremont Creek Ventures II, L.P. in July 2008. The University previously committed \$10 million to a prior Claremont Creek fund.

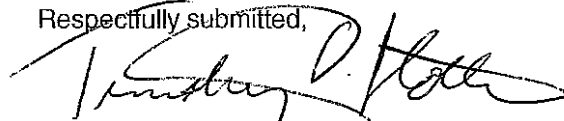
Sequoia Capital, a venture capital firm headquartered in Menlo Park, CA, raised two funds, Sequoia Capital U.S. Growth Fund IV, L.P. and Sequoia Capital India Growth Fund II, L.P., to invest in late stage financings of private companies. This late stage investment strategy complements Sequoia's core business of investing in early stage companies. The U.S. Growth Fund's focus is on companies located in the U.S. or with substantial business ties to the U.S., while the India Growth Fund makes growth equity investments in companies that are either formed in India or have significant Indian presence. In addition to investments in companies providing products and services in the information technology sector, the U.S. Growth Fund may target investments in other areas such as financial services, healthcare, consumer products, and business services. The India Growth Fund focuses on companies expected to benefit from India's growing economy and increasing number of middle class consumers and will most likely be in the financial services, consumer services, technology, and infrastructure sectors.

These are the University's seventh and eighth investments with Sequoia Capital. The University committed \$12 million to Sequoia Capital U.S. Growth Fund IV, L.P. and \$12 million to Sequoia Capital India Growth Fund II, L.P. in August 2008. The University previously committed \$54 million to six prior Sequoia sponsored funds.

Avanti Strategic Land Investors VI, L.L.L.P., is a \$250 million fund that invests in well-located land sites at deeply discounted prices to realistic user values, primarily in high growth areas of the United States. Due to the inefficient characteristics of land investing, there is a lack of investor capital targeting the sector. Avanti has established itself as a buyer of land and has little competition. Avanti intends to diversify the portfolio by both property type and geographic location. The fund is expected to have both passive land investments which are focused on a buy, hold and sell strategy and active land investments which require participation in the management and development of the site.

This is the University's fifth investment with Avanti. The University committed \$10.0 million to Avanti Strategic Land Investors VI, L.L.L.P., in August 2008. The University has committed \$72.5 million to prior Avanti funds.

Respectfully submitted,



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Executive Vice President and
Chief Financial Officer

November 2008