

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

**Subject:** Absolute Return

**Action Requested:** Approval of Black Toro Capital Fund II

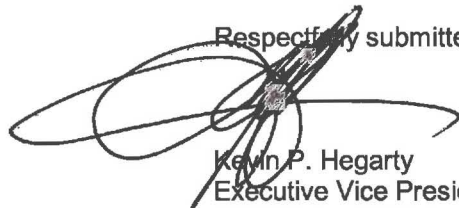
**Background and Summary:** We recommend a commitment of €50 million (~\$53 million USD) from the Long Term Portfolio to Black Toro Capital Fund II, L.P. a Barcelona, Spain, based direct lending strategy. The investment focus will be on asset rich corporations undergoing financial turnarounds in Spain.

Due to the European financial crisis and the implementation of Basel III banking regulations, the Spanish banking sector has consolidated from 45 major banks to 11 major banks and continues to focus on deleveraging. As a result, banks are reluctant to make additional loans to new, small, or financially distressed clients, leaving such firms with few financing options. Black Toro Capital addresses these companies' financial needs when operational turnaround plans have already been implemented. Black Toro's loans are highly structured and secured, providing protections for principal and significant equity participation. This strategy will be aided by the ongoing market reforms and economic recovery in Spain.

Founded in 2012, Black Toro Capital brings together an abundance of experience in distressed investing and the Spanish financial markets both from its founding partners Ramon Betolaza and Ignacio Foncillas, and from its joint venture partner Trea Asset Management led by Carlos Tusquets. Together, they have the business networks, structuring skills, and knowledge to source and partner with these private small- and medium-sized enterprises in Spain.

This second fund will continue Black Toro's strategy of generating equity-like returns while minimizing risk of loss. This investment will provide a diversified source of return that will further the University's goal to maximize the long term risk-adjusted return of the Long Term Portfolio.

Respectfully submitted,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

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