

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Investment programs

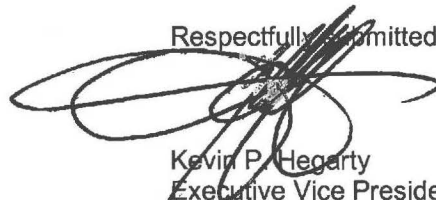
Action Requested: Limited authority to commit to Small Business Investment Companies

Background and Summary: The US Small Business Administration (SBA) created the Small Business Investment Company (SBIC) program in 1958 to increase capital availability to small businesses in the United States in order to foster economic growth and job creation. By becoming licensed as an SBIC, private investment partnerships enjoy access to long term, low cost government guaranteed debt financing, which increases the expected returns of the private investment capital.

The University is in the process of building an SBIC-focused investment program which will include a number of such SBIC investment partnerships. These partnerships are small in size and highly capital constrained as a result of SBA regulations, which will require the University to respond to each fundraising swiftly to obtain a material fund allocation. On occasion, the Board of Regents has delegated limited authority to the Executive Vice President and Chief Financial Officer (EVP & CFO) to approve new investment commitments when the investments are of such nature that they cannot be approved by the Board of Regents prior to commitment due to timing in order to preserve flexibility.

We request that the Board of Regents delegate to the Executive Vice President and Chief Financial Officer the authority to approve new commitments to SBIC funds for the University's investment programs in amount in aggregate no greater than one and a half percent of the Long Term Portfolio per fiscal year. In each case, the University shall not represent more than 25 percent of the private capital to any such partnership. In all cases, any such new investment must exhibit risk and return characteristics consistent with the University's objectives and will be reported to the Board of Regents' Finance and Investment Subcommittee after the investment has closed.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

February 2017