

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Received by the Regents
April 18, 2013

ITEM FOR INFORMATION

Subject: Alternative Asset Commitment

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 venture capital partnership, natural resources partnership and real estate partnership listed below.

TCV VIII, L.P., a venture capital fund with offices in Palo Alto, CA and New York, NY, will invest in expansion and late stage technology companies. TCV, as an active, long-term investor, stays involved with its portfolio companies through their initial public offerings and beyond. Within technology, TCV focuses on businesses in the Internet, software and services, infrastructure and communications, and financial technology sectors. The investments provide growth capital, financing for recapitalizations or acquisitions, or liquidity for existing shareholders. While TCV generally takes significant minority ownership of its investment companies, it will take control ownership in certain situations.

The University committed \$35 million to TCV VIII, L.P. in January 2013. This is the University's fifth investment with TCV. The University committed a total of \$110 million to prior TCV sponsored funds.

SCF Fund VII, L.P., and SCF Fund VIII, L.P., are funds sponsored by SCF Partners, a Houston-based, natural resources private equity manager. The firm has offices in Calgary, Canada and Aberdeen, Scotland.

The funds will target companies focused in the energy services and equipment sectors where opportunities exist to create investor value through strategic and internal growth, improved operations and effective exits. SCF focuses on companies with strong management teams, a history of positive cash flow from operations and a defensible market and product position. Exits are achieved through initial public offerings or sales to strategic or financial buyers.

In December 2012 the University committed an additional \$950,000 to SCF Fund VII, L.P. The University committed \$6.5 million to SCF Fund VIII, L.P. in December 2012. The University previously committed a total of \$5 million to a prior SCF sponsored fund.

SSC IV, L.P., a fund sponsored by Spear Street Capital, a San Francisco-based real estate firm, will exploit office investment opportunities in areas with significant technology and media tenants including San Francisco, Silicon Valley, Seattle, Austin, Boston, Chicago, and Los Angeles.

Spear Street focuses on assets that include a balance of both current cash flow and capital appreciation. Targeted assets are those with significant leasing risk, concentrated near-term tenant rollover, tenants with credit issues, and existing debt that cannot be extended or replaced. The Fund will acquire buildings with competitive advantages that allow for quicker lease-up and better tenant retention. Upon repositioning, the properties will most likely be sold to institutional buyers.

The University committed \$25 million to SSC IV, L.P., in December 2012. This is the University's fourth investment with Spear Street Capital. The University committed a total of \$65 million to prior Spear Street sponsored funds.



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2013