

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the
Regents
July 17, 2014

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of Castanea Partners Fund IV, L.P.

Background and Summary: We recommend a commitment of up to \$25 million from the Long Term Portfolio to Castanea Partners Fund IV, L.P., a Newton, MA, based private equity fund, which will invest in private, small to mid-sized consumer products and services companies.

Castanea Partners was founded in 2001 by Brian Knez and Rob Smith, former Co-CEOs of publisher Harcourt General and retailer The Nieman Marcus Group. They and their investment team have deep consumer and retail operating knowledge, significant private equity investing experience, and an extensive network of industry relationships for sourcing investments. The fund will make control, buyout, and significant minority equity investments in companies where Castanea can have significant involvement and influence alongside management. Attractive investment opportunities would include companies which have established business models and are cash flow positive or have the potential to become cash flow positive in the near term through revenue growth or operating improvement.

Investments will focus on sectors in which the investment team has prior experience, such as beauty and personal care, food and beverage, health and wellness, and specialty apparel. The target companies would likely have strong brands and differentiated products or services and be in industry segments likely to experience notable growth.

This commitment offers the Long Term Portfolio the opportunity to invest in small to mid-market consumer and services companies alongside an investment team with extensive operating experience in the consumer and retail sectors.

Respectfully submitted,



Douglas Strong
Interim Executive Vice President and
Chief Financial Officer

July 2014