

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

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 partnerships listed below.

Catalyst Fund Limited Partnership V, a distressed debt fund based in Toronto, Canada, will seek to take control of financially distressed Canadian companies. Catalyst creates value by restructuring its target companies' balance sheets in the bankruptcy process and by developing and implementing plans to improve the companies' operations.

In May 2015 the University committed \$50 million to Catalyst Fund Limited Partnership V.

HealthCap VII, L.P., a venture capital fund located in Stockholm, Sweden, will invest in life science and health care companies. Investments will involve the commercialization of medical science and innovation with a focus on building companies which develop therapeutic drugs or medical devices with therapeutic applications. By investing in therapeutic products already in clinical development, where a proof of concept has been achieved, or where development risks are fully understood, HealthCap is able to be an early investor in opportunities which have mid to late stage risk profiles. HealthCap expects to make the majority of its investments in Western Europe but will invest selectively in companies located in North America.

In June 2015 the University committed €12.5 million (~ \$14 million) to HealthCap VII, L.P.

Shoreline III Co-Investment, L.P., a fund based in Guangzhou, China, will invest alongside Shoreline China Value III, L.P. which the University committed to in April of 2014. Shoreline makes distressed and special situations investments in mainland China. Since its formation in 2004, Shoreline has developed a local team with expertise in sourcing attractive opportunities where legal enforcement risk is minimized. Shoreline utilizes this expertise to continue to invest for long-term capital appreciation in non-performing loans, single credit restructurings, structured special situations financings and distressed assets.

In May 2015 the University committed \$30 million to Shoreline III Co-Investment, L.P.

Turner-Agassi Charter School Facilities Fund II, L.P., a real estate fund based in Santa Monica, CA, will provide quality facilities for charter schools across the United States. The Fund will target urban markets that are densely populated, ethnically diverse with a shortage of quality public schools. The communities must be supportive of charter schools, have strong and competitive student reimbursement rates and have successful and proven charter school operators. Once an opportunity is identified, the Fund will either do ground-up development or an adaptive re-use of an existing building. The planned exit is for the charter school to buy the facility from the Fund after a four to five year ramp-up period. In the event the school does not proceed with an acquisition of its facility, the Fund has identified other exit strategies for the properties including sales to individuals or real estate investment trusts.

In June 2015 the University committed \$35 million to Turner-Agassi Charter School Facilities Fund II, L.P.

Westbrook Real Estate Fund X, L.P., is a New York, NY, based fund that will continue the team's strategy to invest in existing assets and portfolios located within the gateway markets of New York, Boston, San Francisco, Washington DC, Miami/South Florida, Los Angeles/Southern California, Tokyo, Japan, London, England, Paris, France and major cities in Germany. These gateway markets have a long history of stable, proven real estate fundamentals and have attractive attributes including supply constraints, high income jobs, barriers to entry, significant liquidity, revitalized urban centers and ease of travel. With offices in each of these markets,

Westbrook has professionals with local expertise, giving them a competitive edge. The Fund will target value-add properties which might need repositioning and/or have distressed capital structures. Targeted sectors include office, multi-family, hotel, retail and industrial. Exits will be through individual asset sales or portfolio sales.

In June 2015 the University committed \$50 million to Westbrook Real Estate Fund X, L.P.

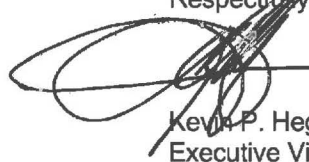
Subject: Direct Private Equity Investment

Background and Summary: Under a limited delegation granted at the May 2015 Regent's meeting, the Executive Vice President and Chief Financial Officer may approve new investments representing less than one percent of the Long Term Portfolio's assets that advance the portfolio's objectives and meet its risk and return targets. Pursuant to that policy, this item reports on the University's closing of an investment that was approved in July 2015.

Ardent Health Services is a direct investment in a hospital operating company headquartered in Nashville, TN. The University participated in a consortium to buy Ardent Health Services from a private equity sponsor. Ardent's subsidiaries own and operate acute care health systems in three service areas – Amarillo, TX, Tulsa, OK and Albuquerque, NM – that include 14 hospitals and three multi-specialty physician groups.

In July 2015 the University invested \$74.25 million in Ardent.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Kevin P. Hegarty', written over a horizontal line.

Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

October 2015