

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.

TA Associates, a private equity firm with primary offices in Boston, MA, and Menlo Park, CA, and additional offices in Mumbai, India; London, U.K.; and Hong Kong, has raised two new funds, **TA XII, L.P.** and **TA Subordinated Debt Fund IV, L.P.** TA Associates invests in private, profitable, middle market companies in growth industries. The TA Subordinated Debt Fund IV, L.P. will invest alongside TA XII, L.P. portfolio companies, providing subordinated debt with attached equity rights.

In a continuation of its prior strategy, TA Associates seeks out and originates its own investments, usually as the lead investor and active board member. Investment structures are flexible and range from growth equity investments to buyouts. TA Associates' portfolio companies are in a range of industries but are primarily focused on sectors in which TA has demonstrated expertise and in which the underlying fundamentals of profitability and growth are greater than those of the overall economy. These targeted industries include technology, financial services, business services, healthcare, and consumer. TA XII and TA Subordinated Debt funds will be invested primarily in North American businesses, with investments in European and Asian based companies made on opportunistic bases.

The University committed a total of \$45 million to TA XII, L.P. and TA Subordinated Debt Fund IV, L.P. The TA XII, L.P. commitment was made in June 2015, while the TA Subordinated Debt Fund IV, L.P. commitment was completed in October 2015.

Flexpoint Ford, a private equity firm headquartered in Chicago, IL, with additional operations in New York, NY, has raised two new funds, **Flexpoint Fund III, L.P.** and **Flexpoint Special Assets Fund, L.P.** Flexpoint Fund III, L.P. will invest in middle market financial services and healthcare companies, while Flexpoint Special Assets Fund, L.P. will invest in financial assets such as loans, leases, and books of insurance.

Healthcare and financial services are highly specialized, regulated industries where industry-specific knowledge is required to assess and manage investment opportunities properly. Flexpoint has significant experience investing in companies subject to the complex regulatory environment and reimbursement rules in healthcare and has an established record of investing in financial services companies requiring knowledge of banking and insurance industry regulations, loan valuation methodologies, and accounting rules specific to lenders and insurance companies.

Flexpoint's healthcare investments will focus on a number of areas, including healthcare providers, manufacturers and marketers of pharmaceuticals, outsourced clinical services, and managed care organizations. The financial services companies will include investments in opportunities such as commercial finance companies, insurance companies, asset managers, and transaction processors.

In July 2015 the University committed a total of \$30 million to Flexpoint Fund III, L.P. and Flexpoint Special Assets Fund, L.P.

Niam Nordic VI, L.P., is a real estate fund managed by Niam AB, a real estate firm headquartered in Stockholm, Sweden, with offices in Helsinki, Finland, Oslo, Norway and Copenhagen, Denmark. The fund will make real estate investments throughout the Nordic region.

As in prior funds, Niam will identify attractive sectors and target markets using a research driven investment model based upon macro-economic data and real estate trends provided by NewSec, a real estate advisory, management and research company which is a division of Niam's parent company, Stronghold. Once an attractive market or sector is identified, the team targets deals that are considered to be too small or management intensive for the large, opportunistic institutional funds, yet too large or complex for the local buyer. Upon acquisition of an asset Niam focuses on value creation by repositioning, re-tenanting, rezoning and select development. Exits will be through individual asset sales or portfolio sales to core buyers.

In July 2015 the University committed €25 million (\$27 million) to NIAM Nordic Investment Fund VI, L.P.

KHP Fund IV, L.P., is a real estate fund managed by KHP, a real estate manager based in San Francisco, CA. As a result of the 2015 sale of Kimpton Hotels & Restaurants, KHP was founded as the successor company to assume responsibility for the fund management business of Kimpton.

KHP will acquire, renovate, and operate boutique hotels in select major North American markets. Investments will include existing hotels in desirable locations and in need of renovations and/or market repositioning or adaptive re-use buildings which are suitable for conversion to KHP-quality hotels. In select markets KHP will do ground-up development where supply and demand fundamentals support new construction. The fund expects to invest in seven to ten properties and exits will be through individual asset sales or a portfolio sale.

In July 2015 the University committed \$25 million to KHP Fund IV, L.P.

Respectfully submitted,



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Executive Vice President and
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