

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

**Subject:** Alternative Asset Commitment

**Action Requested:** Approval of Y Combinator Continuity Funds II & III, L.P.

**Background and Summary:** We recommend a commitment of up to \$100 million from the Long Term Portfolio to Y Combinator Continuity Funds II & III, L.P (each a "Fund" and collectively the "Funds"). The Funds will be managed by Y Combinator ("YC"), a venture capital firm based in Mountain View, CA.

YC was founded in 2005 by Paul Graham to provide seed funding for startup companies, and is currently managed by Sam Altman. YC funds startups in groups, referred to as batches, twice a year for three-month periods. With the support of YC, including customer introductions, advice, and firm resources, batch companies work on their business ideas for the three-month period. An important goal of YC is to help startup companies position themselves to secure follow-on financing.

Each Fund will invest in seed stage, early growth stage, and, selectively, in later stage growth companies. It is anticipated that the majority of the capital will be invested in growth stage companies. While investments will be sector agnostic, YC's earlier investments have focused on information technology, mobile, and consumer companies.

This investment opportunity will give the venture capital portfolio significant exposure to seed and early stage companies which have the potential to generate meaningful investment returns.

Respectfully submitted,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

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