


MICHIGAN STATE
UNIVERSITY

September 8, 2010

MEMORANDUM

To: Trustee Finance Committee

From: Fred L. Poston 

Subject: New Investment Manager – Meritech Capital Partners

RECOMMENDATION

BE IT RESOLVED that the Trustee Finance Committee recommends that the Board of Trustees authorize the Administration to select Meritech Capital Partners as an investment manager.

BACKGROUND

Meritech Capital Partners (Meritech) is seeking approximately \$425 million for its fourth fund, Meritech Capital Partners IV L.P. (the Fund). The Fund will invest in late-stage financing of venture-backed technology companies. Sectors of interest include security, mobile communications, enterprise software, enterprise infrastructure, consumer internet, semiconductors, communications infrastructure, and medical devices.

Meritech identifies investment opportunities by detecting major near-term technology themes and emerging technology sectors and then invests in the leading companies in these markets. The companies will have the following characteristics: 1) industry-leading, differentiated products or services, 2) large and predictably growing near-term markets, 3) business traction validated by broad numbers of referenceable customers, 4) repeatable business model with a strong track record of results and 5) strong and experienced senior management teams. Meritech requires a \$10 million annualized revenue threshold for potential investments and has averaged \$40 million at the time of investment.

Cambridge Associates advises, and the Investment Advisory Subcommittee and Administration concur, that Meritech Capital Partners IV L.P. represents an opportunity to expand MSU's venture portfolio by investing with an experienced manager whose strategy is complementary to the existing managers. The Administration plans to invest \$5 million in the Fund.

cc: D. Brower, N. Carter, G. Klein, K. Lindahl



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