

## Stanford Said to Offer Sequoia, Kleiner Funds as Prices Recover



Oct. 10 (Bloomberg) -- Stanford University is seeking to sell \$1 billion in private investments, including stakes in venture capital funds run by **Sequoia Capital** and Kleiner Perkins Caufield & Byers, as prices rise in the secondary market, according to three people familiar with the matter.

The California university's endowment is taking bids on portions of \$6 billion in holdings of venture capital, buyout, real estate and energy funds, said the people, who declined to be named because the

plan is private. Those interests also carry \$5 billion in future commitments to the fund managers.

Stanford, with an endowment of \$12.6 billion, fourth among U.S. schools, is gauging investor interest after its investments lost 26 percent in the year ended June 30. **The median bid on private-equity funds increased 29 percent to almost 52 cents on the dollar in the September quarter as public markets recovered, according to NYPPEX LLC, a Greenwich, Connecticut-based firm that trades such stakes.**

"It's better than it would have been six months ago," said **Mark Yusko**, president of Morgan Creek Capital LLC in Chapel Hill, North Carolina, which manages \$9 billion for institutions and wealthy clients.

Stanford, adjacent to Palo Alto, California, began shopping the fund stakes about a month ago, according to a fourth person with knowledge of the matter. Its goals are to determine pricing and shift the mix of endowment assets, not raise cash. Stanford, an early investor in venture capital, won't sell more than 20 percent of its holdings in a single fund, and may decide against any dispositions, the person said.

Accel, Bain

Stanford, founded in 1891, is also offering stakes in funds managed by venture firms Accel Partners, based in Palo Alto, and Abingworth LLP in London; buyout investors Bain Capital LLC in Boston, Hellman & Friedman LLC in San Francisco and Chicago-based Madison Dearborn Partners LLC; and a real estate fund Moorfield Group in London, the three people said.

**Chuck Dohrenwend**, a spokesman for Madison Dearborn, declined comment. Officials for the remaining funds didn't return calls seeking comment.

The school raised \$1 billion in a debt sale in April and fired more than 400 nonfaculty employees this year as it reduced the endowment's budget contribution by 10 percent. President **John Hennessy** said that month it may take the fund more than 15 years to return to its August 2008 peak of \$17.2 billion.

10-year gains

Stanford relied on so-called alternative investments like buyout and venture funds to produce average annual gains of 8.9 percent in the past decade, on par with those of Harvard University, the wealthiest U.S. school, with a \$26 billion endowment. Harvard, in Cambridge, Massachusetts, didn't get acceptable prices for most of the \$1.5 billion of stakes it tried to sell last year.

Secondary-market trades on some private-equity funds were as low as 10 cents to 40 cents on the dollar earlier this year, according to **Laurence Allen**, managing member of NYPPEX, which advises endowments. Potential buyers were waiting to see yearend statements from private-equity managers that show the value of fund assets.

Stanford, along with the University of Notre Dame and nonprofit money manager Commonfund helped Sequoia, based in Menlo Park, raise a fund in 1996, Yusko said. Sequoia went on to back companies such as Google Inc., owner of the world's most popular Internet search engine, and Yahoo! Inc., which runs the second-biggest search engine.

'Monster-returning funds'

"If you go back into the funds of early mid-90s and even into 2000, it wasn't measured in percentages -- did you make 20, 30, 40 or 50 times your money," Yusko said. "These were monster-returning funds."

Stanford's investment losses were smaller than Harvard's 27 percent decline, equivalent to Cornell University's and worse than the 25 percent drop at Yale University.

Stanford was the third-wealthiest school in the U.S. behind Harvard and Yale in New Haven, Connecticut, as of June 2008, according to the National Association of College and University Business Officers in Washington. The University of Texas System, whose endowment was valued at \$15.2 billion as of Aug. 31, has since overtaken Stanford.

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*\* This article has been modified from its originally published version.*