

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
March 21, 2013

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Approval of BioPharma Secured Investments III, S.à.r.l.

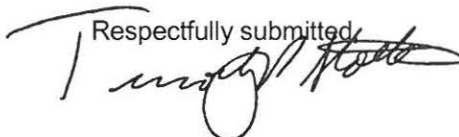
Background and Summary: We recommend a commitment of \$25 million from the University's investment pool for working capital to BioPharma Secured Investments III, S.à.r.l., a private debt fund based in New York, NY, and sponsored by Pharmakon Advisors, LP. BioPharma Secured Investments III, S.à.r.l., purchases debt securities collateralized by royalty streams of life sciences products of larger companies.

The Fund seeks to acquire a diversified portfolio of high-yielding, debt and debt-like securities collateralized with cash flows from leading life sciences products with short average lives and strong underlying credit characteristics.

The need for capital in the life sciences industry allows the Fund to invest in short-term debt securities and capped royalties that are collateralized by sales or royalty streams from leading life sciences products with good sales visibility during the expected life of the investments, generally 5 years. A substantial portion of the income derived from the investments is in the form of current interest payments and principal amortization. The Fund minimizes risk through thorough analysis of the royalty assets securing the debt and substantial collateralization.

The investment team and its advisors have extensive industry expertise and an established track record in sourcing primary transactions, acquisition of pharmaceutical royalties and in structuring various forms of securitized financing.

This investment is consistent with the University's strategy to invest with experienced managers who have a niche strategy and a proven ability to add value.

Respectfully submitted,


Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

March 2013