

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION
REQUEST FOR ACTION

Approved by the
Regents
March 20, 2014

Subject: Alternative Asset Commitment

Action Requested: Approval of Deerfield Private Design Fund III, L.P.

Background and Summary: We recommend a commitment of \$30 million from the Long Term Portfolio to Deerfield Private Design Fund III, L.P., a New York based private equity fund which will invest in privately structured transactions with public and private healthcare companies. Private Design Fund III is sponsored by Deerfield Management Company which has a well-regarded healthcare research program and manages two healthcare focused hedge funds. The Private Design funds benefit from the firm's long-standing familiarity with a broad spectrum of private and public, small and large capitalization healthcare companies.

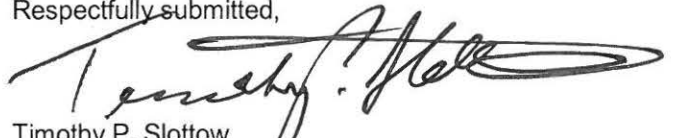
The fund's strategy will be to provide alternative financing options to healthcare companies. The fund may invest in a spectrum of securities, including equity, debt, warrants, royalties, intellectual property and other asset types. The financing packages are often complex and are aimed to meet a company's financing and associated growth needs using structures a company can manage while protecting the invested capital and generating attractive risk adjusted returns for the Private Design investors.

Programs the Private Design III fund might finance include acquisitions, product development and launch, balance sheet strengthening, or capital raises without equity dilution. The fund may invest in companies at any stage of development, from start-ups to publicly traded companies and may hold any percentage of a company's equity.

Private Design III's investments will be restricted to the healthcare sector, which is broadly defined to include therapeutics, devices, diagnostics, medical services, and animal health. The fund will not target any specific allocation among the various healthcare sectors, but the portfolio is expected to contain a significant share from every sector.

This commitment offers the Long Term Portfolio the opportunity to invest capital in the healthcare sector with an experienced team having both in-depth industry knowledge and an established track record sourcing unique investment opportunities and exiting them successfully.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

March 2014