

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

EXH	MOTION <i>Maynard</i>
	SECOND <i>White</i>
	ACTION APPROVED BY THE REGENTS
NOTE:	JUN 16 2005

Subject: Alternative Asset Commitment

Action Requested: Approval of Telegraph Hill Partners II, L.P.

Background and Summary: We recommend a commitment of \$15 million from the Long Term Portfolio to Telegraph Hill Partners II, L.P., a \$150 million later stage venture capital fund based in San Francisco, CA.

Telegraph Hill makes privately negotiated equity investments in revenue generating life science and medical technology companies. These companies are expected to have commercial revenue from launched products or services, to be at or near profitability, to have well developed business models, and to be managed by teams focused on controlled growth and quality products.

Telegraph Hill's investments will be in areas where the investment principals have prior experience, including chemical reagent manufacturers, drug discovery service companies, and medical device firms.

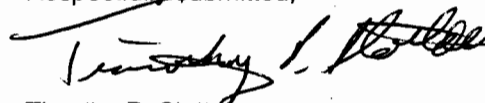
Telegraph Hill takes a proactive approach to generating investment opportunities and does not limit its investments to companies seeking financing. As a result, investments are often proprietary transactions sourced from family-owned businesses where individuals are seeking some liquidity or from corporations wanting to exit non-core businesses. In all cases, once Telegraph Hill makes an investment, its team works closely with company management to set, monitor, and achieve financial and operating goals.

By investing in companies that are already profitable and are generating high gross and operating margins, Telegraph Hill has the opportunity to achieve a return of capital sooner than is typical for life science and medical technology oriented venture funds. Investments are generally held for three to five years, with exits achieved by the sale of companies to larger strategic acquirers.

The transactions will include growth financings, buyouts, and recapitalizations. The focus will be on smaller companies with revenues from \$5 million to \$50 million. Telegraph Hill plans to invest in twelve to sixteen companies over the life of the fund.

A commitment to Telegraph Hill Partners II, L.P. will further diversify the University's venture capital portfolio which has a relatively low exposure to the healthcare sector.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

June 2005