

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

EXH	MOTION <i>Brandon</i>
	SECOND <i>Mayfield</i>
	ACTION APPROVED BY THE REGENTS
NOTE:	APR 21 2005

**Subject:** U.S. Equity Investment

**Action Requested:** Approval of Blum Strategic Partners III, L.P.

**Background and Summary:** We recommend a commitment of \$40 million from the Long Term Portfolio to Blum Strategic Partners III, L.P., a fund managed by Blum Capital Partners, a San Francisco-based investment firm.

Blum Strategic Partners III, L.P., Blum Capital's third fund, will continue Blum Capital's strategy to establish influential positions in stocks of listed companies and actively work with management to enhance shareholder value. The primary focus will be on the small- and mid-capitalization public market, which is a large and inefficient market with attractive opportunities.

The fund will invest in companies that are not actively sought by Wall Street and will seek to invest only in a relatively small number of companies that have the opportunity and potential willingness to benefit from value enhancing strategies from both a financial and operating perspective. Blum will invest in small- and mid-cap companies which are receptive to an active approach such as Blum Capital's. The Fund, on a friendly basis, may also seek Board representation, if the ability to create value will be enhanced. The investment strategy is an active, value-oriented approach that focuses on surplus free cash flow generating business and a commitment to unlocking and creating shareholder value through working closely with management.

Investments are typically long-term (two – three years or longer) and in addition to common equity securities may include unregistered debt, preferred equity securities, as well as convertible equity or debt securities. The fund will acquire large ownership stakes through open market purchases. Blum Capital's exit options include open market sales, block sales and registered secondary offerings, as well as traditional private exit options such as mergers and strategic sales of a company.

This commitment is consistent with the University's U.S. equity strategy to invest with experienced managers who have a niche strategy and have demonstrated an ability to add value.

Respectfully submitted,

  
Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

April 2005