

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the Regents
January 18, 2007

Subject: Alternative Asset Commitments

Background and Summary: Under a May 1994 Request for Action, the University may commit to follow-on investments in a new fund sponsored by a previously approved partnership provided the fund has the same investment strategy and core investment personnel as the prior fund.

Pursuant to that policy, this item reports on the University's follow-on investment with the previously approved real estate partnership listed below.

EI Fund III, L.P., a real estate fund sponsored by Equity International Properties, Ltd. (EIP), a Chicago-based affiliate of Equity Group Investments, the privately-held investment company founded in 1968 by Sam Zell, will continue the team's strategy to find, create and build large-scale institutional-quality real estate operating companies outside of the United States.

EI Fund III will focus on geographical regions that are characterized by strong economic growth, capital markets inefficiency and limited competition such as Brazil, India, Egypt, and China. In addition, EIP will also consider opportunities in more mature markets in Europe. EIP will create or invest in existing operating businesses with experienced and entrepreneurial local partners, both operating and financial. EIP believes such platform investing often provides strong alignment of interest with the local partners, improved deal flow and scalability, and an opportunity for EIP to use its expertise in working with management teams to build and grow operating companies. In addition, these platforms offer a greater range of exit opportunities as a result of their critical mass, dedicated management and sophisticated financial partners.

This is the University's second investment with Equity International Properties, Ltd. The University committed \$30 million to EI Fund III, L.P. in December 2006. In early 2006 the University committed \$25 million to EI Fund II, L.P.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

January 2007