

Approved by the
Regents
April 16, 2015

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of Balboa Retail Partners

Background and Summary: We recommend a commitment of \$25 million from the Long Term Portfolio to Balboa Retail Fund I, L.P., a Los Angeles, CA, based real estate fund which will invest in retail assets in the United States.

Balboa Retail Partners was formed in 2011 by Joseph Fahey, Adam Miller, and Jared Prushansky. The three worked together previously at Lubert-Adler, a former real estate manager for the University, where they primarily focused on retail assets. Based in Los Angeles, Balboa is currently building out its team.

Balboa Retail Fund I will target under-valued retail assets controlled by stressed or distressed retailers. Many retailers struggle to adapt to the ever changing retail trends that are driven by the impacts from technology and e-commerce, demographic shifts and income and wealth disparities. As a result, Balboa is able to acquire assets as the retailers are forced to downsize in existing stores, reduce the number of stores, or even enter into bankruptcy. Balboa will use its expertise to create value at the property level by re-leasing to current growth retailers, developing the property to accommodate different retail formats, and converting leasehold interests to fee owned assets. Once the asset is stabilized it will be sold to maximize returns.

This commitment offers the Long Term Portfolio the opportunity to invest alongside an experienced team focused on an inefficient segment of the market.

Respectfully submitted,



Douglas L. Strong
Interim Executive Vice President and
Chief Financial Officer

April 2015