

**THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION**

REQUEST FOR ACTION

SUBJECT: Ross School Real Estate Investment Fund

ACTION REQUESTED: Approval of Fund and Guidelines

BACKGROUND:

The Ross School Real Estate Investment Fund (the "Fund") is being established to provide an experiential learning experience for students. The Fund will be used as part of a 3 credit course, FIN 703 Real Estate Fund, to provide students with an opportunity to discover, evaluate and make real-estate private equity investments. Students enrolled in this Ross course will participate in all aspects of making real-estate investments from developing an investment thesis, monitoring investment opportunities consistent with the investment thesis, understanding and performing due-diligence, valuation of investment opportunities, reviewing operating agreements and other real estate documents and realization of returns and exiting the investment. This action-based learning experience will also provide students with opportunities to connect with real estate professionals.

The Fund will be established with an initial funding from the Ross School of \$125,000. Additional funding will be secured from donors, with a goal to grow the fund to \$3 million.

The following guidelines relate to the selection of investments and the oversight and governance of the Fund:

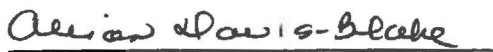
INVESTMENT CRITERIA


1. The Fund will invest in stable, single-asset, cash-flow positive commercial real estate investments in the United States. The term "commercial" refers to office, retail, multifamily, industrial and hospitality properties.
2. The Fund will only invest as a minority, limited liability equity partner. The general partner will manage all aspects of the property including maintenance, repairs and administration.
3. The Fund will attempt to invest in projects that have a firm commitment amount, and avoid those that have an option to require additional capital calls over and above this amount.
4. The Fund will attempt to invest in projects with an expected maturity within 5-10 years.
5. The Fund intends to make 1-2 individual investments annually in the amounts of \$125,000-\$300,000 each.

FUND OVERSIGHT AND GOVERNANCE

1. The Fund's Board of Directors ("The Board") will consist of 8-10 members including the Faculty Advisor (ex-officio), a combination of current or retired real estate professionals, Ross faculty, Ross administrators, and Ross alumni. Board members will be appointed by the Dean of the Business School to serve a five-year term. The Board is charged with monitoring the Fund to ensure that the investment strategy complies with the Fund's investment criteria, reviewing the Fund's performance and sourcing potential investment projects. The Board will not approve or reject individual investment proposals. The Board will also have broad authority to change the Fund's student governance structure.
2. Each investment of the Fund will be reviewed by the university's Tax Office and Office of General Counsel and the Fund Manager before it is executed.
3. The Dean of Ross will have the final authority as delegated by the university's Executive Vice President Chief Financial Officer to execute investment agreements pursuant to the Fund's investment criteria.
4. A Student Board, consisting of selected students from the class, and the Faculty Advisor will be responsible for managing the operations of the Fund, including compiling and reporting on quarterly and annual performance of the Fund.
5. The Chief Finance Officer of Ross will serve as the Fund Manager and coordinate the tax and general counsel review of each investment before it is executed and ensure quarterly and annual performance reports of the Fund are prepared.
6. In the event investment returns significantly exceed the foreseeable needs of the Fund, an alternative use shall be approved by the Dean of the Ross School of Business.

Respectfully submitted,


Alison Davis-Blake
Edward J. Frey Dean of Business
Stephen M. Ross School of Business
April 2016


Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer