

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
May 17, 2012

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Sterling Value Add Partners, L.P.

Background and Summary: We recommend a commitment of \$15 million from the Long Term Portfolio to Sterling Value Add Partners, L.P., a \$125 million real estate fund that will invest in retail assets in certain U. S. markets.

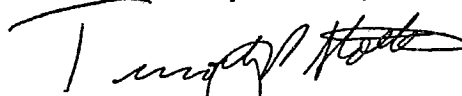
In addition, we recommend approval of up to an additional \$10 million commitment to be used for co-investment opportunities which will be offered to the limited partners to the extent that an acquisition exceeds investment limitations. These co-investment opportunities are expected to be at more attractive terms than the fund investment.

The Sterling Organization is a fully integrated retail real estate investment, development, management and services company based in Palm Beach, Florida, with offices in Miami, Charlotte, Chicago, Dallas and San Antonio. The current management team has been actively investing in the retail sector since 1998.

The fund will acquire, manage and lease income producing grocery-anchored shopping centers and power retail centers located in Sterling's target markets of Florida, TX, and Chicago, IL, and to a lesser extent, North Carolina and Atlanta, GA. The assets will be in markets with solid real estate fundamentals and strong demographics. It is expected the fund will be able to acquire assets at depressed prices from distressed sellers and banks, and will create value by improving occupancy and tenant mix, increasing rents, making property renovations and improvements, and cutting operating costs. Properties will be sold upon completion of the value-add improvements, either as individual assets or potentially as a portfolio sale.

An investment in Sterling Value Add Partners, L.P., is consistent with the University's real estate investment strategy to invest with managers that have demonstrated the ability to add value. In addition, it is an opportunity to increase retail exposure which is an under-represented sector in the University's real estate portfolio.

Respectfully submitted,



Timothy R. Slottow
Executive Vice President and
Chief Financial Officer

May 2012

Sterling Value Add Partners, L.P.

FUND INFORMATION

Asset Class:	Real Estate
Regional Focus:	United States
Fund Size:	\$125 million

INVESTMENT STRATEGY

TERMS OF OFFERING

General Partner's Commitment:	5 percent up to \$5 million
Investment Period:	Three years with one one-year extension
Takedown:	With ten business days' notice
Distributions:	First a 9 percent return, second a return of all capital, and then 80 percent to the LPs and 20 percent to the GP
Key Man Provision:	Yes
Management Fee:	1.5 percent on committed capital during the investment period; 1.5 percent on funded commitments thereafter
Partnership Life:	Seven years with two one-year extensions

KEY INVESTMENT PROFESSIONALS

Brian Kosoy	President & Chief Executive Officer Prior Experience: Moskowitz, Altman & Hughes Anderson, Kill & Olick
Gregory Moross	Chief Operating Officer Prior Experience: Newmark Realty Goldfarb & Fleece
Vincent Costello	Chief Financial Officer Prior Experience: American Trust Bank

This is a first time fund and there is no prior performance.