

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
September 20, 2012

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of Magna Hotel Fund IV, L.P.

Background and Summary: We recommend a commitment of \$15 million from the Long Term Portfolio to Magna Hotel Fund IV, L.P., a \$150 million real estate fund that will invest in hotel properties throughout the United States and Canada.

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.

Magna Capital Management, General Partner of the Fund, was founded in 2007 by Robert Indeglia, to make strategic equity investments in hotel properties. Based in Warwick, Rhode Island, with a small office in New York City, Magna has over 30 employees. Hotel properties are managed by Magna Hospitality Group, a privately held hotel management organization co-founded in 1998 by Robert Indeglia.

Magna Hotel Fund IV will make opportunistic investments in hotels in which the General Partner can use its development, repositioning, and operational skills to enhance hotel performance. Magna will focus on hotels in primary markets like New York City, Boston, and Washington DC, targeting limited service or select-service hotels which typically are underserved segments in these urban markets. The Fund will also target hotels in suburban markets across the United States and Canada where Magna can use its strong management skills and tight expense controls to increase net operating income and increase value.

It is expected that two-thirds of the fund will be invested in whole ownership opportunities and one-third will be joint ventures with real estate private equity funds. The joint venture transactions will typically be deals which exceed \$30 million and the smaller deals will be whole ownership transactions. In all transactions, Magna Hospitality Group will be the hotel operator.

This investment fits within the University's real estate investment strategy to invest with experienced managers that have demonstrated an ability to add value. Also, this investment will increase exposure to limited and select-service hotels, currently under-represented segments in the existing portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

September 2012