

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

May 17, 2007

Subject: Alternative Asset Commitment

Action Requested: Redwood Grove International L.P.

Background and Summary: We recommend a commitment of up to \$20 million from the Long Term Portfolio to Redwood Grove International L.P., a \$2.0 billion fund established to make investments in real estate and real estate related opportunities primarily in Japan and Germany.

Grove International Partners, the General Partner of the Fund, is a real estate private equity firm founded in 2004 by Richard Georgi and other members of the Soros Real Estate Investors team. Grove has offices in New York, London, Frankfurt, Tokyo and Singapore. This will be the second fund for the team as Grove International. They also are responsible for a prior fund invested through Soros Real Estate Investors.

Grove pursues a top-down focused strategy using macroeconomic research to determine appropriate markets and to identify attractive sector specific investment opportunities with strong underlying fundamentals. They then partner with local entrepreneurs with specific industry expertise and build investment platforms which can grow both organically and through add-on acquisitions. The Fund will target undervalued, high growth, complex and/or distressed opportunities which Grove believes have the potential to become market leading investment platforms.

Grove expects the strong recovery in Japan and the current distress and related restructuring in Germany to continue to provide a number of attractive investment opportunities for the Fund. It is projected that the majority of the fund will be invested in these two countries. In addition, Grove will continue to seek opportunities elsewhere, including niche opportunities in Western Europe and emerging opportunities in Poland and Russia.

Once Grove has completed its added value to an investment through improving operations, redeveloping, re-tenanting, obtaining entitlements and/or completing development, and refurbishing assets it will seek to exit the investment. Exits will include sales of individual assets or portfolios, entity sales of entire platforms to financial or strategic buyers or initial public offerings as Real Estate Investment Trusts or corporate entities.

An investment with Grove is consistent with the University's objective to commit to funds where there is potential to add value with an excellent management team and a well-conceived strategy. The international focus of the fund provides further diversification to our real estate portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2007