THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents
May 19, 2011

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of IMT Capital Fund II, L.P.

Background and Summary: We recommend a commitment of $15 million from the Long Term Portfolio to IMT Capital Fund II, L.P., a $350 million real estate fund that will invest in multi-family properties in major markets in the western and southern regions of the United States.

IMT Capital Partners, the General partner of the fund, was founded in 2006 by Michael Browne, Bryan Scher, John Tesoriero and Cory Thabit. Based in Sherman Oaks, California, with an office in San Francisco, IMT Capital is responsible for sourcing investments, underwriting, market and asset-level diligence, and capital markets strategy. IMT Residential, founded in 1992, is equally owned by Scher, Tesoriero and Thabit, and is the in-house property management company for fund investments.

This second fund will continue the team's strategy to invest in undervalued and/or underperforming multi-family assets located in major markets in the western and southern United States, primarily Texas, California, Arizona and Florida. The Fund will target investments located in in-fill locations, locations with high barriers to entry and markets with wide "rent versus buy" spreads. IMT will identify assets that are selling at significant discounts to replacement cost and whose value will be enhanced from their active, value-add strategies. Once acquired, IMT will implement its repositioning strategy which includes rigorous day-to-day asset management and physical improvements. A focus of the IMT strategy is to increase cash flow over time and the majority of the returns is expected to come from their value-add strategies and not from market growth. Average investment size will be 200-500 units with an acquisition cost of $10-75 million. A small portion of the fund may be used for new development, but only in markets they know extremely well and where they can easily manage the development process. Typical hold periods will be two to four years after the asset has been repositioned and stabilized. Exits for these repositioned assets will include institutional buyers, local and regional investors, and high net worth individuals.

This investment fits within the University's real estate investment strategy to invest with experienced managers that have demonstrated an ability to add value. In addition, this investment will increase our exposure to multi-family, a sector in which the existing portfolio is underweight.

Respectfully submitted,

Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

May 2011