

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

June 21, 2007

Subject: Alternative Asset Commitment

Action Requested: Approval of Acadia Strategic Opportunity Fund III

Background and Summary: We recommend a commitment of \$20 million to Acadia Strategic Opportunity Fund III, a real estate fund that will make opportunistic investments in retail related properties, retailer controlled companies, and urban/infill projects with a strong retail element. The geographic focus will be in the Northeastern, Mid-Atlantic and Midwestern United States, with a particular emphasis on the boroughs of New York.

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 on a pro rata basis to the extent that a partnership acquisition exceeds investment limitations. These co-investment opportunities may be at more attractive terms than the Fund investment.

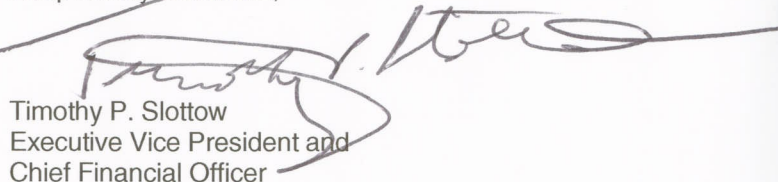
The Fund is being sponsored by Acadia Realty Trust, a fully integrated, self-managed publicly-traded REIT (real estate investment trust) that specializes primarily in the acquisition, ownership, redevelopment and management of retail assets. The company was formed in 1993 as Mark Centers Trust and recapitalized and renamed Acadia Realty Trust in 1998. The REIT is the GP of the fund and is investing 20% of the capital.

Acadia will continue the team's disciplined investment strategy that targets necessity and value-based retail assets, retailer controlled properties, urban/infill mixed-use developments, and joint venture development. Characteristics common to their investments include infill markets with high barriers to entry, distressed or opportunistic pricing, value added leasing or redevelopment opportunities, and capital structure optimization.

The team's reputation as a market leader in the retail segment provides strong proprietary deal flow and access to off-market transactions. In addition, Acadia may form strategic alliances or joint ventures with operating partners to execute more complex strategies. Average investment size will be \$10-25 million of equity and the average hold period is 4-5 years.

This investment is consistent with the University's real estate strategy to invest with experienced managers who have demonstrated the ability to add value. In addition, the team's focus on retail properties is attractive because the existing portfolio is underweight retail.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

June 2007