

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Approved by the Regents  
September 19, 2013

REQUEST FOR ACTION

**Subject:** Alternative Asset Commitment

**Action Requested:** Approval of Merlone Geier Partners XI, L.P.

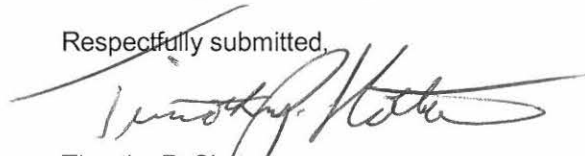
**Background and Summary:** We recommend a commitment of \$20 million from the Long Term Portfolio to Merlone Geier Partners XI, L.P., a \$900 million real estate fund that will invest in retail and retail-driven mixed use properties on the West Coast.

Founded in 1993, the General Partner was initially known as M&H Realty Partners, a partnership between Peter Merlone and Jay Hagenbuch. In 2006 Hagenbuch left M&H and his ownership interest was acquired by Bradley Geier, who had been with the firm since the beginning. The name was changed to Merlone Geier Partners. Based in California, with main offices in San Francisco and San Diego and strategic field offices near existing properties, the firm is vertically integrated and provides all services to the firm's assets including leasing, property management and construction.

Merlone Geier Partners XI will continue the firm's strategy to invest primarily in neighborhood and community shopping centers which are typically anchored by grocers and/or drugstores or by big-box discount retailers. The Fund will target assets that are well located in densely populated areas with strong fundamentals but that have operating problems, capital structure problems or both. Merlone Geier will use its extensive retail and redevelopment expertise to reposition the assets to make them attractive to a wide range of buyers including publicly-traded REITS, private core real estate buyers and high net worth individuals looking for cash-yielding assets. The Fund is expected to be 60-75 percent invested in California and the remaining 25-40 percent in the Pacific Northwest. The Fund will use conservative amounts of leverage and it is expected that a major portion of the returns will come from operating cash flows.

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, it is an opportunity to increase retail exposure which is an under-represented sector in the University's real estate portfolio.

Respectfully submitted,



Timothy P. Slottow  
Executive Vice President and  
Chief Financial Officer

September 2013