

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of Related Real Estate Recovery Fund, L.P.

Background and Summary: We recommend a commitment of \$35 million from the Long Term Portfolio to Related Real Estate Recovery Fund, L.P., a \$1.25 billion real estate fund that will invest in distressed real estate projects located in major urban markets across the United States.

The Fund is being sponsored by The Related Companies, a firm founded in 1972 by Stephen M. Ross. The Related Companies has extensive experience in the development, construction, acquisition, finance and management of real estate assets. Oversight for the Fund will be provided by Jeff Blau, President of Related and Justin Metz, Managing Director. The Fund will have a dedicated team of approximately eighteen professionals, most of them located in Related's offices in New York City, as well as the resources of the entire Related organization which employs over 2,000 people worldwide.

The Fund's objective is to gain control of real estate assets that, due to the recent downturn, were never finished, and use Related's extensive real estate and development expertise to complete the stalled projects by finishing construction, completing repositioning, and managing lease-ups.

The Fund may acquire distressed assets directly from liquidity-constrained sellers at substantial discount to replacement cost, or gain control of assets by investing in non-performing and sub-performing loans held by lenders that don't have the necessary resources to complete the projects, or distressed loans held by failed or failing banks or other financial institutions without work-out capabilities.

The Fund expects the investments to benefit from improvements in general market conditions, but the strategy is not dependent on a market recovery.

The Fund will primarily target for-sale residential, multi-family, office, retail and mixed use projects located in major urban centers in or near locations where Related maintains an office and has deep local market knowledge including Boston, Chicago, Los Angeles, Miami, New York and San Francisco.

This commitment offers the University an opportunity to invest with an experienced manager that is well positioned to take advantage of the existing market of distressed real estate projects.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

October 2011