

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

**Subject:** Alternative Asset Commitment

**Action Requested:** Ecosystem Investment Partners III, L.P.

**Background and Summary:** We recommend a commitment of \$50 million from the Long Term Portfolio to Ecosystem Investment Partners III, L.P., a Baltimore, MD, based natural resources fund that will make investments to capitalize on the Land-Based Environmental Offset markets.

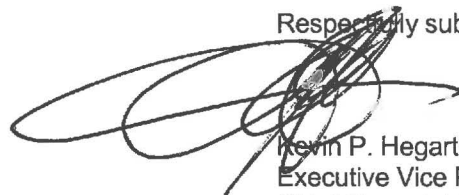
Ecosystem Investment Partners was founded in 2006 by Fred Danforth and Nicholas Dilks. The team includes ten professionals with a mix of backgrounds and skills in all aspects in this unique investment strategy.

Land-Based Environmental Offset (LEO) markets were established to offset or "mitigate" unavoidable, permitted impacts to wetlands, streams and other important natural resources throughout the United States. LEO demand comes from a diverse mix of activities including infrastructure, industrial, mining, energy transmission, residential and commercial development projects. Historically, entities requiring credits for compliance with the Clean Water Act, the Endangered Species Act and other environmental regulations had to create and maintain individual mitigation projects to meet their needs. Recent regulatory momentum at the regional and federal level has encouraged, and in some cases, mandated the use of third party mitigation banks for future development projects, resulting in a rapid growth of mitigation and conservation banks.

Ecosystem Investment Partners will create mitigation banks by acquiring, entitling, restoring, and sustainably managing large rural properties that will generate revenues through the sale of wetland, stream, endangered species and other environmental credits. Creation of a mitigation bank is highly technical, takes place over several years and its progress is monitored by the Army Corps of Engineers. As various milestones during the restoration process are met, Ecosystem Investment Partners is allocated credits which it can sell. Once the mitigation bank is complete and all the credits have been sold, the property is disposed of, often to conservation or resource agencies.

This commitment offers the Long Term Portfolio the opportunity to invest alongside an experienced team in this differentiated investment strategy.

Respectfully submitted,



Kevin P. Hegarty  
Executive Vice President and  
Chief Financial Officer

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