

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Subject: Absolute Return

Action Requested: Calmwater Real Estate Credit Fund III, L.P.

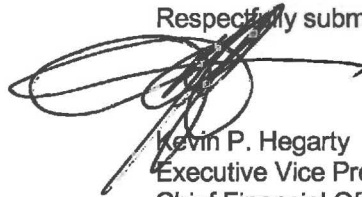
Background and Summary: We recommend a commitment of \$50 million from the University's investment pool for working capital to Calmwater Real Estate Credit Fund III, L.P., a Los Angeles, CA, based fund which will invest primarily in secured, first lien, and occasional second lien, commercial real estate mortgages in major and non-major markets across the United States.

Calmwater is focused on investments in senior secured commercial real estate bridge loans where it believes it can earn a premium return relative to risk. Calmwater has a strong underwriting process and structures loans to address complexities related to particular property-specific situations or borrowers. The Fund invests in loans backed by properties in the office, industrial, multi-family, retail, land, and hospitality areas with use of proceeds for acquisition, refinancing, restructuring, and recapitalization. Calmwater's focus is to construct a diversified portfolio of high quality, secured loans, and does not seek control positions, but will syndicate transactions from time to time. The strategy is consistent with the principals' past experience and benefits from the deep network of established sourcing relationships that has been developed over the years.

The Fund is designed to be highly diversified by borrower, geography, and property type. The loans will be diversified throughout the U.S. as Calmwater sources loan opportunities from all regions of the country. Generally the loans would be fixed but can be floating rate as well.

This investment is consistent with the University's strategy to invest with experienced managers who have a niche strategy and ability to add value.

Respectfully submitted,



Kevin P. Hegarty
Executive Vice President and
Chief Financial Officer

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