

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

January 18, 2007

Subject: Alternative Asset Commitment

Action Requested: Europa Emerging Europe Fund

Background and Summary: We recommend a commitment of €10 million from the Long Term Portfolio to Europa Emerging Europe Fund, a €150 million fund established to make real estate investments in recent and future member countries of the European Union, like Romania, Bulgaria and the Ukraine.

The Europa Emerging Europe team is being formed by Europa Capital Partners, the general partner of Europa Fund II, a fund which makes real estate investments primarily in Western Europe and to a lesser extent, Central Europe. The University is an investor in Europa Fund II. The Europa Emerging Europe team will be led by Tim Norman, formerly with the European Bank for Reconstruction and Development and will target countries that are not included in the Europa Fund II mandate. Noel G. H. Manns and Robert J. W. Martin, Principals at Europa Capital Partners, will be on the Europa Emerging Europe Investment Committee.

Europa Emerging Europe Fund will be diversified by property type, with an initial focus on owner occupied residential, industrial/distribution warehouses, and retail. The fund is expected to be invested mostly in Romania, Ukraine and Bulgaria with some exposure to countries in the Western Balkans.

Most investments will include redevelopment and repositioning of assets, but the fund may do new development if appropriate. Average deal size will be less than €10 million of equity and exits include individual buyers for the residential units and institutional funds for the other properties.

This investment fits within the University's real estate strategy to invest with experienced managers who have demonstrated an ability to add value. In addition, the Eastern European focus provides further diversification to the portfolio.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

January 2007