

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

Approved by the Regents

February 17, 2006

REQUEST FOR ACTION

Subject: Alternative Asset Commitment

Action Requested: Approval of Rubenstein Properties Fund, L.P.

Background and Summary: We recommend a commitment of \$20 million from the Long Term Portfolio to Rubenstein Properties Fund, L.P., a \$450 million fund established to primarily make office investments in the eastern United States.

Rubenstein Company, a Philadelphia-based real estate firm and General Partner of the Fund, was established in 1969 by Mark Rubenstein and has been successfully investing in real estate in the mid-Atlantic region of the United States since its founding. In 1991 the founder's son, David Rubenstein, joined the firm and grew the company into one of the largest private owner/operators of high quality office properties in the region. In 2004 the company took advantage of favorable market conditions and sold most of its portfolio.

In early 2005, Rubenstein established a relationship with Lubert-Adler, another Philadelphia-based real estate firm. The University is an investor in three Lubert-Adler funds which focus mostly in the multi-family, residential resort, retail, and hospitality sectors throughout the United States.

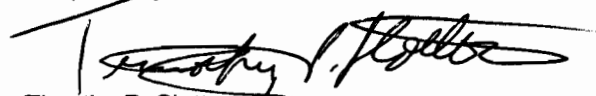
Rubenstein Properties Fund, L.P., is being formed to invest primarily in value-added office properties in the eastern United States. The team will continue its strategy to identify high quality office properties in off-market, complex transactions. Rubenstein, a fully integrated, full service real estate operator, will use its expertise to fully enhance the value of the asset either through renovating or redeveloping the property, leasing up vacant space or implementing an intensive property management program. Typical investment size will be \$50 to \$100 million and the average hold period will be approximately four years.

In addition, the Fund also will pursue office-related investments associated with mixed-use complexes and stressed corporate buyouts throughout the United States in conjunction with the Lubert-Adler real estate funds.

Both Rubenstein and Lubert-Adler believe this relationship is beneficial to each of their funds. Rubenstein intends to take advantage of the extensive network of Lubert-Adler operating partners to source attractive, value-added office opportunities. Lubert-Adler believes the Rubenstein office expertise gives their firm an advantage when bidding on complex mixed-use projects with office components or distressed corporate sellers which often have office properties in addition to other real estate. In addition, there will be some efficiencies in back office operations.

This investment fits within the University's real estate strategy to invest with experienced managers who have demonstrated an ability to add value.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

February 2006