

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

March 17, 2006

**Subject:** Alternative Asset Commitment

**Action Requested:** Approval of EI Fund II, L.P.

**Background and Summary:** We recommend a commitment of up to \$30 million from the Long Term Portfolio to EI Fund II, L.P., a \$250 million fund established to make equity investments in real estate-related companies operating outside of the United States.

The Fund is sponsored by Equity International Properties, Ltd. (EIP), an affiliate of Equity Group Investments, the privately-held investment company founded in 1968 by Sam Zell. Headquartered in Chicago, Equity Group is an opportunistic investor, financier, builder and operator of industry-leading real estate companies in the United States. Founded in 1999, EIP is a fully integrated team of investment professionals with substantial international operating experience. EIP will manage all aspects of the Fund's activities.

Fund II will continue the team's strategy to find, create and build large-scale institutional-quality real estate operating companies outside of the United States. EIP will focus on geographical regions that are characterized by strong economic growth, capital markets inefficiency and limited competition such as Brazil, India and China. In addition, EIP will also consider investment opportunities in more mature markets in Europe.

EIP believes that the best approach to investing in complex and diverse global real estate markets is through the creation of or investment in existing operating businesses with experienced and entrepreneurial local partners, both operating and financial. Such platform investing often provides strong alignment of interest with the local partners, improved deal flow and scalability, and an opportunity for EIP to use its expertise in working with management teams to build and grow operating companies. In addition, these platforms offer a greater range of exit opportunities as a result of their critical mass, dedicated management and sophisticated financial partners.

Currently the University's real estate portfolio is invested primarily with managers that make direct investments in properties. An investment with Equity International provides diversification by increasing exposure both to a different segment of real estate, as well as international markets. In addition, this investment is consistent with the University's real estate strategy to invest with experienced managers who have demonstrated an ability to add value.

Respectfully submitted,



Timothy P. Slotow  
Executive Vice President and  
Chief Financial Officer

March 2006