

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents
March 15, 2007

Subject: Absolute Return Investment

Action Requested: Approval of Drawbridge Long Dated Value Fund III

Background and Summary: We recommend a commitment of \$10 million from the Long Term Portfolio to the Drawbridge Long Dated Value Fund III.

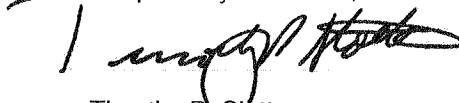
Drawbridge Long Dated Value Fund III will be managed by Drawbridge Long Dated Value Advisors, an affiliate of Fortress Investment Group, a global alternative investment and asset management firm headquartered in New York with offices in Frankfurt, London, Rome, Geneva, San Diego, Toronto and Sydney. The University is an investor in Fortress Investment Fund IV and Co-investment Fund IV, the firm's most recent real estate focused, private equity funds.

The objective of the Drawbridge funds is to generate superior risk adjusted returns by opportunistically acquiring a portfolio of investments in North America, Europe and Asia/Pacific that have the potential to achieve significant long term value. The investments of the fund will be focused on five principal investment categories including real estate, capital assets, asset backed securities, corporate securities, and life sciences, but are also expected to include investments in other niche situations.

Drawbridge identifies opportunities that are often misunderstood by investors due to potentially long investment horizons and limited short term cash flow. They focus on transactions which are complicated and unique, where buyers and sellers don't have conviction about what an asset will be worth several years into the future. Drawbridge investments are underwritten for limited downside risk, but with the potential for significant multiple expansion.

An investment in Drawbridge Long Dated Value Fund III is consistent with the University's absolute return strategy to invest with experienced managers who have a niche strategy and proven ability to add value.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

March 2007