

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION EXH

REQUEST FOR ACTION

MOTION	Newman
SECOND	Richner
ACTION APPROVED BY THE REGENTS	
NOTE:	MAR 17 2005

Subject: Alternative Asset Commitment

Action Requested: Approval of Canyon-Johnson Urban Fund II, L.P.

Background and Summary: We recommend a commitment of \$20 million from the Long Term Portfolio to Canyon-Johnson Urban Fund II, L.P., a \$600 million domestic real estate fund.

Canyon-Johnson Urban Fund II will continue the team's strategy to develop, redevelop and reposition real estate assets located in densely populated, ethnically diverse urban communities and their surrounding metropolitan areas. This is an attractive investment opportunity because a lack of debt and equity capital for real estate development in these urban areas has left residents with limited access to shopping, fewer housing alternatives, and fewer office and manufacturing jobs than their suburban counterparts.


The fund's General Partner is a partnership between Canyon Capital Realty Advisors LLC and Magic Canyon Holdings, LLC. Canyon Capital Realty Advisors is the realty investment affiliate of Canyon Capital Advisors, a Los Angeles based investment firm with over \$6.5 billion in assets. Magic Canyon Holdings, LLC is an affiliate of Johnson Development Corporation. Johnson Development Corporation was founded in 1993 by Earvin "Magic" Johnson and is a leading provider of entertainment complexes, restaurants and retail centers in under-served markets across the country.

The General Partner will use its extensive network of industry and governmental relationships to generate potential transactions. It also expects to benefit from a proprietary network of corporate relationships with companies including Loews-Cineplex Theaters (Magic Johnson Theatres), Starbucks Coffee, 24-Hour Fitness, Washington Mutual, and Burger King to identify, enhance and develop commercial properties in its targeted urban areas.

Typical investment size will range from \$10 to \$50 million and will include equity joint ventures with local owner/operators, participating and non-participating mezzanine loans, mortgages, recapitalizations and restructurings of existing ownership vehicles, build-to-suit transactions, sale-leaseback transactions and real estate opportunities made available through city, state and federal governmental entities. The projects might include retail/entertainment, multi-family housing and assisted living, office, hospitality, manufacturing/distribution and multi-use properties.

This commitment is consistent with the University's real estate strategy to invest with experienced managers who have demonstrated the ability to add value.

Respectfully submitted,


Timothy P. Slotow
Executive Vice President and
Chief Financial Officer

March 2005