

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

ITEM FOR INFORMATION

Received by the Regents
April 19, 2007

Subject: Alternative Asset Commitments

Background and Summary: Under a May 1994 Request for Action, the University may commit to follow-on investments in a new fund sponsored by a previously approved partnership provided the fund has the same investment strategy and core investment personnel as the prior fund.

Pursuant to that policy, this item reports on the University's two follow-on investments with previously approved real estate partnerships.

Patron Capital, L.P., III, is a € 895 million (~\$1,195 million) real estate fund that targets undervalued and distressed property assets and corporate entities with property as a major component of their asset base located primarily in Western and Central Europe. These investments might include undervalued businesses, complex situations where ownerships, legal or tax issues must be resolved to unlock value, assets or businesses that are considered non-core by their owners, assets that are distressed as a result of a changing economic environment, and attractive assets owned by distressed sellers. Patron uses its established network of local operating partners to source deals. These local partners invest equity in the transactions and participate in their success.


This is the University's third investment with Patron Capital. The University committed € 40 (~\$53.4 million) to Patron Capital, L.P., III in February 2007. The University has committed a total of ~\$50 million to prior Patron funds.

Avanti Strategic Land Investors V, L.L.L.P., is a \$200 million fund that invests in well-located land sites at deeply discounted prices to realistic user values, primarily in high growth areas of the United States. Due to the inefficient characteristics of land investing, there is a lack of investor capital targeting the sector. Avanti has established itself as a buyer of land and has little competition. Avanti intends to diversify the portfolio by both property type and geographic location.

Prior Avanti funds have been structured to include a Passive and an Active Partnership, and parcels were allocated between the two based upon the level of activity required during the holding period. Passive land investments focus on a buy, hold and sell strategy whereas active land investments require more participation in the management and development of the site, often generating taxable income. Avanti has identified a tax-efficient structure for Fund V which will allow for a single partnership.

This is the University's fourth investment with Avanti. The University committed \$18.0 million to Avanti Strategic Land Investors V, L.L.L.P., in January, 2007. The University has committed \$54.5 million to prior Avanti funds.

Respectfully submitted,



Timothy P. Slottow
Executive Vice President and
Chief Financial Officer

April 2007