

THE UNIVERSITY OF MICHIGAN
REGENTS COMMUNICATION

REQUEST FOR ACTION

Approved by the Regents

May 19, 2006

Subject: Absolute Return Investment

Action Requested: Approval of CT Large Loan 2006, Inc.

Background and Summary: We recommend the approval of CT Large Loan 2006, Inc. with a commitment of up to \$25 million for the University Investment Pool (UIP). The investment would better balance the UIP's risk exposures by decreasing exposure to movements in interest rates and increasing exposures to real estate and investment manager value added.

CT Large Loan 2006, Inc., (the Fund) will co-invest with Capital Trust, Inc. on a pari passu basis in large mezzanine investments in commercial real estate assets and operating companies. Capital Trust, Inc. is a publicly-traded investment management and finance company that specializes in mezzanine and high yield commercial real estate investments. Since its inception in 1997, Capital Trust has been one of the most active investors in the rapidly maturing real estate structured finance market. The University, in its Long Term Portfolio, has invested in two other funds sponsored by Capital Trust Inc.: CT Mezzanine Partners II, L.P. and CT Mezzanine Partners III, L.P.

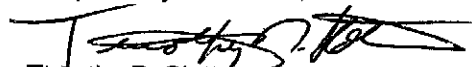
CT Large Loan 2006, Inc.'s objective is to maximize the net interest income generated from its investment portfolio and to distribute substantially all of its income to its investors on a regular basis. Compared to senior debt fixed income strategies, mezzanine investing can produce higher yields with downside protection.

Opportunities will be sourced through Capital Trust's established network of relationships with issuers, borrowers and brokers. Due diligence on each investment will be performed by Capital Trust and at least \$35 million of each investment will be on the Capital Trust balance sheet.

The Fund intends to acquire, hold, finance, manage and dispose of participation interests in large, greater than \$50 million, commercial real estate mezzanine loans. Therefore, the portfolio will be concentrated in a relatively small number of loans. These loans are typically collateralized by large diverse portfolios of underlying real estate assets or large high-quality single properties with significant institutional sponsorship. Investments are expected to be primarily floating rate (LIBOR indexed) loans with contractual maturities of 2 to 5 years. Underwriting will include detailed financial analysis of the collateral and individual loan parameters. Leverage will be applied in a prudent fashion, and interest rate risk will be managed through customized hedging.

This investment is consistent with the University's strategy to invest with experienced managers who have a niche strategy and a proven ability to add value.

Respectfully submitted,



Timothy P. Slotow
Executive Vice President and
Chief Financial Officer

May 2006