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Office of the Treasurer
March 10, 2009

Members, Investment Committee

APPROVAL TO CANCEL CONTRACT NEGOTIATIONS WITH TWO OPPORTUNISTIC REAL ESTATE MANAGERS

Recommendation: that the Investment Committee authorize the University's Purchasing Division to cancel contract negotiations with two new managers for the management of opportunistic real estate allocations.

Background: On December 9, 2008, the Investment Committee authorized the University's Purchasing Division to enter into contract negotiations with four new managers for the management of value-added and opportunistic real estate allocations, noting at that time that one manager was subject to final approval by staff and R.V. Kuhns & Associates ("RVK") prior to the fund's final close in mid-2009. Since December 2008, the commercial real estate market has deteriorated rapidly, particularly for development or more speculative projects, which are the focus of opportunistic real estate managers.

Staff and RVK still support the 4% target allocation to opportunistic real estate and will consider commitments to opportunistic managers when market conditions improve. For now, the opportunistic allocation will remain invested with the core real estate managers. As communicated previously, Staff and RVK plan to issue another RFP in the next two years to search for additional value-added and opportunistic real estate managers/strategies. The objective is to build the value-added and opportunistic allocations over a period of years to ensure appropriate vintage year diversification.

Please see the attached confidential memo from RVK for further details.

Action Taken: Approved Disapproved Other _____