



Presentation to  
**Fresno County Employees Retirement Association**

Colony Distressed Credit Fund, L.P. Investment Updates

# Important Notice



Included in these materials is information about particular investments made or to be made by Colony Investors VIII, L.P. and Colony Distressed Credit Fund, L.P., including projections about the future performance of these investments. Several of these investments were structured as co-investments with Colony Financial, Inc. (CFI), a publicly traded mortgage finance REIT. Certain of the information about these investments could be considered material non-public information with regard to CFI. We want to take this opportunity to remind you that this information is confidential and may only be shared within your organization and in accordance with the respective partnership agreements. You may not trade in the securities of CFI while in possession of material non-public information, for your own account or for the account of any entity whose trading you control. If you are not comfortable with these trading restrictions, please advise us and we will remove these materials from your book. Please note that if you share this information, the recipient must keep it confidential and such recipient and others within your organization may also be restricted from trading in the securities of CFI.

# Colony Distressed Credit Fund, L.P. (CDCF I)

**CDCF I was ranked by PREQIN as the top performing fund among all 2006-2008 vintage real estate funds**

## Overview

- **CDCF I raised \$885 million in 2008 to pursue investments in real estate-related debt instruments**
  - > **Commitment Period ended Jul-10**
- **CDCF I invested over \$875 million of capital in 21 investments**
- **Only three investments with debt; two of which have attractive FDIC seller financing and one with TALF financing**
- **Approximately \$250 million distributions to-date or 27% of total equity**

## Investment Highlights

- > **Acquired \$3 billion of NPL portfolios from the FDIC via two structured sales**
- > **Acquired two additional whole loan portfolios through open auctions by the FDIC and realized 53% of invested capital within 12 months**
- > **Recapitalized West Coast homebuilder with 50-year track record through senior secured loan**
- > **Acquired 22% stake in First Republic Bank, best-in-class relationship bank with \$20 billion of high quality loans, and executed a successful IPO**

**Projected performance: ~20% IRR and > 2.0x EM (significantly unleveraged)**

# CDCF I – Fair Value



| Investment                  | Date Acquired | 9/30/11 Cost Basis | 9/30/11 Fair Value | Fair Value Change (Incl dividends) from 6/30/11 | Fair Value as % of Cost Basis | Fair Value Methodology           |
|-----------------------------|---------------|--------------------|--------------------|---|-------------------------------|----------------------------------|
| ESH Mezzanine Loan          | Oct-10        | \$18.6             | \$19.7             | 1%  | 106%                          | Discounted Cash Flows            |
| IKB NPL Portfolio           | Jul-10        | 21.5               | 28.8               | 2%  | 134%                          | Discounted Cash Flows            |
| Barclays FDIC Portfolio     | Jul-10        | 170.3              | 197.6              | 4%  | 116%                          | Discounted Cash Flows            |
| First Republic Bank         | Jun-10        | 119.0              | 175.0              | -28%  | 147%                          | Quoted share price               |
| Shinsei Loan Portfolio      | May-10        | 3.4                | 3.6                | -10%  | 104%                          | Discounted Cash Flows            |
| Jameson Inns                | Apr-10        | 48.1               | 52.3               | 1%  | 109%                          | Comparables/EBITDA multiple      |
| Bear Creek                  | May-10        | 6.5                | 8.4                | 6%  | 128%                          | Discounted Cash Flows            |
| 666 Fifth Avenue            | Mar-10        | 18.8               | 22.9               | 1%  | 121%                          | Discounted Cash Flows            |
| West Village Loan           | Mar-10        | 13.7               | 15.0               | 4%  | 109%                          | Discounted Cash Flows            |
| DB Structured Sale (FDIC)   | Jan-10        | 45.8               | 61.8               | 0%  | 135%                          | Discounted Cash Flows            |
| WLH Land                    | Dec-09        | 7.1                | 9.5                | -4%   | 134%                          | Asset Comps                      |
| JPM Florida Portfolio       | Dec-09        | 7.8                | 11.4               | 10%   | 146%                          | Discounted Cash Flows            |
| Nationwide Loan Portfolio   | Dec-09        | 69.8               | 91.9               | 3%  | 132%                          | Discounted Cash Flows            |
| BAG NPL Portfolio           | Dec-09        | 2.0                | 2.3                | -11%  | 117%                          | Discounted Cash Flows            |
| Inmobiliaria Colonial, S.A. | Nov-09        | 47.4               | 56.5               | -6%   | 119%                          | Discounted Cash Flows            |
| WLH Loan                    | Oct-09        | 103.7              | 115.8              | 0%  | 112%                          | Discounted Cash Flows            |
| 2475 Townsgate Blvd.        | Oct-09        | 5.1                | 5.8                | 4%  | 115%                          | Discounted Cash Flows            |
| Bank of Clark County (FDIC) | May-09        | 9.5                | 15.6               | 1%  | 163%                          | Discounted Cash Flows            |
| Haven Trust Bank (FDIC)     | Apr-09        | 7.3                | 9.2                | -3%   | 126%                          | Discounted Cash Flows            |
| CMBS JV Portfolio II        | Jan-09        | 14.9               | 22.2               | -10%  | 149%                          | Dealer Mark/Discounted Cash Flow |
| Exmoor                      | Jun-08        | 63.7               | 72.1               | 0%  | 113%                          | Discounted Cash Flows            |
| <b>TOTAL</b>                |               | <b>\$804.0</b>     | <b>\$997.3</b>     | <b>-6%</b>                                      | <b>124%</b>                   |                                  |

**Investment fair value 124% of unrealized cost basis at 9/30/11**  
**To-date partnership gross equity multiple 1.33x**



# ESH Mezzanine Loan



## Investment Profile

|                            |                       |
|----------------------------|-----------------------|
| Acquisition Date:          | October 2010          |
| Asset Type:                | Rescue cap/Recap      |
| Location:                  | United States         |
| Total Deal Capitalization: | \$56.1 million        |
| Total Deal Equity:         | \$56.1 million        |
| CDCF Equity:               | \$18.7 million        |
| Other Equity Participants: | Colony Financial      |
| FMV at 9/30/11:            | \$19.7 million        |
| FMV as % of cost basis:    | 106%                  |
| FMV Methodology:           | Discounted Cash Flows |

## Investment Thesis

- Oct -10 origination of mezzanine loan in conjunction with recapitalization of Extended Stay Hotels, Inc.
- Opportunity to originate a mezzanine loan at attractive risk-adjusted rate
- Collateral includes ~74,000 keys across 664 hotels, the Extended Stay brands and other intangible assets
- Colony's investment sits senior to \$1.5 billion of new sponsor equity capital
- Colony's loan basis of ~\$37,000 per key represents >60% discount to 2007 sale value

## Status

- All interest payments have been made as scheduled
- Given continued strength of ESH operations, we expect Mezz loan will be refinanced when 2-year non-callable period expires Nov-12

# IKB NPL Portfolio



## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | July 2010                     |
| Asset Type:                | Non-Performing                |
| Location:                  | Germany                       |
| Total Deal Capitalization: | \$50.1 million                |
| Total Deal Equity:         | \$42.4 million                |
| CDCF Equity:               | \$30.9 million                |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$28.8 million                |
| FMV as % of cost basis:    | 134%                          |
| FMV Methodology:           | Discounted Cash Flows         |

## Investment Thesis

- Jul-10 acquisition of German NPL portfolio of IKB Bank's European NPL book for €38.6 million, reflecting a 64% discount to portfolio OPB of €106.6 million
- Portfolio composition
  - > High quality mortgage loan portfolio (mainly commercial or mixed use buildings held as investments by institutional and individual investors), with some core/core plus resolution opportunities.
  - > 18 properties: 11 in West Germany/Berlin and 7 in East Germany; Commercial assets in attractive locations without value erosion

## Status

- Gross collections of €16 million through 3Q11
- Major asset resolution in November 2011 for gross sales price of €14 million
- Rental assignments in place for most assets creating further value
- Intensive focus on preparing more properties for sale
- Asset management fully operational

# Barclays FDIC Portfolio



## Investment Profile

|                            |                                 |
|----------------------------|---------------------------------|
| Acquisition Date:          | July 2010                       |
| Asset Type:                | FDIC Portfolio                  |
| Location:                  | United States                   |
| Total Deal Capitalization: | \$1,118.9 million               |
| Total Deal Equity:         | \$224.1 million                 |
| CDCF Equity:               | \$171.3 million                 |
| Other Equity Participants: | Colony Financial, Co-Investment |
| FMV at 9/30/11:            | \$197.6 million                 |
| FMV as % of cost basis:    | 116%                            |
| FMV Methodology:           | Discounted Cash Flows           |

## Investment Thesis

- Colony acquired from FDIC a managing member equity interest in a portfolio of approximately 1,660 loans with an aggregate unpaid principal balance of \$1.85 billion
  - > Portfolio consists substantially of CRE loans originated by 21 failed financial institutions
  - > Second multi-bank structured transaction purchased by the Partnership from the FDIC since beginning of credit crisis
- Barclays served as advisor to FDIC on the sale
  - > Colony acquired a 40% managing member equity interest in newly formed LLC created to hold the loans; FDIC retained remaining 60% equity interest
- Portfolio effectively acquired at 59% of UPB, with a purchase price of \$218.2 million (net of working capital and transaction costs) for 40% equity interest
- Portfolio is well diversified in terms of property type and geographic location – primarily concentrated in CA, NV, AZ, and CO

## Status

- As of Sept-11, 184 assets representing original \$112.6 million unpaid principal balance (“UPB”) have been resolved at an average repayment price of 90% of UPB vs. an average Colony acquisition cost of 69%
- Ongoing efforts to improve the performance of the portfolio via various resolution strategies including loan modifications and discounted payoffs.
- Over \$160.5 million of net proceeds collected to-date (Sept-11) through principal and interest payments and 184 resolutions; portfolio tracking well ahead of original underwriting

# First Republic Bank



## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | June 2010                     |
| Asset Type:                | Special Situation             |
| Location:                  | United States                 |
| Total Deal Capitalization: | \$4,416.1 million             |
| Total Deal Equity:         | \$427.1 million               |
| CDCF Equity:               | \$167.9 million               |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$175.0 million               |
| FMV as % of cost basis:    | 147%                          |
| FMV Methodology:           | Quoted share price            |

## Investment Thesis

- Oct-09, Colony Capital, alongside General Atlantic, co-led a group of investors in signing an agreement to acquire First Republic Bank from Bank of America Corporation ("BAC")
- Unique opportunity to acquire a best-in-class relationship bank led by Jim H. Herbert, II and Katherine August-deWilde
- Bank of America was a motivated seller as FRB was not a strategic fit for the broader bank and was inherited via the larger transaction involving Merrill Lynch
- Closing of management-led buyout occurred Jun-10

## Status

- As of Jun-11, FRB had ~\$24 billion of total banking assets, \$20 billion of deposits and \$20 billion of wealth management assets
- Jul-11, FRB completed a secondary offering of 13 million shares at \$31.75/share
  - > As part of transaction, Partnership sold approximately 19.9% of its remaining position (18.5% of its original shares)
  - > This distribution resulted in a to-date realized IRR of 71%, a 1.9x multiple on invested equity, and nominal profits of \$28.5 million for the Partnership's shares sold
- This secondary offering follows the company's successful Dec-10 IPO in which the Partnership sold ~7% of original shares at \$25.50, or ~1.6x sponsor group's initial cost basis of \$15.50 per share
- Shares sold to-date have generated a combined realized IRR of 74%, a 1.8x multiple on invested equity, and nominal profits of \$34.7 million
- As of Sep-11, share price declined to \$23.16. While significantly below prior quarter, the value of the Partnership's remaining shares was substantially above their related cost, representing an equity multiple of 1.4x and a to-date IRR in excess of 20%



# Shinsei NPL Portfolio



## Investment Profile

|                            |   |
|----------------------------|---|
| Acquisition Date:          | May 2010                                  |
| Asset Type:                | Non-Performing                            |
| Location:                  | Germany                                   |
| Total Deal Capitalization: | \$10.8 million                            |
| Total Deal Equity:         | \$10.8 million                            |
| CDCF Equity:               | \$3.7 million                             |
| Other Equity Participants: | Colony VIII, Colony Financial, Colyzeo II |
| FMV at 9/30/11:            | \$3.6 million                             |
| FMV as % of cost basis:    | 104%                                      |
| FMV Methodology:           | Discounted Cash Flows                     |

## Investment Thesis

- **May-10 acquisition of German NPL portfolio from Shinsei Bank's European NPL book for €8.2 million, reflecting an 81% discount to portfolio OPB of €43.1 million**
- **Portfolio Composition**
  - > 76 borrowers with 211 loans secured by 116 properties
  - > Located in all of Germany's 16 states, with concentration of OPB and portfolio value in former East Germany
  - > Secured collateral: 67% Mixed Use; 22% Residential; 4% Land; 7% Pure Commercial

## Status

- **Underwriting incorporated €750,000 lockbox account; necessary to "build substance" to protect against potential future claims against Colony cash flows**
- **Net collections to date (through Sep-11, net of servicer fees) €1.7 million; €750,000 lockbox account fully funded and segregated**
- **Change of servicer as of Jul-11 to accelerate workout; successful transition**
- **Intense marketing of real estate collateral continuing**

# Bear Creek Loan



## Investment Profile

|                            |                        |
|----------------------------|------------------------|
| Acquisition Date:          | May 2010               |
| Asset Type:                | Rescue Capital / Recap |
| Location:                  | Michigan               |
| Total Deal Capitalization: | \$9.8 million          |
| Total Deal Equity:         | \$9.8 million          |
| CDCF Equity:               | \$6.5 million          |
| Other Equity Participants: | Colony Financial       |
| FMV at 9/30/11:            | \$8.4 million          |
| FMV as % of cost basis:    | 128%                   |
| FMV Methodology:           | Discounted Cash Flows  |

## Investment Thesis

- **May-10 origination of a \$9.8 million first mortgage financing to facilitate the discounted payoff of eight related non-performing commercial real estate loans**
  - > Discounted payoff represented a 61% discount to UPB of \$25.2 million
- **Collateral consists of a mixed-use development – 59% multifamily and 41% retail**

## Status

- **Borrower continues to remit timely monthly payments of current pay interest and, since 2Q11, cash flow sweeps above the current pay have been included**
- **New unit construction and initial lease up completed; lease concessions expiring in 2011; expected to achieve stabilized monthly revenue projections by YE11 which will increase DSCR from 1.42x currently to 2.58x and debt yield from 6.6% currently to 13.9%**
- **Gross collections totaling \$1.5 million received from acquisition through end of Sep-11, representing a cash yield of 12%**

# Jameson Inns Loan



## Investment Thesis

- **Apr-10 acquisition of a strategic, performing \$39 million senior mezzanine tranche of a \$327 million multi-tier financing for \$32 million (18% discount to UPB)**
- **Opportunity to acquire the fulcrum security of a stable and segment leading hospitality asset ahead of a looming restructuring**
- **The investment is collateralized by a pledge of equity in a special purpose vehicle that indirectly owns a portfolio of 103 limited service hotels (6,623 keys)**
  - > **Implied basis of \$36K/key**

## Investment Profile

|                                   |                                     |
|-----------------------------------|-------------------------------------|
| <b>Acquisition Date:</b>          | <b>April 2010</b>                   |
| <b>Asset Type:</b>                | <b>Sub Performing / Restructure</b> |
| <b>Location:</b>                  | <b>United States</b>                |
| <b>Total Deal Capitalization:</b> | <b>\$71.5 million</b>               |
| <b>Total Deal Equity:</b>         | <b>\$68.3 million</b>               |
| <b>CDCF Equity:</b>               | <b>\$44.5 million</b>               |
| <b>Other Equity Participants:</b> | <b>Colony Financial</b>             |
| <b>FMV at 9/30/11:</b>            | <b>\$52.3 million</b>               |
| <b>FMV as % of cost basis:</b>    | <b>109%</b>                         |
| <b>FMV Methodology:</b>           | <b>Discounted Cash Flows</b>        |

## Status

- **Loan performed up until the maturity date (August 9, 2010), at which point it defaulted as expected**
- **Existing debt stack is not refinanceable, thus Colony acquired the senior mezzanine at par plus accrued interest and fees. The purchase was made pursuant to an option exercised by the Colony Parties in order to protect against potential foreclosure of its Mezz B interest by Mezz A. As a result, Colony Parties currently own both Mezz A and B positions.**
- **In October 2011, the Mezz A, Mezz B and senior mortgage borrowers filed for Chapter 11 bankruptcy. The Colony Parties have filed various motions in response, and a hearing has been scheduled for November 2011.**



# West Village Loan



## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | March 2010                    |
| Asset Type:                | Rescue Capital / Recap        |
| Location:                  | New York, NY                  |
| Total Deal Capitalization: | \$29.9 million                |
| Total Deal Equity:         | \$28.3 million                |
| CDCF Equity:               | \$12.7 million                |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$15 million                  |
| FMV as % of cost basis:    | 109%                          |
| FMV Methodology:           | Discounted Cash Flows         |

## Investment Thesis

- Mar-10 origination of 5-year, \$30.4 million recourse loan to world-renowned photographer
- Secured by first liens on two prime West Village Manhattan townhomes and photography catalogue
- Real estate collateral is 9,296 square feet of gross livable area

## Status

- Interest rate 14% per year, of which up to 4% can accrue in first 12 months at borrower's option and in first 24 months at lender's option; 2% origination fee
  - > Low 36% LTV based upon real estate appraisal value and wholesale liquidation value of unique photography catalogue including 100,000 prints and over one million negatives
- Real estate secured loan is performing with adequate interest coverage
- Exploring partial refinancing of select collateral to effectuate loan pay down



# 666 Fifth Avenue Loan



## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | March 2010                    |
| Asset Type:                | Sub Performing / Restructure  |
| Location:                  | New York, NY                  |
| Total Deal Capitalization: | \$45.0 million                |
| Total Deal Equity:         | \$43.8 million                |
| CDCF Equity:               | \$19.9 million                |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$22.9 million                |
| FMV as % of cost basis:    | 121%                          |
| FMV Methodology:           | Discounted Cash Flows         |

## Investment Thesis

- Attractive opportunity to acquire a senior secured interest in a high quality Class A office building in Manhattan's strongest office market
- 1.4 million SF building constructed in 1957, presently 86% occupied
- Colony acquired a \$66 million pari-passu participation in a \$1.2 billion performing first mortgage for \$0.68 / dollar
  - > Acquisition basis @ \$585/SF (vs. \$858/SF face value) is more than 50% discount to peak Manhattan Class A office trading values and 13% discount to ten-year average trading values
  - > Initial cash-on-cash yield of 9.5%

## Status

- Privately negotiated sale with an experienced Manhattan office investor triggered by seller's need for immediate capital
  - > Seller retained a \$29 million pari-passu interest alongside the acquired participation
- Term sheet has been executed which reflects the following structure:
  - > \$110 million of new sponsor equity that earns a preferred return
  - > Segregation of the note into two tranches of \$1.1 billion and \$115 million, with the latter being repaid after new sponsor equity
  - > Reduction of the current pay rate, which increases through maturity

# DB FDIC Portfolio



## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | January 2010                  |
| Asset Type:                | FDIC Portfolio                |
| Location:                  | United States                 |
| Total Deal Capitalization: | \$481.0 million               |
| Total Deal Equity:         | \$100.7 million               |
| CDCF Equity:               | \$45.9 million                |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$61.8 million                |
| FMV as % of cost basis:    | 135%                          |
| FMV Methodology:           | Discounted Cash Flows         |

## Investment Thesis

- Colony acquired from FDIC a managing member equity interest in a portfolio of approximately 1,200 loans with an aggregate unpaid principal balance of \$1.02 billion
  - > Portfolio consists substantially of CRE loans originated by 23 failed financial institutions
  - > First multi-bank structured transaction offered by FDIC since beginning of credit crisis
- Deutsche Bank served as advisor to FDIC on the sale
  - > Colony acquired a 40% managing member equity interest in newly formed LLC created to hold the loans; FDIC retained remaining 60% equity interest
- Portfolio effectively acquired at 44% of UPB, with a purchase price of \$90.5 million (net of working capital and transaction costs) for 40% equity interest
- Portfolio is well diversified in terms of property type and geographic location – primarily concentrated in CA, NV, AZ, GA and FL

## Status

- As of Sept-11, 184 assets representing original \$87.4 million unpaid principal balance (“UPB”) have been resolved at an average repayment price of 75% of UPB vs. an average Colony acquisition cost of 53% of UPB
- \$97.3 million in net proceeds collected to-date has been deposited into defeasance account for repayment of FDIC debt, well-ahead of underwritten projections
- Ongoing efforts to improve the performance of the portfolio via various resolution strategies including loan modifications and discounted payoffs

# WLH Land Acquisition



**William Lyon Homes**  
*Experience the pride.*

## Investment Thesis

- Dec-09 acquisition of 1,045 lots (in various stages of development) and 12 models across 7 projects in CA, NV, and AZ from William Lyon Homes for \$13.6 million (\$13K per lot / model)
- Assets were previously underwritten during WLH debt facility transaction
- Seven projects represent entitled parcels of residential land and are intended to be held in an “as-is” condition over the term of the investment
- Purchased at a significant discount to market due to year-end closing requirements of WLH

## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | December 2009                 |
| Asset Type:                | Special Situation             |
| Location:                  | United States                 |
| Total Deal Capitalization: | \$14.1 million                |
| Total Deal Equity:         | \$14.1 million                |
| CDCF Equity:               | \$7.4 million                 |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$9.5 million                 |
| FMV as % of cost basis:    | 134%                          |
| FMV Methodology:           | Asset comps                   |

## Status

- Investment is performing to-date; payments in respect of easement rights providing Colony with a 10% cash-on-cash yield
- Sold 22 lots at Westpark Courtyards (Nevada) for \$302,000 (2.1x equity multiple); selectively pursuing dispositions when attractive financial results are achievable
- Despite slower market, recent transaction comparables in Nevada and Arizona have supported a higher market valuation than cost, though lower than prior quarter

# JPM Loan Portfolio



## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | December 2009                 |
| Asset Type:                | Performing                    |
| Location:                  | Florida                       |
| Total Deal Capitalization: | \$20.1 million                |
| Total Deal Equity:         | \$19.6 million                |
| CDCF Equity:               | \$8.9 million                 |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$11.4 million                |
| FMV as % of cost basis:    | 146%                          |
| FMV Methodology:           | Discounted Cash Flows         |

## Investment Thesis

- Dec-09 purchase of 11 largely performing, first lien commercial real estate mortgages from a U.S. commercial bank for \$20 million (39% discount to portfolio UPB of \$33 million)
  - > Ten performing loans represent 93% of UPB
- All assets located in South Florida – 77% retail and 23% office

## Status

- Through Q3 2011, portfolio was 89% (\$28.6 million UPB) performing, borrower negotiations underway on NPL's (\$3.4 million UPB)
- Gross collections totaling \$3.9million received through 3Q11, representing a cash yield of 11%
- Portfolio continues to perform in-line with underwritten expectations
- In October 2011, 5 of the 11 loans were sold in a bulk sale transaction at 89% of UPB



# Inmobiliaria Colonial, S.A.



## Investment Profile

|                            |  |
|----------------------------|--|
| Acquisition Date:          | November 2009  |
| Asset Type:                | Sub Performing / Restructure                             |
| Location:                  | Europe   |
| Total Deal Capitalization: | \$261.3 million  |
| Total Deal Equity:         | \$239.8 million  |
| CDCF Equity:               | \$47.8 million   |
| Other Equity Participants: | Colony VIII, Colony Financial, Colyzeo II, Co-Investment |
| FMV at 9/30/11:            | \$56.5 million   |
| FMV as % of cost basis:    | 119%   |
| FMV Methodology:           | Discounted cash Flows                                    |

## Investment Thesis

- Dec-09 acquisition of €903 million (face amount) share of syndicated loan to Inmobiliaria Colonial, S.A. for €329 million (64% discount) – 18% share of company's total debt in Joint venture with Orion Capital; post restructuring (segregating performing and non-performing debt into separate tranches and converting a portion of debt to equity):
  - > €368 million Tranche A backed by performing assets
  - > €391 million Tranche B exchanged for 14.73% Colonial shares
  - > €144 million Devco debt back by non-yielding assets
- Colonial (SM: COL), one of the largest publicly-traded real estate companies in Spain, holds assets worth €2.6 billion, with €2.1 billion debt (post restructuring):
  - > 32 prime office buildings in Madrid and Barcelona top locations, generating ± €85 million annual rent
  - > 53% share of Société Foncière Lyonnaise (SFL), ±€175 million rent annually and ±€50 million dividend

## Status

- Strong leasing effort (over 30% of portfolio leased or released) despite difficult environment. 2010 and YTD (1Q11) operating performance declining vs 2009 but in line with budget and stabilizing
  - > YTD rents: -5% like for like
  - > Occupancy improved: 87% YTD from 84% 4Q10
  - > Over 100,000sqm of projects well advanced (projected €50m additional rent)
- Sold +€400 million of assets 2010; proceeds used to de-lever; improved liquidity
- Devco: 2010 performance above expectations (land and apartment sales). YTD slowdown
- SFL: Company benefiting from strong Paris market activity
  - > Obtained BBB- with positive outlook from S&P in Apr-11 facilitating a €500 million bond issue at attractive conditions: for refinancing, investments, etc.
  - > Unibail acquired 7% of SFL in Mar-11

# Nationwide Loan Portfolio



## Investment Profile

|                            |                       |
|----------------------------|-----------------------|
| Acquisition Date:          | December 2009         |
| Asset Type:                | Performing            |
| Location:                  | United States         |
| Total Deal Capitalization: | \$131.6 million       |
| Total Deal Equity:         | \$129.7 million       |
| CDCF Equity:               | \$80.0 million        |
| Other Equity Participants: | Colony Financial      |
| FMV at 6/30/11:            | \$91.9 million        |
| FMV as % of cost basis:    | 132%                  |
| FMV Methodology:           | Discounted Cash Flows |

## Investment Thesis

- Dec-09 purchase of 25 performing, first lien commercial loans for \$131 million from a U.S. life insurance company (25% discount to portfolio UPB of \$175 million)
- Assets located nationwide with largest concentration in PA (21% of UPB), NC (12%), CA, IL, MI, MO, NV, and UT (7-9% each)
  - > 47% retail, 28% office, 22% industrial, 3% hotel

## Status

- Portfolio is 97% performing (\$164.7 million) with one NPL asset totaling \$5.9 million
- Gross collections totaling \$21.6 million received through 3Q11, representing a 10% cash yield; continues to perform in-line with the underwriting
- One loan modification completed to-date (\$3.9 million UPB); asset has since performed as agreed

# BAG NPL Portfolio



## Investment Thesis

- Dec-09 acquisition of NPL portfolio from Bankaktiengesellschaft AG, the “bad bank” repository for a network of German cooperative banks, for €10 million (net of €1.8 million interim collections); 84% discount to portfolio UPB of €61 million
  - > 94 primarily first mortgage, non-performing real estate loans located 72% in Western Germany and 28% in former East German states
  - > Collateral includes 48% residential, 29% commercial, 18% land, and 5% mixed use assets

## Investment Profile

|                            |   |
|----------------------------|---|
| Acquisition Date:          | December 2009                             |
| Asset Type:                | Non-Performing                            |
| Location:                  | Germany                                   |
| Total Deal Capitalization: | \$16.0 million                            |
| Total Deal Equity:         | \$13.2 million                            |
| CDCF Equity:               | \$4.7 million                             |
| Other Equity Participants: | Colony VIII, Colony Financial, Colyzeo II |
| FMV at 6/30/11:            | \$2.3 million                             |
| FMV as % of cost basis:    | 117%                                      |
| FMV Methodology:           | Discounted Cash Flows                     |

## Status

- Current estimate of timing of full resolution and investment exit moved forward from Jan-13 to Jul-12
- Net collections to date (through Sep-11) amounting to €9.3million, expected future collections of approximately €5.1million by end of year

# William Lyon Homes



**William Lyon Homes**  
*Experience the pride.*

## Investment Thesis

- With more than 50 years of experience, William Lyon Homes is one of the most established West Coast private homebuilders focusing on 1st time buyer market
- Opportunity to provide liquidity to an established company well positioned to take advantage of an industry experiencing a generational cyclical downturn
- Originated \$206 million first mortgage loan bearing 14% coupon; 3% loan origination fee
- “Make whole payment” enables Colony to generate overall return of >15% and gross equity multiple of 1.75x
- Loan secured by pledged cash and additional collateral valued at over \$400 million and with full recourse to the company
- First lien position on collateral pool consisting of 42 residential development projects in CA, NV and AZ representing 11,829 lots

## Investment Profile

|                            |                               |
|----------------------------|-------------------------------|
| Acquisition Date:          | October 2009                  |
| Asset Type:                | Rescue Capital / Recap        |
| Location:                  | United States                 |
| Total Deal Capitalization: | \$198.7 million               |
| Total Deal Equity:         | \$190.4 million               |
| CDCF Equity:               | \$98.6 million                |
| Other Equity Participants: | Colony VIII, Colony Financial |
| FMV at 9/30/11:            | \$115.8 million               |
| FMV as % of cost basis:    | 112%                          |
| FMV Methodology:           | Discounted Cash Flows         |

## Status

- In Nov-11, WLH, Colony, and the senior note holders agreed to support a restructuring plan in order to recapitalize the WLH balance sheet:
- Key changes to the Colony loan terms:
  - > \$206mm WLH Loan will be amended into a new \$235mm loan (without any additional funds advanced)
  - > 10.25% interest rate (reduced from the current 14.0% rate)
  - > Term expiring on the earlier of three years after completion of the Transaction and January 1, 2015
  - > Amended WLH Loan would be pre-payable by WLH at any time without penalty, yield maintenance or a “make-whole” payment
- WLH’s existing senior note holders will convert their existing notes into \$75mm of second lien notes of WLH and 28.5% of the common equity
- WLH will receive new cash proceeds of at least \$85 million (\$25mm from the Lyon family and \$60mm backstopped by a senior note holder)
- Upon the consummation of the Transaction, WLH will reduce its outstanding debt by 37% and its annual interest expense by 45% while extending its overall debt maturities; Colony projected returns improve to 17.0% IRR from original underwritten IRR of 15.6%



# 2475 Townsgate Blvd



## Investment Thesis

- Oct-09 purchase of performing real estate loan on 60,000 SF office building located in Westlake Village, CA for \$7.6 million from a U.S. commercial bank (32% discount to \$11.3 million UPB)
- Implied basis of \$128/SF, approximately 58% of replacement cost

## Investment Profile

|                            |                       |
|----------------------------|-----------------------|
| Acquisition Date:          | October 2009          |
| Asset Type:                | Performing            |
| Location:                  | Westlake Village, CA  |
| Total Deal Capitalization: | \$7.6 million         |
| Total Deal Equity:         | \$7.6 million         |
| CDCF Equity:               | \$5.1 million         |
| Other Equity Participants: | Colony Financial      |
| FMV at 9/30/11:            | \$5.8 million         |
| FMV as % of cost basis:    | 115%                  |
| FMV Methodology:           | Discounted Cash Flows |

## Status

- Loan generates average cash yield of 8% on purchase price basis
- Loan matures in 2017
- Building 100% occupied with four tenants: The Walking Company, Loan Tool Box, Yoga Works, LLC, and Amalgamated Pixels Inc.
  - > The Walking Company filed bankruptcy but performing as agreed under temporary revised lease terms
  - > Low LTV provides significant protection
- The borrower continues to perform according to the loan documents

# Other Investments



## HTB & BOCC NPL Portfolios

### Investment Profile



|                         |                       |
|-------------------------|-----------------------|
| Acquisition Date:       | April / May 2009      |
| Asset Type:             | FDIC Portfolio        |
| Location:               | United States         |
| Total Capitalization:   | \$112.9 million       |
| Total Equity:           | \$59.1 million        |
| CDCF Equity:            | \$42.8 million        |
| FMV at 9/30/11:         | \$24.8 million        |
| FMV as % of cost basis: | 145%                  |
| FMV Methodology:        | Discounted cash flows |

### Investment Thesis

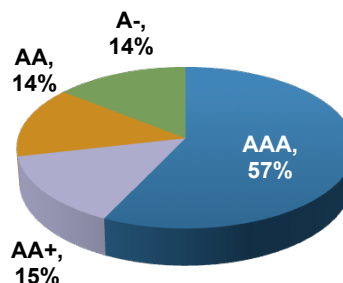
- Acquired two largely performing loan portfolios totaling over 200 loans from the FDIC in a closed bid auction process at a significant discount to UPB

### Status

- As of Sep-11, the portfolios have resolved 142 loans/REOs and generated \$102.0 million net collections
- Remaining 61 assets representing \$38.0 million in projected net cash flow expected to be recovered by final resolution in 2Q12

## CMBS JV Portfolio II

### Investment Profile



|                         |                                     |
|-------------------------|-------------------------------------|
| Acquisition Date:       | Since January 2009                  |
| Asset Type:             | Special Situation                   |
| Location:               | United States                       |
| Total Capitalization:   | \$134.3 million                     |
| Total Equity:           | \$41.9 million                      |
| CDCF Equity:            | \$24.8 million                      |
| FMV at 9/30/11:         | \$22.2 million                      |
| FMV as % of cost basis: | 155%                                |
| FMV Methodology:        | Dealer Mark / Discounted Cash Flows |

### Investment Thesis

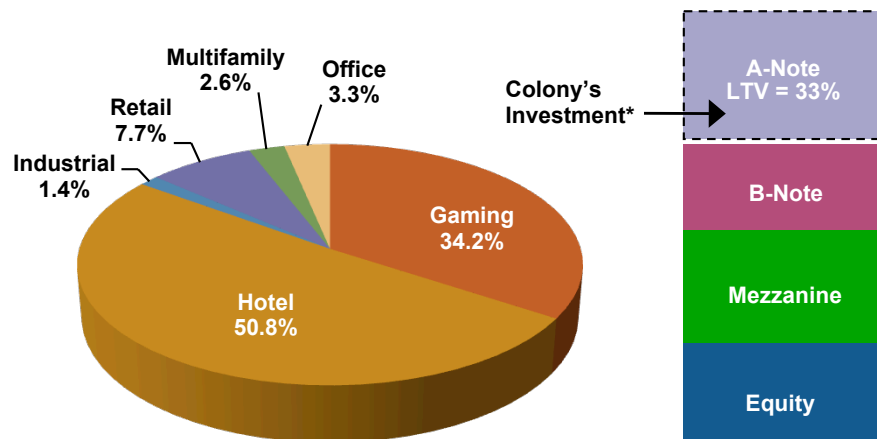
- Acquire discounted CMBS securities relative to intrinsic value of underlying loans amid unprecedented market illiquidity in 2009
- Underwrite each loan underlying the CMBS trust using a bottom-up approach to identify value in excess of targeted security in the CMBS trust

### Status

- Since inception, including distributions from the remaining unrealized bonds, the Partnership has returned 143% of original invested equity for CMBS JV Portfolio II.
- To-date realized IRR >100%, 3.2x equity multiple on bonds sold



## Original Collateral Property Type Concentration



## Investment Profile

|                            |                       |
|----------------------------|-----------------------|
| Acquisition Date:          | June 2008             |
| Asset Type:                | Special Situation     |
| Location:                  | United States         |
| Total Deal Capitalization: | \$91.4 million        |
| Total Deal Equity:         | \$86.0 million        |
| CDCF Equity:               | \$57.0 million        |
| Other Equity Participants: | Colony VIII           |
| FMV at 9/30/11:            | \$72.1 million        |
| FMV as % of cost basis:    | 113%                  |
| FMV Methodology:           | Discounted cash flows |

## Investment Thesis

- Purchased controlling tranche of a newly created vehicle at 70 cents on the dollar, or \$92 million, for \$131 million face amount
- Vehicle backed by a \$3.2 billion pool representing a portion of 11 high quality floating rate first mortgages and A-notes
  - > All 11 credits are in the most senior positions within their respective capital structures with over \$19 billion of debt and \$8 billion of hard equity subordinated to Exmoor collateral
  - > Wtd. Avg. LTV 33%; Wtd. Avg. DSCR 6.2x
- Prominent sponsorship; loan basis at significant discount to replacement value
- Transaction executed on highly favorable terms to Colony due to seller's motivation to eliminate the potential of future mark-to-market risk

## Status

- Credits include Hilton, Harrah's, Outback Steak House, Atrium, Aruba Marriott, ICON Resi., US Food Service, Pyramid Mall, and Veneto Hotel & Casino
- All underlying credits are continuously monitored and are performing with no losses expected due to strong coverage and/or replacement cost and values well above the structured vehicle's bases in the underlying collateral
- 660 Madison paid off in full in Dec-10; Stations paid off in Jun-11
- Current weighted average debt service is 6.4x

Note: \*Collateral Capital Stack is not to scale; 33% LTV is based on a weighted average