

ISLAND CAPITAL GROUP LLC

717 Fifth Avenue
New York, NY 10022

PRIVATE & CONFIDENTIAL

March 31, 2015

VIA EMAIL

Bryan Slotkin
Goldman, Sachs & Co.
2121 Avenue of the Stars, Suite 2600
Los Angeles, CA 90067
[REDACTED]

Jim Collins
Morgan Stanley & Co. LLC
1585 Broadway
New York, NY 10036
[REDACTED]

Re: Indication of Interest – C&W Group, Inc.

Gentlemen:

Island Capital Group (“*Island*” or “*Island Capital*”), on behalf of its controlled affiliate C-III Capital Partners LLC (“*C-III*”), is pleased to submit this indication of interest in leading and/or participating in a potential transaction (a “*Potential Transaction*”) to acquire C&W Group, Inc. (“*C&W*” or the “*Company*”).

Founded by Island Capital in 2010, C-III is a private, real estate finance, investment and services company that in 2014 generated net cash flow of approximately \$147 million. C-III has liquidity of approximately \$230 million and negligible outstanding obligations of only \$86 million. C-III is owned primarily by a series of feeder vehicles (all of which are controlled by Island Capital) comprised of the following firms and/or principals or affiliates of these firms: Harvard Management Company (the manager of The Harvard University Endowment), Och-Ziff, York Capital, Pershing Square Capital Management, Wells Fargo, TIAA-CREF, CalSTRS, PSERS, New York Private Bank & Trust, Tincum, Malkin Properties and Eminence Capital among others. These firms, family offices and other investors have provided approximately \$1.6 billion of equity capital to C-III and its managed funds over the course of the past 5 years. This investor group continues to be available to finance C-III’s corporate and investment management businesses as they grow and evolve in the future.

C-III’s Operating Platform

C-III is engaged in a broad range of real estate related activities, including primary and special loan servicing, loan origination, commercial real estate services (brokerage, investment sales marketing and auction, multifamily property management and title agency services) and fund management and principal investment – each, as described below:

Primary and Special Servicing: C-III controls portfolios of controlling classes of securities in numerous CMBS trusts, which in the aggregate own approximately \$107 billion of commercial mortgages. C-III Asset Management (“C3AM”) is a highly rated loan servicer (primary and special) of commercial real estate loans and is one of the largest special servicers of commercial mortgages in the United States. C3AM is rated “strong” for special servicing and “above average” for primary servicing by [REDACTED] and “CSS1” and “CPS2” by Fitch for special servicing and primary servicing, respectively. C3AM also has the highest ranking from Morningstar for special servicers, “MOR CSL”. C-III is the named special servicer for the vast majority of the CMBS trusts for which it has any affiliation. It also provides special servicing for various trusts controlled by third parties with which C-III has joint venture arrangements.

CRE Lending: C-III Commercial Mortgage LLC (“C3CM”), formed by C-III in late 2010, is a commercial real estate lender providing fixed and floating rate mortgages, mezzanine loans and other subordinated debt financing. Since inception, C3CM has originated or referred over \$2.5 billion of loans and participated in approximately 23 new issue CMBS securitizations. C3CM primarily operates as a conduit lender, by originating loans through its borrower relationships and selling those loans to securitization vehicles. C3CM also originates and retains floating rate loans on its balance sheet.

Diversified Real Estate Services: C-III’s Diversified Real Estate Services Division owns a series of real estate services companies including:

- (1) U.S Residential Group, acquired by C-III in 2011, which manages 178 properties in 19 states, comprising approximately 37,000 units in multifamily properties;
- (2) C-III Realty Services, its captive commercial real estate investment sales brokerage arm, which has sold over \$5 billion in commercial real estate since its formation by C-III in mid-2011;
- (3) Real Capital Markets (RCM), acquired by C-III in 2013, which provides on-line commercial real estate marketing and investment sales services with a proprietary database of over 40,000 buyers of commercial real estate; RCM has been instrumental in the sale of more than 38,000 properties representing more than \$1.4 trillion in value since 1999 and has a commercial real estate auction platform that competes with companies like [REDACTED];
- (4) NAI Global, acquired by C-III in January 2012, which is the largest network of commercial real estate services firms in the world and has 164 member firms operating out of 379 offices globally, which firms in turn employ approximately 6,600 commercial real estate professionals in 36 countries worldwide and have been involved in approximately \$20 billion of commercial real estate transactions annually over the past 10 years; and
- (5) Zodiac Title, formed by C-III in 2011, which is an approved agent for three national title insurers and provides its services throughout the United States. In 2014 alone, Zodiac executed 845 insured title service orders relating to \$5.1 billion of real estate assets.

C-III Investment Management: C-III owns an institutional commercial real estate investment management business, C-III Investment Management (“C3IM”), which has raised in excess of \$1 billion of equity from major U.S. institutional and private investors over the past 3 years. **According to a Cambridge Associates 3Q2014 real estate fund benchmark report, C-III’s equity funds have generated average IRRs in excess of 30%, placing it 2nd out of the 43 reporting institutional real estate investment funds in the United States.** C-III and its affiliates also have sponsored and currently manage five commercial real estate debt funds that have delivered equally superior performance to its investors.

Background and Experience

The principals of Island Capital and C-III were also the founders and managers of Insignia Financial Group, Inc. ("*Insignia*"). Insignia was started from scratch in 1990 as a private real estate opportunity fund and in just six years (by 1996) it had become one of the largest fully-integrated real estate services companies in the United States – it was the largest owner and operator of multifamily residential housing, and among the largest commercial property services companies.

During its 13-year history, Insignia structured, oversaw or otherwise participated in real estate refinancing and acquisition transactions involving more than 225 multifamily and 20 office/retail properties in which more than \$1.7 billion of capital was raised. Insignia completed over 50 merger and acquisition transactions, establishing itself as both a successful pioneer in the restructuring of the real estate industry and the leading operator of real estate in the United States. During the course of Insignia's growth it acquired the Edward S. Gordon Company which was, at the time, the preeminent commercial real estate brokerage firm in New York and arguably the United States. In order to facilitate its growth trajectory, Insignia was a sizable and constant procurer of key strategic brokerage talent internationally. Insignia was also one of the original participants in the real estate debt securitization industry. From 1992 to 2003, Insignia was involved in refinancing transactions in which approximately \$1.4 billion of real estate debt secured by mortgages on or other interests in properties controlled and/or managed by Insignia and its affiliates was securitized.

Insignia sold its non-New York multifamily residential assets and business operations to Apartment Investment and Management Company, a Denver-based real estate investment trust, in October 1998 in a "spin-off" transaction. Following that transaction, the new Insignia that emerged became an international real estate services company operating in more than 150 offices throughout the United States, the United Kingdom, continental Europe, Asia and Latin America, primarily focusing on commercial property services and financial services worldwide, and residential property services in the New York City metropolitan area. Insignia sold the residential business to an affiliate of Prudential Real Estate in March 2003; and in July 2003, the remaining Insignia businesses were merged with CB Richard Ellis, creating the world's largest commercial real estate services company.

Response to C&W Request for Indicative Proposal

As a result of all of the above, and in light of the current lines of business and meaningful strategic growth goals articulated by C&W in the Confidential Information Memorandum ("*CIM*"), we believe Island Capital's depth and breadth of experience in acquiring, operating, integrating and managing businesses like those of the Company make Island and C-III a meaningful strategic partner and value enhancer to the eventual new owner of C&W. It is within this context that we present this response to your request for an indicative proposal.

Island and C-III believe that C&W can and should compete on the global stage and take its place as one of the top commercial real estate services and investment firms in the world. We believe management of C&W has done an excellent job in positioning the firm to accomplish just that in the coming years and Island believes that it and C-III can make a major contribution to that effort independently or in joint venture with any major financial investor.

We believe that the maximization of value of the C&W platform for any owner will involve the deployment of capital in many of the ways described in the CIM; but we also believe that paramount to successfully deploying over \$500 million in the next three years (as called for in the CIM) and positioning the Company to compete globally will require a material diversification and expansion of C&W's business lines and the development of a robust investment sales and commercial real estate investment management business. As C-III already owns and operates very successful businesses in these areas,

partnering with C-III represents an opportunity for the next owners of C&W to enter these businesses immediately and with zero lead time (i.e., C-III's businesses in this regard are "plug and play" for C&W).

C-III's special servicing volume over the next several years represents a meaningful potential incremental revenue opportunity for C&W, adding to the achievable synergies of the two companies. Additionally, C-III provides access to and credibility with some of the most prominent investors in the world. From a financial perspective, C-III's virtually unlevered balance sheet, considerable cash and liquidity and a proven ability to generate significant net cash flow through fee based services and investment returns can both help to finance C&W's growth and mitigate the negative net cash flow projected early in the C&W projections model. **As mentioned above, C-III's current liquidity (\$230 million), modestly leveraged balance sheet and operating cash flow production (\$147 million in 2014) could provide significant financial flexibility to a combined enterprise.**

We believe that this presents an extraordinary investment thesis. Together, along with the experience of the management teams of these two firms, C-III and C&W can quickly create a global real estate services, investment management and securitization platform without equal. We believe that such an enterprise would maximize value for the eventual buyer of C&W as the scale of the combined business would position the Company to create excess equity returns to any investor and allow for an eventual IPO exit. We do believe it is clear that the ability to execute this investment thesis should permit any investor in C&W to justify the highest possible price for the Potential Transaction.

Based on the information available to us at this time, our indication of the enterprise value for the Company is \$2.1 billion. We do believe, though, that combining C-III and C&W pursuant to the strategy contemplated above could result in \$2.5 billion of equity value to the non-C-III participant in the combined enterprise (which could be the existing shareholders of C&W should they desire to participate).

The above indications of value assume the availability of no less than 5.25x leverage on the underwritten LTM EBITDA of the combined enterprise. Additionally, the \$2.5 billion indication of equity value reflects that the combined enterprise realizes approximately \$50 million of enhanced annual EBITDA contribution from both cost savings and revenue synergies, although we believe the actual realized synergies are much higher. A portion of the debt proceeds realized in the transaction would be used to pay cash consideration to the existing shareholders of the Company. The \$2.5 billion indication also contemplates the execution of an IPO of the combined enterprise in 2017, which we believe is imminently achievable given the viability of the investment thesis and the breadth and scale of the combined enterprise.

Sources of Funds

C-III would finance its purchase of the Company using a combination of (i) debt proceeds of approximately \$1.8 billion as described above; (ii) available cash and liquidity of \$230 million; and (iii) operating cash flow. In addition, Island and C-III are highly confident that the institutional investors, family offices and other investors, including those identified above, that have invested with and supported Island's business endeavors for many years will support this and other opportunities that Island is pursuing and supporting.

Process

C-III has a team of experienced commercial, legal and financial due diligence advisors from reputable institutions standing ready to promptly engage in due diligence and negotiation of documentation for the Potential Transaction. Members of C-III's investment committee, applicable executives of C-III's

external manager and a dedicated team of other investment analysts and associates will be involved in the due diligence process.

Due Diligence

Attached hereto as *Exhibit A* is C-III's initial due diligence request list.

Contact Information

Contact details for the primary C-III contact are as follows:

Jeffrey P. Cohen
President, Island Capital Group LLC
Executive Managing Director, C-III Capital Partners LLC
717 Fifth Avenue
New York, NY 10022
Tel: [REDACTED]
Email: [REDACTED]

Management Presentations

Employees of Island and C-III are available to attend management presentations during the afternoon session (1:00pm to 5:00pm) on all of the contemplated dates except April 13, 2015 and April 16, 2015.

C-III's Approval Process

The Potential Transaction would be subject to review and approval only by an internal investment committee of C-III and its external manager, all of the members of which would be closely involved in the acquisition process, enabling us to make swift investment decisions. I am the Chairman of both of these committees.

We look forward to hearing from you regarding the next steps.

Respectfully submitted,

Andrew L. Farkas

Andrew L. Farkas
Chief Executive Officer

Exhibit A

Initial Due Diligence Request List

(attached)