

LANDandBUILDINGS

Land and Buildings Issues Letter to NorthStar Asset Management Shareholders

- *Following extensive discussions with presumptive Colony NorthStar management team Land and Buildings believes several strategic and corporate governance issues need to be addressed regarding tri-party merger –*
- *Believes management has failed to articulate a strategy for the combined company that leaves behind past non-core investments which have depressed valuations –*
- *Colony NorthStar has substantial potential upside from current levels if structured appropriately for success given depressed valuation of a 9.4% dividend yield and 6.9x cash flow –*
- *Land and Buildings' six nominee slate remains live; should merger be voted down we believe NSAM has other attractive strategic options available for shareholders to unlock substantial value*

Stamford, CT (July 27, 2016) – Today Land and Buildings Investment Management LLC issued the following letter to shareholders of NorthStar Asset Management (NYSE: NSAM) regarding the proposed tri-party merger between NSAM, NorthStar Realty Finance (NYSE: NRF) and Colony Capital (NYSE: CLNY):

July 27, 2016

Dear Fellow NorthStar Asset Management Shareholders:

We continue to evaluate the proposed tri-party merger between NorthStar Asset Management, NorthStar Realty Finance and Colony Capital and have been engaging in extensive discussions with the presumptive management team of the combined companies. At this point, we believe it is important to publicly highlight what we see as some of the pros and cons of the transaction, as we believe several strategic and corporate governance issues need to be addressed.

The Good News:

By successfully addressing the issues outlined below, the proposed Colony NorthStar combination has the potential to be a must-own equity REIT, given its unique co-investment business model, which could trade at a valuation in-line or above the REIT sector.

The proposed Colony NorthStar equity REIT currently has substantial valuation upside given it will pay a 9.4% dividend yield and trades at 6.9 times 2017 cash flow¹, while equity REITs overall today pay a 3.5% dividend yield and trade at 20x 2017 cash flow.

Our Concerns:

¹ Based on the midpoint of 2016 guidance disclosed on June 7, 2016 and stock price of \$11.44 per share.

Business Strategy/Communication

To date in our discussions with the presumptive management team, we are concerned that they are reluctant to let go of the more complicated real estate investments of their past, and at the same time embrace changes which would maximize value for all shareholders.

In order to maximize shareholder value, we believe Colony NorthStar should:

- Clearly state that Colony NorthStar will be an equity REIT which will concentrate on the ownership of core and core plus traditional real estate in predetermined sectors, such as warehouse, rental residential, net lease and healthcare.
- Clearly state that the company will generate outsized returns in these asset classes by making co-investments in funds which Colony sponsors, generating additional fee revenue on top of traditional real estate returns.
- Clearly state that the company will avoid esoteric investments which have hurt both Colony's and NorthStar's valuations over time.
- Articulate a strategy that will drive G&A/operating margins higher and leverage lower.

Corporate Governance

Given the NorthStar complex's checkered history, in our view, with respect to executive compensation, conflicts of interest and other critical governance matters, starting off on the right foot in this area will be critical for the merged company.

In order to maximize shareholder value, we believe Colony NorthStar should:

- Reduce the proposed size of the Board, given that a 13 person board could be unwieldy and expensive.
- Add a highly regarded shareholder representative, to a smaller more nimble board, who can help craft a clear, compelling strategy for fellow shareholders.
- Require board members to step down from the board, if the person's investment in the Company goes below a predetermined threshold.
- Have a de-staggered board and permanently opt out of the Maryland Unsolicited Takeover Act (MUTA), which would eliminate the Company's ability to re-stagger the board without shareholder approval.
- Clearly state that Colony NorthStar will strive for best in class corporate governance in all facets.

Creating a Must-Own Equity REIT

To date, management has failed to clearly articulate a strategy for the combined company. After extensive discussions since the announcement of the merger with presumptive CEO Richard Saltzman and Chairman Tom Barrack, we believe they are making progress in understanding what it takes to be a "must-own" REIT, but still need help breaking old habits. Namely, there remains some reluctance to embrace the traditional real estate investment model that has proved successful in the public markets.

The reason we believe Colony could be transformed into a must-own equity REIT is rooted in their ability to generate outsized returns on traditional real estate investments as a function of their co-investment private equity model when compared to other equity REITs. Pension funds, sovereign wealth funds and endowments continue to have a voracious appetite for traditional real estate and the high yield it offers. If Colony committed, for example, \$1 billion to a private fund to own traditional real estate, they should be

able to raise \$4 billion in additional capital, earning attractive returns on its investments as well as performance fees on the third party capital.

We continue to maintain our live six person director nominee slate for the NSAM board. NSAM has not had or even scheduled its annual meeting – likely in the hope the merger will be approved prior to having to hold the meeting. If the combined companies publicly address the concerns outlined above, we believe the transaction would gain significant support from shareholders, including ourselves. However, should the merger be voted down by NSAM shareholders, we believe NSAM has other attractive strategic options available for shareholders to unlock substantial value, and we would proceed with a vote for our nominees to the NSAM board.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jon", enclosed in a thin black rectangular border.

Jonathan Litt

Founder & Chief Investment Officer

Land and Buildings

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About Land and Buildings:

Land and Buildings is a registered investment manager specializing in publicly traded real estate and real estate related securities. Land and Buildings seeks to deliver attractive risk adjusted returns by opportunistically investing in securities of global real estate and real estate related companies, leveraging its investment professionals' deep experience, research expertise and industry relationships.

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