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“Simplicity, simplicity, Simplicity!”

-Henry David Thoreau
The Past Reign of Shareholder Passivity

**Slate Proposals**
1996-2002 – Market Cap > $200mm:
2 alternative slates per year (ex. hostile takeovers)¹

**CEO Turnover**
1993-1999 – 1000 public companies:
- 1% per year fired²
- CEO turnover significantly higher in subsidiaries than corporate³

**Management Compensation**
2000 – Shareholders reject less than 1% of option plans⁴

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¹ Bebchuk, *Business Lawyer* 59, 2003
² Subramanian, et. al "Performance Incentives," Brandeis University, 2002
³ McNeil, et. al "Management Turnover" Penn State School of Business working paper, 2003
Activism Alpha\textsuperscript{1}

<table>
<thead>
<tr>
<th>Governance</th>
<th>Shareholder Activism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Good (low takeover</td>
<td>Low (no blockholders)</td>
</tr>
<tr>
<td>defense)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>High (blockholders)</td>
</tr>
<tr>
<td>Bad (high takeover</td>
<td>Low (no blockholders)</td>
</tr>
<tr>
<td>defense)</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>High (blockholders)</td>
</tr>
</tbody>
</table>

\textsuperscript{1} Martin Cremers, K.J. and Nair, V.B., April 2004. "Governance Mechanisms and Equity Prices" Yale International Center for Finance (ICF) and New York University Center for Law and Business Research
“Triangle of Alignment”\(^1\)

1 Originally conceived by VAC investor Nancy Donohue
The VALUEAct CAPITAL Circle of Life
# Businesses That Can Thrive, but Withstand Uncertainty

<table>
<thead>
<tr>
<th>High Quality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pricing Power</strong></td>
</tr>
<tr>
<td>Mission critical</td>
</tr>
<tr>
<td>Small part of customer costs</td>
</tr>
<tr>
<td><strong>Industry Structure</strong></td>
</tr>
<tr>
<td>Sticky customer relationships / high % of sales to existing</td>
</tr>
<tr>
<td>High switching costs</td>
</tr>
<tr>
<td>Few / no competitors or alternatives</td>
</tr>
<tr>
<td>Little customer concentration</td>
</tr>
<tr>
<td><strong>Barriers to Entry</strong></td>
</tr>
<tr>
<td>Typically intellectual property</td>
</tr>
<tr>
<td>Network effects / ecosystems</td>
</tr>
<tr>
<td>Regulatory</td>
</tr>
</tbody>
</table>

Recurring revenue, Predictable growth, High free cash flow
Why We Don’t Like Traditional Financials

- Minimal competitive differentiation
- Spread-based earnings
- Impossible to audit asset values as outside investor
What We Do Like

We are business model focused, not industry focused...

- Differentiated business models
- Disciplined oligopolies
- Fee-based, recurring revenue models
- Low-risk, analyzable financial statements
- Proven management teams
Moody’s (MCO)

Differentiation:
• Established position in industry with high moat and limited competition
• Pricing power

Recurring/Repeatable Revenue:
• 55% monitoring / subscription
• Counter-cyclical refinancing activity

Source: Company financial statements
Moody’s has Ongoing Robust Opportunities for Growth

- Debt market issuance driven by global GDP growth: ~3-4%
- Disintermediation of credit markets: ~2%
- Growth in MA driven by further penetration of MA’s client base and expansion of bank & insurance regulatory requirements: ~2-3%
- Pricing initiatives aligned with value: ~4%

Revenue Growth Opportunity: Low Double-Digit

Significant Refinancing Needs in the U.S. Corporate Sector Support Ongoing Demand for Ratings

In the U.S., wall of maturities has been pushed out but not reduced

Investment grade companies will use their balance sheet strength to expand business, unlike speculative grade companies which borrowed more to refinance pending maturities

European Non-Financial Corporate Debt Profile Shows Capital Markets Have Room for Growth

- Shift from bank loans to debt in Europe continues to present the largest opportunity in the near-term; Jan. 2006 to May 2012 CAGR: 9% for Bonds vs. 5% for Loans

- In the first half of 2012, European companies raised more money from the bond markets than from bank loans

**Sources:** Federal Reserve, European Central Bank, Barcap Indices, Moody’s Capital Markets Research Group; Data as of May 31, 2012

*Includes Eurozone and UK bank loans. **Includes Investment Grade and High Yield euro and sterling denominated debt

***European bond data represents euro and sterling denominated debt. European loan data represents Eurozone and UK bank loans

1Source: Dealogic

Moody’s Analytics

Strong Growth Despite Challenging Environment

» Pricing model limits exposure to customer contraction

\[\text{U.S. and U.K. Financial Services Employment (L)}\]
\[\text{Moody’s Analytics RD&A Sales (R)}^{(1)}\]

\(^{1}\text{Annual contract value, shown at constant FX rates (as of January 9, 2008)}\)

CBRE Group (CBG)

Differentiation:
• Scale/cross-selling advantages from being largest provider in all major segments

Recurring/Repeateable Revenue:
• Revenue is 50% contractual and 31% leasing

Source: Company financial statements
CBRE: The Global Market Leader

Leading Global Brand
- 100+ years
- 400+ offices in over 60 countries\(^1\)
  - #1 in virtually every major global business center
- #1 leasing
- #1 investment sales
- #1 outsourcing
- #1 appraisal and valuation
- #1 commercial mortgage brokerage
- #1 commercial real estate investment manager
- $6.1 billion of development projects in process/pipeline\(^2\)

Broad Capabilities
- 1.6x nearest competitor\(^3\)
- Thousands of clients; approximately 80% of the Fortune 100
- $159.0 billion of transaction activity in 2011

Scale and Diversity
- S&P 500 Only commercial real estate services company in the S&P 500
- FORTUNE Only commercial real estate services company in the Fortune 500
- The Lipsey Company #1 brand for 11 consecutive years
- IAOP #1 real estate outsourcing firm
- Newsweek #1 real estate company in “green” rankings
- Wall Street Journal best brand reputation in subscriber survey

\(^1\) Includes affiliate offices.
\(^2\) As of June 30, 2012.
\(^3\) Based on 2011 revenues versus Jones Land LaSalle
Revenue Diversification

Contractual revenues\(^1\) represented 49% of LTM 6/30/12 revenue, up from 29% in 2006.

\(^1\) Contractual revenue includes: Property & Facilities Management (14% in 2006 and 34% in LTM 6/30/12), Appraisal & Valuation (7% in 2006 and 6% in LTM 6/30/12), Investment Management (6% in both 2006 and LTM 6/30/12), Development Services (1% in both 2006 and LTM 6/30/12) and Other (1% in 2006 and 2% in LTM 6/30/12) and Commercial Mortgage Brokerage (3% in 2006 and 4% in LTM 6/30/12).

\(^2\) Reflects Trammell Crow Company’s revenue contributions beginning on December 20, 2006.

\(^3\) LTM 6/30/12 revenue of $6.3 billion includes $4.4 million of revenue related to discontinued operations.

\(^4\) Includes activity from ING CRES, ING REIM Asia and ING REIM Europe beginning July 1, October 3 and October 31, 2011, respectively.

Private Markets Continue to Improve

Relative Value Yields Make Commercial R.E. a Real Bargain Compared to Other Financial Assets

“ALL CASH” IRR YIELD TARGETS BY ASSET CLASS

- Office: Core 6.5%, Core Plus 7.5%, Value-Add 7.5%, Opportunistic 7.5%
- Grocery/Discount Anchored Retail: Core 6.5%, Core Plus 7.5%, Value-Add 8%, Opportunistic 8%
- Multi-Family: Core 6.5%, Core Add 7.5%, Value-Add 9%, Opportunistic 9%
- Industrial: Core 6.5%, Core Add 8%, Value-Add 9.5%, Opportunistic 11.50%
- Hotel: Core 13.5%, Core Add 13.5%, Value-Add 14%, Opportunistic 15+

Source: HFF, Inc. Earnings and Full Capital Markets Presentation, July 2012
2011 Industry Sale Volumes Are Up from 2010

2010 was Up From 2009—The Trend is Our Friend
Volume in 2011 Mirrored 2004 Total & YTD 2012 is Up slightly from YTD 2011

Source: Real Capital Analytics; transactions $2.5M and greater; 2012 through June.
From HFF, Inc. Earnings and Full Capital Markets Presentation, July 2012
A Tidal Wave of Transaction Opportunity

- $1.4 trillion of commercial real estate debt maturing through 2015
- CMBS maturities of $21bn/Year 2009-2011; $107bn/Yr 2015-2017\(^1\)

U.S. CRE Loan Maturities

\(^1\) “The Upcoming Maturity Wave” (Goldman Sachs, June 2012)

Source: BGC Partners, Inc presentation at JMP Conference, September 2012
Enemy of Returns
Complexity: Lessons Learned

Lessons:
• Invest in focused businesses with easily identifiable drivers
• A non-core business can kill the investment
• People-based service businesses are hard to fix
• Dig deeper when analyzing new management teams

Response: Even though we have moved up in market cap, our core investments are getting less complex:

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Cap</th>
<th>Concentration¹</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motorola Solutions</td>
<td>$13,660</td>
<td>65% of revenue and 61% of EBIT from gov't radio business</td>
<td>75%</td>
</tr>
<tr>
<td>Adobe</td>
<td>$15,893</td>
<td>73% of revenue and 78% of gross profit from Digital Media business</td>
<td>80%+</td>
</tr>
<tr>
<td>Moody's</td>
<td>$8,563</td>
<td>69% of revenue and 86% of EBIT from ratings business</td>
<td>80%+</td>
</tr>
</tbody>
</table>

¹Based on 2011 financials
Leverage: Lessons Learned

Lessons:
• Make sure financial leverage is appropriate for the cyclicality of the business
• Don’t throw good money after bad
• High preference for organic growth

Response: The three most cyclical companies in our portfolio today:

<table>
<thead>
<tr>
<th>Company</th>
<th>Net Financial Leverage*</th>
<th>Revenue Model*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Halliburton</td>
<td>0.4x</td>
<td>50%+ of revenue now from long-term contracts</td>
</tr>
<tr>
<td>Autodesk</td>
<td>-2.8x</td>
<td>39% of revenue from maintenance</td>
</tr>
<tr>
<td>Gardner Denver</td>
<td>0.6x</td>
<td>32% of revenue from aftermarket → goal of 40-45%</td>
</tr>
</tbody>
</table>

*2011 year-end net debt divided by 2011 EBITDA
*Revenue Model data is from company financials for Autodesk and Gardner Denver and a VAC estimate for Halliburton
Bad Governance: Lessons Learned

Lessons:
• Don’t go looking for a problem to fix
• Be careful of founder-led companies
• Pick your battles – sometimes it makes sense to sell
• If business quality is not high enough, value destruction from poor governance can happen quickly
• Governance filter in diligence – who do we know on the board?

Response: We access the board early in the investment lifecycle:

<table>
<thead>
<tr>
<th>Company</th>
<th>Initial Board Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motorola</td>
<td>Keith Meister, Carl Icahn</td>
</tr>
<tr>
<td>Verisign</td>
<td>Lou Simpson</td>
</tr>
<tr>
<td>Sara Lee</td>
<td>Jim Crown</td>
</tr>
<tr>
<td>CR Bard</td>
<td>Tony White, Tommy Thompson</td>
</tr>
<tr>
<td>CBRE</td>
<td>Ray Wirta</td>
</tr>
</tbody>
</table>