

# LANDandBUILDINGS

## **Land and Buildings Delivers Letter to NorthStar Asset Management Lead Independent Director Seeking Immediate Structural Changes to the Board**

- *Deeply disappointed with the lack of any credible update about the strategic alternatives process at NSAM –*
- *Believes egregious and blatant conflicts of interest exist at NSAM and NRF, including potential for management to earn up to \$391 million upon a change of control –*
- *Calls on Judith Hannaway, Lead Independent Director of NSAM, to immediately add new independent directors to the NSAM board and form a committee of independent directors and advisors to lead the evaluation of strategic alternatives –*

**Stamford, CT** (February 29, 2016) – Today Land and Buildings Investment Management LLC delivered the following letter to Judith Hannaway, Lead Independent Director of NorthStar Asset Management (NYSE: NSAM) (“the Company”):

February 29, 2016

Judith Hannaway  
Lead Independent Director  
NorthStar Asset Management Group Inc.  
399 Park Avenue  
New York, NY 10022

Dear Judith:

We are deeply disappointed with the lack of any credible update about the strategic alternatives process at NorthStar Asset Management Group Inc. (NYSE: NSAM). On Friday, February 26, 2016, NSAM announced earnings and hosted its quarterly conference call, but refused to provide shareholders any relevant new information regarding its exploration of strategic alternatives, simply stating that it was “in the midst of this formal process.”

While we are pleased that NorthStar Realty Finance Corp. (NYSE: NRF), the REIT that NSAM externally advises, has established an independent committee to evaluate strategic alternatives, hired UBS, and is adding a new independent director to its board of directors to evaluate a re-combination of NRF with NSAM, these decisions only reflect one option that we previously highlighted as a way to maximize value for NSAM shareholders. Further, despite the retention of an advisor and pledges to explore strategic alternatives, we still firmly believe that NSAM’s board has zero credibility with shareholders.

It is clear to us that NSAM’s abysmal performance, shameful stewardship record, and obvious lack of board independence require that NSAM make immediate structural changes to its board, including:

1. adding new independent directors to the NSAM board, including shareholder representation; and

2. forming a committee of truly independent directors and advisors to lead the evaluation of strategic alternatives.

As lead independent director, we urge you, together with your fellow independent directors, to promptly engage with us and undertake the structural board changes which are needed to rebuild NSAM's credibility and maximize value for its shareholders.

In our view, NSAM suffers from egregious and blatant conflicts of interest, as its management could earn up to \$391 million<sup>1</sup> upon a change of control, including a change resulting from a recombination with NRF. This conflict of interest is even more alarming considering that management has two seats on the NSAM and NRF boards. Although NSAM is only responsible for approximately half this payment, the total payment is still outrageous considering NSAM's disastrous shareholder total returns since the NRF spin. Are shareholders to believe that the same independent directors who approved this change of control provision<sup>2</sup>, and paid Chairman, David Hamamoto, \$75 million in 2014<sup>3</sup> are seeking to maximize shareholder value for all shareholders now?

The significant overlap of the board members of NSAM and NRF further complicate the strategic alternatives review process, and calls into question each company's management's motives. It also highlights the critical need for structural changes to be made to the NSAM board to ensure the strategic alternatives process results in an outcome that maximizes value for all NSAM shareholders.

We recognize that NSAM management may be trying to delay a proxy contest by announcing a transaction before the NSAM annual shareholder meeting. However, if the terms of a re-combination with NRF or other transaction allow NSAM management to earn these change of control payments and cut a new sweetheart deal for itself, the NSAM shareholder vote on that transaction will likely be a referendum on the egregious and blatant disregard management and the board of NSAM have for its shareholders. The proxy contest will give shareholders the opportunity to reconstitute the board and potentially management while also voting on the merits of any potential re-combination or other transaction.

At NSAM's current share price, the public REIT management contract alone is yielding approximately 10% for NSAM shareholders. This allows us to continue to believe that NSAM has a remarkable opportunity to create value for shareholders, including nearly 80% upside to NSAM's intrinsic value of \$20 per share. We look forward to a productive discussion about reconstituting NSAM's board in the best interest of shareholders.

Sincerely,



Jonathan Litt

Founder & Chief Investment Officer

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<sup>1</sup> In the event of change in control with termination, \$176 million in cash is paid to the top 5 executives and \$215 million in stock or other compensation assuming a stock price of \$22.57; the total change in control compensation is lower based on today's stock price. Please refer to Company's 2014 Proxy for additional information.

<sup>2</sup> Independent directors overlapping between NRF and NSAM that oversaw the compensation plan and change of control provision include Judith A. Hannaway, Wesley D. Minami, and Louis J. Paglia.

<sup>3</sup> Per 2014 NRF Proxy and 2014 NSAM Proxy filed last year.

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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