

# LANDandBUILDINGS

## Land and Buildings Issues Letter and Presentation to NorthStar Asset Management Shareholders

- *Land and Buildings owns 2.0% of NSAM and intends to vote AGAINST the proposed tri-party merger with CLNY and NRF –*
- *Believes NSAM is the Crown Jewel of the proposed tri-party merger and the deal meaningfully undervalues NSAM's perpetual management contract –*
- *Egregious Golden Parachute of \$223 million to Executive Chairman David Hamamoto and his senior executives despite destroying billions of shareholder value is unacceptable –*
- *NSAM shareholders have real alternatives, including an NSAM/NRF recombination that could result in 80%+ upside and superior cash flow per share –*
- *Land and Buildings' six director nominees to the NSAM Board are highly qualified to run a truly arm's length strategic alternatives process in best interest of all shareholders –*
  - *Land and Buildings hosting conference call at 11:00 am ET today --*

**Stamford, CT** (September 7, 2016) – Today Land and Buildings Investment Management LLC (“Land and Buildings”) 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):

September 7, 2016

Dear Fellow NorthStar Asset Management Shareholders,

Land and Buildings owns approximately 2.0% of NorthStar Asset Management (“NSAM”) and intends to vote AGAINST the proposed tri-party merger with Colony and NorthStar Realty Finance (“NRF”). We will host a conference call to discuss our views today, Wednesday September 7<sup>th</sup>, at 11:00 am ET. We believe the tri-party merger undervalues NSAM by failing to properly credit its perpetual advisory relationship with NRF; the transaction bears egregious costs in the form of executive golden parachutes and large advisory fees; and is poorly structured to realize inadequate cost synergies and bestows the benefit of liquidity on Colony rather than NSAM and NRF shareholders.

To view the presentation, please go to [www.landandbuildings.com](http://www.landandbuildings.com).

### **NSAM is the Crown Jewel of Merger and is Substantially Undervalued**

NSAM is the Crown Jewel of the proposed tri-party merger and we believe the terms of the proposed deal meaningfully undervalue the perpetual management contract with the public REITs. On NSAM's third

quarter 2015 investor conference call, Executive Chairman David Hamamoto made it clear that the contract is, “essentially non-terminable” and, “cannot be reduced or reset down in any circumstances.”

Notably, NSAM executives agree with us, having assigned a 40x-plus multiple in a November 2015 NSAM investor presentation while bankers used an approximately 10x multiple in rendering fairness opinions in order to justify the NSAM valuation and merger. The investment banks wrongly used asset manager comps to NSAM, despite those asset management contracts being non-perpetual and cancelable. Appropriate comps to value the management contract should include fixed income investments such as triple BBB bonds and perpetual preferred stock that trade at materially higher multiples.

### **Executives and Investment Banks Feeding at the NSAM Trough**

The tri-party merger involves egregious transaction costs that underscore the deep concerns with lack of independence and conflicts on the board. A \$223 million Golden Parachute will be paid to David Hamamoto and his senior executives upon consummation of the merger, and David will still have a job!<sup>1</sup> We believe this egregiously excessive Golden Parachute for destroying billions of shareholder value while under this executive management team’s reign is simply unacceptable.

In addition, advisory fees of \$70 million will be paid to the four investment banks which provided fairness opinions to address egregious executive compensation of senior management and the glaring conflicts of interest between the boards of NRF and NSAM and management.<sup>1</sup> Two of these banks also have close ties to Hamamoto and other NSAM and NRF board members. We believe that given the significant banking fees on the line and board connections with the banks, it is fair to ask whether the best interests of shareholders were the real priority of this review process.

Beyond the large transaction expenses, the tri-party merger is structured to realize inadequate cost synergies. The pro-forma G&A of the combined companies is bloated and more than 4x greater than comparable public equity REITs.<sup>2</sup>

### **NSAM Shareholders Have Real Alternatives**

The billions of dollars of liquidity created at NorthStar Realty Finance through asset sales should inure to the benefit of NRF and NSAM shareholders, not Colony. An NSAM/NRF recombination could use that excess liquidity to pay stock plus \$8 per share in cash to NSAM shareholders. The resulting combination would likely generate substantially more recurring cash flow per share and drive more than 80% upside from current levels in the next 12-18 months by our estimates. Colony NorthStar has already announced a \$1 billion buyback using liquidity at NSAM and NRF, suggesting a substantial cash payment to NSAM shareholders is both desirable and financeable<sup>1</sup>.

NSAM shareholders need a shareholder-minded independent Board to oversee the review of value-maximizing alternatives, including the potential recombination between NSAM and NRF. NSAM should hold an election of directors to allow shareholders to elect the group of individuals best equipped to lead the company through this process.

Land and Buildings’ six director nominees to the NSAM Board are highly qualified in real estate investment management, finance and corporate governance of public companies and could provide seamless transition in leadership and run a truly arm’s length strategic alternatives process. NSAM shareholders should be asking themselves whether they are better off with the grossly inadequate proposed tri-party merger or whether they should pursue other avenues to create shareholder value.

**Land and Buildings Hosting Conference Call Today at 11:00AM ET**

Please join us for a conference call on Wednesday September 7, 2016, today, at 11:00AM ET to discuss the above in greater detail. To ask a question, please email [IR@landandbuildings.com](mailto:IR@landandbuildings.com) in advance of the call. Information for accessing the call is as follows:

**PARTICIPANT ACCESS INFORMATION**

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Sincerely,



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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<sup>1</sup> Colony NorthStar Form S-4 filed July 28, 2016

<sup>2</sup> Bloomberg