

The Deal

Blackwells Reaches Colony Deal After CEO Accelerates Departure

Jason Aintabi's fund reaches a deal with the REIT to add a mutually agreed-upon director after its main target, CEO Tom Barrack, moved up his departure date from 2021 to July.

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Colony Capital Inc. (CLNY) on Friday, March 20, reached a settlement with Jason Aintabi's Blackwells Capital LLC in a deal that adds one mutually agreed-upon director to the REIT's board and ends, for now, a yearlong insurgency campaign.

The settlement resolves Blackwells' boardroom battle, which had sought to remove Colony CEO Tom Barrack with five dissident director candidates. The insurgent essentially won that fight last week, though, when Colony announced on March 12 that it was accelerating Barrack's resignation to July. Barrack, an ally of President Trump, had been planning to step down in 2021.

Colony Capital will replace him with Marc Ganzi, CEO of Digital Bridge Holdings LLC, a company that Colony acquired in July for \$325 million in a major move to hike its commitment to investments in digital real estate and infrastructure. Barrack will remain as board chairman.

Colony Capital decided in July to eventually replace Barrack with Ganzi as CEO when it struck the Digital Bridge acquisition. The deal closed ahead of Blackwell's most recent contest, launched in November.

As part of the settlement, Colony and Blackwells agreed to acquire roughly \$13 million and \$1.5 million of the company's shares, respectively, in the open market, in a move that could represent about 2% of the REIT's outstanding shares. The two parties are setting up a joint venture to manage the investment, with Colony Capital serving as its manager.

Blackwells owns about 2% of the company's outstanding shares. The investment initiative suggests Colony and Blackwells believe its shares are undervalued.

Also on Friday, Colony Capital announced it was withdrawing its full-year 2020 outlook for its core business and its dividend plan. It also said it was withdrawing guidance on other equity and debt monetizations. Barrack said the moves were prudent measures to protect the business and mitigate the impact of the Covid-19 outbreak.

Colony Capital shares early on Friday afternoon were up 8.2% to \$1.59 a share, likely driven by enthusiasm for the settlement. The stock had been on a downward trajectory over the past 30 days, driven lower by the coronavirus pandemic.

Both the company and Blackwells agreed that the new director, Jeannie Diefenderfer, founder and CEO of consulting firm courageNpurpose LLC, will bring digital real estate expertise to the company. With the acquisition of Digital Bridge and other deals, its digital assets represent roughly 40% of the company's assets.

As part of a settlement reached in February 2019, Colony agreed to add two Blackwells-backed candidates to its board as well as a mutually agreed-upon nominee. With Friday's agreement, Blackwells has been involved in installing four nominees on Colony's 12-person board.

Blackwells also affected another major executive resignation at a related company. On Feb. 27, Colony Credit Real Estate Inc. (CLNC) removed its CEO, Kevin Traenkle. It also authorized a big stock buyback and is considering a sale of Colony Capital's management agreement with the REIT.