

# The Deal

## Double Proxy Fight Complicates Monmouth REIT Battle

*Blackwells' Jason Aintabi and Land & Buildings' Jonathan Litt both have competing slates of candidates up for election to the REIT's board, raising questions about agendas and possible creating a series of unintended consequences.*

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Two separate director election contests, coupled with seven dissident shareholder proposals, have emerged at Monmouth Real Estate Investment Corp. (MNR), a situation that experts contend could get messy with unintended consequences if both efforts go the distance.

On Dec. 31, the Holmdel, N.J.-based REIT revealed that it had received notice from Jason Aintabi's Blackwells Capital LLC that it intended to nominate a minority slate of four dissident directors to the REIT's board at its annual meeting, expected in May. Blackwells on Dec. 21 took an unsolicited \$1.8 billion — \$18 a share — all-cash bid it had made to buy Monmouth public, arguing that the offer provides shareholders with "immediate liquidity."

The REIT also noted Dec. 31 that it separately received notice from Jonathan Litt's Land and Buildings Investment Management LLC that it intended to nominate a minority slate of four candidates to the REIT's board. Monmouth REIT has a classified board, so only a minority slate can be elected. In addition, Monmouth said that Blackwells submitted six nonbinding proposals for consideration while Land & Buildings submitted one nonbinding proposal.

Neither Aintabi nor Litt have provided any public commentary about their slates or proposals. According to a person familiar with the situation, Litt believes the company is undervalued and change on the board is needed.

Monmouth has produced total shareholder returns, including dividends, of 1,239%, 243% and 103% over 20 years, 10 years and five years. In a statement, the REIT said Dec. 31 it will carefully consider the proposals and director candidates as well as Blackwells' unsolicited acquisition proposal.

Litt may have gotten involved to drive an auction process amidst the Blackwells bid or to pressure Aintabi's fund to raise its offer. The activist fund also may have launched its contest privately before becoming aware of Blackwells' offer. A spokesman for Litt declined to comment.

Blackwells, which appears to have gotten involved in Monmouth months in advance of Litt, likely is nominating its slate to bolster its bid, which represents a 21.6% premium to the REIT's share price on Dec. 1. The fund may not be overly disappointed if its effort drives a formal auction process, intending to drive a combination with a strategic rival. Blackwells owns just less than 5% of Monmouth Real Estate, according to a source.

Nevertheless, experts following the situation argued the two proxy fights will complicate matters for investors. One adviser noted the classified board election structure coupled with the two contests could split the vote in a way that has unintended consequences for both dissident slates, should the contests go the distance to a vote.

Thomas Ball, senior vice president at proxy solicitation firm Alliance Advisors LLC, said a proxy contest with two dissident slates on a board with staggered elections could get messy. “It comes down to the four highest vote getters, whether it is Blackwells’ candidates, Land & Buildings’ nominees or the incumbent slate,” he said. “Investors could become confused with so many different cards asking for their vote. ‘Which card do I vote on?’”

The REIT’s incumbent slate this year may have been a key consideration driving both Blackwells and Land & Buildings to get involved. Monmouth’s CEO, Michael Landy; his father, founder Eugene Landy; and his uncle Samuel Landy are on the slate up for election in 2021. An election that replaces all three family members on the REIT’s board could pressure the company to auction itself. Since all the founding family members are up for election in one year, any subsequent effort to remove them would need to wait three years.

At this stage, none of the participating parties have disclosed the names on the two competing dissident slates. Litt and Aintabi may have a similar goal in mind — to drive Monmouth to auction itself to the highest bidder. If so, one side or both could reduce the size of its slate to drive a more effective dissident campaign. Alternatively, one of the dissident groups could cancel its slate to give the other activist candidates a better chance of winning.

Even so, Blackwells appears serious about its bid, noting it received a “highly confident” letter from an institution offering financing for the deal. A person familiar with the situation said Blackwells received the letter from a bulge bracket bank. Blackwells reportedly would like to buy Monmouth, sell its REIT securities portfolio and then enlarge its real estate footprint to 100 million square feet in the next three years.