

RETAIL

## HBC reaches agreement with Land & Buildings

December 4, 2017



HBC-owned Lord & Taylor has called Fifth Avenue its home for more than 90 years. Image credit: Lord & Taylor

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By STAFF REPORTS

Saks owner Hudson's Bay Company has reached a deal with its activist investor Land & Buildings, allowing its planned equity investment from Rhne Capital to go through.

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In October, HBC struck a deal with WeWork Property Advisors, a joint venture between WeWork and Rhne Capital, to sell its Lord & Taylor flagship in New York for \$850 million ([see story](#)). Along with the sale, the transaction included a \$500 million investment from Rhne Capital, which Land & Buildings attempted to appeal.

### Closing time

The Stamford, CT-based Land & Buildings had been putting pressure on HBC to use its real estate holdings to improve its financial position. With an approximate 5 percent stake in the company, the firm has been vocal in its thoughts on the company's moves.

When the retail group announced its strategic move in partnership with WeWork Property Advisors, Land & Buildings argued against the additional investment in the form of a convertible preferred security, claiming that HBC had sold a controlling stake to Rhone. The investor wrote to the Ontario Securities Commission, stating its belief that the issuing of shares needed to be voted on by minority shareholders.

"We urge Land & Buildings to stop misleading our shareholders," said HBC in its reply to the investor's statement. "The company is complying with all applicable regulatory requirements in respect of the transactions.

"Land & Buildings has suggested that the transactions disenfranchise shareholders, and that the company should obtain minority shareholder approval for the equity investment. In fact, it is exactly the opposite – more than a majority of the Company's current shareholders have already provided their informed consent to the transactions."



*The Lord & Taylor flagship deal includes an equity investment. Image credit: Lord & Taylor*

A hearing and review by the Ontario Securities Commission was scheduled for Dec. 8 and 11, but now Land & Buildings has withdrawn its appeal of the Toronto Stock Exchange's decision to approve the equity investment, allowing the deal to go through.

HBC expects the transaction to close around Dec. 6.

"We invested in HBC because its world class real estate assets are substantially more valuable than the Company's current share price," said Jonathan Litt, founder & CIO of Land & Buildings Investment Management LLC, in a statement. "We appreciate our interaction with the HBC team and are pleased and encouraged that HBC's management and board continues to take steps to monetize its highly valuable real estate assets, and we look forward to continuing to work collaboratively with the Company to ensure that shareholder value is maximized."

With the investment now set to go through, HBC is looking towards additional liquidity.

"We are excited to close the Rhne equity investment next week and commence our global, multi-faceted strategic relationship with WeWork," said Richard Baker, HBC's governor, executive chairman and interim CEO. "This unique set of transactions demonstrates our ability to successfully monetize our valuable real estate assets, while creating opportunities to improve productivity and utilization in our portfolio.

"As part of our ongoing board review, we will continue to review HBC's real estate portfolio with a view to maximizing shareholder value and the ongoing operations and business of HBC. We look forward to ongoing engagement with, and constructive input from, Land & Buildings and our other shareholders as we pursue additional opportunities."

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