

Colony Capital Investor Seeks to Oust CEO Tom Barrack

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Blackwells Capital LLC, an alternative investment management firm and activist investor, has penned a [strongly worded letter](#) to the board of Colony Capital Inc. (NYSE: CLNY) again calling for the resignation or removal of executive chairman and CEO Tom Barrack after the company's shares declined nearly \$7 billion since its tri-party merger with the NorthStar entities three years ago.

Blackwells, which owns a 2 percent interest in Colony, called on the board to “urgently intervene to stop the ruinous leadership, lack of accountability, poor governance and haphazard corporate strategy...”

In January 2017, Colony Capital Inc. merged with NorthStar Asset Management Group Inc., and NorthStar Realty Finance Corp. and changed its name to Colony NorthStar (NYSE: CLNS). Shortly thereafter, the company changed



its name back to Colony Capital and began trading under its former ticker symbol. Colony currently sponsors NorthStar Healthcare Income Inc., a publicly registered non-traded REIT.

“No one bears more responsibility than Mr. Barrack for the greater than 80 percent collapse of Colony’s stock from a high of over \$26 to its recent trading price of less than \$4 per share,” the letter stated. “Mr. Barrack is the captain of Colony’s slapdash, ever-changing but consistently value-destructive strategies.”

“This culpability doesn’t seem to weigh on him, either. Mr. Barrack acts as a remote, part-time CEO, treating the company as his personal airline (taking, by our calculation, more than 170 flights per year on the Company’s jet, at shareholders’ expense, between 2015 and 2019) and piggy bank (pocketing tens of millions in total compensation in addition to using company assets to enrich his friends),” the letter added.

For more than a year, Blackwells has been a thorn in Colony’s side with its attempts “to improve the company’s valuation.” The company won three independent board appointments last February and plans to nominate five candidates for the board at the upcoming 2020 annual meeting of shareholders. In August, the firm penned another letter demanding that Barrack step down.

Including the removal for Barrack, Blackwells letter outlines eight actions that it believes will “realize the full value of Colony Capital for its shareholders.”

These include repurchasing shares to return capital to shareholders; cutting “bloated” corporate general and administrative costs; appointing an independent shareholder-selected board; launching an independent investigation of the company’s transactions and operations by a new independent board; applying a “steady hand” to correct the company’s “erratic” strategy shifts; imposing a moratorium on related-party transactions, including those that benefit Barrack, his friend and managing director Marc Ganzi, or their friends and associates.

Blackwells also called for Ganzi, who sold his digital infrastructure investment firm Digital Bridge Holdings LLC to Colony last year for \$325 million, to not set the strategy for or oversee Colony’s portfolio, particularly its non-digital assets.

Colony announced in July 2019 that Ganzi will become CEO in 18 to 24 months, with Barrack returning to the role of executive chairman.

The Bridge Holdings acquisition was part of a strategic shift by the company, dubbed “Colony 2.0,” to restructure the business to focus on digital real estate and infrastructure with future-CEO Ganzi at the helm.

Colony issued the following statement early Friday morning: “The company’s actions – including the CEO succession announcement, pivot to digital infrastructure, and numerous value enhancing acquisitions and divestitures – resulted from the strategic review process overseen by the five independent directors on the strategic asset review committee (including the directors approved by Blackwells last year), and were unanimously approved by the full board. In short, the directors approved by Blackwells last year have been instrumental in



charting the company's strategic path."

Colony Capital stock fell 4.5 percent to \$3.94 on Thursday.

At December 31, 2019, Colony has approximately \$49 billion of assets under management, of which \$36 billion is capital managed on behalf of third-party investors and the remainder represents investment interests on the Company's own balance sheet, managed on behalf of its stockholders. With respect to investment interests, the firm owns a 20 percent controlling interest in Data Bridge Holdings LLC and its subsidiary DataBank Holdings Ltd, a 71 percent interest in a portfolio of 358 healthcare properties, a 94 percent interest in a portfolio of 157 hospitality properties, a 36 percent interest in Colony Credit Real Estate, and interests in various other equity and debt investments.

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