

LANDandBUILDINGS

Land & Buildings Issues Letter to Hudson's Bay Special Committee

- *Land & Buildings Believes the C\$9.45 Per Share Management Buyout Proposal is Woefully Inadequate –*
- *According to CEO Helena Foulkes, HBC's Real Estate is Worth Triple the Current Proposal of C\$9.45 Per Share –*
- *Believes Current Offer is Highly Unlikely to Receive "Majority of Minority" Shareholder Approval –*

Stamford, CT, June 18, 2019 – Land & Buildings Investment Management, LLC (together with its affiliates, "Land & Buildings") today issued the following letter to the Special Committee of independent directors of Hudson's Bay Company (TSX: HBC) ("Hudson's Bay", "HBC" or the "Company"), which has been tasked with evaluating a woefully inadequate offer led by management (the "Management Buyout Group")¹ to acquire the Company.

The full text of the letter follows:

Dear David Leith, Stephanie Coyles, Wayne Pommen, Earl Rotman and Matthew Rubel,

In writing to you, the independent members of the Board assigned to the Special Committee to evaluate the Management Buyout Group's proposal to purchase Hudson's Bay at C\$9.45 per share, we want to be clear: this offer materially undervalues the exceptional assets the Company owns. Hudson's Bay CEO Helena Foulkes stated on September 18, 2018 that the real estate owned by the Company was worth C\$28 per share,² and subsequently stated in the June 13, 2019 first quarter earnings release that the Company will have completed, "real estate transactions at near or better than our estimated equity values."³

We trust that you, the Special Committee, will fully and fairly evaluate the proposal, and thus will ultimately agree that it is woefully inadequate. As a result, we hope you will explore other potential transactions to maximize value for all shareholders by:

1. Undertaking a robust strategic alternatives process, given the iconic nature of HBC's real estate that would attract a deep potential buyer pool; and
2. Hiring a truly independent investment bank, without former business or personal relationships with any members of the Management Buyout Group or HBC's non-independent Board members, to evaluate the value of the Company's real estate and retail banners.

Furthermore, the Management Buyout Group's offer to buy the minority shareholders' interest in Hudson's Bay is being 100% paid for with proceeds from the sale of Company assets, notably the 50% stake in the Company's European real estate joint venture for C\$1.5 billion, which is expected to close later this year. The Management Buyout Group is not investing any capital to fund the purchase of HBC. In fact, the Management Buyout Group will have excess proceeds from the sale of the European joint venture stake of C\$773 million, which they could immediately distribute to themselves. Based on our calculations, the Management Buyout Group could apply the entire C\$1.5 billion to buy out the minority shareholders at C\$18 per share, nearly twice the amount of the current offer, and retain ownership of all the remaining assets of the Company.⁴

Minority shareholders represent 35% of the Company's outstanding shares. We believe it is highly unlikely that a majority of the minority shareholders will approve the transaction, given the substantial undervaluation the offer represents, which approval the Management Buyout Group stated would be required as a closing condition. Management's attempt to understate the Management Buyout Group's stake in Hudson's Bay by excluding management's pending purchase later this month of 10% of the HBC

common shares from Ontario Teachers' Pension Plan Board ("OTPP") for C\$9.45 will likely be highly scrutinized by the Ontario Securities Commission – given the related party transaction management is proposing.

Notably, the Management Buyout Group's total ownership of the Company, assuming the full conversion of preferred shares, is 65%, not the 58% disclosed in the Management Buyout Group's and the Company's filings. The shares that entities controlled by Richard Baker, Governor and Executive Chairman of HBC, are contractually obligated to purchase from an affiliate of Ontario Teachers' Pension Plan Board will of course need to be included in the Management Buyout Group's ownership. The key terms of the Purchase Agreement as disclosed in the Early Warning Report filed January 7, 2019 noted that "Pursuant to the Purchase Agreement, the closing of the transaction of the purchase and sale of the Purchased Shares will occur on the first business day following the six (6) month anniversary of the date of the Purchase Agreement or such earlier business day as elected by the Purchaser and agreed to by the Vendor."

Any attempt by the Management Buyout Group to artificially delay or cancel the closing of the purchase of OTPP's shares in an attempt to facilitate the approval of the insider bid with OTPP voting to approve the proposal as a "minority shareholder" would in our view be absurd. As a result, the Management Buyout Group's ownership is 65%, not the 58% misrepresented in filings. Land & Buildings intends to pursue every means necessary to ensure a fair shareholder vote if the Special Committee deems OTPP to constitute a minority shareholder for purposes of voting on the Management Buyout Group's offer.

We look forward to working with the Special Committee to discuss the best strategies to maximize value for all shareholders.

Sincerely,

Jonathan Litt

Founder & CIO

Land & Buildings Investment Management, LLC

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¹ Includes individuals and entities related to, or affiliated with, Richard A. Baker, Governor and Executive Chairman of HBC; Rhône Capital L.L.C.; WeWork Property Advisors; Hanover Investments (Luxembourg) S.A.; and Abrams Capital Management, L.P.

² Scotiabank Back to School Conference Fireside chat with Helena Foulkes.

³ Hudson's Bay earnings release issued June 13, 2019.

⁴ Represents 83 million shares of true minority shareholders (239 million total shares outstanding on an as-converted basis less 138 million shares on an as converted owned disclosed by the Management Buyout Group less 18 million shares owned where Richard Baker is contractually obligated to buy shares from Ontario Teachers' Pension Plan Board).