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Takeover bid launched for Timbercorp Orchard Trust

A way out for current debenture holders

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Investment company Hamilton Securities has announced it will be making an off-market takeover bid for the debentures of the Timbercorp Orchard Trust currently in receivership.

The offer involves issuing 30 A Class Hamilton Securities shares for every debenture held in the Timbercorp Orchard Trust.

The value of the transaction is based on the last Australian Securities Exchange sale price for the Timbercorp debentures, that was \$30, and the issue price for Hamilton Securities shares on the National Stock Exchange (NSX) of Australia, that was \$1.

For the takeover bid to be a success a minimum of 90 per cent of debenture holders must accept the offer.

According to Hamilton Securities there will be several benefits for investors in taking up the offer, one being liquidity.

In replacing the non-tradable Timbercorp debentures with Hamilton Securities stock, individuals will have an asset they can sell at market price as the A Class shares are listed on the NSX, the company said.

Another advantage of accepting the offer cited by Hamilton Securities is managerial alignment.

"Unlike the receiver, Hamilton Securities' has been structured so that its directors will only make money from managing the debentures if the value of the debentures improves," Hamilton Securities executive chair Steven Pritchard said.

"Unlike the receiver, each of Hamilton Securities' directors will have capital indirectly invested in the Debentures via their shareholding in Hamilton Securities, so that they will share in both the gains and losses with other debenture holders who accept the offer. Furthermore, Hamilton Securities has the ability and incentive to fight for a better position for debenture holders who accept the offer," he said.

The debentures of the Timbercorp Orchard Trust were suspended from trading in April

2009 with the trust being placed in receivership in October 2009.

At the time the trust had \$32.6 million in assets of which \$17.3 million were intangible.

The debentures were due to be repaid at \$100 each on 15 December 2010. The Hamilton Securities offer expires on 26 February 2010 but has the ability to be extended.

Debenture holders can either accept the offer or let the current receivership run its course.

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