

Corporate heavyweights join the Orchard picnic

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Some of the biggest names in corporate Australia are being roped into the drawn-out struggle to restructure struggling property investor Orchard Funds Management.

Future Fund board member and heavyweight investment banker Brian Watson, Wesfarmers director Charles Macek, who is also Orchard's chairman, and one of Queensland's richest men, Kevin Seymour, are all embroiled in the Orchard workout.

Former AFL football star Chris Langford, who has since pursued a corporate career, is also hoping to win a guernsey on the new Orchard board.

The situation at the Melbourne-based fund manager, which controls a \$1.6 billion property portfolio, is growing more complex by the day.

The board has backed a proposal by private equity player Barwon Investment Partners to take over the management vehicle with a \$6.25 million capital raising.

Orchard shareholders will vote on that offer on April 20.

Mr Watson, an investment banker who rose to the top ranks of JPMorgan on Wall Street before returning home to chair the company's Australian arm, has agreed to partly underwrite the raising.

If the bid is successful, Barwon's Rob Morrison, a former AMP Capital executive, Mr Watson and Mr Langford will join the restructured Orchard board.

Some shareholders are already rejecting that proposal and are urging the board to consider a separate offer from listed property services group Landmark White. Property magnate Kevin Seymour, who himself chairs listed diversified listed builder and developer Watpac, is one of the biggest stakeholders in Orchard.

Mr Seymour intervened in the developing Orchard imbroglio this month warning that there was no benefit in the Barwon offer and he would not support it, although he has not endorsed any other offer.

The Landmark offer would merge the Orchard fund manager into its own listed stock, through a scrip-for-scrip swap.

Landmark has also canvassed the option of stapling Orchard's distressed main fund, the \$671 million Diversified Property Fund, to its own stock, potentially creating a \$700 million property trust.

Landmark White chief executive Brad Piltz has said the proposal cannot be assessed on its merits by the board unless he can first put it before Orchard's bankers.

Orchard's Mr Macek has so far withheld the necessary approval to allow that to happen.

Financial adviser Rob Coyte, whose clients are among Orchard's 15,000 unit holders, is urging Mr Macek to consider the Landmark offer.

"They are a good-sized organisation to merge with for something Orchard's size," Mr Coyte said. "We're hopeful that the board at Orchard will consider it in its fullest."

A third option re-emerged this week with boutique outfit Otway Partners preparing to lodge a formal offer within days.

The Otway offer encompasses a \$7 million-plus injection of capital into the Orchard vehicle.

But a group of activist Orchard shareholders have had enough. The group has instigated a meeting on April 8 that will vote on whether to remove Mr Macek and his allies from the board.

The Australian Financial Review

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Landmark White CEO Brad Piltz has shown his hand. **Photo: Rob Homer**

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