

LandMark eyes Orchard

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Property valuation company LandMark White is hoping to open talks with Orchard Funds Management's board after shareholders in the embattled funds business knocked back a rival bid from Barwon Investment Partners.

The owners of Orchard, a struggling Melbourne-based company that runs \$1.6 billion in property funds, last Thursday voted against a management takeover and equity injection by Barwon.

Orchard's relatively new board had supported Barwon after a drawn-out process in which it had previously opposed the group.

The board, led by Curt Roberts, announced the surprise reversal before the vote last Thursday and has indicated it now wants to get back to the business of turning around Orchard's struggling funds.

However, the listed LandMark White is hoping that a merger overture it made last month to Orchard wins a hearing in the wake of Barwon's bid failing.

LandMark White chief executive Brad Piltz said: "We still think we've got a viable alternative in terms of a merger."

Mr Piltz said his group was "still keen to talk to the directors and board and hopefully meet with [Orchard's] financiers".

"We'll be talking to them as soon as we can," he said.

Mr Piltz said the vote against the Barwon proposal was not a vote against other plans that proposed something other than a sale.

He said his company's offer was a good opportunity for Orchard shareholders. "It's a proposal that works with shareholders of Orchard rather than a takeover or a buyout."

LandMark White is offering one of its shares for every 23.89 Orchard shares. This values Orchard at \$8 million and is being presented as a "merger of equals".

Mr Piltz said his group already had a funds management business and it also understood managing retail funds, so a merger of the groups "makes a lot of sense".

"We're looking to add value [for] shareholders," he said. By contrast, Orchard had attracted more opportunistic bids in the past.

The listed group wants to raise capital to cut Orchard's debts to the Bank of Scotland International (BoSI) by up to \$10 million.

It plans to issue a \$4 million secured convertible note to the Taemas Group and undertake an \$8.75 million renounceable rights issue at 20¢ a share.

Orchard still faces difficulties with its debts and those in its funds

The group's fate could lie in the hands of the lenders to its main property funds. Both BoSI and National Australia Bank have heavy exposures to the unlisted funds and they were losing patience with the uncertain situation as they had supported Barwon, property executives said.

At the beginning of April, a group of three activist shareholders stepped onto the Orchard board after chairman Charles Macek and three other directors resigned.

Mr Piltz said LandMark White had committed to restoring a dividend for Orchard shareholders and cutting debts over the next year as part of the planned merged group.

The Australian Financial Review

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