

## Redefine swap offer remains for Fountainhead Property Trust unitholders

At a 20% premium over the Fountainhead Property Trust portfolio's net asset value, the Redefine share swap offer remains unchanged at 3 Hyprop units and 62.5 Redefine units for every 100 Fountainhead units.



Marc Wainer

"It's a good and fair deal for Fountainhead and a good deal for Redefine," says Redefine CEO Marc Wainer.

Redefine made its formal offer for the portfolio, which includes several prime retail properties, on 28 September 2012. The offer follows its acquisition of Fountainhead's management company for R660 million earlier this year.

The offer will move to the next phase when Fountainhead's board tables it with its unitholders. In the interests of removing uncertainty, this needs to be expedited. "To make a fully informed decision, the unitholders will first need the latest information on budgeted growth, if any, in the trust's distributions for the 2013 financial year," notes Wainer.

Once this information is provided, unitholders can confidently vote on the offer. A minimum 50% plus 1 vote by unitholders would clear the way for the deal and remove any uncertainty surrounding Fountainhead's future.

A large percentage of Fountainhead unitholders also hold Redefine units, which is potentially a powerful voting bloc. A 'yes' vote means Fountainhead unitholders can sidestep the alternative, where Redefine remains managers of the Fountainhead management company, earning fee income.

The offer excludes the purchase of the trust's net working capital, including distributable profits earned up to the effective date. After transaction costs, this net working capital will be available for distribution to Fountainhead investors.

In addition, recipients of the Hyprop consideration units benefit from any income distributions declared after the effective date, including distributions for the period to 31 December 2012. To have the option of this benefit, voting needs to take place swiftly.

### BEE initiative planned

Wainer confirms Redefine has plans to utilise the listed Fountainhead vehicle to launch a BEE initiative, once the purchase has been concluded, to further the objectives of the Property Charter.

Three properties will remain in Fountainhead, to retain its JSE listing and investor base. A property portfolio to be assembled will be built around this initiative, which, if approved by unitholders, will be reverse listed into Fountainhead, which provides an ideal structure for such an initiative.

"Fountainhead unitholders will have the opportunity to share in this exciting BEE investment by holding their shares or if they choose, selling them," says Wainer.

Redefine's investors will also see benefits beyond the growth in its assets. Its unitholders will benefit from a special distribution just before the effective commencement date of the new combined entity.

The transaction is certainly strategic for the trust. It would improve its sectoral mix, reduce exposure to government tenants and protect its strong geographic spread.

After disposal of non-core assets, the average value per trust property would be around R100 million, further reinforcing its stated strategic objective of continuous improvement of its core property portfolio.

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