



**Australian Government**

**Takeovers Panel**

# MEDIA RELEASE

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**No: TP14/05**

**Monday, 13 January 2014**

## **PaperlinX SPS Trust – Panel Receives Application**

The Panel has received an application from Coastal Capital International, Ltd. in relation to the affairs of PaperlinX SPS Trust. PaperlinX SPS Trust is the subject of a takeover bid by PaperlinX Limited.

Details of the application, as submitted by the applicant, are below.

A sitting Panel has not been appointed at this stage and no decision has been made whether to conduct proceedings. The Panel makes no comment on the merits of the application.

### **Details**

The issued securities of the SPS Trust are PaperlinX Step-up Preference Securities (SPSs), held by various investors (including the applicant, a 19.16% holder), and one ordinary unit held by PaperlinX.

PaperlinX has made an off-market scrip bid for all the SPSs, offering 250 PaperlinX shares for each. The bidder's statement outlines PaperlinX's intentions if it acquires SPSs as follows:

- (a) if it becomes entitled to compulsorily acquire all SPSs, PaperlinX intends to de-list and cancel the SPSs and wind up the SPS Trust
- (b) if it achieves a greater than 50.1% interest, PaperlinX intends to amend the SPS Trust constitution, review the SPS Trust's distribution policy and may seek de-listing of the SPSs and
- (c) if it achieves a 50% or less interest, PaperlinX intends to hold its SPSs and exercise its rights in the best interests of PaperlinX shareholders.

Among other things, Coastal Capital submits that:

- (a) SPS holders may be coerced into accepting the bid because of the risk that their rights will be substantially diminished by PaperlinX carrying out its stated intentions and because there is an imbalance of rights between PaperlinX and the SPS holders
- (b) the acquisition of control over the SPSs is not taking place in an informed market because various documents relating to the establishment and operation of the SPS Trust have not been disclosed and

- (c) the links between PaperlinX and the SPS Trust are such that the SPSs should be considered quasi-securities of PaperlinX. Therefore, the bid is properly characterised as a buy-back of PaperlinX securities, which constitutes a breach of SPS terms.

Coastal Capital seeks an interim order requiring PaperlinX to provide SPS holders with all documents that are not publicly available relating to the structure of the SPS Trust.

Coastal Capital seeks final orders to the effect that PaperlinX be prevented from exercising any rights in respect of SPSs it acquires under its bid and that PaperlinX be required to exchange the SPSs for preference shares in PaperlinX.

Alan Shaw  
Counsel, Takeovers Panel  
Level 10, 63 Exhibition Street  
Melbourne VIC 3000  
Ph: +61 3 9655 3535  
[alan.shaw@takeovers.gov.au](mailto:alan.shaw@takeovers.gov.au)