



Hotel Corp (The) PLC - SIPP
Placing & Open Offer and Notice of EGM
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Hotel Corp (The) PLC
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**The Hotel Corporation plc
(the "Company" or "HCP")**

Proposed Capital Reorganisation

**Placing and Open Offer of 12,454,765 New Ordinary Shares
at 20 pence per share and issue of up to 4,151,485 Warrants**

Proposed change of name to Specialist Investment Properties plc

and

Notice of Extraordinary General Meeting

HCP is pleased to announce a proposed capital reorganisation together with a placing and open offer to raise up to £2.5 million gross for the Company (and a minimum of gross £2.0 million). A circular is being sent to Shareholders today (the "Circular") containing details of the Capital Raising and other associated matters. The Circular will shortly be available on the Company's website at www.thehotelcorporation.co.im.

Capitalised terms used but not defined in this announcement bear the meanings ascribed to them in the Circular.

1. Introduction

In September 2015, following more than a year in which your Board had been actively seeking an opportunity to deploy its public company status and remaining cash to enhance shareholder value, Shareholders approved a new investment strategy. This was based on

proposals from one of the Company's major Shareholders that the Company adopt the Investing Policy and deploy the Company's cash in a specialised segment of the investment property market in the United Kingdom.

The Company currently holds approximately £300,000 in cash. In order to increase the cash resources available to the Board, the Company is proposing to issue new equity through an Open Offer to Shareholders to seek to raise up to £2.5 million. Under the Open Offer the Company will offer up to 5 of the New Ordinary Shares to Qualifying Shareholders for every 20 Existing Ordinary Shares held on the Record Date at the Issue Price.

In light of the fact that the Open Offer represents a significant multiple of capital relative to the existing market capitalisation of the Company, the Company has conditionally placed an aggregate of 10,000,000 New Ordinary Shares with Places at the Issue Price, thereby providing assurance that the Capital Raising will provide minimum gross proceeds of approximately £2.0 million for the Company. To the extent that the Open Offer is subscribed by Qualifying Shareholders by amounts in excess of the difference between the Open Offer amount (£2.5 million) and the Placing (£2.0 million) the Placing will be reduced accordingly. In the event that the Open Offer is subscribed in full, there will be no New Ordinary Shares available for the Placing. In addition, on Admission of the New Ordinary Shares, Shareholders will also receive one Warrant for every three New Ordinary Shares subscribed by them pursuant to the Capital Raising. The Warrants will give Shareholders the ability to subscribe for new Ordinary Shares in the future at the closing mid-market price of the Ordinary Shares on the last dealing day prior to Admission. The Warrants will be unlisted and will not be admitted to trading on AIM.

Qualifying Shareholders may subscribe for Open Offer Shares on the basis of 5 Open Offer Shares for every 20 Existing Ordinary Shares held on the Record Date. Shareholders subscribing for their full entitlement under the First Round of the Open Offer may also apply for additional New Ordinary Shares through the Excess Application Facility in the Second Round of the Open Offer.

In order to facilitate the Capital Raising, the Company proposes to undertake a Capital Reorganisation involving a Consolidation and Subdivision.

The Capital Raising and Capital Reorganisation are conditional, *inter alia*, on the passing of Resolution 1 by Shareholders at the Extraordinary General Meeting, notice of which is set out in the Circular. Should Shareholders' approval not be obtained at the Extraordinary General Meeting, the Capital Raising and Capital Reorganisation will not proceed. Admission of the New Ordinary Shares, upon which the Capital Raising is conditional, is expected to occur at 8.00 a.m. on 25 February 2016.

The net proceeds of the Capital Raising will be used to fund the acquisition of investment properties in line with the Company's Investing Policy (described below) and to provide further working capital for the Company.

2. Background to and reasons for the Capital Raising

2.1 Investing Policy

At an Extraordinary General Meeting held on 16 September 2015 the Company adopted a new Investing Policy. The Investing Policy adopted is for the Company to become an investment property company, acquiring and holding freehold properties (and, in rare cases,

long lease-hold properties) in specialised sectors of the property market. The initial and primary focus is to make investments in purpose-built homes for adults with learning difficulties requiring support from carers (for example adults with autism), purpose-built care homes for the elderly and infirm and converted dwellings accommodating young adults/late teens requiring extensive support from social services. The Investing Policy for the Company will also allow it to invest in other specialist areas such as wedding and conference centres, other leisure facilities and, if sufficiently non-mainstream, residential or commercial property.

2.2 *Specialised Investment Property Sectors*

The areas listed above are outside of the classic investment property mainstream of commercial buildings let to businesses of good covenant on full repairing and insuring leases with five yearly upward only rent reviews. However, in many cases they can offer strong long-term security of income streams and, because they are more complex and specialised, offer higher initial yields. In many cases they also offer inflation indexed rents.

The specialist children's homes sector, which will be the initial investment focus of the Company, is underpinned by the Children and Families Act, which places legal responsibility on local authorities to look after those young people. Local authorities are generally unable to place those with emotional or behavioural difficulties or complex care needs into foster homes and consequently they are placed in care facilities. These facilities are often run by outsourced specialist care providers who require leased residential accommodation. To execute this initial investment focus, the Company has entered into a Joint Venture with a children's care specialist who will work with the Company to identify assets to purchase, develop relationships with operators and provide expert industry knowledge. Details of the joint venture agreement are set out in the Circular.

The Board believes that it can acquire and provide as landlord leased properties to these care providers. If acquired on prudent debt/equity gearing ratios, these properties can offer attractive returns on equity and the prospect of medium term capital growth as the chosen specific property category grows and becomes better appreciated by mainstream property investors. The Company intends to limit its leverage to approximately 70 per cent. of the total asset value in normal circumstances.

2.3 *Initial Programme*

The Property Investment Adviser has initially identified four properties for the Company to look to acquire. The acquisitions would comprise a combined investment of around £1.3 million, of which it is expected that around 70 per cent. can be financed by debt. The Company would seek to raise the debt initially from Heritage Square a specialist property lender advised by Puma Investments as the Company believes this offers faster execution at competitive pricing. As the Company acquires more properties and builds up a portfolio of income producing properties, it will look to refinance this initial debt with a longer term facility. Two of the properties are already in operation as care facilities for children and available as sale-and-leaseback opportunities while the two other properties would be open market purchases of standard homes for conversion. The adaptation work required is modest with a subsequent local authority compliance check prior to receipt of a designated change of use.

The Company would endeavour to acquire each home with an existing lease in place and with an established care operator. In relation to the two open market purchases leases would

be entered into with the care operator on acquisition which would be subject only to approval of the change of use. The Company will target such leases to be for a minimum term of 20 years (25 years on properties initially identified) on full repair and insuring (FRI) basis, with annual rent increases linked to the consumer price index (CPI). The care operator for the four properties has recently secured a substantial, term care placement contract with Birmingham City Council and needs additional space. This contract will support the care provider's ability to meet the lease payments. The care provider is a well-established operator with over 10 years' experience, already operates a network of 19 residential care units, one specialist school and has 36 young people in its care. It is a substantial enterprise with 250 staff based within five local authorities and also undertakes ad hoc work nationwide.

The Property Investment Adviser has additionally identified a pipeline of similar transactions which it will introduce to the Company for the Company to seek to execute within two to three months of the close of the Capital Raising. The Property Investment Adviser would then aim to identify further acquisitions which would be part financed through raising further equity in a larger fundraising or raisings.

2.4 Corporate Structure

The Company is an ideal vehicle for such investments as it is an offshore investment company, largely avoiding double taxation for underlying Shareholders. The Company is resident for tax purposes in the Isle of Man. It is managed and controlled outside of the United Kingdom and generally is not expected to be subject to United Kingdom taxation, but this status could be subject to changes in taxation legislation in the future. In any event the Company and or its subsidiaries intends to register as a non-resident landlord under the HMRC scheme. As such the registered company or companies will be subject to United Kingdom taxation on profits at the current rate being 20 per cent. of its taxable profit. It is not expected that registration will give rise to a material liability to UK taxation in the Company's first year of implementing its new investing policy. Furthermore, it is expected that any liability to United Kingdom capital gains tax (in the event of any future property disposals) will be de minimis based on current taxation legislation.

2.5 Property Investment and Management

The Company intends to adopt a conventional offshore real estate investment trust REIT like structure. The Board will be responsible for approving the investment strategy, making investments, monitoring performance, determining dividends, organising accounting, company administration and reporting to Shareholders. The sourcing, evaluating, structuring and negotiation of the investments will be delegated to the Property Investment Adviser under a property investment advisory agreement. The Property Investment Adviser will also be responsible for monitoring of the investments, organising property administration and rent collection.

2.6 Property Investment Adviser

The Company announced today that it had entered into a property investment advisory agreement with Puma Investments. Puma Investments is a subsidiary of the Shore Capital group of companies. This agreement is summarised in the Circular.

The asset management division of Shore Capital, including Puma Investments, has a long and successful track record of investing in property and property-related schemes, dating back to the launch of Puma Property in 2002 which achieved an IRR of close to 40 per cent. per

annum. Its track record in smaller companies is now nearly 20 years. It currently manages six Venture Capital Trusts ("VCTs") which specialise in property and construction related deals. Each VCT is a five year life vehicle and the first five Puma VCTs launched, the last of which liquidated in 2014, were each rated the top performer in their peer group by the independent research house Martin Churchill's Tax Efficient Review (September 2014). The VCTs have raised close to £200 million to date.

Puma Investments also manages a discretionary portfolio service invested in four specialised EIS companies (two focused on construction and two on pubs) and advises Heritage Square, a specialist property lender. An affiliate within the group is the property adviser to two investment property funds in Germany, Puma Brandenburg and Brandenburg Realty. In total the fund management group has around £800 million under management and has a large dedicated group of around 45 investment and property professionals.

Puma Investments has demonstrated that it has strong fund-raising capability. The latest VCT, VCT 11, listed in May 2015 having raised over £30 million, making it the largest limited life VCT raising in that tax year (2014/5). Brandenburg Realty also closed in 2015, raising €150 million in equity. The EIS companies have raised £28 million since inception in 2014.

2.7 Puma Investments' Track Record in the Care Sector

Puma Investments has substantial experience in the care sector having been involved in the construction and development of 12 homes for adults with learning difficulties, nine of which have been completed. It has been similarly involved in five care homes for the elderly, two of which have been completed and three of which are in construction.

2.8 Deal Flow

Puma Investments has strong deal flow in the relevant sectors, including supported living properties and care homes for the elderly. Puma Investments has the platform to assist the Company in executing the investment strategy, working with experienced developers who have a strong track record experience of developing quality assets in these robust sectors of the property market.

2.9 Financial Returns

The returns from the investment strategy are likely initially to be in the form of net income available for distribution. In due course, it is expected that there will also be the potential for capital growth as the specialised sectors become more acceptable for institutional investment and the portfolio which can be offered to third parties grows in size.

Initial assessments indicate a strong potential for income generation, most of which could be distributed in dividends after covering the Company's overheads. The Company will target an initial dividend yield of seven per cent. per annum.

2.10 Investment Advisory Arrangements

The Property Investment Adviser will be entitled to a fee for the duration of its appointment equal to 0.5 per cent. per annum of the gross property asset value held by the Company, i.e. a percentage of the property assets which will exclude any un-invested cash. The properties held will be independently professionally valued each year. These fees will be payable in four quarterly instalments accruing on the last day of each quarterly period at the rate of 0.125 per cent. of the gross property asset value as at the most recent annual valuation date.

The Property Investment Adviser will also be entitled to receive a performance related fee of 20 per cent. of the increase in the adjusted Net Asset Value per share over each five year performance fee period, subject to a high water mark and a simple 8 per cent. p.a. hurdle. The Property Investment Adviser may also charge an acquisition fee of up to 0.5 per cent. of the acquisition price of properties acquired (such fee to be waived for 2016). Additionally, under the Framework Facility Agreement Heritage Square is entitled to charge an arrangement fee of up to 2 per cent. on the value of the debt provided, some or all of which, may be payable to Puma Investments (such fee to be waived for 2016). Further details on the Framework Facility Agreement are set out in the Circular.

3. Capital Reorganisation

The mid-market price of the Existing Ordinary Shares as at the close of business on 14 January 2016 was 0.925p which is substantially below their nominal (or par) value of 5p per Ordinary Share. The issue of new shares by the Company at a price below their nominal value is prohibited under Isle of Man law and accordingly the ability of the Company to raise funds by way of the issue of further equity is restricted.

Consequently, the Company is proposing the Capital Reorganisation to reduce the nominal (or par) value of the Existing Ordinary Shares substantially below that of their market price in order to provide the Company with the ability to make future share issues (including the Capital Raising). In addition, the share price levels at which the Existing Ordinary Shares have recently traded means that small absolute movements in the share price represent large percentage movements resulting in share price volatility. The Board believes that the bid offer spread at these price levels can be disproportionate and to the detriment of Shareholders. Accordingly, the Board has decided to implement a share reorganisation so that:

each holding of every 20 or more Existing Ordinary Shares will be consolidated into 1 New Share and one Deferred Share.

Holders of fewer than 20 Existing Ordinary Shares will not be entitled to receive a New Share or Deferred Share following the Capital Reorganisation. Shareholders with a holding in excess of 20 Existing Ordinary Shares, but which is not exactly divisible by 20, will have their holding of New Shares rounded down to the nearest whole number of New Shares following the Capital Reorganisation. Fractional entitlements, whether arising from holdings of fewer or more than 20 Existing Ordinary Shares, will be sold in the market and the proceeds will be retained for the benefit of the Company.

The Existing Ordinary Shares have been admitted to CREST. Application will be made for the New Shares to be admitted to CREST, all of which may then be held and transferred by means of CREST. It is expected that the New Shares arising as a result of the Capital Reorganisation in respect of Existing Ordinary Shares held in uncertificated form, i.e. in CREST, will be credited to the relevant CREST accounts on 9 February 2016 and that definitive share certificates in respect of the New Shares arising as a result of the Capital Reorganisation from Existing Ordinary Shares held in certificated form will be despatched to relevant Shareholders within 10 business days of completion of the Capital Reorganisation. No temporary documents of title will be issued. Share certificates in respect of Existing Ordinary Shares will cease to be valid at close of business on 8 February 2016 and, pending

delivery of share certificates in respect of New Shares will be certified against the register. The Capital Reorganisation Record Date is 8 February 2016.

As a consequence of the Capital Reorganisation, each Shareholder's holding of New Shares will (ignoring fractional entitlements) immediately following the Capital Reorganisation becoming effective be one twentieth of the number of Existing Ordinary Shares held by them on the Capital Reorganisation Record Date. However, each Shareholder's proportionate interest in the Company's issued ordinary share capital will remain unchanged as a result of the Capital Reorganisation.

The rights attaching to the New Shares will be identical in all respects to those of the Existing Ordinary Shares.

The Deferred Shares created will be effectively valueless as they will not carry any rights to vote or dividend rights. In addition, holders of Deferred Shares will only be entitled to a payment on a return of capital or on a winding up of the Company after each of the holders of New Ordinary Shares have received a payment of £10,000,000 on each such share. The Deferred Shares will not be listed or traded on the Official List or AIM and will not be transferable save that upon the death of any holder of the Deferred Shares such shares will be permitted to be transmitted under the terms of the deceased Shareholder's will provided that the persons to whom they are to be transmitted are a Privileged Relation of the deceased Shareholder. No share certificates will be issued in respect of the Deferred Shares, nor will CREST accounts of shareholders be credited in respect of any entitlement to Deferred Shares. Rights attaching to any shares in the Company which may be issued to holders of the Share Options shall not be affected by the Capital Reorganisation.

The ISIN of the New Shares will be IM00BZ97VJ22 following the Capital Reorganisation.

4. Details of the Capital Raising

4.1 Rationale for Capital Raising structure

The Directors have given consideration as to the best way to structure the proposed equity fundraising, having regard to current market conditions, the composition of the Company's shareholder register, the level of the Company's share price and the importance of pre-emption rights to Shareholders. After considering these factors, the Directors have concluded that the structure of the fundraising by way of the Capital Raising is the most suitable option available to the Company and its Shareholders as a whole. The Open Offer provides an opportunity for all Qualifying Shareholders to participate in the Capital Raising, and includes an Excess Application Facility.

The Issue Price represents an 8.1 per cent. premium to the adjusted closing middle market price of 18.5 pence per Existing Ordinary Share on 14 January 2016 (being the last Business Day before the announcement of the Capital Raising), after taking into account the proposed Capital Reorganisation.

4.2 Principal terms of the Placing

The Company is proposing to raise up to £2.5 million (before expenses) pursuant to the Capital Raising and has conditionally placed an aggregate of 10,000,000 New Ordinary Shares at the Issue Price which are subject to clawback in respect of New Ordinary Shares which are the subject of valid acceptances pursuant to the Open Offer (only to the extent that those valid acceptances under the Open Offer exceed the difference between the total number

of Open Offer Shares and the Placing Shares). In the event the Open Offer is subscribed in full, there will be no New Ordinary Shares available for the Placing.

The New Ordinary Shares will, upon issue, rank equally with each other and with the New Shares including the right to receive dividends and other distributions declared following Admission.

The Company has entered into the Placing Agreement with Shore Capital and Sanlam to set out the parties' respective obligations in respect of the Capital Raising.

The Placing Shares have been placed subject to clawback in respect of the Open Offer and conditionally, *inter alia*, on the passing of Resolution 1 and on Admission. It is expected that Admission will take place on 25 February 2016.

4.3 *Principal terms of the Open Offer*

Subject to the fulfilment of the conditions set out below and in Part IV of the Circular, Qualifying Shareholders are being given the opportunity to subscribe for up to 12,454,765 Open Offer Shares at the Issue Price of 20 pence per Open Offer Share, *pro rata* to their holdings of Existing Ordinary Shares on the Record Date on the basis of:

5 Open Offer Shares for every 20 Existing Ordinary Shares

Qualifying Shareholders are also being given the opportunity, provided that they take up their Open Offer Entitlement in full, to apply for Excess Shares through the Excess Application Facility, provided only that they have already taken up their Basic Entitlement in full on or before the first round closing date.

The allotment and issue of the Open Offer Shares is conditional, *inter alia*, on the passing of Resolution 1 at the Extraordinary General Meeting and upon Admission.

The Open Offer Shares will, upon issue, rank *pari passu* with the Placing Shares to be issued pursuant to the Placing, and with the New Shares following Admission.

Fractions of Open Offer Shares will not be allotted and each Qualifying Shareholder's entitlement under the Open Offer will be rounded down to the nearest whole number.

Qualifying Shareholders with holdings of New Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of calculating the Open Offer Entitlements.

4.4 *Excess Application Facility (subject to eligibility)*

To the extent that Open Offer Shares are not taken up by Qualifying Shareholders in Round 1 of the Open Offer those Open Offer Shares will be made available for subscription under the Excess Application Facility.

The Excess Application Facility, in Round 2 of the Open Offer, will enable Qualifying Shareholders, being Shareholders who took up their full Open Offer Entitlement in Round 1 of the Open Offer, to apply for Excess Shares.

The Excess Open Offer Entitlement and/or Excess CREST Open Offer Entitlement of each Qualifying Shareholder will be calculated as a percentage of the Excess Application Facility on the following basis:

- (a) *Numerator* - Number of Open Offer Shares taken up by the Qualifying Shareholder in Round 1 of the Open Offer.
- (b) *Denominator* - The number of Open Offer Shares taken up by all Qualifying Shareholders who validly accepted the Open Offer in respect of their full Open Offer Entitlement in Round 1 of the Open Offer.

If the result is not a whole number, the Qualifying Shareholder's Excess Open Offer Entitlement and/or Excess CREST Open Offer Entitlement will be rounded down to the nearest whole number.

Qualifying non-CREST Shareholders who wish to apply to subscribe for more than their Open Offer Entitlement should apply for their full Open Offer Entitlement in the Round 1 Application Form. They will subsequently receive a Round 2 Application Form where Qualifying non-CREST Shareholders will be able to apply for their Excess Open Offer Entitlement. Qualifying CREST Shareholders will have Excess CREST Open Offer Entitlements credited to their stock account in CREST and should refer to paragraph 6.2.10 of Part IV of the Circular for information on how to apply for Excess Shares pursuant to the Excess Application Facility. Applications for Excess Shares will be allowed in Round 2 of the Open Offer, which will only occur to the extent that corresponding applications by other Qualifying Shareholders are not made or are made for less than their Open Offer Entitlements in Round 1 of the Open Offer.

Application will be made for the Open Offer Entitlements and Excess CREST Open Offer Entitlements in respect of Qualifying CREST Shareholders to be admitted to CREST. It is expected that such Open Offer Entitlements and Excess CREST Open Offer Entitlements will be admitted to CREST at 8.00 a.m. on 18 January 2016 and 4 February 2016 respectively. Such Open Offer Entitlements and Excess CREST Open Offer Entitlements will also be enabled for settlement in CREST at 8.00 a.m. on those dates. Applications through the means of the CREST system may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a bona fide market claim.

Qualifying non-CREST Shareholders will receive a Round 1 Application Form with the Circular, and subject to taking up their Open Offer Entitlement in full, a Round 2 Application Form, which sets out their entitlement to Excess Shares as shown by the number of Excess Open Offer Entitlements allocated to them. Qualifying CREST Shareholders will receive a credit to their appropriate stock accounts in CREST in respect of their Open Offer Entitlements on 18 January 2016.

Shareholders should note that the Open Offer is not a rights issue and Open Offer Entitlements are therefore not transferable. In particular, Qualifying CREST Shareholders should note that although the Open Offer Entitlements and Excess CREST Open Offer

Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Qualifying Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim. Qualifying non-CREST Shareholders should note that neither the Round 1 Application Form nor the Round 2 Application Form are negotiable documents and cannot be traded. Qualifying Shareholders should be aware that in the Open Offer, unlike in a rights issue, any Open Offer Shares not applied for will not be sold in the market or placed for the benefit of Qualifying Shareholders who do not apply under the Open Offer. If applications are made for less than all of the Open Offer Shares available, then a lower number of Open Offer Shares will be issued and the balance of the Open Offer Shares will be issued to Placees.

Further information on the Open Offer and the terms and conditions on which it is made, including the procedure for application and payment, are set out in Part IV of the Circular.

For Qualifying non-CREST Shareholders, completed Round 1 Application Forms and Round 2 Application Forms, accompanied by full payment, should be returned by post or by hand (during normal business hours only) to Neville Registrars, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA so as to arrive as soon as possible and in any event so as to be received no later than 3 p.m. on 2 February 2016 and 3 p.m. on 22 February 2016 respectively. For Qualifying CREST Shareholders the relevant CREST instructions must have been settled as explained in the Circular by no later than 3 p.m. on 2 February 2016 and 3 p.m. on 22 February 2016 for Open Offer Entitlements and Excess Open Offer Entitlements respectively.

4.5 *Principal terms of the Warrants*

Each three New Ordinary Shares issued pursuant to the Capital Raising will be accompanied by one Warrant to subscribe for a new Ordinary Share at a price equal to the closing middle market price of the Ordinary Shares on the last dealing day prior to Admission for a period of three years from Admission. The Warrants will be issued in certificated form only and will be non-transferable, unlisted and will not be admitted to trading on AIM. Further details on the terms of the Warrants are set out in Part IV of the Circular.

4.6 *Other information relating to the Capital Raising*

The Capital Raising is conditional, *inter alia*, upon:

- the passing of Resolution 1;
- the Placing Agreement becoming unconditional in all respects (other than Admission) and having not been terminated in accordance with its terms; and
- Admission of the New Ordinary Shares becoming effective by not later than 8.00 a.m. on 25 February 2016 or such later date as the Company, Shore Capital and Sanlam may agree, being no later than 8.00 am on 31 March 2016.

If any of such conditions are not satisfied or, if applicable, waived, the Capital Raising will not proceed.

The Capital Raising will result in the issue of up to 12,454,765 New Ordinary Shares representing, in aggregate, approximately 83.3 per cent. of the Enlarged Share Capital. A minimum of 10,000,000 New Ordinary Shares will be issued pursuant to the Capital Raising (assuming no take up under the Open Offer and only the Placing Shares being issued)

equivalent to approximately 80.6 per cent. of the Enlarged Share Capital (assuming no take up under the Open Offer and only the Placing Shares being issued).

4.7 *Shareholdings*

Following the issue of the New Ordinary Shares pursuant to the Capital Raising, Qualifying Shareholders:

- who take up their maximum entitlements under the Open Offer (including under the Excess Application Facility) will, subject to rounding in the Capital Reorganisation, not suffer any dilution of their interests in the Existing Ordinary Shares; and
- Qualifying Shareholders who do not take up any of their entitlements in respect of the Open Offer will experience a more substantial dilution of approximately 401 per cent. to their interests in the Company (assuming that the minimum number of shares are issued pursuant to the Capital Raising are issued, being the same number of shares as the total number of Placing Shares).

Application will be made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings for normal settlement in the New Ordinary Shares will commence at 8.00 a.m. on 25 February 2016.

4.8 *Open Offer*

Qualifying non-CREST Shareholders

If you are a Qualifying non-CREST Shareholder you will receive a Round 1 Application Form with the Circular which gives details of your maximum entitlement under the Open Offer (as shown by the number of Open Offer Entitlements allocated to you). If you wish to apply for Open Offer Shares under the Open Offer (in respect of your Open Offer Entitlement), you should complete the accompanying Round 1 Application Form in accordance with the procedure for application set out in paragraph 6.1.2 of Part IV of the Circular and on the Round 1 Application Form itself. If you have subscribed for your Open Offer entitlement in full and wish to apply for Excess Shares under the Excess Application Facility, you should complete the Round 2 Application Form in accordance with the procedure for application set out in paragraph 6.1.2 of Part IV of the Circular and on the Round 2 Application Form itself once received from the Company.

Qualifying CREST Shareholders

If you are a Qualifying CREST Shareholder and do not hold any Ordinary Shares in certificated form, you will receive a credit to your appropriate stock account in CREST in respect of the Open Offer Entitlement representing your maximum entitlement under the Open Offer except (subject to certain exceptions) if you are an Overseas Shareholder who has a registered address in, or is a resident in or a citizen of an Excluded Territory. Applications by Qualifying CREST Shareholders for Excess CREST Open Offer Entitlements under the Excess Application Facility should be made in accordance with the procedures set out in paragraph 6.2.10 of Part IV of the Circular, unless you are an Overseas Shareholder in which event, applications should be made in accordance with the procedures set out in paragraph 8 of Part IV of the Circular.

The latest time for applications under the Round 1 of the Open Offer to be received is 3 p.m. on 2 February 2016. The procedure for application and payment depends on whether, at the time at which application and payment is made, Qualifying non-CREST Shareholder have a Round 1 Application Form in respect of your Open Offer Entitlement or you will have a Round 2 Application Form in respect of your Excess Open Offer Entitlement. Qualifying CREST Shareholder will have credited to your stock account in CREST in respect of such Open Offer Entitlements and subsequently in respect of your Excess CREST Open Offer Entitlement. The procedures for application and payment are set out in Part IV of the Circular.

Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with the Open Offer.

5. Use of proceeds and working capital

The net proceeds of the Capital Raising, which are expected to amount to a minimum of approximately £2.4 million (assuming the Open Offer is taken up in full), will be used, *inter alia*, to acquire properties in specialised care sectors, initially focussed on children's homes and to provide further working capital for the Company. The Board intends that the proceeds of the Capital Raising be deployed within three to six months, subject to retaining sufficient working capital.

6. Dividend Policy

The Company is targeting a dividend yield of seven per cent. per annum, and your Board expects to pay the first dividend in Q1 2017. The Board will thereafter institute a dividend policy targeting a pay-out of approximately 95 per cent. of free cash generated to Shareholders. Dividend payments will be subject to the financial position of the Company and the availability of distributable profits.

7. Related Party Transactions

Puma Investments is a subsidiary of Shore Capital, financial adviser and broker to the Capital Raising and, at the date of the Circular, a substantial shareholder in the Company. As a consequence, provision of debt by Heritage Square, a specialist property lender managed by, and company advised by, Puma Investments with the arrangement fee charged by Heritage Square which may be payable to Puma Investments under the Framework Facility Agreement and the investment advisory agreement entered into by the Company with Puma Investments and the associated fees to be charged are related party transactions under Rule 13 of the AIM Rules.

The Directors, both of whom are independent in this instance, having consulted with the Company's nominated adviser, Sanlam, consider that the terms of this debt financing and investment advisory agreement are fair and reasonable insofar as shareholders are concerned. Furthermore, Shore Capital is acting as broker to the Company in regards to the Placing, as well as participating in the Placing by investing £460,000 for 2,300,000 Placing Shares, both of which are also classified as related party transactions under Rule 13 of the AIM Rules.

The Directors, both of whom are independent in this instance, having consulted with the Company's nominated adviser, Sanlam, consider that the terms of the Placing Agreement and participation in the Placing by Shore Capital are fair and reasonable insofar as Shareholders are concerned.

8. Change of Name

As part of the Proposals the Board has proposed that the name of the Company be changed to Specialist Investment Properties plc. The change of name requires the approval of the Shareholders by way of a special resolution (Resolution 2).

9. Irrevocable commitments

Resolution 1 is an ordinary resolution which requires the support of Shareholders holding a majority of the votes cast at the Extraordinary General Meeting (excluding any votes withheld). Resolution 2 is a special resolution requiring the support of Shareholders holding 75 per cent. or more of the votes cast at the Extraordinary General Meeting (excluding any votes withheld).

In aggregate, Shareholders holding Existing Ordinary Shares representing approximately 22.1 per cent. of the votes capable of being exercised at the Extraordinary General Meeting have irrevocably undertaken to vote in favour of the Resolutions at the Extraordinary General Meeting.

10. Extraordinary General Meeting

Set out at the end of the Circular is a notice convening an Extraordinary General Meeting of the Company, to be held at 11 a.m. on 8 February 2016 at Burleigh Manor, Peel Road, Douglas, Isle of Man, IM1 5EP, British Isles, at which the following Resolutions will be proposed:

To be proposed as ordinary resolutions:

THAT,

- (a) each of the ordinary shares of 5 pence each in the capital of the Company which as at close of business on 8 February 2016 (or such later date as the Directors may determine and communicate to Shareholders via an appropriate announcement to a Regulatory Information Service) are shown in the register of members of the Company to be in issue or held in treasury (the "**Ordinary Shares**") shall be (i) consolidated and converted into ordinary shares of £1.00 each in the capital of the Company (the "**Consolidated Ordinary Shares**") on the basis of every 20 Ordinary Shares being consolidated and converted into one Consolidated Ordinary Share, each Consolidated Ordinary Share having the same rights as the Ordinary Shares and (ii) then sub-divided into ordinary shares of 1 pence each in the capital of the Company (the "**Subdivided Ordinary Shares**") and deferred shares of £0.99 each in the capital of the Company (the "**Deferred Shares**") on the basis of every Consolidated Ordinary Share being subdivided and converted into one Subdivided Ordinary Share and one Deferred Share, each Subdivided Ordinary Share having the same rights as an Ordinary Share and each Deferred Share having no right to receive notice of, attend or vote at general meetings of the Company, no right to receive any dividend declared by the Company or otherwise participate in the profits of the Company and having the

right to payment on a return of capital or on a winding up of the Company only after each of the holders of Subdivided Ordinary Shares has received a payment of £10,000,000 on each such share , provided that:

- (i) where such consolidation and/or subdivision results in any Shareholder being entitled to a fraction of a Consolidated Ordinary Share, Subdivided Ordinary Shares of Deferred Shares, such fraction shall, so far as possible, be aggregated with the fractions of a Consolidated Ordinary Share, Subdivided Ordinary Shares of Deferred Shares to which other Shareholders may be entitled;
 - (ii) the Directors of the Company be and are hereby authorised to sell to any person (or appoint any other person to sell to any person), on behalf of the relevant Shareholders, all the Consolidated Ordinary Share, Subdivided Ordinary Shares or Deferred Shares representing, in aggregate, such fractions at the best price reasonably obtainable in the market and that the Company may retain the net proceeds of sale of such Consolidated Ordinary Share, Subdivided Ordinary Shares or Deferred Shares representing such fractions for the benefit of the Company; and
 - (iii) any Director of the Company (or any person appointed by the Directors of the Company) shall be and is hereby authorised to execute an instrument of transfer in respect of such Consolidated Ordinary Share, Subdivided Ordinary Shares or Deferred Shares arising pursuant to sub-paragraph (ii) of this Resolution 1(b) on behalf of the relevant Shareholders and to do all acts and things the Directors consider necessary or expedient to effect the transfer of such shares to, or in accordance with the directions of, any buyer of such shares; and
- (b) the unissued ordinary shares of 5 pence each in the capital of the Company be subdivided into ordinary shares of 1 pence each.

To be proposed as a special resolution:

THAT, that the name of the Company be changed to Specialist Investment Properties plc.

11. Timetable for the Open Offer

Record Date for entitlement under the Open Offer	close of business on 14 January 2016
Announcement of the Capital Raising (Open Offer and	7am on 15 January 2016

Placing)	
Posting of the Circular, Forms of Proxy and, to Qualifying non-CREST Shareholders only, the Application Forms	15 January 2016
Ex-entitlement date for the Open Offer	8 a.m. on 15 January 2016
Open Offer (Round 1) Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	By 18 January 2016
Latest recommended time and date for requesting withdrawal of Open Offer Entitlements from CREST	4.30 p.m. on 28 January 2016
Latest time and date for depositing Open Offer Entitlements (Round 1) into CREST	3.00 p.m. on 29 January 2016
Latest time and date for splitting Round 1 Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 29 January 2016
Latest time and date for receipt of completed Round 1 Application Forms and payment in full under Round 1 of the Open Offer or settlement of relevant CREST instruction (as appropriate)	3.00 p.m. on 2 February 2016
Expected time and date of announcement of results of Round 1 of the Open Offer	7.00 a.m. on 3 February 2016
Posting of Application Form for Round 2 of the Open Offer (only to shareholders who took up full entitlement in Round 1 of the Open Offer)	3 February 2016
Excess (Round 2) Open Offer Entitlements credited to stock accounts in CREST of Qualifying CREST Shareholders	By 4 February 2016
Latest time and date for receipt of Forms of Proxy	11.00 a.m. on 6 February 2016
Extraordinary General Meeting	11.00 a.m. on 8 February 2016
Announcement of results of the Extraordinary General Meeting	8 February 2016

Capital Reorganisation Record Date (every 20 or more Existing Ordinary Shares of 5p each will be consolidated into one Consolidated Ordinary Share of 100p each; each Consolidated Ordinary Share will then be sub-divided into one New Ordinary Share of 1p each and one Deferred Share of 99p each)	close of business on 8 February 2016
Amendment and admission of ordinary shares (post Capital Reorganisation)	8.00 a.m. on 9 February 2016
Latest recommended time and date for requesting withdrawal of Excess Open Offer Entitlements from CREST	4.30 p.m. on 17 February 2016
Latest time and date for depositing Open Offer Entitlements (Round 2) into CREST	3 p.m. on 19 February 2016
Latest time and date for splitting Round 2 Application Forms (to satisfy bona fide market claims only)	3 p.m. on 19 February 2016
Latest time and date for receipt of completed Round 2 Application Forms and payment in full under Round 2 of the Open Offer or settlement of relevant CREST instruction (as appropriate)	3 p.m. on 22 February 2016
Expected time and date of announcement of results of Round 2 of the Open Offer	7.00 a.m. on 23 February 2016
Admission effective and dealings in the New Ordinary Shares (i.e. all the Open Offer shares) commence	8.00 a.m. on 25 February 2016
Expected date for crediting of New Ordinary Shares in uncertificated form to CREST stock accounts	8.00 a.m. on 25 February 2016
Expected date of despatch of share certificates in respect of New Ordinary Shares in certificated form	within 10 business days of Admission

Notes:

(1) *The dates set out in the timetable above and mentioned throughout this announcement may be adjusted by Hotel Corporation which event details of the new dates will be notified to AIM and, where appropriate, to Shareholders.*

(2) *All references to time in this announcement are to time in London.*

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