

Law Trio Drops In On \$279M Property Trust Merger

By **Natalie Rodriguez**

Law360, New York (May 11, 2015, 6:43 PM EDT) -- A Pepper Hamilton LLP-advised Independence Realty Trust announced Monday that it has inked a deal to bolster its apartment holdings through a merger with Trade Street Residential Inc. — represented by Morrison & Foerster LLP and Venable LLP — valued at about \$278.9 million in cash and new stock.

IRT has proposed in a definitive merger agreement to pick up Trade Street's outstanding common stock for a per-share price of \$3.80 in cash plus about 0.4108 shares of new IRT common stock valued at about \$9.25 per share, for a total value of about \$7.60 for each of Trade Street's shares.

The companies did not disclose the full merger price, though Trade Street investor filings indicate it has nearly 36.4 million shares outstanding, which would translate to about \$278.9 million at the \$7.60 purchase price. IRT has an option to increase the cash portion of the deal to \$4.56, with a corresponding decrease in the stock portion, according to a statement.

IRT noted it has secured \$500 million of committed financing in connection with the proposed deal. It was unclear whether there was any significant debt assumption or additional investments that IRT would be making as part of the proposed merger. Representatives for the companies could not immediately be reached for comment.

For IRT, the merger would significantly increase its scale, more than doubling its number of apartment units to 14,044, while bumping up its holdings from 31 properties to 50 properties, the real estate investment trust noted. The addition of Trade Street's portfolio would also drop the average age of IRT's properties from 25 years to 20 years.

“This high-quality portfolio of luxury, class A apartment communities will immediately increase our average occupancy levels and average base rents, and we have additional value-creating opportunities in progress to drive further improvement in our operating results.” Scott Schaeffer, IRT's chairman and CEO, said in a statement. “Upon completion of the deal, our expanded business will be even better situated to continue to pursue accretive acquisitions and transformational opportunities to create additional shareholder value.”

Meanwhile, for Trade Street, the merger is expected to better position the REIT for continued growth, it said.

"Building on our successful accomplishments since our IPO in May 2013, we are also pleased to have reached this agreement with IRT," Richard Ross, CEO of Trade Street, said in a statement. "We believe our combined business will be better positioned to further expand our modern portfolio of well-located apartment communities and capitalize on the improving fundamentals in our attractive markets across the Southeast and Texas."

Wolf Popper LLP, however, said it was immediately investigating the deal on behalf of Trade Street investors, contending that "the offer price is significantly below Trade Street's 52-week high of \$8.13 per share and below an analyst's price target of \$9.50 per share." Levi & Korsinsky LLP also put out a similar notice.

But the deal has the backing of affiliates of Senator Investment Group LP and Monarch Alternative Capital LP, which together hold about 48.4 percent of Trade Street's common stock, according to a statement. The deal also has the backing of RAIT Financial Trust, which owns about 23 percent of IRT's common stock.

Pending approval by both IRT and Trade Street stockholders, the deal is expected to close in the third quarter of the year, after which Ross and Trade Street chairman Mack Pridgen would join IRT's board of directors, the companies said. The merged entity would continue under the IRT brand and would continue to trade under the New York Stock Exchange ticker of IRT.

IRT is represented by Pepper Hamilton LLP.

Trade Street is represented by Venable LLP and by a Morrison & Foerster LLP team led by partners John Good (corporate), David Slotkin (corporate) and Jeremy Schropp (corporate), and including Stephanie Wingader (corporate), John Hensley (corporate), Peter Hilton (corporate), Ilan Weinberger (corporate), Michelle Jewett (tax), Shiukay Hung (tax), Clara Lim (tax), Marc Young (real estate), Susannah Cupp (real estate), Angel Wou (real estate), Domnick Bozzetti (benefits and compensation), Amanda Hines Gold (benefits and compensation), Alejandro Bras (environmental), Mark Wojciechowski (finance) and Perry Kalajian.

--Editing by Mark Lebetkin.