

# ASX Announcement



## LANTERN HOTEL GROUP (ASX:LTN)

29 July 2014

### Update on Proposed Transaction – Revised Draft Buy Back Agreement

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On 30 June 2014 Lantern Group announced to ASX, and distributed to securityholders, an Explanatory Booklet (including Notices of Meeting) and associated materials relating to its proposed transactions with Millinium Asset Services Pty Limited as trustee for The Borg Fund ABN 79 145 380 971 (**Millinium**) which will be put before Lantern securityholders for their approval at the meetings being held at 11.00 am on Thursday, 31 July 2014.

Pursuant to the proposed transactions, Lantern Group, subject to the satisfaction of disclosed conditions precedent, proposes to acquire by way of selective buy-back and accompanying trust scheme all of the Lantern Securities (**Borg Fund Securityholding**) held by Millinium.

The Explanatory Booklet had annexed to it (at Annexure C) a draft form of Buy-Back Agreement between Lantern and Millinium. The Explanatory Booklet indicated that an update on the form of the Buy-Back Agreement would be announced before the upcoming meetings. Lantern and Millinium have been in negotiations in relation to the Buy-Back Agreement but have not yet agreed its final form. However, as explained in the Explanatory Information Booklet, the key terms of the proposed transaction are already agreed and are provided in the deed of settlement relating to the Supreme Court Action between Lantern, Millinium, CVC and Totem, as set out in Schedule 1. Any final form of the Buy-Back Agreement will reflect the terms set out in Schedule 1.

Accordingly, for the avoidance of doubt, pending agreement with Millinium on the final form of the Buy-Back Agreement, for the purposes of the proposed resolutions approving the transaction, the key terms as described in the Explanatory Information Booklet which Lantern securityholders will be asked to approve are those provided in the deed of settlement which are set out in Schedule 1.

Despite the specific reference to tranche payments, there is no default under the terms of the proposed transaction if payment of the cash consideration is made at any time before 31 July 2016, with interest at 8% per annum on any amount outstanding from 31 July 2014. In this respect, we note clause 4(c) of Schedule 1.

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## Schedule 1

The parties agree to do all things necessary and instruct their solicitors to do all things necessary to implement a transaction that will result in the Borg Fund Securityholding being validly cancelled on the terms set out below, using a transaction structure which best achieves the objectives of Lantern and Millinium and takes into account, amongst other things, the ability of the Parties to satisfy any and all conditions precedent, obtain regulatory and third party approvals (the **Proposed Transaction**). The Parties will use all reasonable endeavours to implement the Proposed Transaction by 31 July 2014 (**Target Date**).

1. **Entire holding:** All and not some of the Borg Fund Securityholding will be acquired from Millinium.
2. **Cash consideration:** The cash consideration under the Proposed Transaction will be 7.5 cents per Stapled Security (**cash consideration**) provided that, in the event of a reorganisation of the issued capital of Lantern, bonus issue or similar event, including payment of a dividend, on or prior to the implementation of the Proposed Transaction, Lantern and Millinium will agree (acting reasonably) the appropriate adjustment to the cash consideration per Stapled Security. Payment for any Stapled Securities will be made in cleared funds, payable to the bank account for the Borg Fund as directed by Millinium.
3. **Timetable:** Lantern and Millinium agree that the Proposed Transaction will be implemented no later than 2 years after the date of the securityholder meeting approving the Proposed Transaction. If the members of Lantern do not approve the Proposed Transaction on or before the Target Date then Lantern and Millinium will work together in good faith and use all reasonable endeavours to implement the Proposed Transaction in a manner which is consistent with this schedule within 2 years of the date of the settlement deed (being 4 April 2014) (**Settlement Date**).
4. **Tranches:** If the approval of the Proposed Transaction by Lantern members is obtained by the Target Date, the Borg Fund Securityholding will be acquired in the following staged manner:
  - **Tranche 1:** One third of the Borg Fund Securityholding (being 71,574,741 Stapled Securities) are to be purchased and settled within 60 days of any requisite securityholder approval being obtained by Lantern ("**First Settlement Date**") at which time Lantern will pay the cash consideration for the tranche 1 Stapled Securities being acquired less \$367,000;
  - **Tranche 2:** The next one third of the Borg Fund Securityholding (being 71,574,741 Stapled Securities) are to be purchased and settled within 60 days of the First Settlement Date ("**Second Settlement Date**") at which time Lantern will pay the cash consideration for the tranche 2 Stapled Securities being acquired less \$367,000;
  - **Tranche 3:** The final one third of the Borg Fund Securityholding (being 71,574,740 Stapled Securities) are to be purchased and settled within 60 days of the Second Settlement Date ("**Third Settlement Date**") at which time Lantern will pay the cash consideration for the tranche 3 Stapled Securities being acquired plus \$734,000,

provided that:

(a) depending on the transaction structure used for the Proposed Transaction, Lantern may acquire all of the Borg Fund Securityholding on the First Settlement Date or such other date as is agreed between Lantern and Millinium acting reasonably;

(b) if approval of Lantern members is not obtained by the Target Date, the acquisition date(s) and timing of payment for the cash consideration will be as agreed between Lantern and Millinium acting reasonably and taking into account the relevant Proposed Transaction structure provided that payment in full must be made within 2 years of the Lantern securityholder meeting, or if no such meeting is held, 2 years of the Target Date; and

(c) if payment of any part of the cash consideration for the relevant Stapled Securities is not made on the relevant due date for payment then interest on the outstanding amount will be payable in accordance with paragraph 5 below and provided that payment in full must be made within 2 years of the Lantern securityholder meeting, or if no such meeting is held, 2 years of the Target Date.

5. **Interest Payable:** Lantern will pay interest on the total cash consideration for the Borg Fund Securityholding (with the principal amount being based on a \$0.07 per Stapled Security price) to the extent this has not been paid (**Principal Amount**) from the Target Date (**Interest Payment Date**). Interest is to be paid quarterly to Millinium. On and from the Interest Payment Date interest will accrue on the Principal Amount at the rate of 8% per annum and the Principal Amount will be reduced as follows:

(a) upon Lantern making a payment of the cash consideration to Millinium upon the acquisition of any Stapled Securities from Millinium under paragraph 4 above or otherwise (in which case the outstanding Principal Amount will be reduced by the total cash consideration paid by Lantern to Millinium); and

(b) upon Millinium disposing of any of the Borg Fund Securityholding to a third party (in which case the outstanding Principal Amount will be reduced to zero and only accrued but unpaid interest will be due to Millinium).

6. **Source of Funding:** In the event that Lantern sells or settles any of its assets in New Zealand within 2 years of the Settlement Date, and those proceeds are available at a settlement date or dates specified in paragraph 4 above, then Lantern agrees that the proceeds of such sales will be used predominantly for the purpose of the Proposed Transaction.

7. **Conditions Precedent:** Millinium acknowledges that Lantern is not able to implement the Proposed Transaction without first satisfying each of the following conditions precedent:

- approval of its securityholders;
- approval from the Commonwealth Bank of Australia;
- obtaining relief from ASIC and ASX, if required; and
- an independent expert concludes that the proposal is fair and reasonable to non-participating securityholders.

8. **Independent Expert:** Lantern acknowledges that it will appoint an independent expert at an appropriate time for implementing the Proposed Transaction, whose responsibilities are to examine and determine in accordance with ASIC requirements whether the proposal is

fair and reasonable and in the best interests of non-participating securityholders in accordance with ASIC requirements and this report will be included in material issued by Lantern to securityholders in connection with any approvals necessary to implement the Proposed Transaction. It is acknowledged that this cost is borne by Lantern.