

ASX Announcement



LANTERN HOTEL GROUP (ASX:LTN)

18 June 2015

Administrative Appeals Tribunal makes decision in favour of Lantern

On 31 July 2014 Lantern held a securityholder meeting to approve the selective buy-back of the 24.31% stake of Lantern securities owned by Millinium Asset Services Pty Ltd as Trustee for the Borg Fund ("MAS") for \$16.1m or 7.5 cents per security (the **Buy Back**). The price represents a discount to 31 December 2014 Net Asset Value per security of approximately 33% or approximately \$7.9 million.

Lantern securityholders voted overwhelmingly in favour of the buy back, with an approval of approximately 94% at the meeting. As disclosed to securityholders, the Buy Back was also conditional on ASIC relief from certain provisions of the Corporations Act 2001 and ASIC had formally refused to grant the relief. The absence of ASIC relief resulted in the transaction not progressing while Lantern sought a review of ASIC's decision from the Administrative Appeals Tribunal (**AAT**). Yesterday, Lantern was informed that the AAT has ruled in favour of Lantern with the AAT proposing to substitute its decision for that made by ASIC, to grant the exemptions sought by Lantern.

What does this mean for Lantern Security Holders?

Lantern and MAS are currently bound by the Settlement Deed which was entered into on 4 April 2014 in order to facilitate the Buy Back. A summary of the key terms of the Settlement Deed (as stated in the Notice of Meeting dated) are:

- Lantern will buy back the 24.31% MAS stake for \$16.1 million, reflecting a purchase price of \$0.075 per security, potentially in three sequential buy back tranches to be completed within 180 days of security holder approval;
- deferred payment of buy back consideration is permitted, with 8% interest payable to MAS, with final payment due 31 July 2016; and
- 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 Security holding being validly cancelled on these terms.

Lantern has complied with all of its obligations under the Settlement Deed. We note that MAS does not wish to continue with the transaction and claims that Lantern has not complied with its obligations under the Settlement Deed.

MAS have repeatedly tried to stop the Buy Back

- MAS has admitted in the documents filed by it in the Supreme Court of New South Wales proceeding brought by Macquarie Investment Management Limited (**MIML**) against MAS (seeking by way of relief a declaration MAS is not the trustee of the Borg Fund or alternatively that it be removed as trustee of the Borg Fund) that in 2014 it has told MIML that it had entered into call options with CVC and Totem for the purposes of provoking litigation with Lantern to avoid the Buy Back.
- In MAS's notice of meeting dated 22 April 2015 on page 7, MAS commits to waive any rights it has under the Settlement Deed if the MAS appointed directors are elected and if Lantern determines not to proceed with the Buy-Back by 30 June 2015 (prior to when the independent directors have completed their strategic review).

It appears that one of the key drivers of MAS's proposal to remove the Lantern Directors is so that MAS can be relieved from its obligations under the Settlement Deed.

The Lantern Directors are currently reviewing its strategy with respect to the Settlement Deed and the Buy Back.

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