



Australian Government

Takeovers Panel

MEDIA RELEASE

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Lantern Hotel Group - Panel Receives Application

The Panel has received an application from Totem Holdings Pty Ltd in relation to the affairs of Lantern Hotel Group.¹

The application concerns (among other things) an offer to Lantern to buy-back 24.3% of Lantern's securities and the resulting increase in Torchlight GP Limited's relevant interest from approximately 30% to 40%.

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

Torchlight is the largest holder of Lantern stapled securities and Millinium Asset Services Pty Ltd, as trustee for the Borg Fund, is the second largest holder.

On 4 February 2014, Three Pillars Portfolio Managers Pty Ltd (as investment manager for the Borg Fund) made an offer to Lantern under which Lantern could buy-back Millinium's entire 24.3% interest. The offer expires on 21 March 2014. On 10 March 2014, Lantern announced to ASX that it intended to accept the offer. The buy-back is conditional on (among other things) security holder approval.

On 28 February 2014, Millinium (as trustee for the Borg Fund) entered into a call option deed with Totem Holdings in relation to 111 million stapled securities in Lantern (12.6% of the stapled securities on issue). On 5 March 2014, Millinium entered into another call option deed with CVC Limited in relation to 103,724,222 stapled securities in Lantern (11.7%). The exercise period for each call option commenced on the date each deed was executed and expires on 30 September 2014 (unless extended).

¹ a stapled entity comprising Lantern Real Estate Trust and Lantern Hotel Group Limited

On 7 March 2014, Lantern filed proceedings in the Equity Division of the Supreme Court of New South Wales seeking orders to, among other things, restrain Millinium from transferring its stapled securities in Lantern to Totem Holdings and CVC in accordance with the option deeds.

In its application to the Panel, Totem Holdings submits that Lantern has acquired a relevant interest in Millinium's 24.3% interest in breach of the 20% takeovers prohibition because of an enforceable right conferred on Lantern by Three Pillars' offer. Alternatively, Totem Holdings submits that there is a breach of the prohibition because there is no relevant exception for a buy-back of the managed investment scheme units forming part of the stapled securities and Lantern's relevant interest in the units increased from 0% to 24.3%.

Totem Holdings also submits that the circumstances surrounding the buy-back are unacceptable having regard to the effect of the buy-back increasing Torchlight's relevant interest in Lantern without Torchlight paying any premium for control and removing Millinium as the only serious rival to Torchlight's control.

Lastly, Totem Holdings submits that if Torchlight is allowed to vote on the buy-back, its acquisition of control over Lantern stapled securities would not be taking place in an efficient, competitive and informed market.

Totem Holdings seeks interim and final orders that Lantern be restrained from accepting the buy-back offer. Totem Holdings also seeks orders including that Millinium is released from any obligations under or in respect of the buy-back offer and is entitled to sell the stapled securities to Totem if the call option is exercised and that Torchlight not be permitted to vote in favour of any resolution approving the buy-back offer.

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