

THE TAKEOVER PANEL

The Panel on Take-overs and Mergers has considered, at the executive level, the request by Slater, Walker Limited on behalf of Ladbroke Group Limited to rule that the action of the directors of J. Coral Limited in committing their shares irrevocably to an offer to be made by The Mark Lane Group Limited was in breach of the Code on Take-overs and Mergers. The Panel executive heard representations made by Slater, Walker as well as by Hill Samuel & Co. Limited on behalf of Coral and Charterhouse Japhet Limited on behalf of Mark Lane.

The Panel executive concluded that the action of the Coral directors was justifiable in the terms of Rule 9 and was not contrary to General Principles 7 or 11 of the Code. In reaching this conclusion regard was had to the fact that Mark Lane informed Coral in writing on 27th May 1971 (the day after the announcement of Ladbroke's increased offer for Coral and after Coral had been informed of the substantial increase in the profits of Mark Lane forecast for the twelve months to 30th June, 1971) that Mark Lane would make an offer for the share capital of Coral on the same terms as those proposed in the merger scheme to be voted on the following day, in the event that that scheme failed - if, but only if, the Coral directors immediately agreed to commit their holdings irrevocably. Hill Samuel informed the Panel executive that the original merger terms considered in the light of the estimated combined profits of the two companies for the period to 30th June 1971 offered to Coral shareholders a return on their investment which was greater than that offered by Ladbroke's revised proposals. In Hill Samuel's opinion there were further benefits from the Coral/Mark Lane transaction which could not be expected from the acquisition of Coral by Ladbroke. In the light of Mark Lane's threat to withdraw, a threat which they had every reason to believe was genuine, Hill Samuel were convinced at the time, and remain convinced that the action of the Coral directors was in the best interest of that company's shareholders. On the facts thus placed before them the Panel executive considers that the decision taken by the Coral directors was within their proper province and was taken in good faith. It did not therefore involve any breach of the City Code.

Rulings of the Panel executive are subject to appeal to the full Panel.

2nd June 1971.

Copy attached to Panel statement dated June 1971

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Charterhouse Japhet Limited A member of Charterhouse Finance Corporation

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MHWW/RP

27th May, 1971

J. Coral, Esq.,
 J. Coral Limited,
 c/o Hill, Samuel & Co. Ltd.,
 100, Wood Street,
 London, E.C.2.

Dear Mr. Coral,

I write to you on behalf of the directors of Mark Lane concerning the action which might be taken in the event of the proposed Scheme of Merger between Mark Lane and your company not being passed by your shareholders tomorrow, Friday 28th May.

Firstly may I say that I appreciate your original desire to see the merger of your two companies effected by a Scheme of Arrangement and I know that the directors of Mark Lane are absolutely unanimous in their wish to continue to try and effect the merger in the same spirit as hitherto. However, should the resolution not be passed on Friday, it is now agreed that it would be necessary to achieve the merger by Mark Lane making a bid for Coral on the same terms as those of the original merger. In our view these terms are more favourable than those of the revised Ladbroke offer, particularly bearing in mind the very much higher attributable earnings that will accrue to the Coral shareholders under the Mark Lane proposals compared to those under the revised Ladbroke offer. I am of course pleased to know that this is also the opinion of yourself, your Board and your financial advisers, Hill Samuel.

I have to inform you, however, that Mark Lane are only prepared to make such an offer for Coral if shareholders representing more than fifty per cent. of the equity of your company undertake today, Thursday 27th May, to accept unequivocally such an offer, which in turn Mark Lane undertake to make within the next fourteen days.

Yours sincerely,

M. H. W. Wells.