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Hallwood Financial Limited
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Regulatory Announcement

Company: Hallwood Financial Limited

Headline: Revised Offer Document Posted

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Revised Offer Document Posted and Recommendation

Posting of Revised Offer Document

The directors of Hallwood and TLR are pleased to announce that John Perriss, the Independent Non-Executive Director of TLR, has reached agreement with the Board of Hallwood to recommend the Revised Offer, which was announced by Hallwood on 30 April 2009.

Further, Hallwood announces today that it has posted the Revised Offer Document to TLR Shareholders, which, together with the New Form of Acceptance, contains the full terms and conditions of the Revised Offer.

The Revised Offer is open for acceptances until 1.00 p.m. (London time) on 19 May 2009 (unless extended by Hallwood, with the consent of the Panel).

The Revised Offer will extend to all TLR Shares unconditionally allotted or issued and fully paid (or credited as fully paid) on the date of the Revised Offer while the Revised Offer remains open for acceptance (or by such earlier date as Hallwood may, subject to the Code or with the consent of the Panel, determine).

Copies of the Revised Offer Document and New Form of Acceptance are available for inspection at the offices of Hunton & Williams, 30 St. Mary Axe, London, EC3A 8EP, during usual business hours on any business day during the Offer Period and are available on Hallwood's website at <http://www.hallwoodfinancial.com> and on TLR's website at <http://www.thelocalradiocompany.com>.

Reasons for Recommendation

In deciding to recommend the Revised Offer John Perriss has taken into account a number of factors, including:

- The Revised Offer provides certainty of value to TLR Shareholders through a cash offer, at a time of equity market and macroeconomic instability.
- The Revised Offer provides TLR Shareholders with an opportunity to realise their investment for cash at a substantial premium to the pre Offer Period share price and subsequent share prices, representing:
 - a premium of 133.33 per cent. to the closing price of 1.5 pence per TLR Share on AIM on 8 April 2009, being the last dealing day prior to the commencement of the Offer Period;
 - a premium of 84.74 per cent. to the average closing price of 1.8945 pence per TLR Share on AIM for the three month period ending 8 April 2009, being the last dealing day prior to the commencement of the Offer Period;
 - a premium of 40.00 per cent. to the closing price of 2.5 pence per TLR Share on AIM on 29 April 2009, being the last dealing day prior to the announcement of the Revised Offer; and
 - a premium of 7.69 per cent. to the price under the Revised UKRD Offer.
- If the Revised Offer becomes or is deemed unconditional in all respects and acceptances are received in respect of 90 per cent. or more of the TLR Shares to which the Revised Offer relates, it is the intention of Hallwood, assuming it becomes so entitled, to acquire compulsorily any outstanding TLR Shares pursuant to the provisions of the Companies Act 2006. In such case, Hallwood intends to procure that TLR will apply for cancellation of the admission to trading of the TLR Shares on AIM.
- However, if the Revised Offer is declared unconditional in all respects but acceptances are received in respect of less than 90 per cent. of the TLR Shares to which the Revised Offer relates, Hallwood has stated that it is its intention to procure that TLR maintains the admission to trading of the TLR Shares on AIM.
- Charles Stanley Securities currently holds a total of 25,460,540 TLR Shares as nominee for UKRD and its Chairman, Trevor Smallwood, representing approximately 35.36 per cent. of the issued share capital of TLR. If

Charles Stanley Securities does not accept the Revised Offer, Hallwood will not receive acceptances in respect of more than 90 per cent. of TLR Shares to which the Revised Offer relates.

- If, following the Revised Offer being declared unconditional, the TLR Shares retain their admission to trading on AIM, whilst those TLR Shareholders who do not wish to continue to invest in TLR will have had a viable opportunity to exit, those shareholders wishing to remain with TLR will benefit from continuing admission to a trading market.
- Hallwood has offered TLR a £1 million loan facility, repayable on demand, to enable it to meet its current cash requirements. Under the terms on which it has been offered, the loan facility would not be available were the Revised UKRD Offer to become unconditional, drawdown is conditional on TLR granting security over its assets to Hallwood and the loan would attract an interest rate of 10 per cent. per annum. TLR has agreed with Hallwood the form of a debenture to be granted over TLR's assets and Hallwood has agreed the form of a deed of priority with TLR's bankers, National Westminster Bank plc, in respect of the bank's first ranking debenture over TLR's assets.
- TLR has given UKRD the opportunity to offer better funding terms than Hallwood to meet TLR's current cash requirements. UKRD has provided an indicative loan offer to TLR of a facility of £1 million, repayable on demand and conditional upon the grant of second ranking security behind National Westminster Bank plc. The proposed interest rate would be 9 per cent. per annum. However, UKRD has indicated that only an unspecified initial tranche would be capable of being drawn down prior to the Revised UKRD Offer (or any subsequent revision of it) being declared unconditional in all respects. That initial tranche would only be available to enable TLR to pay an amount that UKRD had previously confirmed with HM Revenue & Customs as being the amount of VAT due from TLR in May 2009 and UKRD requires authority to contact HM Revenue & Customs on TLR's behalf to obtain that confirmation (which authority has not been given).
- Mr Perriss continues to review all funding options and has yet to accept either offer of funding.

Accordingly, John Perriss, the Independent Non-Executive Director of TLR, having been so advised by Ruegg & Co Limited, considers the terms of the Revised Offer to be fair and reasonable.

Further Information

Unless otherwise defined in this announcement, capitalised words and phrases in the announcement shall have the same meanings given to

them in the Revised Offer Document.

The directors of Hallwood accept responsibility for the information contained in this announcement, other than that relating to TLR. To the best of the knowledge and belief of the directors of Hallwood (having taken reasonable care to ensure that such is the case) the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

The directors of TLR accept responsibility for the information contained in this announcement relating to TLR (other than the recommendation and the associated opinions contained in the letter from John Perriss, the Independent Non-Executive Director of TLR). To the best of the knowledge and belief of the directors of TLR (having taken all reasonable care to ensure that such is the case), the information contained in this announcement for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

John Perriss accepts responsibility for the recommendation and the associated opinions contained in this announcement from John Perriss, the Independent Non-Executive Director of TLR. To the best of his knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this announcement for which he accepts responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.

Ruegg & Co Limited, which is authorised and regulated in the UK by the Financial Services Authority, is acting exclusively for TLR and no one else in connection with the Revised Offer and the matters referred to in this announcement. Ruegg & Co Limited will not be responsible to any person other than TLR for providing the protections afforded to clients of Ruegg & Co Limited, nor for providing advice in relation to the Revised Offer or any other matter referred to in this announcement.

For further information, please contact

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THIS ANNOUNCEMENT IS NOT INTENDED TO, AND DOES NOT, CONSTITUTE OR FORM ANY PART OF AN OFFER TO SELL OR AN INVITATION TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES OR THE SOLICITATION OF AN OFFER TO PURCHASE OR SUBSCRIBE FOR ANY SECURITIES PURSUANT TO THE REVISED OFFER OR OTHERWISE. THE REVISED OFFER IS MADE SOLELY BY MEANS OF THE REVISED OFFER DOCUMENT AND (IN RESPECT OF TLR SHARES HELD IN CERTIFICATED FORM) THE NEW FORM OF ACCEPTANCE, WHICH WILL TOGETHER CONTAIN THE FULL TERMS AND CONDITIONS OF THE REVISED OFFER,

INCLUDING DETAILS OF HOW TO ACCEPT THE REVISED OFFER. ANY ACCEPTANCE OR OTHER RESPONSE TO THE REVISED OFFER SHOULD BE MADE ONLY ON THE BASIS OF THE INFORMATION CONTAINED IN THE REVISED OFFER DOCUMENT AND (IN RESPECT OF TLR SHARES HELD IN CERTIFICATED FORM) THE NEW FORM OF ACCEPTANCE. THE REVISED OFFER IS SUBJECT TO THE APPLICABLE REQUIREMENTS OF THE CITY CODE AND THE PANEL.

The release, publication or distribution of this announcement in jurisdictions other than the UK may be restricted by law and therefore any persons who are not resident in the UK or who are subject to the laws of any jurisdiction other than the UK should inform themselves about, and observe, any applicable requirements. Any failure to comply with the applicable requirements may constitute a violation of the securities laws of any such jurisdiction. This announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed herein may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside the UK.

The Revised Offer is not being made, directly or indirectly, or by the use of the mails of, or by any means or instrumentality (including, without limitation, facsimile or other electronic transmission, telex or telephone) of inter-state or foreign commerce or any facility of, a national securities exchange of any jurisdiction if to do so would constitute a violation of the relevant laws of such jurisdiction ("Restricted Jurisdiction") (including the United States, Canada, Australia, Ireland, South Africa or Japan), and the Revised Offer is not capable of acceptance by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of the Revised Offer Document, the New Form of Acceptance (in respect of certificated TLR Shares) and this announcement are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in or into or from a Restricted Jurisdiction and persons receiving such documents (including, without limitation, custodians, nominees and trustees) must not mail, transmit, or otherwise forward, distribute or send them in or into or from a Restricted Jurisdiction.

All documents, announcements and information published in relation to the Revised Offer will be made available, free of charge, at <http://www.hallwoodfinancial.com> and <http://thelocalradiocompany.com> by no later than 12.00 noon on the Business Day following their release, and will remain available throughout the Revised Offer Period.

Cautionary statement regarding forward-looking statements

This Announcement may contain "forward-looking statements" concerning Hallwood or TLR. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to

factors that are beyond Hallwood or TLR's ability to control or estimate precisely and therefore undue reliance should not be placed on such statements. Neither Hallwood nor TLR assume any obligation in respect of, and do not intend to update, these forward-looking statements, except as required pursuant to applicable law.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the City Code, if any person is, or becomes, "interested" (directly or indirectly) in 1 per cent. or more of any class of "relevant securities" of TLR, all "dealings" in any "relevant securities" of TLR (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") by such person must be publicly disclosed by no later than 3.30 p.m. on the Business Day following the date of the relevant transaction. This requirement will continue until the date on which the Revised Offer becomes, or is declared, unconditional as to acceptances, lapses or is otherwise withdrawn or on which the Offer Period otherwise ends. If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire an "interest" in "relevant securities" of TLR, they will be deemed to be a single person for the purposes of Rule 8.3.

Under the provisions of Rule 8.1 of the City Code, all "dealings" in "relevant securities" of TLR Hallwood or TLR, or by any of their respective "associates", must be disclosed by no later than 12.00 noon on the Business Day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed, and the number of such securities in issue, can be found on the Panel's website at www.thetakeoverpanel.org.uk.

"Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any agreement to purchase, option in respect of, or derivative referenced to, securities.

Terms in quotations marks are defined in the City Code, which can also be found on the Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, you should consult the Panel.

If you are in any doubt as to the application of Rule 8 to you, please contact an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended), consult the Panel's website or contact the Panel on telephone number +44 (0)20 7382 9026 or fax +44 (0)20 7236 7005.

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