

# Lipari Energy Enters Into Definitive Agreement With Certain Members of the Existing Management Team for Going Private Transaction for CAD\$0.48 Per Share in Cash

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## Board Unanimously Recommends Transaction

TORONTO, ONTARIO -- (Marketwired - Aug. 22, 2013) - [Lipari Energy, Inc.](#) ("Lipari" or the "Company") (TSX:LIP) today announced that it has entered into a definitive agreement (the "Arrangement Agreement") with 0976837 B.C. Ltd. (the "Purchaser"), a wholly owned subsidiary of a holding company owned or controlled by certain members of the existing management team and their associates (the "Management Team") under which the Company would be taken private pursuant to a plan of arrangement (the "Plan of Arrangement") under the Business Corporations Act (British Columbia). Prior to completion of the Plan of Arrangement, the Management Team will transfer an aggregate of 9,145,587 common shares of Lipari ("Common Shares") and 17,988,365 Class A restricted voting shares ("Restricted Shares") which are convertible into Common Shares on a one for one basis at the option of the holder. Assuming the conversion into Common Shares of all outstanding Restricted Shares, the Purchaser would own approximately 57.3% of the outstanding Common Shares.

Under the Plan of Arrangement, the Purchaser would acquire all of the Common Shares that the Purchaser does not already own for cash consideration of CAD\$0.48 per share. The cash consideration represents approximately a 25% premium to the 20-day volume weighted average price of the Common Shares on the Toronto Stock Exchange for the period ending August 22, 2013. The transaction provides total consideration to minority shareholders of up to approximately CAD\$9.7 million, depending on the number of Restricted Shares converted to Common Shares prior to the effective date of the Plan of Arrangement, and implies an equity value for Lipari of approximately CAD\$22.7 million.

The board of directors (the "Board") of Lipari has unanimously (with Messrs. John Liperote and Richard Liperote abstaining) determined that the Plan of Arrangement is in the best interests of Lipari and is fair to holders of Common Shares.

The determination of the Board was made upon the recommendation of a special committee of independent directors (the "Independent Committee") and after consideration of the advice of legal and financial advisors to the Independent Committee and the Company.

Paradigm Capital Inc. ("Paradigm") was engaged by the Independent Committee to provide a formal valuation of the Common Shares (the "Valuation"), as required by Multilateral Instrument 61-101 - Protection of Minority Security Holders in Special Transactions ("MI 61-101"). Paradigm also provided an opinion (the "Fairness Opinion") to the Independent Committee to the effect that, as of the date of the opinion and based upon and subject to the limitations and qualifications therein, the consideration to be received for the Common Shares is fair, from a financial point of view, to the holders of the Common Shares (other than the Purchaser). The Valuation and Fairness Opinion will be included in the Management Information Circular being mailed to shareholders of Lipari.

"Taking Lipari private will allow it to reduce the costs associated with being a public company which will in turn allow it to reduce production as required," said John Liperote, Chief Executive Officer of Lipari.

The implementation of the Plan of Arrangement will be subject to approval by the holders of the affected securities, being the Common Shares, at an annual and special meeting (the "Annual and Special Meeting") expected to be held in October of 2013. As the transaction will constitute a "business combination" for the purposes of MI 61-101, the implementation of the Plan of Arrangement will be subject to approval by a majority of the votes cast by shareholders other than the Purchaser, in addition to approval by 66 2/3% of the votes cast by holders of Common Shares. The transaction also will be subject to the condition that the Purchaser will obtain funds required to finance the Plan of Arrangement prior to closing as well as certain

closing conditions customary for transactions of this nature.

The Arrangement Agreement provides for, among other things, a go-shop period of 21 days commencing on the date of the Arrangement Agreement (the "Go Shop Period"), during which Canaccord Genuity Corp. ("Canaccord") will solicit third party interest in submitting a proposal which is superior to the proposal made by the Purchaser and, subsequent to the expiry of such Go Shop Period, a non-solicitation covenant on the part of Lipari (subject to customary fiduciary out provisions). All of the directors of Lipari (other than those directors forming a part of the Management Team) and certain institutional holders of Common Shares have entered into voting agreements (the "Support Agreements") pursuant to which, among other things, they have agreed to vote their Common Shares in favour of the Plan of Arrangement. As a result, approximately 43.23% of the outstanding Common Shares are subject to Support Agreements (being approximately 23.74% of the outstanding Common Shares assuming the conversion of all Registered Voting Shares into Common Shares).

The terms and conditions of the proposed transaction will be disclosed in an information circular that is expected to be mailed in September of 2013 to the securityholders of Lipari that will be entitled to vote on any matter to be considered at the Annual and Special Meeting. It is anticipated that the transaction, if approved by Lipari securityholders and the Supreme Court of British Columbia (the "Court"), will be completed in early October of 2013.

Bennett Jones LLP is acting as legal counsel to Lipari; Paradigm provided the Fairness Opinion and the Valuation to the Independent Committee; Canaccord has been retained by the Independent Committee to solicit third party offers during the Go Shop Period; and Cassels Brock & Blackwell LLP is acting as legal counsel to the Purchaser.

Copies of the Arrangement Agreement, the information circular for the Annual and Special Meeting and certain related documents will be filed with Canadian securities regulators and will be available on the Canadian SEDAR website at [www.sedar.com](http://www.sedar.com).

### **About Lipari Energy:**

Lipari is a thermal coal producer with current operations and additional development properties in the Central Appalachian region of the United States. Lipari has been producing coal since 2008 and has diversified surface and highwall mining operations. Lipari coal sales are predominantly to utilities through a mix of forward contracts and short-term sales. Lipari's growth strategy includes continued growth of its organic reserves through its enhanced drilling program, as well as from its focused and disciplined approach to strategic acquisitions. Lipari's corporate office is located in London, Kentucky.

This news release and the information contained herein does not constitute an offer of securities for sale in the United States and securities may not be offered or sold in the United States absent registration or exemption from registration.

### **Forward-looking statements:**

*This press release contains "forward-looking statements" within the meaning of applicable securities laws that are intended to be covered by the safe harbours created by those laws, including statements that use forward-looking terminology such as "may", "will", "expect", "anticipate", "believe", "continue", "potential", or the negative thereof or other variations thereof or comparable terminology. Such forward-looking statements may include, without limitation, statements regarding the completion of the proposed transaction and other statements that are not historical facts. While such forward-looking statements are expressed by Lipari, as stated in this release, in good faith and believed by Lipari to have a reasonable basis, they are subject to important risks and uncertainties including, without limitation, approval of applicable governmental authorities, required Lipari securityholder approval and necessary Court approvals, the satisfaction or waiver of certain other conditions contemplated by the Arrangement Agreement, and changes in applicable laws or regulations, which could cause actual results to differ materially from future results expressed, projected or implied by the forward-looking statements. As a result of these risks and uncertainties, the proposed transaction could be modified, restructured or not be completed, and the results or events predicted in these forward-looking statements may differ materially from actual results or events. These forward-looking statements are not guarantees of future performance, given that they involve risks and uncertainties. Lipari is not affirming or adopting any statements made by any other person in respect of the proposed transaction and expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except in accordance with applicable securities or to comment on expectations of, or statements made by any other person in respect of the proposed transaction.*

*Investors should not assume that any lack of update to a previously issued forward-looking statement constitutes a reaffirmation of that statement. Reliance on forward-looking statements is at investors' own risk.*

For further information about Lipari, please visit [www.liparienergy.com](http://www.liparienergy.com).

## Contact

[Lipari Energy, Inc.](http://www.liparienergy.com)

Richard Liperote, President

806.877.1800

[www.liparienergy.com](http://www.liparienergy.com)

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