Regulatory Story

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Thalassa Holdings Limited - THAL Thalassa Requisitions GM of Local Shopping REIT
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10 November 2016

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(Reuters: THAL.L, Bloomberg: THAL:LN)

("Thalassa" or "the Company")

Thalassa requisitions General Meeting of The Local Shopping REIT PLC ("LSR")

Thalassa announces that on 9 November 2016 it exercised its rights as a holder of 23.48 per cent. of the issued share capital of LSR to requisition the convening of a general meeting of LSR to remove from its board of directors Stephen East and Nicholas Vetch and to appoint to its board Duncan Soukup, Chairman of Thalassa, John Hutchinson and Toby Burgess. Thalassa also provided a statement (limited to 1,000 words) to be circulated to the shareholders of LSR, which appears in full below.

The board of Thalassa notes LSR's announcement of 27 October 2016 in which it is stated that "the proposals indicated by Mr Soukup would be highly detrimental to the interests of shareholders in general, would destabilise relationships with critical stakeholders and would be very disruptive of the programme that the Board has in hand for executing the strategy approved by shareholders".

For the reasons set out in the requisition letter, the Thalassa board believes this statement to be ill conceived, specifically because:

1. Had the liquidation process proceeded in a reasonable time frame, Thalassa would not be involved as the asset liquidation would have been completed and cash distributed to shareholders.

2. If the board of LSR suggests, as they have to the Thalassa board, that a faster liquidation of assets was not possible due to market conditions, why then is the bonus scheme so favourable to Internos (see below) and so unfavourable to shareholders?

In addition, LSR's articles (article 96) clearly state that the board should be constituted of a minimum of three directors, however since April 2016, LSR has been operating with only two members.

Duncan Soukup, Chairman of Thalassa, stated: "The board of Thalassa is of the firm view that the ill-advised comments made on its proposals by the board of LSR, before receipt of our official requisition letter or under any circumstances, is a poor attempt to mask LSR's disastrous performance since inception. "

This announcement contains inside information for the purposes of Article 7 of Regulation 596/2014.

Investor Enquiries:

Thalassa Holdings Ltd

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The text of the requisition notice is as follows:

"The Directors

The Local Shopping REIT plc

65 Grosvenor Street

London

W1K 3JH

8 November 2016

Dear Sirs

THE LOCAL SHOPPING REIT PLC (THE "COMPANY")

REQUISITION OF MEMBERS PURSUANT TO SECTION 303 OF THE COMPANIES ACT 2006 (THE "ACT") AND REQUIREMENT TO CIRCULATE A STATEMENT TO MEMBERS PURSUANT TO SECTION 314 OF THE ACT

We, the undersigned, being a member of the Company holding at the date of the deposit of this requisition not less than 5% of such of the paid up capital of the Company as carries the right of voting at general meetings of the Company (excluding any paid-up capital held as treasury shares) (the "**Requisitioning Member**"), require you, pursuant to section 303 of the Act, immediately to proceed to convene a general meeting of the Company (the "**General Meeting**") for the purpose of considering the appointment and removal of directors of the Company and accordingly (if thought fit) passing the following resolutions:-

1. **THAT** Stephen East be and is hereby removed from the office of director of the Company with immediate effect.

2. **THAT** Nicholas Vetch be and is hereby removed from the office of director of the Company with immediate effect.

3. **THAT** Duncan Soukup, having indicated his willingness to act, be and is hereby appointed a director of the Company with immediate effect.

4. **THAT** John Hutchinson, having indicated his willingness to act, be and is hereby appointed a director of the Company with immediate effect.

5. **THAT** Toby Burgess, having indicated his willingness to act, be and is hereby appointed a director of the Company with immediate effect.

We, the Requisitioning Member, also require you, pursuant to section 314 of the Act, to circulate the following statement with the notice of General Meeting:

Name	**Shareholding**	**Signature**
Pershing Nominees Limited acting as nominee for Thalassa Holdings Ltd	23.14%	

THALASSA STATEMENT

Dear Shareholder,

Thalassa Holdings Ltd (**Thalassa**) (through two different nominees) recently acquired 23.48% of The Local Shopping REIT plc (**LSR**). We have a successful track record of unlocking value in underperforming assets and believe that with owner management, shareholder value could be realised more efficiently and faster than by third-party managers with no vested interest.

LSR have offered Thalassa one Board seat with conditions attached, which we have declined and requisitioned a general meeting to remove the current Board and replace it with the following nominees:

Mr Duncan Soukup, aged 62

Mr Soukup has over 30 years of investment experience. After 10 years in investment banking, he set up an investment management business in 1994. In January 2000 Acquisitor plc, a company founded by Mr Soukup, was admitted to AIM. In 2002, Acquisitor was split into two: Acquisitor Holdings Ltd and Acquisitor was left as an investing company, which then acquired Tinopolis plc, an independent TV production company. In 2006, Acquisitor Holdings merged with New York Holdings Ltd and Baltimore plc, which was acquired by Oryx International Limited. Mr Soukup is the Founding Shareholder and Chairman of Thalassa.

Mr John Hutchinson, aged 54

Mr Hutchinson has been the Managing Partner of Pitmans since 2015. Previously, he was Head of Corporate at Pitmans from 2000 to 2007 working on MBO's, MBI's, M&A and AIM IPO's and building the team to 6 partners and 15 staff. From 2007 he retained his partnership at Pitmans but was mainly engaged as a partner in Epi-V LLP, a private equity fund specialising in oil and gas technology investment.

Mr Toby Burgess, aged 42

Mr. Burgess is a successful independent private investor, developer and property consultant with over 20 years experience in real estate. He started his career at Bride Hall Developments as an acquisition surveyor. After forming his own company in 2004 he built a substantial portfolio and liquidated ahead of the global financial crisis in 2007/08.

Why we seek to replace the current Board

Ÿ LSR's cost structure must be cut to reflect a company undertaking asset liquidation.

Ÿ LSR's performance since admission has been disastrous and the Board must take substantial responsibility.

Ÿ The management agreement between LSR and INTERNOS Global Investors Limited (**Internos**) (**Internos Agreement**) appears inequitable and not in shareholders' best interests:

  Ÿ since its appointment on 22 July 2013, Internos has been paid a total of £3.187m. Total administrative and property costs during this time of £18.5m while the return to shareholders has been £zero;

  Ÿ the Internos Agreement is excessive in comparison to LSR's revenue and profit and is not performance related (in 2015 Internos' fee was £1,016,461, while profit before tax a paltry £20,000);

  Ÿ on 7 August 2014 LSR announced the sale of 235 properties for £79.3m. Under the Internos Agreement, Internos was due a 0.5% fee on sales in excess of £50m (even though the property portfolio was worth £173.9m prior to Internos' appointment) and, by our calculations, have been paid £396,500 (£79.3m x 0.5%) notwithstanding the fact that LSR has incurred cumulative losses in excess of £92m; and

  Ÿ the Internos Agreement is on significantly worse terms than those entered into by Internos with other clients, such as Invista European Real Estate Trust (**Invista**). Invista paid a management fee of 1.25% on net assets whereas LSR are paying 0.7% on gross assets, subject to a minimum of £1m in years 1 and 2 and £950,000 in year 3. We estimate that this equates to more than twice what Internos would earn if the Invista formula were applied to LSR.

Ÿ We are told that the Internos Agreement is not only in the best interests of shareholders but that it was entered into following a full and transparent process. In fact the appointment was made with no shareholder consultation - Steve Faber was appointed to the board before shareholders were informed about the Internos Agreement. The 2013 circular states Internos' appointment was not conditional on shareholder approval of the New Investment Policy - we conclude that Internos' appointment was clearly not something the Board wanted shareholders to vote on.

Ÿ Why does the Internos Agreement include bonus terms for their core function - which is selling assets - without consideration to profit or loss and includes a terminal fee of 5.7% cash returned to shareholders in excess of 36.1p which was below NAV per share of 46p when they were appointed and is below current NAV per share of 43p.

· Since admission, LSR has incurred cumulative losses totalling £92.023m, including total administrative and property operating expenses of £49.931m. By our calculations, the NAV per share was 164.86p at admission and has fallen 74% to 43p. Based upon the share price of 28.25p on 7 September 2016 (the day before Thalassa's first purchase) LSR's share price has declined 72.6% in that period, even when taking into account net dividends paid between 2008 and 2012 of 19.42p

What would Thalassa do?

If elected, Thalassa would:

· review all contractual arrangements with a view to cutting costs, eliminating duplication, reducing property vacancies, whilst accelerating asset liquidation and substantially reducing debt;

· meet shareholders to discuss representation on the Board, which the current Board has informed us they have in the past (in the case of Damille Investments Ltd, who requested two seats) rejected; and

· improve corporate governance - the current Board is in breach of the LSR's articles of association which requires a minimum of three directors. It has therefore been operating in contravention of the Company's Act 2006 since April 2016. This on-going failure is worrisome and indicative of potential wider disregard of proper corporate governance by the current Board. We will be considering operations during this period and will seek redress on behalf of LSR, as appropriate.

We are acutely conscious of the sensitivity of key relationships with other stakeholders in LSR and, as the company's largest shareholder, we have no interest in destabilising any of them.

Sincerely

Duncan Soukup

Chairman

Thalassa Holdings Ltd"

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CLOSE

Thalassa Requisitions GM of Local Shopping REIT - RNS