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Merrion Pharmaceuticals Public Ltd  
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**Board of Merrion Approves the Purchase of Merrion's Hercules Loan Position by Irelandia Investments**

**Dublin, Ireland, 3<sup>rd</sup> February 2012**

On 12<sup>th</sup> December 2011, Merrion Pharmaceuticals plc ("Merrion" or the "Company") announced a €2.5 million equity funding proposal.

The equity funding proposal followed the Company's \$5 million debt raising in 2011 from Hercules Technology Growth Capital, Inc. ("Hercules") (NASDAQ: HTGC), the terms of which included an annual cash interest rate of 12.45% and (as amended in December 2011) a cash covenant and an obligation to raise further debt funding by June 2012. The cash cost of servicing the Hercules debt instrument (c. \$623K per annum) has been a significant burden on the Company's expected cash outflows and was one of the drivers of the decision in December to seek fresh equity, along with the financial restrictions entailed by debt owed to an unrelated party.

The Company and Davy were completing the final preparations to launch the equity funding last week when the opportunity arose for the Hercules debt to be transferred in its entirety to Irelandia Investments ("Irelandia"), (an entity related to one of the Company's principal shareholders). This would enable the Company to begin restoring its financial flexibility without immediate dilution for the Company's shareholders, through a favourable modification of the terms of the Hercules debt.

Accordingly, Merrion's Board of Directors has today approved the purchase by Irelandia of the \$5 million debt; financing position of Hercules. Following the transfer of the loan, Irelandia has agreed the following amendments to the Hercules loan:

- a reduction in the cash interest rate from 12.45% to 7.5%;
- monthly interest payments for 6 months, starting February 2012, deferred to December 2014;
- principal repayments due to commence in July 2012 deferred to a single end-of-term ("bullet") payment in December 2014;
- removal of the cash covenants;
- removal of the requirement to raise a further €1.5 million by June 2012;
- requirement by the Company to apply proceeds of disposal of any assets first to reduce the \$5 million debt
- 20% fee on principal repayments before the maturity of the loan;
- removal of other existing early repayment penalties; and
- 10% fee on principal repayment at maturity of the loan.

In aggregate, the Board of Directors believes that the transfer of the Hercules debt to Irelandia, together with the changes proposed to the debt terms will be very beneficial to the Company, especially the lowered interest rate, the removal of cash covenants and the single end of term payment. As a result, Merrion will have lower cash requirements for debt service and greater financial flexibility.

Merrion continues to be engaged in active discussions as part of its Strategic Partner Process. The result of these discussions, which may or may not lead to a transaction, will be announced in due course.

<b>Enquiries</b>  Merrion Pharmaceuticals Jonathan O'Connell, Chief Executive Officer T +353 (0)1 642 3300  <a href="mailto:info@merrionpharma.com">info@merrionpharma.com</a> <a href="http://www.merrionpharma.com">www.merrionpharma.com</a>	<b>Investor Enquiries:</b>  Davy Corporate Finance Ivan Murphy T +353 (0)1 679 6363  <b>Media Enquiries:</b> Slattery Communications Conor Dempsey T +353 (0)86 247 9892 E-mail: <a href="mailto:conor.dempsey@scomms.ie">conor.dempsey@scomms.ie</a>
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The Directors of Merrion accept responsibility for the information contained in this announcement. To the best of their knowledge and belief (having taken all reasonable care to ensure such is the case), the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.