

THE TAKEOVER PANEL

Intereuropean Property Holdings Limited

On 5th September, 1979, the Panel consider whether Mr. Stanley Margolis, when a director of Intereuropean Property Holdings Limited ("IPH"), had infringed Rule 30 of the Take-over Code when he purchased 20, 000 shares in IPH on 16th January, 1979 and arranged for the purchase of further shares on 22nd January by City National Bank, Beverley Hills, California.

Early in January 1979 the Chairman of Associated Communications Corporation Ltd. ("ACC") indicated to the Chairman of IPH that ACC would be interested in acquiring IPH and discussions took place between the Chairman of IPH and the financial advisers of ACC.

On 15th January Mr. Margolis as a director of IPH was present at a meeting at which Price Waterhouse & Co., as auditors of IPH, were informed that ACC might make a bid for IPH. The auditors were asked to review the profit forecast of IPH for the year to 31st July, 1979 and to get in touch with the auditors of ACC.

At some time after the meeting with Price Waterhouse Mr. Margolis instructed his stockbrokers (Guy Puckle & Co.) by telephone to buy 20,000 shares in IPH and these were bought on 16th January at 43½p per share. On 22nd January, City National Bank, Beverley Hills, instructed Guy Puckle & Co. to buy 10,000 shares in IPH and those were bought at 45p per share.

ACC's bid for IPH was publicly announced on 12th February - 90p in cash or the equivalent of 85p in ACC shares and cash. Before then, on 9th February, Mr. Margolis gave an irrevocable commitment to accept the prospective bid in respect of 31,077 shares, including 20,001 in his own name and two lots of 5,000 shares in other accounts with the City National Bank.

The offer document, issued on 16th March, referred to Mr. Margolis's purchase of 20,000 shares on 16th January.

Mr. Margolis lives in the United States. In response to a letter from the Panel executive in June 1979 asking for an explanation of this purchase or suggesting a meeting, Mr. Margolis replied by letter dated 26th June that it was not possible for him to come to a meeting in London, that he had bought the shares because he had come into possession of funds enabling him to do so and that he was not privy to any of the discussions with ACC nor had any offer to the best of his knowledge been received from ACC at the time when he made the purchase. On 18th July, in a telephone conversation with the Panel executive, Mr. Margolis admitted that he had been present at the meeting on 15th January. On being sent a timetable of events relating to the ACC bid for IPH, Mr. Margolis replied by letter dated 18th August that he recognised in retrospect that his purchase of shares on 16th January had been foolish but that he had believed at the time that a bid was unlikely and had been opposed to acceptance of a bid at that juncture. City National Bank had purchased one lot of 5,000 shares for an individual he named for whom he held an effective power of attorney. He said that the other lot of 5,000 shares had been bought, not on his instructions, by an individual whom he declined to name but whom he described as an American who would be unknown to the Panel and who, to the best of his knowledge, would not know what the initials IPH stood for.

Mr. Margolis was given the opportunity to attend a meeting of the Panel and amplify the representations he made in writing. He declined to do so, saying that he now rarely left the United States.

The Panel consider that Mr. Margolis acted in clear breach of Rule 30 in making the purchase of 20,000 shares on 16th January and arranging the purchase of 5,000 further shares on 22nd January. He attempted to deceive the Panel by falsely claiming in the first instance that he had no knowledge of the contemplated bid at the material time. As a chartered accountant and a director of a public company he can hardly plead ignorance of the terms of the Take-over Code, and in any event Mr. Margolis's conduct was open to serious objection and deserves grave censure. We have required him to hand over to a charity chosen by the Panel the profit that accrued to him at the time from his purchase of 20,000 shares and he has agreed to do so.

10th October, 1979.