

THE TAKEOVER PANEL

ANNOUNCEMENT BY THE CITY WORKING PARTY

Following the Panel's ruling in the Adepton/Williams Hudson case, the Panel invited the City Working Party to review the relevant provisions of the Code to see whether any changes were recommended. As is well known, the Panel regards itself as responsible for administering the Code but not for amending the Rules.

The point at issue is whether an offeror who purchases for cash through the market or otherwise (whether during or before the offer period) holdings of a size which may materially affect the outcome of the bid, should, in appropriate circumstances, be required to offer a cash alternative to the remaining holders. Institutional investors have strongly represented that a provision should be inserted in the Code to deal with this situation and after full discussion the City Working Party has decided that a new Rule No. 29A should be inserted in the Code to this effect. The new Rule and a consequential amendment to Rule 16, which will come into effect in respect of any offer announced after today, are set out overleaf.

It will be seen that under Rule 29A the Panel has specific authority to require a cash alternative in exceptional circumstances where it feels that this is necessary in order to ensure that General Principle 8 of the Code is observed. This Principle requires that all shareholders of the same class of an offeree company shall be treated similarly by an offeror. The Panel will also have authority in exceptional circumstances to give exemption from the operation of Rule 29A, after prior consultation.

New Rule 29A

- If
- (a) the total of the shares of any class under offer in the offeree company purchased for cash either through the market or otherwise by the offeror and any person or company acting in concert with the offeror during the offer period and within one year prior to its commencement exceeds 15% of that class;
 - or
 - (b) in the view of the Panel there are exceptional circumstances which render such a course necessary in order to give effect to General Principle 8;

then, except with the specific approval of the Panel in cases falling under (a) above, the offer for that class shall be in cash or accompanied by a cash alternative at not less than the highest cash price (excluding stamp duty and commission) paid for shares of that class acquired during the offer period and within one year prior to its commencement.

If the offeror considers that the "highest cash price" (as defined above) should not apply to a particular case (if, for instance, it considers that there has been a general change in market prices since the relevant purchase or facts have been published causing a change in the market value of the securities of the offeree company) the offeror should consult the Panel which will have discretion to agree an adjusted price.

In any situation where the provisions of this Rule apply no provisions of Rule 31 shall be applicable.

Amendment to Rule 16

Delete in lines 15 and 16 the words "within six months of the date of the offer document" and substitute "during the period commencing one year prior to the announcement of the offer and ending with the latest practicable date prior to the posting of the offer document".

London,

8th September, 1971.

Note - Printed slips of the new Rule 29A and Rule 16 as amended may be obtained on application to the Secretary, Issuing Houses Association, 20, Fenchurch Street, London, EC3M 3DB. No charge will be made for these but applications should be accompanied by a stamped addressed envelope.