

THE TAKEOVER PANEL

J.B. Eastwood Limited ("Eastwood")

On 22nd June, 1978 Eastwood announced that an approach had been received which might lead to an offer for the Company. That day the listing was temporarily suspended by The Stock Exchange at the request of Eastwood. On 30th June an agreed offer of 132p per Eastwood share was announced by Cargill, Incorporated of Minneapolis ("Cargill").

Talks between a few directors of Eastwood and Cargill started towards the end of May. An informal board meeting of Eastwood was held at a private house on Sunday, 11th June at which a number of the directors, including Mr. David Michael Trotman, heard of the possible take-over offer for Eastwood for the first time. An offer at a premium of 25% over market price was a possibility mentioned at this meeting.

From the end of May onwards Mr. Trotman had intended to increase his shareholding in Eastwood at a price not exceeding 85p per share, in order to restore his holding to a previous level; He had talked in general terms to his stockbroker about his intention but had not issued any instructions. On 14th June he telephoned his stockbroker and having ascertained that the market price was in the range 90-91p, instructed him to buy 10,000 shares at the best price available. These shares were bought that day in the name of his wife at 90.5p per share. He duly notified the company of this purchase.

In 1977 Eastwood adopted The Stock Exchange's Model Code for Securities Transactions by Directors of Listed Companies and all directors were sent copies of it. The Model Code, apart from prohibiting a director from dealing when in possession of price-sensitive information, prohibits a director from purchasing any securities of his company during the period of two months immediately preceding the preliminary announcement of the company's annual results. Eastwood's results were announced on 30th June. Furthermore no director should deal without first notifying his chairman, which Mr. Trotman

did not do in this case. The Panel understands that the Chairman, Sir John Eastwood, was always at pains to stress to his board colleagues the need for total propriety in any of their share dealings.

When it became aware of the purchase Eastwood carried out its own enquiries. On 26th June Eastwood and its advisers, S.G. Warburg & Co Limited, reported the facts to the Panel, at which time the present investigation began. On 30th June Mr. Trotman resigned as a director of Eastwood and has since left the employment of the company.

The Panel considers the purchase in the name of Mr. Trotman's wife to be a clear breach of Rule 30 of the Take-over Code and censures Mr. Trotman for his conduct. He accepts that his action was wrong and has expressed his regret to the Panel. After it was made known to him by the company that the purchase was wrong and that he ought not to benefit from it, he volunteered to pay over the profit from the transaction to charity.

The Panel's enquiries have been considerably helped by the work of Eastwood and S.G. Warburg & Co Limited.

20th July 1978