

THE TAKEOVER PANEL

Hewden-Stuart Plant Limited (“Hewden-Stuart”)/

A. Gunn (Holdings) Limited (“Gunn”)

As a result of a rise in the price of the ordinary shares in Gunn, The Stock Exchange investigated dealings in the shares in the period prior to the announcement on 11th June, 1975 of the offer by Hewden-Stuart for the whole of the issued share capital of Gunn. Following the receipt in August of a report from The Stock Exchange the Panel carried out its own enquiry.

The Panel has been informed that, on the afternoon of Sunday, 8th June, certain members of the board of Gunn were meeting to discuss the proposed merger. Mr. D.M. Gunn, joint managing director, had been invited to attend a wedding later that afternoon. It became clear to him during the afternoon that, as a result of the meeting, he would be unable to attend the ceremony; he would, however, be able to go to the reception. He therefore telephoned his host, Mr. S.S. Ordman of Altrincham, Cheshire to tell him this and, by way of explanation, said that he was involved in merger discussions. That evening Mr. Ordman instructed his stockbroker, who was at the wedding reception, to purchase shares in Gunn to a value of about £5,000 at a maximum price of 47p per share. 7,500 shares were duly bought early the next day, Monday, 9th June at an average price of 47p per share. These purchases undoubtedly contributed to the substantial rise in the price of the shares of Gunn that day.

The Panel appreciates Mr. Gunn's wish, in the circumstances, to explain to Mr. Ordman the reason for his inability to attend the wedding ceremony. However, it considers that Mr. Gunn acted indiscreetly and is deserving of reprimand for not observing the strict requirement of Rule 7 of the Code, which stresses the need for absolute secrecy during bid negotiations.

Although Mr. Ordman was not in any way connected with Gunn or the proposed offer for Gunn and therefore could not be said to fall within the provisions of Rule 30, the Panel considers that he knew or ought to have known that he received the information in confidence and that it was not to be acted upon. It therefore feels bound to record its disapproval of his conduct.

11th February, 1976.