

Regulatory Story

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Stafford Cap. Ptrnrs - Stafford update from New Zealand OIO
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FOR IMMEDIATE RELEASE

27 September 2018

Final All-Cash Offer

for

Phaunos Timber Fund Limited ("Phaunos")

by

**Mahogany Bidco Limited ("Stafford Bidco")
a company ultimately controlled by
Stafford Capital Partners Limited ("Stafford")**

New Zealand Overseas Investment Office Update

Following engagement with the New Zealand Overseas Investment Office (the "**OIO**") in relation to the Acquisition of Phaunos, Stafford is pleased to announce that it has been informed that the OIO's recommendation in respect of the consent to the Acquisition of Phaunos has been sent for Ministerial approval.

Accordingly, Stafford Bidco anticipates that it will be able to announce the satisfaction of the condition relating to the OIO clearance contained in paragraph 1.3 of Section A of Part II of the Original Offer Document (as revised by the Final Offer Document) so as to enable the payment of any consideration due to Phaunos Shareholders pursuant to the Final Offer by the end of October 2018.

ACCEPT THE FINAL OFFER BY 1.00 P.M. ON SATURDAY 29 SEPTEMBER 2018

Phaunos Shareholders who have not already accepted (and not validly withdrawn) the Final Offer now have a matter of days in which to decide whether to:

- await the outcome of the Asset Realisation Process advocated by the Phaunos Board for which there is no certainty of value or timing;

or

- accept the Final Offer of US\$0.52 per Phaunos Share in cash, expected to be paid to accepting Phaunos Shareholders by the end of October 2018.

Phaunos Shareholders are reminded that the Final Offer Price of US\$0.52 per Phaunos Share:

- represents a premium of approximately 18 per cent. to the Closing Price of US\$0.44 per Phaunos Share on 4 June 2018 (being the last Business Day prior to the commencement of the Offer Period); and
- is equal to Phaunos' stated net asset value per share of US\$0.52 (unaudited) as at 30 June 2018.

The procedures for acceptance are set out in the Final Offer Document and are summarised below.

Procedures for acceptance of the Final Offer

To accept the Final Offer in respect of Phaunos Shares held in certificated form (that is, not in CREST), you should complete and return the New Form of Acceptance so as to be received **by no later than 1.00 p.m. (London time) on 29 September 2018** in accordance with the procedure set out in the New Form of Acceptance and Section C of Part II of the Final Offer Document.

To accept the Final Offer in respect of Phaunos Shares held in uncertificated form (that is, in CREST), you should ensure that an Electronic Acceptance is made by you or on your behalf and that settlement occurs **by no later than 1.00 p.m. (London time) on 29 September 2018** in accordance with the procedure set out in Section D of Part II of the Final Offer Document. If you are a CREST-sponsored member, you should refer to your CREST sponsor as only your CREST sponsor will be able to send the necessary TTE instruction(s) to Euroclear.

You should note that settlement cannot take place on a weekend such that the input of any TTE instructions should be timed accordingly in light of 29 September 2018 being a Saturday. Therefore, Phaunos Shareholders who hold their Phaunos Shares in CREST should ensure that TTE instructions to accept the Final Offer are given by not later than 3.00 p.m. (London time) on Friday 28 September 2018.

If you are in any doubt as to the procedure for acceptance of the Final Offer, please contact the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). Lines are open from 8.30 a.m. to 5.00 p.m. (London time) Monday to Friday (excluding UK public holidays). Calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Final Offer nor give any financial, legal or tax advice.

The Final Offer Document and a specimen New Form of Acceptance are available on Stafford's website at www.staffordcp.com.

Unless otherwise stated, defined terms used but not defined in this announcement have the meanings set out in the Final Offer Document.

Enquiries:

Stafford Bidco
7535 4915

+44 (0) 20

Stephen Addicott

Lancea LLP (Financial Adviser to Stafford and Stafford Bidco) **+44 (0) 20**
3301 8000

Peter Thickett

Additional Information

Important notice

Lancea LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for Stafford and Stafford Bidco and for no one else in connection with the Final Offer and will not be responsible to anyone other than Stafford and Stafford Bidco for providing the protections afforded to its clients or for providing advice in connection with the Final Offer.

This announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Final Offer or otherwise, nor shall there be any sale, issuance or transfer of securities of Phaunos in any jurisdiction in contravention of applicable law. The Final Offer will be made solely by means of the Final Offer Document and, in respect of Phaunos Shares held in certificated form, the New Form of Acceptance, which will contain the full terms and conditions of the Final Offer, including details of how to accept the Final Offer. Any approval, decision or other response to the Final Offer should be made only on the basis of the information in the Final Offer Document and, in respect of Phaunos Shares held in certificated form, the New Form of Acceptance. Phaunos Shareholders are strongly advised to read the formal documentation in relation to the Final Offer once it has been despatched.

Overseas jurisdictions

This announcement has been prepared in accordance with English law, Guernsey law and the Code, and the information disclosed may not be the same as that which would have been disclosed in accordance with the laws of jurisdictions outside England and Guernsey. The statements contained in this announcement are made as at the date of this announcement, unless some other time is specified in relation to them, and there shall be no implication that there has been no change in the facts set forth in this announcement since such date.

The release, publication or distribution of this announcement and the availability of the Final Offer in or into jurisdictions other than the United Kingdom and Guernsey may be affected by the laws and regulations of those jurisdictions. Persons who are not resident in the United Kingdom or Guernsey, or who are subject to the laws of any jurisdiction other than the United Kingdom or Guernsey, should inform themselves about, and observe any applicable requirements. Any person (including, without limitation, nominees, trustees and custodians) who would, or otherwise intends to, forward this announcement, the Final Offer Document or any accompanying document to any jurisdiction outside the United Kingdom or Guernsey should refrain from doing so and seek appropriate professional advice before taking any action. Any failure to comply with the applicable legal or regulatory requirements may constitute a violation of the laws and/or regulations of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Final Offer disclaim any responsibility and liability for the violation of such restrictions by any person. Further details in relation to Overseas Shareholders will be contained in the Final Offer Document.

The Final Offer will not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, telephonic or electronic) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, a Restricted Jurisdiction, and no person may accept the Final Offer by any such use, means, instrumentality or facility or from within a Restricted Jurisdiction. Accordingly, copies of this announcement and the formal documentation relating to the Final Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded or distributed in, into or from a Restricted Jurisdiction and persons receiving this announcement (including custodians, nominees and trustees) must not distribute or send it into or from a Restricted Jurisdiction.

US shareholders

The Final Offer will be made for securities of a company domiciled in Guernsey and Phaunos Shareholders in the United States should be aware that this announcement, the Final Offer Document and any other documents relating to the Final Offer have been or will be prepared in accordance with English law, Guernsey law and the Code and applicable disclosure requirements, format and style thereunder, all of which differ from those in the United States.

The Final Offer will be made in the United States pursuant to applicable US tender offer rules, including Regulation 14E under the Exchange Act, and securities laws and otherwise in accordance with the requirements of English law, Guernsey law, the Code, the Panel, the London Stock Exchange, the FCA and the GFSC. Accordingly, the Final Offer will be subject to disclosure and other procedural requirements, including with respect to withdrawal rights, offer timetable, settlement procedures and timing of payments that are different from those applicable under United States domestic tender offer procedures and law. The Final Offer will be made in the United States by Stafford Bidco and no one else.

Neither the US Securities Exchange Commission nor any US state securities commission has approved or disapproved the Final Offer or passed upon the adequacy or completeness of this announcement. It may be difficult for US holders of Phaunos securities to enforce their rights under and any claim arising out of the US federal securities laws, since Stafford Bidco and Phaunos are located outside the United States, and some or all of their officers and directors may be resident

outside the United States. US Phaunos Shareholders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of the US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement and a US court may lack jurisdiction over such persons.

The receipt of cash pursuant to the Final Offer may have tax consequences in the United States and under other applicable tax laws and such consequences, if any, are not described herein. US Phaunos Shareholders are urged to consult with their own legal, tax and financial advisors in connection with making a decision regarding the Final Offer.

To the extent permitted by applicable law, in accordance with, and to the extent permitted by, the Code and normal UK market practice, Stafford Bidco or nominees or brokers of Stafford Bidco (acting as agents) or their respective affiliates may from time to time make certain purchases of, or arrangements to purchase, Phaunos Shares or other Phaunos securities other than pursuant to the Final Offer at any time prior to completion of the Final Offer. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any such purchases, or arrangements to purchase, will comply with all applicable requirements of the Code, the Listing Rules and Regulation 14E under the US Exchange Act including Rule 14e-5, to the extent applicable. To the extent required to be disclosed in accordance with applicable regulatory requirements, information about any such purchases will be disclosed on a next day basis to the Panel and will be available from any Regulatory Information Service, including the Regulatory News Service on the London Stock Exchange website, www.londonstockexchange.com. To the extent that such information is required to be publicly disclosed in the United Kingdom in accordance with applicable regulatory requirements, this information will as applicable also be publicly disclosed in the United States.

Cautionary note regarding forward-looking statements

This Announcement and other information published by Stafford or Stafford Bidco may contain statements which are, or may be deemed to be, "forward-looking statements". Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Stafford or Stafford Bidco (as applicable) about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements.

The forward-looking statements contained in this announcement include, among others, statements relating to the potential exposure of Phaunos to market risks, and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions.

Although Stafford and Stafford Bidco believe that the expectations reflected in such forward-looking statements are reasonable, they can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. All forward-looking statements contained in this announcement are expressly qualified in their entirety by the cautionary notes contained or referred to in this section, and you are cautioned not to place undue reliance on these forward-looking statements.

Neither Stafford nor Stafford Bidco nor any of its or their associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur.

Other than in accordance with their legal or regulatory obligations, neither Stafford nor Stafford Bidco is under any obligation, and both Stafford and Stafford Bidco expressly disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Rounding

Certain figures included in this announcement have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

No profit forecasts or estimates

No statement in this announcement is intended as a profit forecast or profit estimate for any period.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the Offer Period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th Business Day following the commencement of the Offer Period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the Business Day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Rule 26 disclosure

In accordance with Rule 26 of the Code, a copy of this announcement will be available at www.staffordcp.com by no later than 12 noon (London time) on 28 September 2018.

The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Availability of hard copies

You may request a hard copy of this announcement by contacting the Receiving Agent, Computershare, on 0370 707 1011 (from within the UK) or on +44 370 707 1011 (if calling from outside the UK). You may also request that all future documents, announcements and information to be sent to you in relation to the Final Offer should be in hard copy form. A hard copy of this announcement will not be sent to you unless so requested.

Copies of this announcement and any other document relating to the Final Offer may not be mailed, distributed, forwarded or otherwise transmitted or made available in, into or from any jurisdiction where this would violate applicable law (including by custodians, nominees and trustees).

Information relating to Phaunos Shareholders

Please be aware that addresses, electronic addresses and certain information provided by Phaunos Shareholders, persons with information rights and other relevant persons for the receipt of communications from Phaunos may be provided to Stafford Bidco during the Offer Period as required under Section 4 of Appendix 4 of the Code in order to comply with Rule 2.11(c) of the Code.

Sources of information and bases of calculation

In this announcement, unless otherwise stated, or the context otherwise requires, the following sources of information and bases of calculation have been used.

1. Unless otherwise stated, all prices for Phaunos Shares are Closing Prices as of the relevant date.
2. The premium calculation to the Final Offer Price per Phaunos Share have been calculated by reference to a price of US\$0.44 per Phaunos Share, being the Closing Price on 4 June 2018 (the last Business Day prior to the Possible Offer Announcement).
3. References to Phaunos' stated net asset value per share of US\$0.52 (unaudited) are taken from the Phaunos 2018 Half Year Report.

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