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Client Alert

Introduction of New AIM Rules for Companies

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The London Stock Exchange (“LSE”) published a consultation document under AIM Notice 24 regarding proposed changes to the AIM Rules. These changes came into effect on 20 February 2007 and include the introduction of a new rulebook for Nominated Advisers (the “AIM Rules for Nominated Advisers”), certain changes to the AIM Rules for Companies and amendments to the AIM Disciplinary Procedures and Appeals Handbook.

In respect of the new AIM Rules for Companies the key changes are:

- requirement for the disclosure of key information on an AIM company’s website;
- enhanced disclosure requirements in a pre-admission announcement; and
- guidance regarding reverse takeovers.

Enhanced Disclosure: Key Information on an AIM Company’s Website

New Rule 26 requires each AIM company to maintain, from the date of admission, a specific section on its website in which key company information is made available. The purpose of the new rule is to provide investors and other interested parties adequate information on an AIM company at all times. The information which a company must make available on its website includes:

- the company’s country of incorporation;
- the names of the directors and brief biographical details on each of them;
- a description of the company’s business;

- details of the company's nominated adviser and other key advisers;
- all notifications which the company has made in the past 12 months including its most recent admission document and any circular or similar shareholder publications sent to shareholders within the last 12 months;
- the company's most recent annual reports and half yearly or quarterly reports;
- details of any restrictions on the transfer of the company's securities quoted on AIM;
- the number of AIM securities in issue and so far as the company is aware the percentage of AIM securities that are not held in public hands and the identity together with holdings of significant shareholders (such information to be updated at least every six months);
- where the company is not incorporated in the UK, a statement that the rights of shareholders may be different from the rights of shareholders in UK incorporated companies; and
- details of any other exchanges or trading platforms on which the AIM company has applied or agreed to have its AIM securities admitted or traded.

The website where the required information will be made available also needs to be included in a prospective AIM company's pre-admission announcement. All applicants and existing AIM companies will have until 20 August 2007 to comply with the new rule.

Companies are able to disclose some of the above information by directing people to specific sections of the company's AIM Admission Document.

AIM companies have an obligation to keep the information available up-to-date, and should ensure that proper procedures are on place to ensure the accuracy of the information.

A company will need to take appropriate legal advice with regard to making any prospectus or admission document available on its website to ensure that it does not contravene securities laws.

Enhanced Disclosure: The Pre-Admission Announcement

The information required in a company's pre-admission announcement has been expanded to reflect the additional disclosure requirements referred to above and in addition requires disclosure of:

- the applicant's registered office and trading address;
- details of restrictions on any transfer of shares;
- the applicant's expected market capitalization on Admission to AIM;
- the percentage of AIM securities not in public hands; and
- the dates on which it is expected to publish its first half yearly, annual and second half yearly results.

Reverse Takeovers

The LSE has revised the guidance to Rule 14 to include a process for announcing a reverse takeover. An AIM company should announce a reverse takeover (which should as far as possible be accompanied by the publication of the admission document) at the time at which the AIM company is able to notify the entering into of a binding agreement. Until such time as the notification is made the LSE expects the negotiations leading to the reverse takeover to be kept confidential.

Other Amendments

Retention and Role of a Nominated Adviser

Rule 34, relating to a company's retention of a nominated adviser has been incorporated into Rule 1. The LSE will suspend trading in an AIM company's securities if it ceases to have a nominated adviser. If within one month of such suspension the AIM company has failed to appoint a replacement nominated adviser, the LSE will cancel the admission of its AIM securities.

Disclosure of Miscellaneous Information

Rule 17 which prescribes of certain disclosures that an AIM company is required to make has been expanded to include the following:

- any change in the website address at which the information required by Rule 26 is available;
- any subsequent changes to the directors' details that may have been disclosed in the admission document pursuant to Schedule Two (g)(iii)-(viii) of the AIM Rules; and
- the admission to trading (or cancellation from trading) of the AIM securities on any other exchange or trading platform, where such admission or trading is at the application or agreement of the AIM company.

As previously, all such information must be notified to the market without delay.

Amendments to the AIM Disciplinary Procedures and Appeals Handbook and Penalties

- Changes have been enacted in the AIM Disciplinary Procedures and Appeals Handbook. The changes provide more details in relation to the disciplinary process and give a clearer understanding of the LSE's approach to breaches of the AIM Rules.
- The LSE is now able to issue a warning notice following a breach of the AIM Rules to the AIM company or nominated adviser instructing them to take remedial action.
- The maximum fine which can be levied by the AIM Executive Panel has been increased from £25,000 per breach to £50,000 per breach.

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