
Unacceptable circumstance at RCU

The Takeovers Panel has [declared unacceptable circumstances](#) in regards to RCU's rights issue. Amongst other things, the Panel found that:

1. Frost discouraged RCU or RE from implementing a dispersion strategy in relation to the rights issue, other than allowing the rights issue to be renounceable.
2. All reasonable steps to minimise the potential control impact of the rights issue on RCU were not taken.
3. It appears to the Panel that the circumstances are unacceptable having regard to:
 - a. the effect that the Panel is satisfied the circumstances have had, are having, will have or are likely to have on:
 - i. the control, or potential control, of RCU or
 - ii. the acquisition, or proposed acquisition, by a person of a substantial interest in RCU and/or
 - b. the purposes of Chapter 6 set out in section 602 of the Corporations Act 2001 (Cth) (Act).

The remedy wasn't quite as favourable as we were hoping but goes a long way towards mitigating the control impact of RCU's raising. The main elements of the Takeovers Panel's orders are that:

- Frost will have to offer all eligible unitholders the ability to purchase any units that they didn't take up in the rights issue at the rights issue price of \$0.40
- Importantly, all eligible unitholders will be able to apply for additional units and the shortfall will be allocated to those who applied for extra on a pro-rata basis. For example, if 50% of the unitholders take up their rights (including Frost), and then those same 50% apply for all they can under the shortfall facility, Frost would end up with about 30% of RCU.

RCU has also extended the closing date for the entitlements offer by two days (until Friday, 5pm) but that doesn't make much difference given you have the ability to buy any units you don't take up under the facility that will be provided by Frost. There's no reason to send your money in early when you have a free option to wait and see what happens over the next few weeks.

From here it all depends on how many investors take up their rights and how many apply for additional units.