

STOCK EXCHANGE AIM DISCIPLINARY NOTICE

AD 22

1 July 2019

PUBLIC CENSURE AND FINE – TELIT COMMUNICATIONS PLC

1. London Stock Exchange plc (“**Exchange**”) announces that it has agreed settlement terms with Telit Communications plc (“**Company**”) for a public censure and fine of £350,000 for breaches of rules 3 and 31 of the AIM Rules for Companies (“**AIM Rules**”). Given the particular circumstances of this matter, the Exchange has waived the fine in this instance.
2. The Exchange is publishing details of this Public Censure for the purpose of educating the market on the expected standards of conduct for AIM companies under the AIM Rules, including directors and proposed directors under the AIM Rules.

SUMMARY OF EVENTS

3. The Company’s securities were admitted to trading on AIM on 4 April 2005. The Company operates in the field of the ‘Internet of Things’ enablement, offering a portfolio of integrated products and services.
4. The relevant events to which the Public Censure gives rise occurred during the tenure of a differently constituted board (the “**former board**”) and relate to the actions of one of the Company’s former directors, Mr Oozi Cats, who was the CEO at the time of admission of the Company’s securities for trading on AIM up until his resignation in August 2017.

The US proceedings

5. On 14 August 2017, the Company announced to the market Mr Cats’ resignation from the Company’s Board and the termination of his employment, following an independent review. The notification stated:

“The independent review has found that the evidence shows that an indictment was issued against Oozi Cats in the US and that this fact was knowingly withheld from advisers.”

It went on to state:

“...the historical indictment against Oozi Cats was never disclosed to them [the Board] or previous members of the Board and that they have only been made aware of its existence through third parties.”

6. In addition to the above, the review also found evidence that Mr Cats was indicted under a variation of his name, ‘Uzi Katz’.

Company’s admission onto AIM

7. The AIM Rules (AIM Rule 3, Schedule Two) require an applicant company to provide certain information in its Admission Document¹ and to take reasonable care as to the information contained in the Admission Document.

¹ An applicant to AIM must produce an Admission Document disclosing information specified by the AIM Rules.

8. Each of the directors of the Company made a declaration in the Admission Document confirming that they:

“accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.”

9. AIM Rule 3 Schedule Two also requires the Admission Document to disclose a director’s full name, together with any previous names.
10. Notwithstanding the above, the Company’s Admission Document did not disclose Mr Cats’ previous variation of his name, Uzi Katz, or any information relating to the indictment as notified by the Company in its announcement on 14 August 2017.

Successive nominated adviser appointments

11. Further, the Company’s nominated advisers were not informed of any of this information in director due diligence questionnaires completed and submitted to successive nominated advisers. This was notwithstanding that, of the questionnaires available, they asked for information relating to, amongst other matters, the CEO’s previous names and whether he had been the subject of criminal allegations at any time.

BREACHES OF THE AIM RULES

AIM Rule 3 (AIM Rules, October 2004²)

12. The Exchange has determined that the Company breached AIM Rule 3 in that it failed to ensure that the Admission Document disclosed:
 - a) information relating to the indictment, as notified in the Company’s 14 August 2017 notification; and
 - b) Mr Cats’ previous variation of name, namely Uzi Katz.

AIM Rule 31

13. The Exchange has determined that the Company breached AIM Rule 31 in that the Company failed to provide successive nominated advisers with information they reasonably requested or required in order for those advisers to carry out their responsibilities under these rules and the AIM Rules for Nominated Advisers. In particular, the Company failed to provide its nominated advisers with the information relating to the US indictment, as notified in the Company’s 14 August 2017 announcement, or Mr Cats’ previous variation of his name.

EXPECTED STANDARDS FOR AIM COMPANIES

14. The standing of an AIM company’s directors is important information to be disclosed in an Admission Document and is important information upon which a nominated adviser is required to make judgements in respect of suitability under its responsibilities owed to the Exchange. Withholding or not disclosing relevant information relating to directors is not an acceptable standard.
15. In this case, the omission of such information, subsequently identified in the Company’s review, led to incomplete and misleading information regarding the then CEO’s name and background being provided. Further, consecutive nominated advisers were deprived of the opportunity of identifying and taking appropriate action in respect of such information.
16. Whilst, as notified by the Company in August 2017, the information was not disclosed to the former Board or current Board, the responsibility of including accurate and complete information

² The applicable version of the AIM Rules in force at the time the Company produced its Admission Document was the AIM Rules for Companies October 2004.

in an Admission Document is nevertheless a corporate responsibility. However, the Exchange recognises, in the particular circumstances of this case, the real difficulties faced by the Company's Board and its advisers in being able to reasonably uncover information relating to the historical indictment of its then CEO at the time of admission and thereafter.

17. The Exchange notes the Company's swift action when the matter came to light in August 2017 and the current Board's full co-operation in the investigation of these matters thereafter.

18. Given the seriousness of these breaches, the Exchange considers a public censure and a significant fine is an appropriate sanction. Noting the particular circumstances described above, the Exchange has waived the fine in this case.

Any queries relating to this AIM Notice should be addressed to: aimregulation@lseg.com

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Head of Primary Market and AIM Regulation

Notes:

AIM Rules for Companies

Sanctions against an AIM company

42. If the **Exchange** considers that an **AIM company** has contravened these rules, it may take one or more of the following measures in relation to such **AIM company**:

- issue a **warning notice**;
- fine it;
- censure it; or
- cancel the admission of its **AIM securities**; and
- publish the fact that it has been fined or censured and the reasons for that action.

Disciplinary process

44. The **Exchange** will take any proposed disciplinary action against an **AIM company** in accordance with the **AIM Disciplinary Procedures and Appeals Handbook**.