

Table of Contents

Preface	xv
List of Abbreviations	xvii
PART I	
The Legal Framework for Stock Corporations	1
1 Introduction	1
1.1 Legal Framework	1
1.2 German Equity Capital Markets and Their Historic Dimension	2
1.3 Public and Private Stock Corporations	6
1.4 The German Real Estate Investment Trust	7
1.5 The German Stock Exchanges and Their Market Segments	7
1.5.1 Market Segments	8
1.5.2 Index Markets	9
2 Corporate Governance and the Corporate Bodies of a German Stock Corporation	10
2.1 The German Corporate Governance Code	11
2.2 The Management Board	12
2.2.1 Composition and Appointment	12
2.2.2 Dismissal	14
2.2.3 Resignation by a Management Board Member	15
2.2.4 Other Termination Issues	15
2.2.5 Duties and Responsibilities	16
2.2.6 Liability	17
2.3 The Supervisory Board	18
2.3.1 Composition	19
2.3.2 German Particularity: Co-determination	20
2.3.3 Appointment	21
2.3.4 Dismissal	23
2.3.5 Internal Organization of the Supervisory Board	23

	2.3.6	Specific Duties and Responsibilities	24
	2.3.7	Liability	24
2.4		Shareholders' Meeting	25
	2.4.1	Function and Competence	25
	2.4.2	Organization	25
	2.4.3	Resolutions	26
	2.4.4	Right to Challenge Resolutions in Court	27
3		Shareholders' Rights	28
	3.1	General Remarks	28
	3.2	Membership Rights	29
	3.2.1	Property Rights	29
	3.2.2	Administration Rights	30
	3.2.2.1	Information Rights	30
	3.2.2.2	Voting Rights	30
	3.2.2.3	Right to Bring an Action	31
	3.3	Statutory Minority Shareholder Rights	31
	3.3.1	One Per Cent of the Nominal Share Capital and/or EUR 100,000 Par Value of Shares	32
	3.3.2	Five Per Cent of the Nominal Share Capital	32
	3.3.3	Five Per Cent of the Nominal Share Capital or EUR 500,000 Par Value of Shares	32
	3.3.4	Ten Per Cent of the Share Capital Represented in a Shareholders' Meeting	33
	3.3.5	Ten Per Cent of the Nominal Share Capital or EUR 1 Million Par Value of Shares	33
	3.3.6	Twenty-Five Per Cent of the Voting Share Capital Plus One Voting Share Represented in the Shareholders' Meeting	33
	3.3.7	Fifty Per Cent of the Voting Share Capital Plus One Voting Share Represented in the Shareholders' Meeting	34
	3.3.8	Seventy-Five Per Cent of the Voting Share Capital Represented in the Shareholders' Meeting	34
	3.3.9	Ninety or Ninety-Five Per Cent of the Share Capital	34
	3.4	Exclusion of Minority Shareholders (Squeeze-Out)	34
	3.5	Investor Class-Action Lawsuits	35
4		Share Capital and Equity Financing	36
	4.1	The Shares	36
	4.1.1	Classes of Shares	36
	4.1.2	Disposal of Shares	37
	4.1.2.1	Legal Background	37
	4.1.2.2	Practical Aspects	38
	4.1.2.3	Restrictions on Transferability of Shares	38
	4.2	Principles on the Raising and Maintenance of Capital	38
	4.3	Raising Capital	39

	4.3.1	Capital Increase	39
	4.3.1.1	Capital Increase against Contribution in Cash or in Kind	40
	4.3.1.2	Conditional Capital Increase	40
	4.3.1.3	Authorized Capital	40
	4.3.1.4	Capital Increase Out of Retained Earnings	41
	4.3.2	Debt and Mezzanine Financing	41
4.4		Maintenance of Capital	42
	4.4.1	Acquisition of the Company's Own Shares	42
	4.4.2	Repayment of Capital	43
	4.4.3	Capital Reduction	43
5		Compliance Requirements in Share Acquisitions	44
	5.1	Notifications under the Stock Corporation Act	44
	5.2	Notifications under the Securities Trading Act	45
	5.3	Insider Trading and Ad Hoc Disclosure	45
	5.3.1	Insider Information	46
	5.3.2	Ad Hoc Disclosure	46
	5.3.3	Self-Exemption	47
	5.3.4	Formal Aspects of Ad Hoc Disclosure	48
	5.4	Financial Statements	48
	5.4.1	Preparation and Approval of Financial Statements	48
	5.4.2	Transparency of Defensive Measures against Takeover Offers	49
	5.4.3	International Financial Reporting Standards (IFRS)	50
	5.4.4	Appropriation of Profits	51
6		German Societas Europaea	52
7		German Partnership Limited by Shares	53
		PART II	
		Public Offers	55
1		Overview	55
	1.1	The Structure of the WpÜG	57
	1.2	Definitions	57
	1.3	Control and Three Types of Offers	58
	1.3.1	Main Premises	58
	1.3.1.1	Offers	58
	1.3.1.2	Takeover Offers	59
	1.3.1.3	Mandatory Offers	59
	1.3.2	WpÜG Structure concerning Offer Types	59
	1.3.3	Main Consequences of Offer Types	61
	1.3.4	Empirical Data	63
	1.4	Scope of Application	64
	1.4.1	Application to Offers	64
	1.4.2	Application to Takeover Offers and Mandatory Offers	65

2	Takeover Offer	67
2.1	Public Offer	67
2.2	Offeror	68
2.3	Securities	68
2.4	Organized Market	69
2.5	Control	69
2.5.1	Attribution of Voting Rights and Acting in Concert	70
2.5.2	Exemptions	70
2.6	The Decision to Make a Takeover Offer and Pre-decision Considerations	70
2.6.1	Arrangements between the Offeror and the Target Company	72
2.6.2	Merger Control	73
2.6.3	Creeping-In and Disclosure Obligations	73
2.6.4	Effect of Prior Acquisitions on Takeover Offer Price and Type of Consideration	75
2.6.5	Timing	76
2.6.6	Financing	76
2.6.7	Conditions	76
2.6.7.1	Impermissible Conditions	76
2.6.7.2	Permissible Conditions	77
2.7	Impermissible Offers	79
2.7.1	No Invitatio ad Offerendum	79
2.7.2	No Reservation of the Right to Revoke or Rescind	79
2.7.3	No Partial Offer	79
2.7.4	Partial Offers in Cross-Border Situations	79
2.7.4.1	Exclusion of Foreign Shareholders: § 24 WpÜG	80
2.7.4.2	Limiting the Distribution of the Offer Document	81
2.8	Obligations Once the Decision Has Been Made	81
2.8.1	Notification Duties concerning the Decision	86
2.8.2	Publication of the Decision	86
2.8.3	Duty to Notify the Target Company	87
2.9	Preparation of the Offer Document	87
2.9.1	Details of the Consideration	90
2.9.1.1	Type of Consideration	90
2.9.1.2	Amount of the Consideration	91
2.9.1.2.1	Securities Traded Exclusively on a German Organized Market	91
2.9.1.2.2	Taking into Account Prior Acquisitions	92
2.9.1.2.3	Valuation Methods	92
2.9.2	European Passport Regulation	92
2.10	Modification of the Takeover Offer	93
2.11	Acceptance Period	93
2.12	Liability for an Incorrect or Incomplete Offer Document	95

2.13	Submission of the Offer Document to the BaFin and Verification of Compliance	95
2.14	Publication of the Offer Document	97
2.15	Duties of the Target Company's Management Board and Supervisory Board	98
2.16	Acceptance Period and Further Procedure	99
2.16.1	Standard Case	99
2.16.1.1	Further Acceptance Period: The Wren-Rule	100
2.16.1.2	Publication Duties during and after the Acceptance Period	100
2.16.1.3	Other Publication Duties	101
2.16.2	Special Case 1: The Offeror Modifies the Offer	101
2.16.3	Special Case 2: The Target Company Calls an Extraordinary Shareholders' Meeting	102
2.16.4	Special Case 3: A Competing Offer Intervenes	103
2.17	Subsequent Improvement of Consideration due to Share Acquisitions	104
2.17.1	Acquisitions during the Acceptance Period	104
2.17.2	Acquisitions after the Lapse of the Acceptance Period	105
3	Mandatory Offer	106
3.1	Control	106
3.1.1	Attribution of Voting Rights	106
3.1.2	Acting in Concert	107
3.1.3	Disregarding Voting Rights	108
3.1.4	Possible Exemptions	108
3.2	Publication Duty	109
3.3	Duty to Make the Mandatory Offer	110
3.4	Consequences of Non-compliance	111
3.5	Strategies to Avoid the Mandatory Offer Rule	111
4	Simple Offer	112
4.1	Consideration	112
4.2	Admissibility of Partial Offers	112
5	Overview of Defensive Measures	113
5.1	General Observations	113
5.2	Defensive Measures against Simple Offers	114
5.3	Defensive Measures against Takeover Offers and Mandatory Offers	114
5.3.1	Default Provisions on Defensive Measures	115
5.3.2	Anticipatory Resolution	116
5.3.3	Opting for the Stricter Rules of the Takeover Directive	121
5.3.4	Stricter Provisions on Board Neutrality	121
5.3.5	Breakthrough Rule and Compensation	122
5.3.6	Reciprocity in Cross-Border Takeovers	123
5.4	Prohibition of Unjustified Benefits	123

Table of Contents

6	Supervisory Powers of the BaFin	124
7	Appeal Procedure	124
8	Enforcement	126
9	Costs	126
PART III		
	Options of the Offeror after a Successful Offer	127
1	Factual and Legal Position of the Offeror after a Successful Offer	127
	1.1 Control over the Target Company?	127
	1.2 Statutory Regime Governing Relationship between Target Company and Its Main Shareholder	129
	1.2.1 General Remarks	129
	1.2.2 Detrimental Influence over a Stock Corporation	130
	1.2.3 Sanctions for Exercising Detrimental Influence	131
2	Main Considerations regarding Changes at the Level of the Target Company	133
	2.1 Employee Co-determination	133
	2.2 Rights of Remaining Minority Shareholders	133
	2.3 Administrative Burdens	134
	2.4 Use of Assets in the Interests of the Target Company	134
	2.5 Tax Considerations	134
3	Options for Action and Their Limits	134
	3.1 Replacement of Members of the Company's Governing Bodies	135
	3.1.1 Supervisory Board	135
	3.1.2 Management Board	136
	3.2 Conclusion of Enterprise Agreements	138
	3.2.1 General Concept	138
	3.2.2 Legal Requirements and Legal Consequences	140
	3.3 Squeeze-Out of Minority Shareholders	142
	3.3.1 Squeeze-Out according to the Stock Corporation Act	144
	3.3.1.1 Main Shareholder	144
	3.3.1.2 Procedure	145
	3.3.1.3 Adequate Cash Compensation	146
	3.3.1.4 Bank Guarantee	147
	3.3.1.5 Calling of the Shareholders' Meeting	147
	3.3.1.6 Shareholders' Resolution	148
	3.3.1.7 Application to the Commercial Register	148
	3.3.1.8 Judicial Review and Compensation	149
	3.3.1.9 Action against the Transfer Resolution	149
	3.3.1.10 Action to Increase the Cash Compensation	150
	3.3.1.11 Merger Control, Regulatory Filings	151
	3.3.2 Squeeze-Out according to WpÜG	151
	3.3.2.1 Request for Procedure	152
	3.3.2.1.1 Offeror as Main Shareholder	152

Table of Contents

	3.3.2.1.2 Threshold	152
	3.3.2.1.3 Limited Period for Application	153
3.3.2.2	Publication of the Request and Procedural Rules	153
3.3.2.3	Compensation	153
	3.3.2.3.1 Adequacy of the Compensation	154
	3.3.2.3.2 Type of Compensation	154
3.3.2.4	Remedies	154
3.3.2.5	Relationship between the Takeover Squeeze-Out and the Corporate Law Squeeze-Out	155
3.3.3	Squeeze-Out according to the Transformation Act	155
	3.3.3.1 General Requirements	155
	3.3.3.2 Constitutionality	156
	3.3.3.3 Preparation of the Procedure	156
	3.3.3.3.1 Initialization	156
	3.3.3.3.2 Public Disclosure	156
3.3.3.4	Adequate Cash Compensation	156
	3.3.3.4.1 Merger Agreement	156
	3.3.3.4.2 Shareholder Information	157
	3.3.3.4.3 Works Council's Information	157
	3.3.3.4.4 Balances	157
3.3.3.5	Decision-Making Process	157
	3.3.3.5.1 Squeeze-Out Resolution	157
	3.3.3.5.2 Merger Resolution	157
3.3.3.6	Implementation Process	158
	3.3.3.6.1 Registration in the Commercial Register	158
	3.3.3.6.2 Actions of Minority Shareholders	158
	3.3.3.6.3 Payment of Cash Compensation	158
	3.3.3.7 Time Frame	158
3.3.4	Sell-Out	159
3.4	Combination of Asset Transfer and Liquidation	160
3.5	Integration into Another Stock Corporation	160
3.6	Delisting	161
	3.6.1 Delisting upon Application of the Target Company as Issuer: General Remarks	162
	3.6.2 Delisting upon the Initiative of the Stock Exchange	165
	3.6.3 'Cold' Delisting	165
PART IV		
	Statutory Materials	167
APPENDIX I		
	European Takeover Directive	169

Table of Contents

APPENDIX 2	
Securities Acquisition and Takeover Act	209
APPENDIX 3	
WpÜG Applicability Regulation	269
APPENDIX 4	
WpÜG Supervision Notice Regulation	273
APPENDIX 5	
WpÜG Offer Regulation	277
APPENDIX 6	
WpÜG Fees Regulation	289
APPENDIX 7	
WpÜG Advisory Committee Regulation	293
APPENDIX 8	
WpÜG Objection Committee Regulation	297
APPENDIX 9	
Stock Corporation Act (Excerpt)	301
APPENDIX 10	
German Corporate Governance Code	481
APPENDIX 11	
Transformation Act (Excerpt)	509
APPENDIX 12	
Commercial Code (Excerpt)	515
APPENDIX 13	
Stock Exchange Act (Excerpt)	521
APPENDIX 14	
Exchange Rules for the Frankfurter Wertpapierbörse (FWB) (Excerpt)	523
APPENDIX 15	
Securities Trading Act (Excerpt)	527
APPENDIX 16	
Securities Trading Reporting and Insider Register Regulation	617

Table of Contents

APPENDIX 17	
Market Manipulation Regulation	643
APPENDIX 18	
European Merger Control Regulation – ECMR (Excerpt)	655
APPENDIX 19	
Act against Restraints of Competition (Excerpt)	669
Index	683