

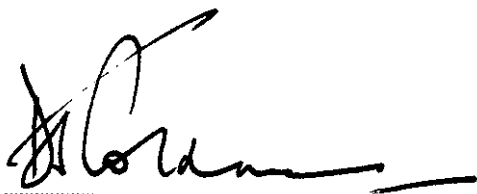
THE **BENFIELD** GROUP LIMITED

The Companies Act 1985
Company Limited by Shares
Special Resolution
of
The Benfield Group Limited
Passed on 2 December 1996

At the annual general meeting of the Company held at 55 Bishopsgate, London on Monday 2 December 1996 the following resolution was duly passed as a Special Resolution:

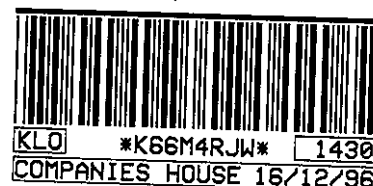
SPECIAL RESOLUTION

THAT the regulations contained in the printed document produced to the meeting and signed, for the purpose of identification, by the chairman of the meeting were adopted as the articles of association of the company in substitution for the regulations contained or incorporated in the present articles of association of the Company.



Chairman

No. 2265140



55 BISHOPSGATE • LONDON EC2N 3AS
TELEPHONE 0171-578 7000 • FACSIMILE 0171-578 7001

DIRECTORS D J COLDMAN (CHAIRMAN) • R W CAMERON • G D CHILTON • N D ECKERT • J McGRANE CA (NON-EXECUTIVE) • M J REES • J L P WHITER FCA
REGISTERED IN ENGLAND No 2265140 REGISTERED OFFICE 55 BISHOPSGATE

No. 2265140

THE COMPANIES ACT 1985

[Signature]
2 December 1996

A PRIVATE COMPANY LIMITED BY SHARES

NEW ARTICLES OF ASSOCIATION

of

THE BENFIELD GROUP LIMITED

(As adopted by Special Resolution passed on December 1996)

PRELIMINARY

1. The regulations contained or incorporated in Table A of the Schedule to the Companies (Tables A to F) Regulations 1985 as amended by the Companies (Tables A to F) (Amendment) Regulations 1985 (such table being hereinafter referred to as "Table A") shall apply to the Company save in so far as they are excluded or varied hereby.

The following regulations of Table A shall not apply to the Company: 3, 54, 64, 65 to 69 (inclusive), 73 to 80 (inclusive), 84, 90, 93 to 98 (inclusive), 101, 104. In addition to the remaining regulations of Table A as varied hereby, the following shall be the regulations of the Company.

DEFINITIONS

2. In these articles, unless the context otherwise requires:

"the Act" means the Companies Act 1985 including any modification, amendment or re-enactment thereof from time to time;

"Acquisition Agreement" means the agreement between K A Field and others (1) and the Company (2) relating to the transfer of the entire issued share capital of Ellinger Heath Western & Co. Limited to the Company;

"Auditors" means the auditors of the Company for the time being;

"Benfield Employee Benefit Trust" means the trust established by the Company for the benefit of its employees from time to time as constituted by Deed of Trust dated 29 September 1988;

"Benfield Employee Share Schemes" means the Company's share option scheme approved by the Board of the Inland Revenue on 2 February 1989 (as amended on 27 November 1991 and 20th May 1994) and the 1992 Employee Share Option Scheme approved by the shareholders in General Meeting on 6 May 1992 (together with any other share option scheme, the terms of which have been approved in writing by 3i, Govett, MPE and RBIL, for the benefit of Directors or employees, or both, which the Company shall adopt in general meeting);

"the Board" means the board of Directors of the Company;

"Conversion Trigger" means the first occurrence of any Triggering Event;

"Convertible Ordinary Shares" means the convertible ordinary shares of one penny each in the equity share capital of the Company and "Convertible Ordinary Shareholder" means a registered holder of such shares;

"Directors" means the directors of the Company from time to time;

"Due Date" means, in relation to any Fixed Dividend, the earlier of the date on which the Preference Dividend in respect of the relevant financial year is paid and 31st May in the next financial year and, in relation to any Catch-Up Dividend or Participating Dividend, the earlier of the date on which the final dividend (if any) on the Ordinary Shares and the Convertible Ordinary Shares in respect of the relevant financial year is paid and 30 November in the next financial year;

"equity share capital", "financial year", "group", "holding company", "subsidiary" and "subsidiary undertaking" have the meanings respectively ascribed to them in the Act;

"Govett" means Govett Strategic Investment Trust PLC or any other member of the Govett Group;

"Group" means the Company and any subsidiary of the Company;

"Institutional Ordinary Shares" has the meaning given to it in article 4(C)(a);

"Listing" has the meaning given to it in article 4(C)(b)(i);

"listing rules", "Official List" and "recognised investment exchange" have the meanings respectively ascribed to them in the Financial Services Act 1986;

"member of the Govett Group" means John Govett & Co. Limited and any subsidiary thereof, Govett Strategic Investment Trust PLC or any other company some or all of whose assets are managed by or by a subsidiary of John Govett & Co. Limited or any subsidiary thereof;

"member of the MPE Group" means HSBC Holdings plc and any subsidiary of HSBC Holdings plc;

"member of the RBIL Group" means Royal Bank of Scotland Group plc and any subsidiary of Royal Bank of Scotland Group plc;

"member of the 3i Group" means 3i Group plc, 3i plc (a subsidiary of 3i Group plc), any other subsidiary of 3i Group plc and any company of which 3i Group plc is a subsidiary;

"member of the relevant group" means, in relation to Govett, a member of the Govett Group; in relation to MPE, a member of the MPE Group; in relation to RBIL, a member of the RBIL Group and in relation to 3i, a member of the 3i Group and "member of a relevant group" means a member of any relevant group;

"MPE" means Montagu Private Equity Investments Limited;

"Ordinary Shares" means the ordinary shares of one penny each in the equity share capital of the Company and "Ordinary Shareholder" means a registered holder of such shares;

"Preference Dividend" has the meaning given to it in article 4(A)(a)(i);

"Preferred Ordinary Shares" means the preferred ordinary shares of £1 each in the equity share capital of the Company and "Preferred Ordinary Shareholder" means a registered holder of such shares;

"prospective employee" means a person who has been, or is likely to be, offered employment with the Company by an employee or officer of the Company duly authorised to make such an offer;

"RBIL" means Royal Bank Investments Limited;

"shareholder" or "member" means a registered holder of any shares in the share capital of the Company;

"3i" means 3i plc or any other member of the 3i Group;

"Third Preference Shares" means the redeemable cumulative convertible third preference shares of one penny each in the share capital of the Company and "Third Preference Shareholder" shall mean a registered holder of such shares;

"Transfer Period" means the 28 day period commencing 1st May in each year or such other period of time as the Directors shall by written resolution decide upon;

"Triggering Event" means any of:

- (a) the listing of any of the Company's shares on any recognised investment exchange as such term is defined in the Financial Services Act 1986 (as amended, modified or re-enacted from time to time); or
- (b) the unconditional acceptance or grant of an application made by the Company or any agent or adviser of the Company for the dealing in any of the Company's shares on any recognised investment exchange (as so defined); or

- (c) the acquisition by any person or by persons who are connected with each other within the meaning of section 839 of the Income and Corporation Taxes Act 1988 or by any group of persons acting in concert, as that phrase is defined in the City Code on Take-Overs and Mergers as amended, modified or replaced from time to time, of, or of interests in, more than 50 per cent. in aggregate of the issued Ordinary Shares and Convertible Ordinary Shares; or
- (d) the acquisition by a person or persons (other than a company or a person or persons who is or are a member or members of the Company on the date of the adoption of these articles) of, or of interests in, 10 per cent. or more in aggregate of the issued Ordinary Shares and the Convertible Ordinary Shares provided that, in calculating whether such percentage has been reached at any time, it shall be assumed that Listing shall have occurred at that time and that the Preferred Ordinary Shares shall have been converted into Ordinary Shares at that time in accordance with article 4(C)(b);

and for the purpose of (c) and (d) above a person shall be deemed to have an interest in such share capital if he would have such an interest for the purposes of Part VI of the Act; provided that in determining whether a Triggering Event under (c) or (d) above has occurred there shall be ignored the interest of either (i) any individual who is or is to be a bona fide, long term employee of the Company or any of its subsidiaries, or (ii) any bank which has an interest in the Company's shares solely because it holds such shares as security for borrowings from such bank; and

words importing the masculine gender include the feminine and neuter genders and vice versa and words importing the singular include the plural and vice versa.

ALLOTMENT OF SHARES

3. (a) Subject to the provisions hereinafter expressed, the Directors are authorised for the purposes of sections 80 and 80A of the Act to exercise the power of the Company to allot shares to the amount of the authorised but unissued share capital of the Company at the time of adoption of these articles and the Directors may offer, allot, grant options over or otherwise dispose of such shares to such persons, on such terms and in such manner as they think fit provided always that:-

- (i) save as provided in sub-paragraph (ii) below, the authority hereby given to the Directors to exercise the power of the Company to allot shares shall be for a period of five years from the date of adoption of these articles;
- (ii) the members in general meeting may by ordinary resolution revoke or vary the authority in sub-paragraph (i) above;

Any reference hereto to the allotment of shares shall include a reference to the grant of any right to subscribe for, or to convert any security into shares, but shall not include any reference to the allotment of shares pursuant to such a right except under the Benfield Employee Share Schemes.

(b) In accordance with section 91 of the Act, sections 89(1) and 90(1) to (6) of the Act are excluded from applying to the Company.

SHARE CAPITAL

4. The authorised share capital of the Company at the date of adoption of these articles is £11,011,723 divided into 10,000,000 Preferred Ordinary Shares of £1 each, 99,700,000 Ordinary Shares of one penny each, 300,000 Third Preference Shares of one penny each and 1,172,300 Convertible Ordinary Shares of one penny each. Third Preference Shares and Convertible Ordinary Shares may be converted to Ordinary Shares in the manner provided for in these articles.

The rights attaching to the respective classes of shares shall be as follows:-

(A) Income

(a) To the extent that the Company has sufficient profits available for distribution and is not prohibited from paying dividends by the Act or otherwise by law, the profits of the Company in respect of any financial year shall be applied:

(i) first, in paying to the Third Preference Shareholders a cumulative cash dividend (the "Preference Dividend") exclusive of the associated tax credit payable on 31st October in each year or if sooner on the first business day after the day on which the annual general meeting of the Company is held in each year, such dividend being in respect of the immediately preceding financial year calculated as follows:

0.00005627 per cent. of net profits (as hereinafter defined) per Third Preference Share in respect of each financial year from and including the financial year current at the date of adoption of these articles to and including the financial year ending 30th June 1997, the Third Preference Shares thereafter ceasing to have any right to dividend.

The Preference Dividend provided for by this paragraph (i) shall be recoverable as a debt due from the Company irrespective of declaration by the Company, and shall (notwithstanding regulations 102 to 108 inclusive of Table A or any other provisions of these articles and in particular notwithstanding that there has not been a recommendation of the Directors or resolution of the Company in general meeting) be paid immediately on the due date. If not so paid by reason only that the accounts of the Company for the relevant financial year are not ready by 31st October in that year, Preference Dividends shall bear interest at the rate of 3% per annum above the base rate of National Westminster Bank PLC from time to time from the relevant 31st October to and including the date of payment. The Company shall procure that, subject at all times to the requirements of the Committee of Lloyd's, the Department of Trade and Industry and any other relevant regulatory authority, each of its subsidiaries which has profits available for distribution shall from time to time declare and pay to the Company such dividends as are necessary to permit lawful and prompt payment by the Company of the Preference Dividends. For the avoidance of doubt no payments of dividends or arrears of dividend shall be made to any holder of Ordinary Shares or Convertible Ordinary Shares until all amounts of Preference Dividend and arrears of Preference Dividend have been paid.

For the purpose of calculating the cumulative Preference Dividend in respect of any financial year, the expression "net profit" shall be defined as:

$$\text{"net profit"} = (0.75 \times P) \text{ minus } T \text{ minus } M$$

Where:

P = the aggregate of (x) the profit on ordinary activities before taxation of the Company and its subsidiaries calculated on the historical cost accounting basis and shown in the audited consolidated profit and loss account of the Company and its subsidiaries for the relevant financial year (to the nearest £1) (referred to below as "F") and (y) the salaries and emoluments (including amounts referred to in paragraph 1(4) of Schedule 6 to the Act) and employer's National Insurance contributions of M C Harding, M J Rees, D J Coldman, G D Chilton, N D Eckert and J L P Whiter for that financial year;

T = corporation tax (or any other taxation levied upon or measured by profits or gains) payable in respect of the relevant financial year and at the standard rate or rates applicable for that year on the basis that the profit subject to taxation had not been F but $(0.75 \times P)$;

M = profit, after tax, on ordinary activities attributable to minority interests in the Company's subsidiaries as shown in the audited consolidated profit and loss account of the Company and its subsidiary undertakings for the relevant financial year;

provided that if under the following provisions of this article 4 net profit is required to be determined by reference to a period ending prior to the end of a financial year, the Company shall procure audited consolidated accounts of the Company and its subsidiary undertakings to be prepared for that period and references in the foregoing provisions of this article 4 shall be construed as references to that shorter period.

(ii) next, in respect of any financial year of the Company up to and inclusive of the financial year ending on 30 June 1997 (and after payment in full of the Preference Dividend together with any arrears thereof and interest thereon), in paying to the holders of the Preferred Ordinary Shares a fixed cumulative cash dividend (the "Fixed Dividend") at the rate (exclusive of the associated tax credit) of six pence (6p) per share per annum; the Fixed Dividend shall accrue from day to day from (and inclusive of) the date of issue of the Preferred Ordinary Shares and shall become payable and be paid (save as provided in paragraph 4(A)(b) below) annually on the Due Date, the first such payment to be made on the Due Date in respect of the financial year ending on 30 June 1994 and to be in respect of the period from the date of issue of the Preferred Ordinary Shares up to (and inclusive of) 30 June 1994 and the last such payment to be made on the Due Date in respect of the financial year ending 30 June 1997;

(iii) next, in respect of any financial year of the Company commencing on or after 1 July 1994 and ending on or before 30 June 1997 (and after payment in full

of the Preference Dividend and the Fixed Dividend together with any arrears thereof and interest thereon), in paying to the holders of the Preferred Ordinary Shares a cash dividend (the "Catch-Up Dividend") of a sum (exclusive of the associated tax credit) calculated in accordance with paragraph 4(A)(j) below. The Catch-Up Dividend shall become payable and be paid annually on the Due Date, the first such payment to be made on the Due Date in respect of the financial year ending on 30 June 1995;

(iv) next, in respect of any financial year of the Company from and inclusive of the financial year commencing on 1 July 1997 (and after payment in full of any arrears of the Preference Dividend and interest thereon and any arrears of the Fixed Dividend and interest thereon), in paying to the holders of the Preferred Ordinary Shares as a class a cumulative cash dividend (the "Participating Dividend") of a sum (exclusive of the associated tax credit) equal to the greater of:

- (aa) 2.5 per cent of the Adjusted Net Profit (as hereinafter defined) for the relevant financial year; and
- (bb) the aggregate of six pence (6p) per Preferred Ordinary Share in issue at the end of the relevant financial year.

The Participating Dividend shall begin to accrue from 1 July 1997, shall be deemed to accrue from day to day throughout each financial year thereafter and shall become payable and be paid (save as provided in paragraph 4(b) below) on the Due Date provided that if the amount of the Participating Dividend shall not have been agreed or determined by such Due Date there shall be paid on such Due Date to the holders of the Preferred Ordinary Shares an amount equal to a dividend for the relevant financial year (exclusive of the associated tax credit) of six pence (6p) per Preferred Ordinary Share per annum; such payment shall be set-off against the Participating Dividend for the relevant financial year when the amount of the same is agreed or finally determined in accordance with paragraph 4(A)(i) below.

(b) Provided that:

(i) all arrears of the Preference Dividend, the Fixed Dividend, the Participating Dividend and the Catch-Up Dividend and any interest thereon have been paid in full;

(ii) the Directors are satisfied that, having regard to the most recent consolidated audited annual accounts of the Company and its subsidiary undertakings, the most recent consolidated unaudited monthly management accounts of the Company and its subsidiary undertakings, the general trading position and prospects of the Company and its subsidiary undertakings and the amount of the proposed interim dividends referred to below, the Company will have sufficient profits available for distribution to enable it to pay in full all dividends due on the Third Preference Shares and the Preferred Ordinary Shares in accordance with paragraph 4(a) on the due dates for payment thereof; and

(iii) at least 8 months of the relevant financial year have expired

the Company may on one occasion only during each financial year determine to pay an interim dividend out of profits lawfully available for distribution and shall apply such profits as follows:

- (A) during and in respect of any financial year of the Company up to and inclusive of the financial year ending on 30 June 1997;
 - (i) first, in paying to the holders of the Preferred Ordinary Shares the aggregate amount of the Fixed Dividend accrued in respect of the first six months of that financial year (the "Interim Fixed Dividend") (provided that no Interim Fixed Dividend shall be payable in respect of the financial year ending on 30 June 1994); and
 - (ii) second, in paying to the holders of Ordinary Shares a cash dividend of such sum per share as is determined by the Directors (in light of the provisos set out above).

If an Interim Fixed Dividend is paid pursuant to this paragraph 4(A)(b), the amount of such payment shall be set off against the amount of the Fixed Dividend to be paid on the next Due Date pursuant to paragraph 4(A)(a).

- (B) During and in respect of any financial year of the Company from and inclusive of the financial year commencing on 1 July 1997:
 - (i) first, in paying to the holders of Preferred Ordinary Shares the aggregate amount of the Participating Dividend accrued in respect of the first six months of that financial year on the assumptions that the Participating Dividend for that financial year will be a sum equal to a dividend (exclusive of the associated tax credit) of six pence (6p) per share and that the Preferred Ordinary Shares in issue at the time of that occasion remain in issue throughout the remainder of the relevant financial year (the "Interim Participating Dividend"); and
 - (ii) second, in paying to the holders of Ordinary Shares a cash dividend of such sum per share as is determined by the Directors (in light of the provisos set out above).

If an Interim Participating Dividend is paid pursuant to this paragraph 4(A)(b), the amount of such payment shall be set off against the amount of the Participating Dividend to be paid in respect of the relevant financial year in accordance with paragraph 4(A)(a).

(c) Save for the payment of the Interim Fixed Dividend, the Interim Participating Dividend and any interim dividend to the holders of Ordinary Shares in accordance with paragraph 4(A)(b) above, the Company may not distribute any profits in respect of any financial year in addition to those required to be distributed pursuant to paragraph 4(A)(a) above unless and until the Preference Dividend, the Fixed Dividend, the Participating Dividend and the Catch-Up Dividend (as the case may be) in respect of such year together with any arrears thereof and interest thereon have been paid in full.

Subject to the provisions of this article and to the provisions of regulations 102 to 108 of Table A, the balance of the profits of the Company lawfully available for distribution and resolved to be distributed shall be applied in paying a dividend to the holders of Ordinary Shares. Notwithstanding the foregoing, the Ordinary Shares which are issued pursuant to the Acquisition Agreement shall not carry the right to receive those dividends or other distributions declared, made or paid on the ordinary share capital of the Company in respect of the financial period of the Company up to and including 30th June 1995.

(d) Each Preference Dividend, Fixed Dividend, Participating Dividend, Catch-Up Dividend, Interim Fixed Dividend, Interim Participating Dividend shall become due and payable on the respective dates referred to ipso facto and without any recommendation or resolution of the Directors or the Company in general meeting (and notwithstanding anything to the contrary contained in these Articles). Each payment of any such dividend shall be accompanied by a certificate for the related tax credit.

(e) The Company shall procure that the profits of any subsidiary undertakings of the Company for the time being available for distribution (subject to any requirements of the Department of Trade and Industry in relation to Benfield Reinsurance Company Limited or the Committee of Lloyd's in respect of Benfield Ellinger Limited and Ellinger Heath Western & Co. Limited) shall be paid to it by way of dividend if and to the extent that, but for such payment, the Company would not itself otherwise have sufficient profits available for distribution duly to pay in full any Preference Dividend, Fixed Dividend, Participating Dividend, Catch-Up Dividend, Interim Fixed Dividend and Interim Participating Dividend together with any arrears thereof and interest thereon.

(f) If the Company is not lawfully able to pay any Preference Dividend, Fixed Dividend, Participating Dividend, Catch-Up Dividend, Interim Fixed Dividend or Interim Participating Dividend in full on the due date for payment thereof, it shall on such date pay such amount in respect of the relevant dividend as it is lawfully able to pay and, without prejudice to the respective rights of the holders of the relevant shares, the amount in respect of the relevant dividend which is not paid on the due date for payment thereof shall be paid as soon thereafter as the Company is lawfully able to pay the same.

(g) If any Fixed Dividend, Participating Dividend, Catch-Up Dividend, Interim Fixed Dividend or Interim Participating Dividend is (for whatever reason) not paid in full on the due date for payment of the same then, as from (but excluding) such

date, interest shall accrue on the amount unpaid (whether or not then determined) at the rate of 3 per cent per annum above the base rate of Royal Bank of Scotland PLC from time to time and shall become due (as a charge against the Company) and be paid at the same time as the amount to which it relates is paid.

(h) The expression "Adjusted Net Profit" where used in paragraph 4(A)(a) shall mean the consolidated post-tax profit of the Company and its subsidiary undertakings for the relevant financial year as shown in the consolidated audited profit and loss accounts of the Company and its subsidiary undertakings for such year subject (insofar as such adjustments shall not already have been made) to the following adjustments;

(i) if such accounts have not been prepared on the historical cost accounting basis, such adjustments as may be necessary to produce the same result as that which would have resulted if such accounts had been prepared on that basis;

(ii) before taking into account any payment in respect of or provision for payment of dividends or other distributions;

(iii) before taking into account any transfer or proposed transfer to reserves;

(iv) before taking into account all remuneration and emoluments paid or payable to or accruing to or for the benefit of M C Harding, M J Rees, D J Coldman, G D Chilton, N D Eckert, J L P Whiter and any other Director of the Company for the relevant time being to the extent (if any) that the aggregate amount of the same in respect of all such persons exceeds 25 per cent of the audited consolidated pre-tax profits of the Company and its subsidiary undertakings other than Benfield Reinsurance Company Limited for such year (after charging the actual amount of such remuneration and emoluments) (and so that for this purpose "emoluments" shall include fees, bonuses, employer's national insurance contributions, contributions paid under any pension scheme and the money value of any other benefits provided otherwise than in cash and any amount paid or payable by or any other benefit paid or payable or made available, in each case by the Company and its subsidiary undertakings other than Benfield Reinsurance Company Limited to any company, firm or other person in respect of or in connection with the services (whether past, present or future) of any of those individuals or any other Director shall be deemed to be emoluments paid or payable to or for the benefit of the relevant individual or other Director);

(v) before taking into account any contributions by the Company and any subsidiary undertaking to the Benfield Employee Benefit Trust in excess of 1% of the audited consolidated pre-tax profits of the Company and its subsidiary undertakings other than Benfield Reinsurance Company Limited for such year;

(vi) before taking into account any amount written off in respect of goodwill or other intangible assets.

(i) In the event of any failure of the Company and the Preferred Ordinary Shareholders to agree the Adjusted Net Profit for a financial year, then the certificate of the auditors of the Company as to the amount of the Adjusted Net Profit shall be conclusive and binding on the Company and its Members. In so certifying the auditors shall:

(i) in any case where the report of the auditors on any of the relevant accounts contains a qualification, be entitled to make, in addition to the adjustments referred to above, such further adjustments as they may in the circumstances consider appropriate; and

(ii) be deemed to be acting as experts not as arbitrators and the provisions of the Arbitration Acts 1950 to 1979 (as from time to time amended) shall not apply. The charges of the auditors for providing any certificates pursuant hereto shall be borne by the Company.

(j) The Catch-Up Dividend, as referred to in paragraph 4(A)(a) above, shall be calculated as follows:

(i) There shall be determined prior to the relevant Due Date the number (rounded, where necessary, to the nearest integer) of new Ordinary Shares ("Deemed Shares") which would be created were all the Preferred Ordinary Shares in issue on the record dates for the payment of the interim and final dividends (if any) respectively paid to the holders of the Ordinary Shares in respect of the relevant financial year in accordance with paragraphs 4(A)(b) and (A)(c) above (each a "Record Date") to convert into fully paid new Ordinary Shares (ranking *pari passu* in all respects with the existing Ordinary Shares) on the following basis:

$$\frac{10}{212.5} = \frac{X}{A + X}$$

Where

X is the number of Deemed Shares; and

A is the aggregate of (aa) 48,548,740 (bb) the total number of Ordinary Shares and Convertible Ordinary Shares issued in the period beginning on the date of adoption of these articles and ending on the relevant Record Date (both dates inclusive) pursuant to the exercise of options granted prior to the date of adoption of these articles under either of the Benfield Employee Share Schemes and (cc) the total number of Ordinary Shares and Convertible Ordinary Shares otherwise issued in that period without the prior written consent of a majority in number of the Preferred Ordinary Shareholders but excluding Ordinary Shares and Convertible Shares issued pursuant to the Acquisition Agreement.

(ii) There shall be calculated the aggregate interim and final cash dividend (exclusive of the associated tax credit) (the "Deemed Dividend") that would have been paid (whether by way of interim or final dividend) in respect of the relevant

financial year on the Deemed Shares had all the Deemed Shares been in issue on the relevant Record Date on the basis that the rate of interim and final dividend on each of the Deemed Shares would have been the same as that actually paid on each Ordinary Share actually in issue on the relevant Record Date.

(iii) If the aggregate amount of the Deemed Dividend for the relevant financial year exceeds the aggregate amount of the Fixed Dividend for that financial year, the amount of the excess shall be the amount of the Catch-Up Dividend (exclusive of the associated tax credit) for that financial year and shall be paid to the holders of the Preferred Ordinary Shares on the Due Date in accordance with paragraph 4(A)(a)(iii) above.

(B) Capital

On a return of assets on liquidation or otherwise (save on the redemption of shares of any class or the purchase by the Company of its own shares), the assets of the Company remaining after the payment of its liabilities shall be applied:-

(i) in paying first to the Third Preference Shareholders a sum equal to any arrears, deficiency or accruals of the dividends on the Third Preference Shares calculated down to the date of the return of capital and payable irrespective of whether such dividend has been declared or earned or not. The dividend shall be deemed to have accrued to the date of the return of capital from the end of the immediately preceding financial year and the amount which, by virtue of this sub-paragraph, is payable by way of dividend to the Third Preference Shareholders shall equal an appropriate proportion of the net profit of the Company (as defined in article 4(A)(a)(i)) earned during such period, together with any arrears of dividend in respect of any previous period;

(ii) in paying to the Third Preference Shareholders the amounts paid up or credited as paid up, plus any premium paid or deemed to be paid, on the Third Preference Shares;

(iii) in paying to the Preferred Ordinary Shareholders the amounts paid up or credited as paid up, plus any premium paid or deemed to be paid, on the Preferred Ordinary Shares and any arrears of the Fixed Dividend, Participating Dividend, Catch-Up Dividend, Interim Fixed Dividend and Interim Participating Dividend and any interest thereon;

(iv) the balance of such assets shall be applied first in paying to the Ordinary Shareholders and Convertible Ordinary Shareholders (as if they were one class of shares) the amount paid up or credited as paid up on the Ordinary Shares together with a premium of £1,000,000 per share and thereafter shall belong and be distributed amongst the Third Preference Shareholders in proportion to the amounts paid up or credited as paid up on the Third Preference Shares held by them.

(C) Conversion of Third Preference Shares

(a) If the Conversion Trigger occurs before 1 July 1997, the Third Preference Shares (referred to in this article 4(C) as "Convertible Preference Shares") may be converted into Ordinary Shares (the "Institutional Ordinary Shares") and deferred shares on the basis and in the manner set out in paragraph (ii) below.

(i) The following provisions shall have effect in relation to such conversion:-

(I) the Company shall, forthwith upon the Conversion Trigger occurring, notify the holders of the Convertible Preference Shares in writing of their right to convert their Convertible Shares, and such notifications shall specify in detail the procedure to be followed upon conversion;

(II) a holder of Convertible Preference Shares who wishes to exercise his right of conversion shall deliver to the Company, not less than 30 days after receipt of the notifications referred to in sub-paragraph (I) above, a notice of conversion (which shall apply to the whole of his holding of Convertible Preference Shares) and his certificate(s) for the holding of Convertible Preference Shares in question;

(III) conversion shall be effected in accordance with paragraph (ii) below;

(IV) any Third Preference Shares so converted shall be entitled to a proportion of the dividend payable thereon in accordance with article 4(A)(a)(i) in respect of the financial year current on the date of conversion equal to the number of days elapsed from and including the 1st July immediately preceding the date of conversion to and including the date of conversion divided by 365. The Ordinary Shares resulting from conversion of Third Preference Shares shall rank for dividend in respect of the financial year of the Company current at the date of conversion only to the extent that the amount of the dividend per share declared or paid on the Ordinary Shares in respect of that financial year exceeds the amount per share of the dividend paid on the Third Preference Shares so converted in respect of the period of that financial year up to and including the date of conversion;

(V) the Ordinary Shares resulting from such conversion shall, subject to the provisions of sub-paragraph (IV) above and to any special rights attaching to Institutional Ordinary Shares, for all purposes rank *pari passu* with the Ordinary Shares issued prior to the date of such conversion;

(VI) subject to the provisions of sub-paragraph (IV) above, there shall be paid on each of the Convertible Preference Shares so converted a sum equal to any arrears, deficiency or accruals of the dividends thereon to be calculated down to the date of conversion whether such dividends have been declared or earned or not; and

(VII) as soon as possible after conversion is effected, the Company shall send to the converting shareholder a certificate in respect of any new Ordinary Shares to which he is entitled following conversion, together with a balance certificate for

any Convertible Preference Shares which he is unable to convert by reason of the formula set out in paragraph (ii) below.

(VIII) Notwithstanding the provisions of sub-paragraph (I) above, a holder of Convertible Preference Shares who believes that the Conversion Trigger is about to occur or has occurred may deliver to the Company an exercise notice, even though he has not been informed by the Company that his right to convert has arisen. If such a notice is delivered to the Company prior to the Conversion Trigger, such notice shall be deemed to be conditional upon the occurrence of the Conversion Trigger within 30 days after the notice is received by the Company.

(ii) (I) X per cent. of the Convertible Shares held by 3i or Govett or any of their respective successors in title shall convert into a number of Ordinary Shares equal to:

$(Y \text{ per cent.} \times S) - Z;$

where:-

X equals the percentage of the relevant holding of Convertible Preference Shares to be converted, calculated in accordance with the following table rounded to the nearest whole number of Convertible Preference Shares.

Date of Triggering Event	Proportion of holding of Convertible Preference Shares to be converted
On or before 30th June 1994	80%
After 30th June 1994 but on or before 30th June 1995	60%
After 30th June 1995 but on or before 30th June 1996	40%
After 30th June 1996 but on or before 30th June 1997	20%

Y equals the percentage of the issued Ordinary Shares rounded to the nearest whole number of Ordinary Shares to be issued to the relevant holder of the proportion of Convertible Preference Shares to be converted on conversion calculated in accordance with the following table:-

Date of Triggering Event	Proportion of Ordinary Share Capital	
	3i	Govett
	%	%
On or before 30th June 1994	10.032	12.264
After 30th June 1994 but on or before 30th June 1995	7.524	9.198
After 30 June 1995 but on or before 30th June 1996	5.016	6.132

After 30th June 1996 but on or
before 30th June 1997

2.508

3.066; and

S equals the aggregate of the issued Ordinary Shares on the date of the Triggering Event (including any Ordinary Shares created on that date on the conversion of the Preferred Ordinary Shares in accordance with article 4(C)(b)) and any Ordinary Shares which the Company is bound or liable to issue after such date pursuant to any contract or arrangement entered into or option granted before such date or which will arise on the conversion of the Convertible Preference Shares pursuant to this article; and

Z equals in respect of each holding of Convertible Preference Shares, a number of Ordinary Shares rounded to the nearest whole number of Ordinary Shares calculated by dividing A by B where:-

A equals the amount or value of the income and capital distributions exclusive of any associated tax credits received by the holder of the relevant holding of Convertible Preference Shares being converted in respect of such shares up to the date of the Triggering Event (other than in respect of the number of Convertible Preference Shares which are not to convert in accordance with the calculation of X above) plus, in the case of Govett and 3i only, £3,162,500 and £2,587,500 respectively; and

if the relevant Triggering Event falls under sub-paragraph (a) or (b) of the definition of Triggering Event contained in article 2, B equals the price per Ordinary Share at which the Ordinary Shares are offered for sale or subscription or placed on the occasion of the admission to listing of the Ordinary Shares or the granting of permission for dealings in the Ordinary Shares on any recognised investment exchange, as the case may be; and

if the relevant Triggering Event falls under sub-paragraph (c) or (d) of that definition, B equals the price per Ordinary Share paid by the person or persons acquiring the relevant interest (and for this purpose the price shall include the relevant proportion of any other consideration (in cash or otherwise) received or receivable by the holder(s) of the Ordinary Shares being sold or by the Company if the relevant interest is acquired by subscription which, having regard to the transaction as a whole, can reasonably be regarded as an addition to the price paid or payable for the Ordinary Shares).

In the event of disagreement, the calculation of such price shall be referred to an umpire (acting as an expert and not as an arbitrator) nominated by the holders of the Convertible Preference Shares and the Company or, in default of agreement, appointed on the application of any shareholder or the Company by the President for the time being of the Institute of Chartered Accountants in England and Wales. The decision of the umpire shall be final and binding.

(II) Any Convertible Preference Shares which are not to be converted in accordance with sub-paragraph (I) above shall remain in issue and, with the exception of the right to convert, shall continue to confer upon their respective holders the same rights as set out in these articles.

(III) Conversion of such Convertible Preference Shares as are due to be converted as aforesaid ("the Relevant Shares") shall be effected in accordance with such one or more of the following sub-paragraphs of this paragraph as the Directors may determine or in such other manner as may be authorised by law:-

(1) The Directors may determine to effect conversion by means of consolidation and sub-division. In such case, the requisite consolidation and sub-division shall be effected pursuant to the authority given by the adoption of these articles by consolidating into one share all the Relevant Shares held by any holder or joint holders and in respect of which a conversion notice shall have been delivered and sub-dividing such consolidated share into:-

(aa) Ordinary Shares of individual nominal amount of 1p each or such other nominal amount of the Ordinary Shares in issue at the conversion date of an aggregate nominal amount equal to the nominal amount of Ordinary Shares to which the holder is entitled by virtue of the conversion (fractions of Ordinary Shares arising being dealt with as below); and

(bb) one deferred share of a nominal amount equal to the excess of the nominal amount of the consolidated share over the nominal amount of the Ordinary Shares (including any fractions) derived therefrom. Any such deferred share will, save as provided below, not be transferable and will not entitle the holders to the payment of any dividend or to any repayment of capital on a return of assets (except for the sum of 1p payable after the sum of £1,000,000 has been paid in respect of each Ordinary Share) or to receive notice of or attend or vote at any general meeting of the Company, but may be transferred by some person appointed by the Company on behalf of the holder to some other person (whether or not an officer of the Company) willing to accept the same with a view to the redemption or re-purchase thereof by the Company at a price not exceeding 1p for all the deferred shares redeemed or re-purchased at any one time and/or may (subject to the Act) be cancelled by the Company (by way of reduction of its capital) without making any payment to or obtaining any sanction of the holder thereof. The Company may at its option at any time after the creation of any deferred shares redeem all or any of the deferred shares then in issue, at a price not exceeding 1p for all the deferred shares redeemed, at any time upon giving the registered holder of such share or share not less than 28 days' previous notice in writing of its intention so to do, fixing a time or place for its redemption. If and whenever the Company shall determine to redeem pursuant to the foregoing paragraph less than the total of the deferred shares then outstanding, those to be redeemed shall be selected by the drawing of lots. At the time and place so fixed, each such registered holder shall be bound to surrender to the Company the certificate for his deferred share or shares which are to be redeemed in order that such shares may be cancelled; or

(2) The Directors may determine to effect conversion by consolidating (which consolidation shall be effected pursuant to the authority given by the adoption of these articles) all the Relevant Shares held by any holder or joint holders and in respect of which a conversion notice shall have been lodged and sub-dividing (which sub-division shall be effected pursuant to the authority given by the adoption of these articles) such share into the appropriate number of Ordinary Shares, in which event

such Ordinary Shares notwithstanding that they may have a different par value from the Ordinary Shares then in issue, shall form a uniform class with all such shares and shall on a liquidation or return of capital participate pari passu with such other Ordinary Shares for which purpose the par value thereof shall be deemed to be equal to the par value of an Ordinary Share notwithstanding the par value thereof and shall be entitled to the same dividend per share as is payable in respect of the other Ordinary Shares.

(3) The Directors may elect to redeem the Relevant Shares on any conversion date out of profits of the Company which would otherwise be available for dividend or, subject to compliance with the requirements of the Act, out of capital. Such redemption shall be at par or, if redemption at par would produce aggregate redemption monies which would be less than the aggregate nominal amount of the Ordinary Shares to be subscribed as hereinafter mentioned, at such premium as may be necessary to cause such redemption monies to equal the nominal value of the Ordinary Shares which the holders of the Relevant Shares are entitled to subscribe as hereinafter mentioned. The Convertible Preference Shares confer upon the holders thereof the right, if the Convertible Preference Shares held by them become Relevant Shares and if the Directors determine to redeem the same as aforesaid, to subscribe for the appropriate number of Ordinary Shares at par or at such premium if any, as shall represent the amount by which the redemption monies exceed the aggregate nominal amount of the Ordinary Shares to which they are so entitled and, in any such case, the conversion notice given by a holder of Relevant Shares shall be deemed irrevocably to authorise and instruct the Directors to apply the redemption monies payable to him in subscribing for such Ordinary Shares at par or at such a premium, if any, as aforesaid.

(4) The Directors may, subject as herein provided and to the Act, determine to redeem the Relevant Shares on any conversion date at par or, if redemption at par would produce redemption monies which would be less than the aggregate nominal amount of the Ordinary Shares to be subscribed as hereinafter mentioned, at such premium, if any, as may be necessary to ensure that such redemption monies equal the aggregate par value of the Ordinary Shares into which the Relevant Shares are required to be converted at the applicable conversion date. Such redemption shall be out of the proceeds of a fresh issue of the number of Ordinary Shares into which the Relevant Shares are required to be converted. Such issue shall be at par or at such premium, if any, as shall represent (i) the excess of the total redemption monies payable in respect of the Relevant Shares over the total nominal amount of such Ordinary Shares less (ii) an amount equal to any applicable stamp duty or stamp duty reserve tax in respect of the renunciation hereinafter mentioned. Such determination by the Directors shall be of no effect unless either, prior to the fifth anniversary of the adoption of these articles, the directors shall have entered into an agreement with a person selected by them for the allotment to such person of the appropriate number of Ordinary Shares at such premium as aforesaid if and so often as there are Relevant Shares and the Directors determine to redeem the same in accordance with this sub-paragraph (4) or the Directors shall otherwise be duly authorised to make the aforesaid fresh issue of Ordinary Shares under the provisions of the Act. The person to whom the Ordinary Shares shall be allotted under the provisions of this sub-paragraph shall renounce the allotment thereof in

favour of the holders of the Relevant Shares in due proportion against payment to such person by the Directors of the redemption monies in respect of the Relevant Shares. Such person will also pay any applicable stamp duty or stamp duty reserve tax in respect of such renunciation. The conversion notice given by a holder of Relevant Shares redeemed pursuant to this sub-paragraph shall be deemed to have authorised and instructed the Directors to pay the redemption monies in respect of his Relevant Shares to the subscriber of the Ordinary Shares renounced in his favour.

(IV) Fractions of Ordinary Shares arising on the conversion shall not be allotted but (if any such arrangements can be made) such fractions shall be aggregated and sold at the best price reasonably obtainable and the net proceeds of sale shall be distributed pro rata among the persons entitled thereto in respect of any holding of Relevant Shares. For the purpose of implementing the provisions of this article, the Directors may appoint some person to execute transfers or renunciations on behalf of persons otherwise entitled to any such fractions and generally may make all arrangements which appear to them necessary or appropriate for the settlement and disposal of fractional entitlements (without regard to article 13).

(V) Allotments of Ordinary Shares arising from conversion shall be effected within 14 days of delivery to the Company of a conversion notice.

(b)(i) In the event of the whole of the Ordinary Shares in issue (including any Ordinary Shares to be created pursuant to this article 4(C)(b)) being unconditionally admitted to the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited in accordance with the listing rules ("Listing"), all the Preferred Ordinary Shares in issue immediately prior to Listing shall be immediately converted into fully paid new Ordinary Shares (ranking pari passu in all respects with the existing Ordinary Shares) on the following basis:

$$\frac{10}{212.5} = \frac{X}{A + X}$$

Where

X is the number of new Ordinary Shares to be created on such conversion; and

A is the aggregate of (aa) 48,548,740 (bb) the total number of Ordinary Shares and Convertible Ordinary Shares issued in the period beginning on the date of adoption of these articles and ending on the date of Listing (both dates inclusive) pursuant to the exercise of options granted prior to the date of adoption of these articles under either of the Benfield Employee Share Schemes and (cc) the total number of Ordinary Shares otherwise issued in that period without the prior written consent of a majority in number of the Preferred Ordinary Shareholders (other than any Ordinary Shares issued pursuant to this article 4(C)(b)) but excluding Ordinary Shares and Convertible Ordinary Shares issued pursuant to the Acquisition Agreement.

(ii) The provisions of paragraphs (III) and (IV) of article 4(C)(a)(ii) shall apply mutatis mutandis to the conversion of Preferred Ordinary Shares as they apply to the conversion of Convertible Preference Shares.

(D) Conversion of Convertible Ordinary Shares

(a) Subject to the following provisions of these articles, all Convertible Ordinary Shares in issue for the time being shall at the times and in the manner set out in this article 4(D) be converted into fully paid Ordinary Shares ("**Relevant Shares**") in accordance with the following formula:-

(i) The number of Ordinary Shares into which the Convertible Ordinary Shares will convert will be determined and certified by the Auditors calculated in accordance with the following formula:-

$$A = \frac{((Bx1 + Bx2 + Bx3) - (Ex1 + Ex2 + Ex3) - (Tx1 + Tx2 + Tx3))}{3}$$

where:-

Bx1 = brokerage income generated by the business of Ellinger Heath Western & Co. Limited or following any transfer thereof such business or any other business deriving therefrom arising in the year ending 31st December 1996

Bx2 = brokerage income generated by the business of Ellinger Heath Western & Co Limited or following any transfer thereof such business or any other business deriving therefrom arising in the year ending 31st December 1997

Bx3 = brokerage income generated by the business of Ellinger Heath Western & Co Limited or following any transfer thereof such business or any other business deriving therefrom arising in the year ending 31st December 1998

$$Ex1 = Cr1 (TBG-BenRe) \times Bx1$$

where:-

Cr1 (TBG-BenRe) = cost-ratio applicable to the Group excluding Benfield Reinsurance Company Limited for the year ending 31st December 1996

$$Ex2 = Cr2 (TBG-BenRe) \times Bx2$$

where:-

Cr2 (TBG-BenRe) = cost-ratio applicable to the Group excluding Benfield Reinsurance Company Limited for the year ending 31st December 1997

$$Ex3 = Cr3 (TBG-BenRe) \times Bx3$$

where:-

Cr3 (TBG-BenRe) = cost-ratio ratio applicable to the Group excluding Benfield Reinsurance Company Limited for the year ending 31st December 1998

Tx1 = the amount calculated by applying the rate of corporation tax applicable for the year ending 31st December 1996 against (Bx1 - Ex1)

Tx2 = the amount calculated by applying the rate of corporation tax applicable for the year ending 31st December 1997 against (Bx2 - Ex2)

Tx3 = the amount calculated by applying the rate of corporation tax applicable for the year ending 31st December 1998 against (Bx3 - Ex 3)

(ii) for the purposes of the above formula:-

(A) the calculation shall be made in respect of a three year period, commencing 1st January 1996 and ending 31st December 1998;

(B) the cost ratio applicable to the Group (excluding Benfield Reinsurance Company Limited) shall take into account relevant adjustments in accordance with Statement of Standard Accounting Practice (SSAP) No. 20 "Foreign Currency Translation", adjusted in the normal course of trading;

(C) brokerage arising in a year will be determined in accordance with the Company's normal accounting policies, as disclosed in the relevant audited accounts, and shall include brokerage introduced by Ellinger Heath Western & Co. Limited to Benfield, Lovick & Rees & Co. Limited; and

(D) for the purpose of calculating Tx1, Tx2 and Tx3, deferred taxation attributable to Ellinger Heath Western & Co. Limited or its successor in business will be applied in accordance with SSAP 15, "Accounting for deferred taxation";

(iii) in arriving at Bx1, Bx2, Bx3, Ex1, Ex2, Ex3, Tx1, Tx2, Tx3 and Cr1, Cr2 and Cr3, income and expenses of an extraordinary or exceptional nature (as defined in Financial Reporting Standard (FRS) No. 3 "Reporting Financial Performance"), shall be left out of account;

(iv) brokerage, expenses and taxation arising and applied for the purpose of this calculation shall:-

(A) be computed in accordance with the requirements of all relevant statutes and generally accepted accounting principles; and

(B) be certified by the Auditors (acting as experts and not as arbitrators) to be computed in accordance with articles D(a)(ii) and D(a)(iii) above for the relevant financial years, which certificate shall, except for manifest error, be final and binding on the Convertible Ordinary Shareholders;

(v) in the event that "A" is equal to or greater than £3 million, each Convertible Ordinary Share shall convert into one Ordinary Share;

(vi) in the event that "A" is less than £3 million the following provisions relating to the conversion of the Convertible Ordinary Shares will apply:-

(A) where "A" is £2.5 million or less, none of the Convertible Ordinary Shares shall be converted into Ordinary Shares and the Convertible Ordinary Shares will be redeemed for £nil consideration; and

(B) where "A" falls in the range of £2,500,000 - £2,999,999, the Convertible Ordinary Shares shall in aggregate convert into such number of Ordinary Shares as is calculated in accordance with the following formula:-

$$\frac{(\pounds 6,000,000 - (12 \times S)) \div (282.5)}{(55.194992)}$$

where "S" is the amount by which "A" is less than £3m; and

(vii) the aggregate number of Ordinary Shares arising on conversion shall be apportioned amongst the holders of the Convertible Ordinary Shares in proportion to their respective holdings of Convertible Ordinary Shares prior to conversion.

(b) The conversion of Convertible Ordinary Shares into Ordinary Shares in accordance with the foregoing provisions of this article shall occur automatically on 31st March 1999.

(c) In relation to such conversion, the provisions of paragraph (III) of article 4(C)(a)(ii) shall apply mutatis mutandis.

(d) The Ordinary Shares resulting from the conversion shall carry the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company that would have accrued to such Convertible Ordinary Shares if the Conversion Date had been the date of issue thereof which sum shall (subject to the provisions of the Act) be due and payable on 1st April 1999 and shall continue to be payable to a holder thereof notwithstanding any purchase by the Company of such Ordinary Shares pursuant to article 13(f)(ii). Notwithstanding the foregoing, the Ordinary Shares resulting from the conversion shall not carry the right to receive those dividends or other distributions declared, made or paid on the ordinary share capital of the Company in respect of the financial period of the Company up to and including 30th June 1995.

(e) The Ordinary Shares resulting from the conversion shall carry the right to receive all dividends and other distributions declared, made or paid on the ordinary share capital of the Company by reference to a record date falling on or after the Conversion Date in respect of the financial year or accounting period of the Company in which the Conversion Date falls and shall otherwise rank pari passu in all respects with the Ordinary Shares then in issue and fully paid.

(f) Within 14 days after the Conversion Date, the Company shall send to each of the members who hold Ordinary Shares as a result of the conversion, by post at his own risk, free of charge, a definitive certificate for the appropriate number of fully paid Ordinary Shares and in the meantime transfers shall be certified against the register.

(g) In the event that either:-

(i) the Company delivers a notice to any member pursuant to article 14; or

(ii) the whole of the Ordinary Shares in issue being unconditionally admitted to the Official List of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited in accordance with the listing rules, each of the Convertible Ordinary Shares in issue on the day prior to either event shall be immediately and automatically be converted into one fully paid new Ordinary Share (ranking *pari passu* in all respects with the existing Ordinary Shares) and the Convertible Ordinary Shareholders shall be entitled to those rights to dividends and other distributions as set out in articles 4(D)(d) and 4(D)(e) as if the date on which either of these dates occurred were Conversion Dates.

(h) In respect of the dividend referred to in article 4(D)(d) the provisions of articles 4(A)(d), (e), (f) and (g) shall apply, *mutatis mutandis*, in the same way as they apply to Fixed Dividends.

(E) Redemption

(a) The Company shall, subject to the Act, redeem the Third Preference Shares on 30th June 1997 and shall serve a notice on the Third Preference Shareholders requiring redemption of all (but not some only) of the Third Preference Shares for the time being outstanding and the Company shall forthwith redeem all such Third Preference Shares at a price per Third Preference Share equal to the nominal value thereof; and

(b) at the registered office of the Company at the time fixed in any notice by the Company for redemption the Third Preference Shareholders shall be bound to surrender to the Company the certificate(s) for the Third Preference Shares which are to be redeemed in order that the same may be cancelled and upon such surrender the Company shall pay to the said holders the amount payable in respect of such redemption together with a sum equal to any arrears, deficiency or accruals of the dividends thereon whether earned or declared or not. Notwithstanding the redemption of the Third Preference Shares the holders thereof shall be entitled to receive the dividend payable on such shares in respect of the financial year ending 30th June 1997.

(F) Voting Rights

(a) Subject as hereinafter provided, at a general meeting on a show of hands every shareholder who (being an individual) is present in person or (being a corporation) is present by a representative or proxy not being himself a shareholder, shall have one vote, and on a poll every shareholder who is present in person or by proxy or (being a corporation) is present by a representative shall (except as hereinafter provided) have one vote for every share in the capital of the Company of which he is the holder; provided that the Third Preference Shareholders shall be entitled to receive notice of and to attend all general meetings but shall not be entitled to vote at any general meeting unless at the date of the notice or requisition to convene the meeting the Preference Dividend payable thereon is one month or more in arrears and upon the occurrence of such event the holders of the Ordinary Shares and the Preferred Ordinary Shareholders shall not be entitled to vote until such time as Preference Dividend has been paid in full; provided further that the Convertible Ordinary Shareholders shall be entitled to receive notice of and to attend all general meetings but shall not be entitled to vote at any general meeting. Ordinary Shares held by persons who are deemed to have served a transfer notice by reason of article 13(e) to (g) will not be entitled to vote so long as (but only so long as) they remain so held.

(b) The Preferred Ordinary Shareholders shall be entitled to exercise at any general meeting of the Company (whether on a show of hands or a poll) such number of votes as they would have been entitled to exercise on a poll at that meeting had Listing occurred immediately prior to that meeting and their Preferred Ordinary Shares been converted into Ordinary Shares in accordance with article 4(C)(b) above.

CLASS RIGHTS

5. (a) Subject to the provisions of this article, whenever the capital of the Company is divided into different classes of share the special rights attached to any class may be varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up only with the consent in writing of the holders of three fourths of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class, but not otherwise.

(b) All the provisions of these articles relating to general meetings of the Company shall, mutatis mutandis, apply to every separate meeting of the holders of the shares of any class, except that the necessary quorum shall be two persons at least holding or representing by proxy one third in nominal amount of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present those members who are present shall be a quorum), and that the holders of shares of the class shall, on a poll, have one vote in respect of every share of the class held by them respectively.

(c) For the purposes of the articles, Institutional Ordinary Shares shall be deemed to be a separate class of shares notwithstanding that they are Ordinary Shares.

(d) The rights attaching to Institutional Ordinary Shares shall be deemed to be altered by any change to the articles which alters the offer round procedure applicable to Ordinary Shares as set out in article 13 below.

(e) Without prejudice to the generality of this article, the special rights attached to the Third Preference Shares shall be deemed to be varied:-

(i) by any alteration or increase or reduction of the authorised or issued capital of the Company or any of its subsidiaries except in connection with:

(aa) the conversion of the Third Preference Shares;

(bb) any issue of shares to satisfy entitlements of optionholders under the Benfield Employee Share Schemes;

(cc) any purchase of Ordinary Shares by the Company pursuant to the offer round procedure provided for in article 13; or

by any variation (except as aforesaid) of the rights attached to any of the shares for the time being in the capital of the Company or any of its subsidiaries; or

(ii) by the sale of the undertaking of the Company or of any of its subsidiaries or any substantial part thereof; or

(iii) by the disposal of the majority of the shares in the capital of any trading subsidiary of the Company; or

(iv) by the application by way of capitalisation of any sum in or towards paying up any debenture or debenture stock of the Company; or

(v) by the calling of a meeting of the Company for the purpose of considering a resolution for the winding-up of the Company or the passing or signing of any such resolution; or

(vi) by the calling of a meeting of the Company for the purpose of considering a resolution to approve a contract by the Company to redeem or purchase any of its shares or the passing or signing of any such resolution (save as provided by article 4(C)(a)(ii)); or

(vii) by the calling of a meeting of the Company for the purpose of considering a resolution for amending the memorandum or articles of association of the Company or the passing or signing of any such resolution; or

(viii) by any change in the Company's accounting reference date or that of any of its subsidiaries; or

(ix) by the making of any capital distribution by the Company.

(f) Without prejudice to the generality of this article, the rights attaching to the Ordinary Shares and Convertible Ordinary Shares issued pursuant to the

Acquisition Agreement shall be deemed to be varied by any alteration to the provisions of article 4(D), article 13(f)(ii) or article 13(f)(iii).

ISSUES OF NEW ORDINARY SHARE CAPITAL

6. (a) Notwithstanding any other provisions of these articles, but subject to article 6(b) and (c) below, any Ordinary Shares of the Company from time to time proposed to be allotted (other than Ordinary Shares or Convertible Ordinary Shares to be issued pursuant to the Acquisition Agreement) shall before allotment be offered for subscription to the existing holders of the Ordinary Shares and the Preferred Ordinary Shareholders in proportion (as nearly as may be without involving fractions) to their existing holdings of Ordinary Shares (in the case of the existing holders of Ordinary Shares) and the number of Ordinary Shares which the Preferred Ordinary Shareholders would hold on the assumption that all the Preferred Ordinary Shares had been converted into new Ordinary Shares immediately prior to the allotment in accordance with article 4(C)(b) (in the case of the Preferred Ordinary Shareholders). Any such offer ("the first offer") shall specify that it may be accepted within a period of 21 days ("the first offer period") and in default of such acceptance will lapse. Any shares so offered remaining unaccepted at the expiry of the first offer period shall forthwith thereafter be offered for subscription to those holders who have accepted the first offer in full, for acceptance by them within 14 days ("the second offer period") on terms that in the case of competition the shares so offered shall be allotted to the applicants (as nearly as may be without involving fractions or increasing the number allotted to any applicant beyond that applied for by him) in proportion to their existing holdings of ordinary share capital. The Directors shall be entitled to allot any shares remaining unaccepted at the expiry of the second offer period to such persons as they may select ("the offerees") provided that no such allotment shall be made to the offerees on terms more favourable than those originally offered to the existing holders of the Ordinary Shares and the Preferred Ordinary Shares and provided further that the Directors shall not be entitled to make any such allotment at any date later than the date two months after the expiry of the said offer period.

(b) Ordinary Shares proposed to be allotted to the following persons shall not be subject to the provisions of article 6(a) above:-

(i) the trustees of the Benfield Employee Benefit Trust in their capacity as trustees of that trust;

(ii) the beneficiaries of the Benfield Employee Benefit Trust if the Ordinary Shares are to be allotted to them pursuant to the Benfield Employee Share Schemes; and

(iii) employees or prospective employees of the Company.

Provided that sub-paragraph (iii) of this paragraph (b) shall not apply unless both a majority of the holders (if any) of the Institutional Ordinary Shares and a majority of the Preferred Ordinary Shareholders consent in writing to its application.

(c) The provisions of article 6(a) above shall not apply to any case:-

(i) in respect of which they are disapplied by an ordinary resolution of the Company or a written resolution of the holders of a majority of the issued Ordinary Shares and in respect of which both a majority of the holders (if any) of the Institutional Ordinary Shares and a majority of the Preferred Ordinary Shareholders consent in writing to their disapplication;

(ii) in respect of the conversion of the Convertible Ordinary Shares pursuant to article 4(D).

REDEMPTION AND PURCHASE OF OWN SHARES

7. (a) Subject to the provisions of Part V of the Act and subject to any rights attaching to any class of share of the Company, the Company may:-

(i) issue shares which are to be redeemed or are liable to be redeemed at the option of the Company or the shareholders concerned; or

(ii) purchase its own shares (including any redeemable shares).

(b) Any payment by the Company in respect of the redemption or purchase under sections 159 and 160 or (as the case may be) section 162 of the Act and the relevant power under paragraph (a) of this article 7, of any of its own shares, may be made otherwise than out of distributable profits of the Company or the proceeds of a fresh issue of shares to the extent permitted by sections 171 and 172 of the Act.

CALLS

8. The liability of any member in default in respect of a call shall be increased by the addition at the end of the first sentence of regulation 18 of Table A of the words "and all expenses that may have been incurred by the company by reason of such non-payment".

LIEN

9. The lien conferred by regulation 8 of Table A shall extend to fully paid shares, and to all shares registered in the name of any person indebted or under liability to the Company, whether he shall be the sole registered holder thereof or shall be one of several joint holders.

TRANSFER AND TRANSMISSION OF SHARES

10. (a) No sale or transfer of any shares (or any interest therein) (hereinafter called "the specified shares") conferring the right to vote at general meetings of the Company which would result if made and registered in a person or persons who was or were not a member or members of the Company on the date of the adoption of these articles obtaining a controlling interest in the Company shall be made or registered without the previous written consent of Govett, 3i and a majority by number of the Preferred Ordinary Shareholders unless, before the transfer is lodged

for registration, the proposed transferee or transferees or his or their nominees has or have offered to purchase the whole of the Ordinary Shares registered or to be registered on the conversion of any Convertible Shares in the name of any member of the Govett Group and any member of the 3i group and their respective nominees and the whole of the issued Preferred Ordinary Shares at the specified price as hereinafter defined. Any transfer of shares to any such proposed transferee or transferees shall not be subject to the restrictions on transfer contained in articles 12(b) or 13.

For this purpose of this article:-

(i) the expression "a controlling interest" shall mean an interest (construed in accordance with the definition of "Triggering Event" in article 2) in shares conferring in the aggregate 50 per cent. or more of the total voting rights conferred by all the shares in the capital of the Company for the time being in issue and conferring the right to vote at all general meetings. All other regulations of the Company relating to the transfer of shares and the right to registration of transfers shall be read subject to the provisions of this article;

(ii) the expressions "transfer", "transferor" and "transferee" shall include respectively the renunciation of a renounceable letter of allotment, the original allottee and the renounee under any such letter of allotment; and

(iii) the expression "the specified price" shall mean a price per share at least equal to that offered or paid or payable by the proposed transferee or transferees or his or their nominees for the specified shares to the holders thereof plus an amount equal to the relevant proportion of any other consideration (in cash or otherwise) received or receivable by the holders of the specified shares which having regard to the substance of the transaction as a whole can reasonably be regarded as an addition to the price paid or payable for the specified shares and in the event of disagreement the calculation of the specified price shall be referred to an umpire (acting as expert and not as arbitrator) nominated by the parties concerned (or, in the event of a disagreement as to nomination, appointed by the President for the time being of the Institute of Chartered Accountants in England and Wales). The decision of the umpire, whose costs shall be borne by the transferor, shall be final and binding.

References in this article to Govett and 3i include their respective successors in title as holders of shares in the Company.

(b) Any transfer of shares by the trustees of the Benfield Employee Benefit Trust to beneficiaries of that trust shall not be subject to the restrictions on transfer contained in article 12(b).

11. (a) Notwithstanding any other provisions of these articles, a transfer of any shares in the Company held by a member of a relevant group may be made to any other member of the relevant group without restriction as to price or otherwise provided always that no such transfer shall be approved for registration by the Directors if its registration would bring about any breach of or non-compliance with any of the provisions of sections 10, 11 and 12 of the Lloyd's Act 1982 on the part of the Company or any of its related companies as defined in that Act.

(b) Where shares have been transferred as permitted under this article 11 (whether directly or by a series of transfers) and subsequently the company holding such shares ceases to be a member of the relevant group it shall be the duty of that company to notify the Directors in writing that such event has occurred and the company holding the shares in question shall be bound to transfer the beneficial and registered ownership of any shares in the Company which it owns to another company which remains a member of the relevant group.

12. (a) The Directors in their absolute discretion and without assigning any reason therefor may decline to register any transfer of any shares of whatever class which are not fully paid up or on which the Company has a lien. They may also refuse to register a transfer unless:-

(i) it is lodged at the office or at such other place as the directors may appoint and is accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer;

(ii) it is in respect of only one class of shares; and

(iii) it is in favour of not more than four transferees.

(b) Subject to the provisions of article 11, the Directors (in their absolute discretion and without assigning any reason therefor) may decline to register any transfer of a share (whether fully paid or not) which is not an Ordinary Share or a Convertible Ordinary Share.

13. (a) Except as otherwise specifically provided in these articles, no member shall be entitled to transfer or dispose of any Ordinary Shares or Convertible Ordinary Shares in the Company or any interest in such Ordinary Shares or Convertible Ordinary Shares, whether by way of sale or otherwise, without the relevant Ordinary Shares or Convertible Ordinary Shares first being offered round in the appropriate manner provided for in the remainder of this article.

(b) The offer round procedure shall not apply:-

(i) in any case where and insofar as members for the time being holding ninety-five per cent. of the equity share capital of the Company then in issue and a majority of the Preferred Ordinary Shareholders have so consented in writing; or

(ii) in relation to any transfer by the Benfield Employee Benefit Trust; or

(iii) in relation to any transfer permitted by article 11; or

(iv) in relation to any transfer by any Director of in aggregate up to 20 per cent. of the Ordinary Shares held by him on the date of adoption of these articles to a bona fide long term employee or prospective employee of the Company or any of its subsidiaries.

(c) Any member intending to transfer or dispose of some or all of his Ordinary Shares or Convertible Ordinary Shares (or any interest therein) shall give notice in writing (in this article called a "transfer notice") to the Company that he wishes to transfer or dispose of such Ordinary Shares or Convertible Ordinary Shares. A transfer notice shall be in a form approved by, and contain the information required by the Directors. The transfer notice shall constitute the Company his agent to offer for sale the shares in question in accordance with the succeeding provisions of this article, and, if a sale is concluded, to implement that sale in accordance with its terms. A transfer notice, once received by the Company, shall be irrevocable save with the sanction of the Directors.

(d) To be valid in respect of any Transfer Period, a transfer notice must be given to the Company so as to be received not later than 14 days preceding the beginning of that Transfer Period, subject to paragraph (h) below and the Directors' discretion to accept late submission of a transfer notice at their sole discretion, if they see fit to do so.

(e) If any person becomes entitled to an Ordinary Share or a Convertible Ordinary Share in consequence of the death, bankruptcy or liquidation of any member, that person will, *mutatis mutandis*, be deemed thereupon to have served a transfer notice in respect of all those shares.

(f) (i) Subject to article 13(f)(ii) and (iii) if any member, being a director or employee of the Company or any company under its control (within the meaning of section 840 of the Income and Corporation Taxes Act 1988 ("an employed member")) shall for any reason whatsoever (including death) cease or have ceased at any time to be such a director or employee (or, in the case of a director who is also an employee, cease to be such a director and such an employee) he shall, *mutatis mutandis*, be deemed thereupon to have served a transfer notice in respect of all the Ordinary Shares and the Convertible Ordinary Shares registered in his name (except as a trustee of the Benfield Employee Benefit Trust) and if any person acquires any Ordinary Shares or Convertible Ordinary Shares in pursuance of rights or interests obtained by a Director or an employee of the Company and, at the time of such acquisition, that person was not or had ceased to be a Director or an employee of the Company he shall be deemed thereupon to have served a transfer notice in respect of all such Ordinary Shares and Convertible Ordinary Shares registered in his name.

(ii) (A) In the event that any member who acquires his Ordinary Shares or Convertible Shares pursuant to the Acquisition Agreement, being an employee of the Company or of its subsidiaries, ceases to be such an employee (or, in the case of a Director who is also an employee, ceases to be such a Director and such an employee) during the period from the date of the adoption of these articles to 30th September 1999 inclusive where his employment is terminated by the employing company in circumstances which do not entitle the employing company (by reason of a breach of contract on the part of the member) to dismiss him summarily without paying damages ("Good Leaver") or (in the case of Ken Field) at his retirement age as specified in his contract of employment in circumstances where article 13(f)(i) has not by such retirement age been triggered, then notwithstanding any other provisions of these articles:-

(1) in respect of Ordinary Shares ("Relevant Ordinary Shares") held by such member:-

(a) the Company shall, subject to the provisions of the Act, be obliged forthwith to offer to purchase from such member (or any person entitled to such Ordinary Shares in consequence of such member's death ("Estate")) out of its distributable profits, and such member or his Estate shall be obliged to offer to sell to the Company, the Relevant Ordinary Shares at the price specified in the Acquisition Agreement;

(b) the Directors shall, to the extent within their powers, take such steps as may be required by the Act to approve and effect any such purchase as soon as reasonably practicable after the Company's obligation to purchase any Relevant Ordinary Shares arises; and

(c) if the Company shall be unable, in compliance with the provisions of the Act, to purchase all or any of the Relevant Ordinary Shares in accordance with article 13(f)(ii)(1)(a), then the Company shall purchase such number of the Relevant Ordinary Shares as may lawfully be purchased at such time. The Company shall purchase, immediately prior to the next occasion when the Company is proposing to pay a dividend to the holders of Ordinary Shares, those of the Relevant Ordinary Shares which have not previously been purchased;

(2) in respect of Convertible Ordinary Shares ("Relevant Convertible Ordinary Shares") held by such member:-

(a) such member or his Estate shall be entitled to retain the Relevant Convertible Ordinary Shares and shall not be obliged to offer round the Relevant Convertible Ordinary Shares;

(b) upon conversion of the Relevant Convertible Ordinary Shares into Ordinary Shares ("Converted Shares"), the Company shall, subject to the provisions of the Act, be obliged forthwith to offer to purchase from such member or his Estate out of its distributable profits, and such member or his Estate shall be obliged to offer to sell to the Company, the Converted Shares at the price specified in the Acquisition Agreement;

(c) the Directors shall, to the extent within their powers, take such steps as may be required by the Act to approve and effect any such purchase as soon as reasonably practicable after the Company's obligation to purchase any Converted Shares arises; and

(d) if the Company shall be unable, in compliance with the provisions of the Act, to purchase all or any of the Converted Shares in accordance with article 13(f)(ii)(2)(b), then the Company shall purchase such number of the Converted Shares as may lawfully be purchased at such time. The Company shall purchase, immediately prior to the next occasion when the Company is proposing to pay a dividend to the

holders of Ordinary Shares, those of the Converted Shares which have not previously been purchased; and

(3) notwithstanding the provisions of articles 13(f)(ii)(1) and (2), the Company shall not be obliged to utilise distributable profits of the Company to purchase Relevant Ordinary Shares and Converted Shares if and to the extent that the Directors reasonably consider that such distributable profits will be needed during the then current financial year to pay any Preference Dividend, Fixed Dividend, Participating Dividend, Catch-Up Dividend, Interim Fixed Dividend or Interim Participating Dividend.

(B) In the event that any holder of Convertible Ordinary Shares (a "Bad Leaver") shall cease to be an employee of the Company or of any of its subsidiaries during the period from the date of the adoption of these articles to 30th September 1999 inclusive in circumstances in which he is not a Good Leaver, then notwithstanding any other provisions of these articles:-

(1) he shall be deemed thereupon to have served a transfer notice in respect of all the Convertible Ordinary Shares registered in his name at a price of £0.05 pence per share;

(2) such Convertible Ordinary Shares shall be offered by the Directors to the other holders of Convertible Ordinary Shares in proportion to their holdings of Convertible Ordinary Shares;

(3) the Directors shall re-offer any of such Convertible Ordinary Shares which are not taken up by any such person to those holders of Convertible Ordinary Shares who do offer to take up such Convertible Ordinary Shares in proportion to their respective holdings of Convertible Ordinary Shares; and

(4) following completion of the procedure described in articles 13(f)(ii)(1), (2) and (3), the Bad Leaver shall, upon payment of the price, transfer the relevant Convertible Ordinary Shares to the appropriate person or persons. If the Bad Leaver makes default in transferring the shares, the Directors shall nominate some person to execute the necessary transfer on behalf of the Bad Leaver and receive the purchase money and shall thereupon cause the name of the purchaser to be entered on the register as the holder of the shares and shall hold the purchase money in trust for the Bad Leaver. The receipt of the Company shall be a good discharge to the Purchaser, and after his name has been entered on the Register in purported exercise of the aforesaid power the validity of the proceedings shall not be questioned by any person.

(iii) In the event that the Company is entitled pursuant to the terms of the Acquisition Agreement to set off a claim against any Ordinary Shares held by a member, then notwithstanding any other provisions of the Acquisition Agreement, the provisions of article 13(f)(ii)(A)(1) shall apply, mutatis mutandis, save that the consideration payable by the Company in respect of each Ordinary Share shall be £0.01p.

(g) After the date of adoption of these articles no employed member may, without the consent of the Directors, sell, transfer or otherwise dispose of any beneficial interest in any Ordinary Shares or Convertible Ordinary Shares. If any such interest is sold, transferred or disposed of without the consent of the Directors, the employed member in question shall be deemed thereupon to have served a transfer notice in respect of the shares in question.

(h) Any transfer notice deemed to be served by virtue of paragraphs (e) to (g) above will be immediately effective for the purposes of article 4(F)(a) (voting rights), but will be valid in respect of the next Transfer Period to begin thereafter (or, if the Directors so determine, any Transfer Period then current) notwithstanding paragraph (d) above. Any member who has served or is deemed to have served a transfer notice in accordance with this article 13 is referred to in this article 13 as a "Transferor".

(i) In advance of any Transfer Period, the Directors will appoint the Auditors (or at their discretion, another appropriately qualified external and independent valuer) to give a view on the market value of any shares which are the subject of a transfer notice served in respect of such Transfer Period.

(j) The valuer shall take into account the information available in respect of the most recent audit, together with any additional information that is then available. The valuer shall be requested to perform the valuation promptly and in any event within a period specified by the Company in the terms of appointment. In performing the valuation and for the purposes of these articles, the valuer will act as an expert and not as an arbitrator.

(k) The valuer's remuneration will be calculated on a basis to be determined by the Company and, unless otherwise agreed, will be borne to the extent permitted by law by the Company and otherwise by the Transferor.

(l) The Directors may, if in their absolute discretion they so decide, offer any Ordinary Shares or Convertible Ordinary Shares which are the subject of a valid transfer notice for sale at the market value as determined by the valuer to the following persons in the following order of priority:

- (i) first, to the Benfield Employee Benefit Trust;
- (ii) secondly, (to the extent not taken up) to the Company for purchase out of its distributable profits;
- (iii) thirdly, (to the extent not taken up) to any other holder or holders of Ordinary Shares selected by the Directors;
- (iv) fourthly, (to the extent not taken up) to the Preferred Ordinary Shareholders in proportion to their holdings of Preferred Ordinary Shares;

(v) finally, (to the extent not taken up) to any other person or persons selected by the Directors;

provided that Institutional Ordinary Shares shall only be offered to the Company for purchase if the purchase would not have a material adverse effect on the tax position of the Transferor.

(m) If there is more than one person to whom Ordinary Shares or Convertible Ordinary Shares are offered as mentioned in paragraph (l)(iii) or (v) above, the Directors shall be entitled to allocate the Ordinary Shares or Convertible Ordinary Shares to be offered among such persons as they may decide, in the case of persons referred to in paragraph (l)(iii) to re-offer any such Ordinary Shares or Convertible Ordinary Shares which are not taken up by any such person to another such person before offering the same to the Preferred Ordinary Shareholders and, otherwise, subject to the conditions specifically laid down in these articles, to conduct the offer of Ordinary Shares or Convertible Ordinary Shares in such manner as they shall consider appropriate.

(n) If any person to whom Ordinary Shares or Convertible Ordinary Shares are offered in accordance with paragraphs (l) and (m) expresses an interest in buying those shares at the valuer's market valuation, the Directors will indicate the relevant valuation to the relevant Transferor and shall only proceed with any sale of the relevant shares if the relevant Transferor confirms to the Directors that he wishes a sale at that price to proceed (except where the relevant transfer notice was deemed to be served by paragraphs (e) to (g) above, in which case the Directors shall proceed with a sale to such prospective purchaser at a price equal to the valuer's market valuation);

(o) Where in the reasonable opinion of the Directors not all the Ordinary Shares or Convertible Ordinary Shares which are the subject of valid transfer notices are likely to be sold at the market value as determined by the valuer, the Directors may in their absolute discretion select those Ordinary Shares or Convertible Ordinary Shares which may be so sold and may in respect of the remaining shares indicate to each relevant Transferor a different price from the market value as determined by the valuer at which the Directors consider that it would be possible for the remaining shares to be sold in the Transfer Period. In such a case, if the relevant Transferor (including, for the purposes of this paragraph, any person deemed to have served a transfer notice by paragraphs (e) to (g) above) confirms that he wishes his remaining shares to be re-offered for sale at that different price those shares shall be so re-offered but otherwise in accordance with paragraphs (l) to (n) and this paragraph (o).

(p) Following the completion of the procedure described in the above paragraphs the Transferor shall, upon payment of the price, transfer the relevant Ordinary Shares or Convertible Ordinary Shares to the appropriate person. If the Transferor makes default in transferring the shares, the Directors may nominate some person to execute the necessary transfer on behalf of the Transferor and receive the purchase money and shall thereupon cause the name of the purchaser to be entered on the register as the holder of the shares and shall hold the purchase money in trust for the Transferor. The receipt of the Company shall be a good discharge to the

purchaser, and after his name has been entered on the Register in purported exercise of the aforesaid power the validity of the proceedings shall not be questioned by any person.

(q) If any shares, other than Institutional Ordinary Shares, that are the subject of a transfer notice are not sold under the procedure referred to above, they will be retained by the relevant person, until, subject to paragraph (r) below, they are the subject of a further transfer notice. Any Institutional Ordinary Shares not taken up may be sold to such person or persons as the Transferor thinks fit.

(r) Any such unsold shares in respect of which the relevant Transfer Notice was deemed to be served by virtue of paragraphs (e) to (g) above will be deemed to continue to be subject to a Transfer Notice and may be sold in any later Transfer Period at the appropriate price relevant to such Transfer Period.

REQUIRED TRANSFER OF SHARES

14. If, on any occasion, the Company delivers a notice to any member holding shares other than Preferred Ordinary Shares, Third Preference Shares, Convertible Ordinary Shares and/or Institutional Ordinary Shares certifying that:

(i) an offer (whether or not conditional) has been made by a prospective purchaser which relates to the whole of the issued Ordinary Shares; and

(ii) holders of 70 per cent. of the aggregate number of Ordinary Shares then held by the Directors have indicated that they are prepared to accept an offer for their Ordinary Shares at that price,

the member shall be obliged to transfer his entire holding of such shares to the prospective purchaser on the terms of the offer provided that the price that the member will receive under the terms of the offer for each share will be no less than the price which the Directors will receive for that share under the terms of the offer.

article 13(p) shall apply to a transfer pursuant to this article 14 as it applies to a transfer pursuant to the service of a transfer notice but, subject to that, article 13 shall not apply to a transfer pursuant to this article 14.

BORROWING POWERS

15. The directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and, subject to section 80 of the Act, to issue debentures, debenture stock, and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

NOTICES OF MEETINGS

16. In any notice calling a meeting of the Company or of any class of members of the Company there shall appear with reasonable prominence the statement with regard to proxies required by section 372(3) of the Act.

PROCEEDINGS AT GENERAL MEETINGS

17. A poll may be demanded by one or more Members present in person or by proxy and having the right to vote at the meeting and paragraphs (b), (c) and (d) of regulation 46 of Table A shall be modified accordingly.

18. No shareholder or two shareholders shall be entitled to exercise in excess of 49 per cent. of the votes cast at any general meeting save at any general meeting where there are only two shareholders present in person or by proxy and entitled to vote.

DIRECTORS

19. Until otherwise determined by the Company in general meeting the number of Directors (excluding alternate directors) may be any number not exceeding ten.

20. The Directors shall have power at any time and from time to time to appoint any other person to be a Director of the Company, either to fill a casual vacancy or as an addition to the Board but so that the total number of Directors shall not at any time exceed the maximum number fixed as hereinbefore mentioned. Subject to this article 20 and to section 303 of the Act, a Director may be appointed under this article to hold office for life or any other period or upon such terms as to the rotation of his retirement as the Directors shall at the time of his appointment determine. A Director appointed to hold office for life or any other fixed period shall not during that period be subject to retirement by rotation or be taken into account in determining the rotation of retirement of directors.

21. For so long as RBIL (or any other member of the RBIL Group) and MPE (or any other member of the MPE Group) together hold at least one million Preferred Ordinary Shares, they shall be entitled, at any time and from time to time, jointly to appoint one person who is approved by a majority of the Directors (such approval not to be unreasonably withheld or delayed) as a non-executive Director, to remove such Director from office and (howsoever such person may be removed from office) to appoint another person (again being a person approved by a majority of the Directors (such approval not to be unreasonably withheld or delayed)) in his place. Any such appointment or removal shall be made by written notice to the Company and shall take effect forthwith upon service or at such other time as shall be specified in the relevant notice. Any Director so appointed shall be entitled to appoint any person approved by a majority of the other Directors (such approval not to be unreasonably withheld or delayed) to be his alternate Director, shall not be subject to retirement by rotation and, for so long as RBIL (or any other member of the RBIL Group) and MPE (or any other member of the MPE Group) together hold at least one million Preferred Ordinary Shares, shall be removed only with their prior written consent. The second and third sentences of article 25 shall apply to any person appointed as an alternate Director in accordance with this article 21.

22. Provided that a Director declares his interest in a contract or arrangement or proposed contract or arrangement with the Company in manner provided by section 317 of the Act he shall be counted in the quorum at any meeting of directors at

which the same is considered and shall be entitled to vote as a Director in respect thereof.

PROCEEDINGS OF DIRECTORS

23. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and, until so fixed, shall, except when one Director only is in office, be two. When one Director only is in office he shall have and may exercise all the powers and authorities in and over the affairs of the Company as by the regulations of the Company are conferred on the Board of Directors.

24. A resolution determined on without any meeting of Directors and evidenced by writing under the hands of all the Directors or a sole Director shall be as valid and effectual for all purposes as a resolution of the Directors passed at a meeting duly convened, held and constituted.

ALTERNATE DIRECTORS

25. A Director, other than a sole Director and a Director appointed by the Preferred Ordinary Shareholders, who for any reason considers that he is unlikely to be able to attend meetings of the Board of directors may, with the approval of the other directors, by writing appoint any person to be an alternate Director in his place for a period not exceeding six months on any one occasion. The person so appointed shall not be required to hold any qualification share and shall be entitled to receive notices of and to attend and vote at meetings of the Board and shall automatically vacate his office on the expiration of the term for or the happening of the event until which he is by the terms of his appointment to hold office if the appointor in writing revokes the appointment or himself ceases for any reason to hold office as a Director. An appointment of an alternate Director under this article shall not prejudice the right of the appointor to receive notices of and to attend and vote at meetings of the Board and the powers of the alternate Director shall automatically be suspended during such time as the Director appointing him is himself present in person at a meeting of the Board.

DIVIDENDS

26. All shares of a class shall participate equally in dividends declared or paid in respect of shares in the Company and regulation 104 of Table A shall not apply to the Company.

INDEMNITY

27. Subject to the provisions of and so far as may be permitted by the Act, every director, secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities incurred or sustained by him in the execution and discharge of his duties or otherwise in relation thereto. Regulation 118 of Table A shall be extended accordingly.

SEAL

28. The seal, if any, shall only be used by the authority of the Directors or of a committee of Directors authorised by the Directors. The Directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by a Director and by the Secretary or by a second Director. Any document signed by a Director and the Secretary of the Company or by two Directors and expressed (in whatever form of words) to be executed by the Company has the same effect as if executed under the seal of the Company. A document shall only be so signed with the authority of a resolution of the Directors or a committee of the Directors.

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Company Number: 2265140

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

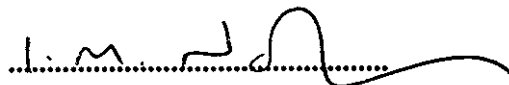
**RESOLUTIONS
OF
THE BENFIELD GROUP LIMITED**

Passed 2 December 1996

We, the undersigned, being all of the Third Preference Shareholders of the Company for the time being entitled to receive notice of and to attend and vote at general meetings as holders of the Third Preference Shares (or being a corporation by a duly authorised representative) and pursuant to the Articles of Association hereby resolve that the following special resolution be passed:-

SPECIAL RESOLUTIONS

1. **THAT** the regulations contained in the document attached to these resolutions be adopted as the Articles of Association of the Company in substitution for the regulations contained or incorporated in the present Articles of Association of the Company.
2. **THAT** the accounting reference date of the Company and its subsidiaries be extended from 30th June to 31st December.


.....
**Director of
3i PLC**

.....
**Director of
Govett Strategic
Investment Trust plc**

Company Number: 2265140

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

**RESOLUTIONS
OF
THE BENFIELD GROUP LIMITED**

Passed 2 December 1996

We, the undersigned, being all of the Third Preference Shareholders of the Company for the time being entitled to receive notice of and to attend and vote at general meetings as holders of the Third Preference Shares (or being a corporation by a duly authorised representative) and pursuant to the Articles of Association hereby resolve that the following special resolution be passed:-

SPECIAL RESOLUTIONS

1. **THAT** the regulations contained in the document attached to these resolutions be adopted as the Articles of Association of the Company in substitution for the regulations contained or incorporated in the present Articles of Association of the Company.
2. **THAT** the accounting reference date of the Company and its subsidiaries be extended from 30th June to 31st December.

.....
Director of
3i PLC


.....
Director of
Govett Strategic
Investment Trust plc

Company Number: 2265140

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

**RESOLUTIONS
OF
THE BENFIELD GROUP LIMITED**

Passed 2 December 1996

We, the undersigned, being all of the Preferred Ordinary Shareholders of the Company for the time being entitled to receive notice of and to attend and vote at general meetings as holders of the Preferred Ordinary Shares (or being a corporation by a duly authorised representative) and pursuant to the Articles of Association hereby resolve that the following special resolution be passed:-

SPECIAL RESOLUTIONS

THAT the regulations contained in the document attached to these resolutions be adopted as the Articles of Association of the Company in substitution for the regulations contained or incorporated in the present Articles of Association of the Company.


.....
Director of
Montagu Private Equity
Investments Limited

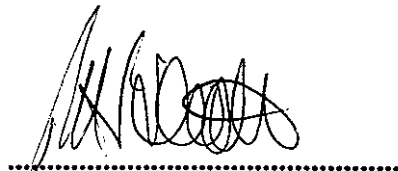
.....
Director of
Royal Bank Investments
Limited

We, the undersigned, being all of the Preferred Ordinary Shareholders of the Company for the time being entitled to receive notice of and to attend and vote at general meetings as holders of the Preferred Ordinary Shares (or being a corporation by a duly authorised representative).

Resolve that the accounting reference date of the Company and its subsidiaries be extended from 30th June to 31st December.

Date... 2 December 1996

Date.....



.....
Director of
Montagu Private Equity
Investments Limited

.....
Director of
Royal Bank Investments
Limited

No. 2265740

Company Number: 2265140

THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

**RESOLUTIONS
OF
THE BENFIELD GROUP LIMITED**

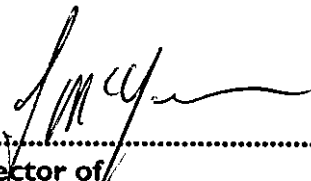
Passed **2** December 1996

We, the undersigned, being all of the Preferred Ordinary Shareholders of the Company for the time being entitled to receive notice of and to attend and vote at general meetings as holders of the Preferred Ordinary Shares (or being a corporation by a duly authorised representative) and pursuant to the Articles of Association hereby resolve that the following special resolution be passed:-

SPECIAL RESOLUTIONS

THAT the regulations contained in the document attached to these resolutions be adopted as the Articles of Association of the Company in substitution for the regulations contained or incorporated in the present Articles of Association of the Company.

.....
**Director of
Montagu Private Equity
Investments Limited**


.....
**Director of
Royal Bank Investments
Limited**

We, the undersigned, being all of the Preferred Ordinary Shareholders of the Company for the time being entitled to receive notice of and to attend and vote at general meetings as holders of the Preferred Ordinary Shares (or being a corporation by a duly authorised representative).

Resolve that the accounting reference date of the Company and its subsidiaries be extended from 30th June to 31st December.

Date.....

Date..... 2 December 1996

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Director of
Montagu Private Equity
Investments Limited


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Director of
Royal Bank Investments
Limited

No. 2265142