


Company no. 2728925

**THE COMPANIES ACT 1985**  
**PRIVATE COMPANY LIMITED BY SHARES**

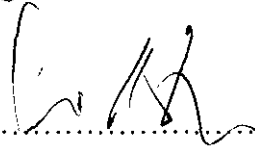
**WRITTEN RESOLUTION**  
**of**  
**FIRSTCITY INSURANCE GROUP LIMITED**  
**(the "Company")**

We, the undersigned, being all the members of the Company who at the date of this resolution are entitled to attend and vote at general meetings of the Company unanimously resolve in accordance with section 381A of the Companies Act 1985 (the "Act"):

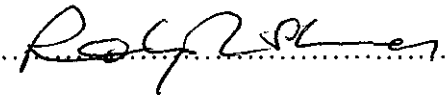
**THAT** the articles of association in the form attached to this resolution be and are hereby adopted as the new articles of association of the Company with immediate effect.

  
.....

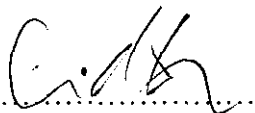
Higham Nominees Limited

  
.....

Simplemethod Limited

  
.....

The Trustee of FirstCity Insurance Group Limited Supplementary Employee Trust

  
.....

Valleymist Limited

Date: 26 MAY 2005

**The Companies Act 1985**

**PRIVATE COMPANY LIMITED BY SHARES**

**ARTICLES OF ASSOCIATION**

**OF**

**FIRSTCITY INSURANCE GROUP LIMITED**

**Adopted by  
Written Resolution passed 26th May 2005**

**1 Preliminary**

The regulations contained in Table A in the Schedule to the Companies (Table A to F) Regulations 1985 in force at the time of adoption of these Articles ("Table A") shall apply to the Company save insofar as they are excluded or varied by these Articles and such regulations (save as so excluded or varied) and these Articles shall be the regulations of the Company.

**2 Interpretation**

**2.1** In these Articles and in Table A the following expressions have the following meanings unless inconsistent with the context:-

"the Act"	the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force.
"these Articles"	these Articles of Association, whether as originally adopted or as from time to time altered by special resolution.
"Associate"	has the meaning set out in article 12.1(c).
"Bad Leaver"	a member who ceases to be an employee or a director of any member of the Group and who is not a Good Leaver.
"clear days"	in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.

"the directors"	the directors for the time being of the Company or (as the context shall require) any of them acting as the board of directors of the Company.
"employee benefit trusts"	<p>a trust or trusts established for the purpose of enabling or facilitating the acquisition of beneficial ownership of such shares or interests in shares by any of the following persons:</p> <ul style="list-style-type: none"> <li>(a) the bona fide employees or former employees of the Company or any subsidiary of the Company;</li> <li>(b) the wives, husbands, widows, widowers, children or step children under the age of 18 of such employees or former employees.</li> </ul>
"executed"	includes any mode of execution.
"FE Trustee"	FirstCity Employees Trustee Limited (no. 3340928).
"Founders"	Clive Davis and Timothy Watkins (or any person holding any Ordinary Shares as nominee on behalf of either of them).
"Good Leaver"	<p>a member who ceases to be an employee or a director of any member of the Group by reason of:</p> <ul style="list-style-type: none"> <li>(a) death;</li> <li>(b) retirement at contractual retirement age;</li> <li>(c) serious injury or disability such that the employee cannot return to work at the Company (or the relevant member of the Group) in any capacity;</li> <li>(d) pregnancy, where the employee has indicated that she will not return to work following maternity leave;</li> <li>(e) redundancy or unfair dismissal (within the meaning of the Employment Rights Act 1996);</li> <li>(f) such other reason as the directors, in their absolute discretion may determine.</li> </ul>
"Group"	the Company and any subsidiary or associated company for the time being of the Company and "member of the Group" shall be construed accordingly.
"the holder"	in relation to shares means the member whose name is entered in the register of members as the holder of the shares.
"office"	the registered office of the Company.
"Ordinary Shares"	the ordinary shares of 25p each in the capital of the Company.
"Permitted Transfer"	a transfer permitted under article 8.3.

“Permitted Transferee”	a transferee pursuant to a Permitted Transfer.
“Relevant Agreement”	any agreement relating (in whole or in part) to the management and/or affairs of the Company which is binding from time to time on the Company and the Shareholders and which (expressly or by implication) supplements and/or prevails over any provision of these Articles.
“seal”	the common seal of the Company (if any).
“secretary”	the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company, including a joint assistant or deputy secretary.
“Shares”	the issued shares in the capital of the Company from time to time and shall include any interest in a share.
“Shareholder”	a holder for the time being of shares in the capital of the Company.
“Transferor”	a person proposing or otherwise dispose of any Share or any interest or right in or arising from any Share.
“the United Kingdom”	Great Britain and Northern Ireland.

- 2.2 Unless the context otherwise requires, words or expressions contained in these Articles and in Table A bear the same meaning as in the Act but excluding any statutory modification thereof not in force when these Articles become binding on the Company. Regulation 1 of Table A shall not apply to the Company.

### 3 Share Capital

- 3.1 The authorised share capital of the Company at the time of adoption of these Articles is £875,100 divided into 3,500,400 Ordinary Shares of 25 pence each ranking pari passu.
- 3.2 Subject to any special rights conferred upon the holders of any shares or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may by special resolution determine.
- 3.3 Subject to the Act, any preference shares may be issued on the terms that they are, or at the option of the Company are to be liable, to be redeemed on such terms and in such manner as the Company may by special resolution determine.
- 3.4 Subject to any direction to the contrary which may be given by the Company in general meeting, the directors are unconditionally authorised to exercise all powers of the Company to allot relevant securities. The maximum nominal amount of relevant securities that may be allotted under this authority shall be the nominal amount of the unissued share capital at the date of adoption of these Articles. The authority conferred on the directors by this article shall remain in force for a period of five years from the date of adoption of these Articles but may be revoked, varied, or renewed from time to time by the Company in general meeting in accordance with the Act. However, the Company may make offers or agreements prior to the expiry of this authority which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities pursuant to the authority

notwithstanding that the authority has expired if they are allotted in pursuance of any such offer or agreement as aforesaid made by the Company prior to such expiry. The directors may allot equity securities pursuant to the authority contained in this Article as if section 89 (1) of the Act did not apply to the allotment of such securities

**4      Share Rights**

The holders of the Ordinary Shares shall have the right to receive notice of and attend and vote at any General Meeting of the Company. Each such holder present in person or by proxy or by representative shall be entitled on a show of hands to one vote and on a poll to one vote for each Ordinary Share held by him.

**5      Modification of Class Rights**

Subject to the Act, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of the regulations of the Company as to general meetings of the Company shall mutatis mutandis apply. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and any holder of shares of the class present in person or by proxy may demand a poll.

**6      Lien**

The Company shall have a first and paramount lien on all shares, whether fully paid or not, standing 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 the sole registered holder thereof or shall be one of two or more joint holders, for all monies presently payable by him or his estate to the Company. Regulation 8 of Table A shall be modified accordingly.

**7      Calls on Shares and Forfeiture**

There shall be added at the end of the first sentence of regulation 18 of Table A, so as to increase the liability of any member in default in respect of a call, the words "and all expenses that may have been incurred by the Company by reason of such non-payment."

**8      Validity of share transfers and Permitted Transfer**

**8.1**      The first sentence of Regulation 24 shall not apply to the Company. Without prejudice to the remaining provisions of Regulation 24 the Directors may refuse to register the transfer of any Shares to a person who is (or whom the Directors reasonably believe to be) under 18 years of age or who does not have (or whom the Directors reasonably believe does not have) the legal capacity freely to dispose of any Shares without let, hindrance or court approval.

**8.2**      Subject to Article 8.1, the Directors shall refuse to register the transfer of any Ordinary Share unless they are satisfied that such transfer is either:

(a)      a Permitted Transfer; or

(b)      a transfer made in accordance with and as permitted under articles 9, 10, 11 or 12.

**8.3**      Subject to articles 8.1 and 8.2 above and to articles 10 and 11 and to any Relevant

Agreement, any Member may transfer Ordinary Shares to the Company or FE Trustee (or any trustee of an employee benefit trust), the Founders may transfer beneficial interests in Ordinary Shares *inter se*, and a Member may at any time transfer an Ordinary Share of which he is the holder in the following circumstances in each case, without complying with the pre-emption provisions set out in article 9:

- (a) if the Member is a company ("Original Undertaking") it may transfer the Ordinary Share(s) of which it is beneficial owner to any other company ("Transferee Undertaking") which is a holding or subsidiary company of that Member or to any other subsidiary company of any such Member's holding company ("Group Undertaking"), provided that:
  - (i) if any Transferee Undertaking ceases to be a Group Undertaking in relation to the Original Undertaking then such Transferee Undertaking shall within seven days of such cessation transfer any Ordinary Shares in the Company held by it to the Original Undertaking or to any undertaking which, in relation to the Original Undertaking, is a Group Undertaking;
  - (ii) in the event of any default of article 8.3.1(a)(i) the Original Undertaking or (as the case may be) the Transferee Undertaking shall be deemed to have served a Mandatory Transfer Notice (as defined in article 9.4) in respect of all such Ordinary Shares;
- (b)
  - (i) any Ordinary Shares may be transferred by their beneficial owner ("Beneficial Owner") to a person shown to the reasonable satisfaction of the Board to be a nominee for the Beneficial Owner only;
  - (ii) where any Ordinary Shares have been transferred to a nominee pursuant to article 8.3(b), any such nominee may transfer any Ordinary Shares so transferred to the Beneficial Owner or to another person shown to the reasonable satisfaction of the Board to be a nominee for the Beneficial Owner only;
  - (iii) where a person to whom any Ordinary Shares have been transferred as a nominee pursuant to this article 8.3(b) ceases to hold such Ordinary Shares as nominee for the Beneficial Owner only he shall forthwith transfer such Ordinary Shares to the Beneficial Owner or to another person shown to the reasonable satisfaction of the Board to be a nominee for the Beneficial Owner only and in default of doing so he shall be deemed to have given a Mandatory Transfer Notice in respect thereof;
- (c) if the Member is an individual, his Ordinary Share(s) may be transferred, to an Associate (within the meaning of sub-paragraphs (a) and (b) of the definition of "Associate" contained in article 12.1(c)) of such Member; Provided that:
  - (i) where any Ordinary Shares have been transferred to any trustees referred to in article 12.1(c)(ii) the trustees may transfer any such Ordinary Shares to the trustees for the time being (on a change of trustee) of the trust in question;
  - (ii) in any case where a Member proposing to transfer Ordinary Shares under this Article 8.3(c) ("Proposing Transferor") holds those Ordinary Shares as a result of an earlier transfer authorised under this Article 8.3(c) from another

Member ("Original Member") the Proposing Transferor may only transfer those Ordinary Shares to a person to whom the Original Member could have transferred such Ordinary Shares under this Article 8.3(c);

(iii) the Ordinary Shares shall be re-transferred within seven days to the Original Member if the transferee pursuant to this article 8.3(c) is not or shall cease to be an Associate of the transferor (as so defined in this article 8.3(c)) failing which a Mandatory Transfer Notice shall be deemed to have been served in respect of the Ordinary Shares;

(d) with the prior consent in writing of the holders of not less than 80 per cent of the issued Ordinary Shares for the relevant time being, Ordinary Shares may be transferred to any person, firm or corporation.

## **9 Pre-emption rights**

9.1 Except in the case of a Permitted Transfer, the right to transfer or otherwise dispose of an Ordinary Share or any interest or right in or arising from an Ordinary Share (an option or other like right to acquire any Ordinary Share (whether by subscription or otherwise) being deemed to be an interest in a Ordinary Share for this purpose) shall be subject to the provisions contained in this article and any such transfer or other disposal made otherwise than in accordance with such provisions shall be void.

9.2 Before transferring or otherwise disposing of any Ordinary Share or any interest or right in or arising from any Ordinary Share, the Transferor shall give notice in writing (a "Transfer Notice") to the Company specifying the number of the Ordinary Shares, interest and/or rights of which the Transferor wishes to dispose.

9.3 Notwithstanding that a Transfer Notice specifies that the Transferor wishes to dispose only of an interest or right in or arising from or attaching to, the Ordinary Shares referred to therein, the Transfer Notice shall (notwithstanding anything in the Transfer Notice to the contrary) unconditionally constitute the Company as the agent of the Transferor in relation to the sale of all the legal title to, beneficial ownership of and all interests and rights attaching to the Ordinary Shares referred to therein (the "Sale Shares") at the Sale Price as hereinafter referred to in accordance with the provisions of this article. Save as herein provided, a Transfer Notice shall not be revocable except with the consent of the Directors.

9.4 Except in the case of a Transfer Notice which a Member is bound to give or is deemed to have given pursuant to article 10 (a "Mandatory Transfer Notice"), a Transfer Notice may include a condition (a "Total Transfer Condition") that if all the Sale Shares (of whatever class) are not sold to Approved Transferees (as hereinafter defined), then none shall be so sold.

9.5 Except in the case of a Mandatory Transfer Notice, the Transfer Notice may state, in addition to details of the Sale Shares:

(a) (if applicable) the name or names of a person or persons (such person or persons being hereinafter referred to as the "Proposing Transferee") to whom the Sale Shares (or an interest or right in or arising therefrom) are proposed to be transferred in the event that the Sale Shares are not acquired by Approved Transferees (as hereinafter defined); and

(b) the entire consideration per Ordinary Share for which any such transfers will be made (and, if any of the said consideration is not a cash price expressed in pounds

sterling an amount per Ordinary Share which is so expressed and which is commensurate with the entire consideration). In such event, subject to the Directors being satisfied (and to that end being provided with such evidence as they may reasonably require) that the consideration so stated is a bona fide consideration (and not inflated for any reason) agreed between the Transferor and the Proposing Transferee at arm's length and in good faith, such consideration shall be the Sale Price and the "Prescribed Period" (as hereinafter referred to) shall commence on the date on which the Transfer Notice is given and shall expire 60 days thereafter.

9.6 In the case of a Mandatory Transfer Notice or a Transfer Notice which does not state the further details referred to in article 9.5 relating to consideration or where the Directors are not satisfied that the consideration stated is a bona fide consideration within the terms of article 9.5:

- (a) if, not more than 30 days after the date on which the Transfer Notice was given or was deemed to be given (or such longer period (if any) as the Directors may, prior to the expiry of such period of 30 days, determine to allow for this purpose) the Transferor and the Directors shall have agreed a price per Ordinary Share as representing the fair value of the Sale Shares or as being acceptable to the Transferor and not more than the fair value thereof then such price shall be the Sale Price and the Prescribed Period shall commence on the date on which such agreement is reached and shall expire 60 days thereafter; or
- (b) failing such agreement, upon the expiry of the said 30 days (or such longer period (if any) as aforesaid) after the date on which the Transfer Notice was given or was deemed to be given the Directors shall instruct the auditors for the time being of the Company to determine and report the sum per Ordinary Share considered by them to be the fair value of the Sale Shares as at the date when the Transfer Notice was given or deemed to have been given (as the case may be) and the sum per Ordinary Share so determined and reported shall be the Sale Price and the Prescribed Period shall commence on the date on which the auditors shall so determine and report and shall expire 60 days thereafter.

9.7 For the purposes of article 9.6, the auditors shall act as experts and not as arbitrators and (save only for manifest error) their determination shall be final and binding upon the Company and all Members. The costs and expenses of the auditors in relation to the making of their determination shall be borne as to one half by the Transferor and as to the other half by the purchaser or purchasers (if any) in proportion to the number of Sale Shares to be purchased by them respectively. If there is no such purchaser, the full amount of the auditors' fees and expenses shall be borne by the Transferor. For the purposes of this article, the fair value of Sale Shares shall be the market value thereof on the basis of the following assumptions and bases:

- (a) valuing the Ordinary Shares on an arm's-length sale in good faith between a willing vendor and a willing purchaser;
- (b) if the Company is then carrying on business as a going concern on the assumption that it will continue to do so;
- (c) taking into account the profitability of the Company, the future prospects, achievement of budgets to date, past subscription price (including premium) paid for Ordinary Shares in the Company and net tangible assets of the Company;
- (d) that the Ordinary Shares are capable of being transferred in accordance with the



articles;

- (e) valuing the Ordinary Shares as a rateable proportion of the total value of all the issued Ordinary Shares of the Company which value shall not be enhanced or reduced by reference to the number of Ordinary Shares being purchased.

**9.8** Sale Shares shall be offered in writing by the Company to:

- (a) the trustees for the time being of any employee benefit trust;
- (b) next (if and insofar as not accepted following such offer under Article 9.8(a)) to the holders for the time being of Ordinary Shares (other than the Investor and the Transferor or any Permitted Transferee of the proposing transferor under Article 8.3 or any Member who has then served a Transfer Notice or deemed to have served a Mandatory Transfer Notice); and
- (c) next (if and insofar as not accepted following such offers under Article 9.8 (a) and (b)) to such person or persons (if any) as the Directors think fit.

Each such offer shall be made within 14 days after the last dates for acceptances in respect of the preceding offer as specified in Article 9.9. For the avoidance of doubt, the Company shall not be required to, and shall not, offer any Sale Shares to any person who remains a Member but who has been deemed to have given a Mandatory Transfer Notice on or prior to the date on which any such offer as is referred to in Article 9.8 is made.

**9.9** Any such offer as is required to be made by the Company pursuant to Article 9.8 shall be made as soon as practicable following the agreement or determination of the Sale Price for the relevant Sale Shares and shall specify a time (not less than 14 days, or more than 21 days) after such offer is made within which it must be accepted or, in default will lapse. Following any such offer pursuant to Article 9.8(b), if acceptances are received in respect of an aggregate number of Ordinary Shares in excess of that offered, the number of Sale Shares shall be allocated amongst those who have accepted the same in proportion to the number of Ordinary Shares held by each acceptor (or in the case of any such offer made to persons who are not already Members of the Company on such basis as the Directors shall determine) provided that no acceptor shall be obliged to acquire more Sale Shares than the number for which he has applied and so that the provisions of this Article 9.9 shall continue to apply mutatis mutandis until all Ordinary Shares which any such acceptor would but for this proviso have acquired on the proportionate basis specified above have been allocated accordingly.

**9.10** If a Transfer Notice shall validly contain a Total Transfer Condition then any such offer as aforesaid shall be conditional upon such condition being satisfied and no acceptance of an offer of Sale Shares will become effective unless such condition is satisfied. Subject thereto, any such offer as is required to be made by the Company pursuant to Article 9.8 shall be unconditional.

**9.11** If pursuant to Articles 9.8 and 9.9, the Company shall, pursuant to the foregoing provisions, find Members or other persons (herein called "Approved Transferees") to purchase some or (if Article 9.10 shall apply) all the Sale Shares it shall forthwith give notice in writing thereof to the Transferor and the Approved Transferees. Every such notice shall state the name and address of each of the Approved Transferees and the number of the Sale Shares agreed to be purchased by him and shall specify a place and time and date (not being less than three days nor more than seven days after the date of such notice) at which the sale and purchase shall be completed. Upon the giving by the Company of any such notice as aforesaid the

Transferor shall be bound (subject only to due payment of the Sale Price) to complete the sale of the Sale Shares to which such notice relates in accordance with its terms.

- 9.12 If a Transferor shall (save only for reason that an Approved Transferee does not duly pay the Sale Price) fail to duly transfer any Sale Shares to an Approved Transferee, the Directors shall be entitled to, and shall, authorise and instruct some person to execute and deliver on his behalf the necessary transfer and the Company may receive the purchase money in trust for the Transferor and shall cause such Approved Transferee to be registered as the holder of such Ordinary Shares. The receipt of the Company for the purchase money shall be a good discharge to the Approved Transferee (who shall not be bound to see to the application thereof) and after the Approved Transferee has been registered in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.
- 9.13 If by the procedure set out above the Company shall not find Approved Transferees willing to purchase some, or, if the relevant Transfer Notice validly contained a Total Transfer Condition, all, of the Sale Shares, it shall give notice in writing thereof to the Transferor within seven days after the last date for acceptances pursuant to the preceding provisions of this Article 9 and the Transferor, at any time thereafter up to the expiration of 60 days from the date of such notice, shall, (subject as hereinafter provided) be at liberty to transfer those of the Sale Shares not purchased by Approved Transferees or all the Sale Shares (as the case may be) to the Proposing Transferee or, where the Transfer Notice did not contain details of a Proposing Transferee, to any person or persons (not being more than two in number) on a bona fide sale at any price not being less than the Sale Price. The Directors may require the Transferor to provide evidence to them (to their reasonable satisfaction) that such Ordinary Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the transfer without any deduction, rebate, allowance or indulgent terms whatsoever to the purchaser thereof and if not so satisfied may refuse to register the instrument of transfer.
- 9.14 Any Ordinary Share required to be transferred by a Transferor to an Approved Transferee pursuant to this article shall be transferred free from any mortgage, charge, lien, option or other encumbrance and with the benefit of all rights and entitlements attaching thereto.

## **10 Special Provisions Relating to Share Transfers**

- 10.1 If any person shall purport to transfer or otherwise dispose of any Ordinary Share or any interest in or right arising from any Ordinary Share otherwise than as permitted under article 8.3 or in accordance with the provisions of article 9, such person and any Associate of such person who holds Ordinary Shares originally held by such Member shall, unless and to the extent (if any) that the Directors otherwise determine at the relevant time, be deemed to have given on the date on which the Directors give notice to such person that they have become aware of the purported transfer or other disposal, a Transfer Notice in respect of all Ordinary Shares of which such person and any such Associate of such person (in respect only of the Ordinary Shares originally held by the Member) is then the holder.
- 10.2 If any person becomes entitled to Ordinary Shares in consequence of the death, bankruptcy or liquidation of a Member (unless a transfer to such person would be a Permitted Transfer or the Directors determine otherwise at the relevant time) a Transfer Notice shall be deemed to have been given on the date on which the Directors become aware that such entitlement has arisen in respect of all Ordinary Shares held by the Member and any Associate(s) of such Member.
- 10.3 If a corporation which is a holder and beneficial owner of any Ordinary Share in the Company ceases to be controlled by the person or persons who were in control of the corporation at the time when the corporation became a Member of the Company, it shall,

within seven days of such cessation of control, give notice in writing to the Company of that fact and unless the Directors determine otherwise at the relevant time there shall be deemed to have been given as from the date on which the Directors become aware of such cessation (however they become so aware) a Transfer Notice in respect of all Ordinary Shares held and/or beneficially owned by such corporation and any Associate(s) of such corporation. For the purposes of this article 10.3 "control" shall have the same meaning as in section 416 Income and Corporation Taxes Act 1988.

- 10.4** For the purpose of ensuring that a transfer of Ordinary Shares is a Permitted Transfer or that no circumstances have arisen whereby a Transfer Notice is required or may be deemed to be given under any provision of article 9 or this article 10, the Directors may from time to time require any Member or the personal representatives of any deceased Member or any person named as transferee in any transfer lodged for registration or any person who was, is or may be an Associate of any of the foregoing to furnish to the Company such information and evidence as the Directors may think fit regarding any matter which they may deem relevant to such purpose. If such information or evidence discloses that a Transfer Notice ought to have been given in respect of any Ordinary Shares the Directors may by notice in writing stipulate that a Mandatory Transfer Notice shall as from the date of such notice or on such future date as may be specified therein be deemed to have been given by the holders of those Ordinary Shares and/or their Associates in respect of all or any of such Ordinary Shares. Failing such information or evidence being furnished to the reasonable satisfaction of the Directors within a reasonable time after request, the Directors shall be entitled to refuse to register the transfer in question or, in case no transfer is in question, to require by notice in writing that a Transfer Notice be given by the holders of the relevant Ordinary Shares in respect of all such Shares.

## **11 Compulsory Transfer**

- 11.1** This article applies when an employee or director of any member of the Group (other than either of the Founders) who:

- (a) is a holder of Ordinary Shares; and/or
- (b) has transferred Ordinary Shares to an Associate.

is declared bankrupt or ceases for any reason to be an employee of any member of the Group or, in the case of a director of any member of the Group, ceases for any reason to be a director of such member of the Group and is not an employee.

- 11.2** At any time after the date of such declaration or termination, the directors may serve notice (the "Sale Notice") on the holder of the Ordinary Shares (or his personal representatives or beneficiaries in the event of his death) and/or any Associate to whom he has transferred Ordinary Shares (each a "Compulsory Seller" and together the "Compulsory Sellers") requiring such person to offer some or all of the Ordinary Shares of which such person is the registered holder or to which he is entitled whether as a result of his holding of Ordinary Shares or otherwise (the "Transfer Shares") to:

- (a) a person or persons intended to take the employee's place;
- (b) any of the existing employees of any member of the Group;
- (c) an employees' share scheme or employee benefit trust of the Group; and/or
- (d) any other person or persons approved by resolution of the directors,

(each an "Offeree"). The Sale Notice may reserve to the directors the right to finalise the identity of the Offeree once the price for the Transfer Shares has been agreed or certified. The directors may serve notice on the holder of Ordinary Shares to which this article applies (or his personal representatives or beneficiaries in the event of death) and/or any Associate to whom he has transferred Ordinary Shares waiving their rights to serve a Sale Notice on such persons and from the date of service or such notice the relevant holders of Ordinary Shares shall cease to be subject to any further obligation to be required to sell their Ordinary Shares under this article.

- 11.3 The Transfer Shares shall be transferred by the Compulsory Seller to the Offeree identified by the directors free from all liens, charges and other encumbrances and together with all rights attaching to the Transfer Shares on the terms set out in articles 11.4 to 11.10 (inclusive).
- 11.4 If the Compulsory Seller is a Bad Leaver the consideration for the Transfer Shares shall be the price agreed between the Compulsory Seller and the directors or, if they do not agree a price within 14 days of the date of the Sale Notice, the Company shall instruct the Auditors to certify as soon as reasonably practicable, the Sale Price which shall be the price certified by the Auditors, acting as experts and not as arbitrators, to be the lower of the acquisition price paid for such shares and fair value pursuant to article 9.7 (the "Sale Price") on the date of service of the Sale Notice (the "Relevant Date").
- 11.5 If the Compulsory Seller is a Good Leaver, the price for each Transfer Share (the "Sale Price") shall be the price agreed between the Compulsory Seller and the directors or, if they do not agree a price within 14 days of the date of the Sale Notice, the Company shall instruct the Auditors to certify as soon as reasonably practicable, the fair value of such shares (as determined pursuant to Article 9.7) on the Relevant Date. The Auditors shall act as experts and not as arbitrators.
- 11.6 In relation to article 11.4 and 11.5, the Auditors shall be instructed to certify the price as soon as possible after being instructed by the Company to do so and their decision shall be final and binding on the parties (save in the case of fraud or manifest error). The costs of the Auditors shall be divided equally between the Compulsory Seller and the Company.
- 11.7 Within 21 days of the Sale Price being agreed, certified or determined:
- (a) the Company shall notify the Compulsory Seller of the name and address of the Offeree and the number of Transfer Shares to be offered to such person; and
  - (b) the Company shall serve notice on the Offeree specifying:
    - (i) the number of Transfer Shares on offer to him;
    - (ii) the Sale Price; and
    - (iii) the date, between 7 and 14 days after the date of the notice, on which the sale and purchase of the Transfer Shares is to be completed (the "Completion Date").
- 11.8 The Compulsory Seller shall deliver to the Company a duly executed stock transfer form in respect of the Transfer Shares together with the relevant share certificates (or an indemnity in respect thereof in a form satisfactory to the Board) by the Completion Date. On the Completion Date the Company shall pay the aggregate Sale Price due to the Compulsory Seller, on behalf of the Offeree, to the extent the Offeree has put the Company in the requisite

funds. Such payment shall be made in a manner to be agreed between the Company and the Compulsory Seller or, in the absence of such agreement, by cheque to its registered address. The Company's receipt for the aggregate Sale Price shall be a good discharge to the Offeree. The Company shall hold the aggregate Sale Price in trust for the Compulsory Seller without any obligation to pay interest.

- 11.9 If a Compulsory Seller fails to deliver to the Company by the Completion Date duly executed stock transfer forms for all of the Transfer Shares which he is due to transfer the directors may authorise any director to execute, complete and deliver in the name of and on behalf of the Compulsory Seller a transfer of the Transfer Shares (for the avoidance of doubt, including a share purchase agreement under which the Compulsory Seller agrees to transfer such shares with full title guarantee, a stock transfer form and an indemnity in respect of a share certificate in a form satisfactory to the Board) to the relevant Offeree to the extent the Offeree has, by the Completion Date, put the Company in funds to pay the aggregate Sale Price for the Transfer Shares offered to him. The directors shall then authorise registration of the transfer once appropriate stamp duty has been paid. The defaulting Compulsory Seller shall surrender to the Company his share certificate (or, where appropriate, provide an indemnity in respect thereof in a form satisfactory to the Board) for the Transfer Shares whereupon he shall be entitled to the aggregate Sale Price for the Transfer Shares transferred by him.
- 11.10 Unless the directors stipulate otherwise in writing, any shares held by a Compulsory Seller on the date on which he was declared bankrupt, ceased to be an employee of any member of the Group, or in the case of a director who was not an employee, the date he ceased to be a director of any member of the Group (and any shares issued to a Compulsory Seller after that date whether by virtue of the exercise of any right or option granted, or arising by virtue of the holding of the Transfer Shares by the Compulsory Seller) shall cease to confer the right to be entitled to receive notice of or to attend or vote at any general meeting of the Company or at any meeting of the holders of any class of shares in the capital of the Company with effect from such date (or, where appropriate, the date of issue of such shares, if later) and such shares shall not be counted in determining the total number of votes which may be cast at any such meeting or required for the purposes of a written resolution of any members or class of members. Such right shall be restored immediately upon the Company registering a transfer of the Transfer Shares pursuant to this article 11.
- 11.11 Unless the directors otherwise agree, any notice relating to the transfer of the Transfer Shares or any of them in force at the date on which the Compulsory Seller was declared bankrupt, ceased to be an employee of any member of the Group, or in the case of a director who was not an employee, the date he ceased to be a director of any member of the Group shall immediately be cancelled (unless all the shares subject to it have already been sold) and no further notice may be issued or be deemed to be issued in respect of the Transfer Shares except pursuant to this article 11.
- 11.12 No Shares to which this article applies shall be transferred pursuant to either article 8, 9 or article 10 until the relevant holder of Ordinary Shares can no longer be bound to sell them under this article.

## **12 Tag Along Right**

12.1 For the purposes of this article:

- (a) the expression "Buyer" means any person or persons acting in concert (as defined in 12.1(c)(vi)) who is not a Member or Members on the date of adoption of these Articles or any Associate of such person;

- (b) the expression "acquire" means to be or become the legal or beneficial owner of Shares, whether directly or indirectly and whether by the issue, transfer, renunciation or conversion of Shares or otherwise and whether all at one time or not;
- (c) the expression "Associate" means:
  - (i) the husband, wife, mother, father, grandmother, grandfather, brother, sister, child (including adopted child) or other lineal descendant of the relevant person;
  - (ii) the trustees of any settlement (whether or not set up by the relevant person) under which the relevant person and/or his spouse or children is or is capable of being a beneficiary;
  - (iii) any nominee or bare trustee for the relevant person or for any other Associate of the relevant person;
  - (iv) if the relevant person is a company, any subsidiary or holding company of the relevant person and any other subsidiary of any such holding company;
  - (v) any person with whom the relevant person or any Associate of the relevant person is connected, the question of whether any such person is so connected falling to be determined for this purpose in accordance with the provisions of section 839 Income and Corporation Taxes Act 1988; and
  - (vi) any person with whom any relevant person is acting in concert (such expression to have the same definition and meaning as that ascribed thereto in the City Code on Take-overs and Mergers as for the relevant time being current).

**12.2** No sale or transfer by any Member of some or all of their Shares ("Selling Members") to a Buyer shall (unless the directors determine otherwise) be effective or registered by the Company if the same would result in a Buyer holding or increasing their shareholding in the Company to 30% or more of the Shares unless, before the sale is made or transfer of such Shares is lodged for registration, the Buyer shall have made a written offer (a "Tag Along Offer") to all other Members to buy all the Shares held by all other Members for the same price per Share and otherwise on the same financial terms as those applying to the sale by the Selling Members of their Shares to the Buyer. Any Tag Along Offer shall specify:

- (a) the price for the Shares and any other principal financial terms of the sale (including if applicable an amount equal to the value of any non-cash or other valuable consideration given in connection with the sale, whether or not under the terms of the offer or any collateral agreement or understanding) which has been offered for each Share whose proposed transfer has led to the offer, plus a sum equal to any arrears of dividend; and
- (b) the period (being no less than 28 days) for acceptance by all other Members as at the date of adoption of these Articles.

**12.3** If within the period specified in the Tag Along Offer the other Members accept the said offer in writing, then the sale shall proceed on the same financial terms (including price per Share) and at the same time as the sale of the Selling Members' Shares to the Buyer.

### **13     Drag Along Rights**

- 13.1 In the event that one or more other members who together hold at least 90% of the Shares (the "Selling Members") propose to sell all of their respective Shares, the Selling Members shall, have the right (the "Drag Along Right") to require all of the other Members (the "Called Shareholders") to sell all of their Shares to the proposed purchaser (or his nominee) (the "Buyer") at the price specified in Article 12.2(a) (the "Drag Along Offer").
- 13.2 The Drag Along Right may be exercised by the Selling Members serving notice to that effect (the "Drag Along Notice") on the Called Shareholders.
- 13.3 A Drag Along Notice once given shall be irrevocable but shall lapse (and the obligations thereunder shall lapse) in the event that for any reason the Selling Members do not transfer the Shares which they were proposing to sell to the proposed Buyer prior to the date which is 14 days after the service of the Drag Along Notice.
- 13.4 Upon the exercise of the Drag Along Right in accordance with this Article 12 each of the Called Shareholders shall be bound to accept the Drag Along Offer made to him in respect of his entire holding of Shares in the Company and to comply with the obligations assumed by virtue of such acceptance.
- 13.5 In the event that any Called Shareholder fails to accept the Drag Along Offer made to him or, having accepted such Drag Along Offer, fails to complete the sale of any of his Ordinary Shares pursuant to the Drag Along Offer or otherwise fails to take any action required of him under the terms of the Drag Along Offer the directors (or any of them) may authorise any person to accept the Offer on behalf of the Called Shareholder in question or undertake any action required under the terms of the Drag Along Offer on the part of a Called Shareholder who has accepted the Drag Along Offer. The directors may in particular authorise any person to execute a transfer of any Ordinary Shares held by a Called Shareholder in favour of the Offeror and the Company may give a good receipt for the purchase price of such Ordinary Shares and may register the Offeror as holder thereof and issue to it certificates for the same. The Called Shareholder shall in such case be bound to deliver up his certificate for his Ordinary Shares to the Company whereupon the Called Shareholder shall be entitled to receive the purchase price for such Ordinary Shares which shall in the meantime be held by the Company on trust for the Called Shareholder, but without interest. After the name of the Offeror has been entered in the Register in purported exercise of these powers, the validity of the proceedings shall not be questioned by any person.

### **14     General Meetings**

The directors may call general meetings and regulation 37 of Table A shall not apply to the Company.

### **15     Notice of General Meetings**

- 15.1 A notice convening a general meeting shall be required to specify the general nature of the business to be transacted only in the case of special business and regulation 38 of Table A shall be modified accordingly. The words "or a resolution appointing a person a director" and paragraphs (a) and (b) in regulation 38 of Table A shall be deleted and the words "in accordance with section 369(3) of the Act" shall be inserted after the words "if it is so agreed" in that regulation.
- 15.2 All business shall be deemed special that is transacted at an extraordinary general meeting, and also all that is transacted at an annual general meeting with the exception of declaring a

dividend, the consideration of the profit and loss account, balance sheet, and the reports of the directors and auditors, the appointment of and the fixing of the remuneration of the auditors and the giving or renewal of any authority in accordance with the provisions of section 80 of the Act.

- 15.3 Every notice convening a general meeting shall comply with the provisions of section 372(3) of the Act as to giving information to members in regard to their right to appoint proxies; and notices of and other communications relating to any general meeting which any member is entitled to receive shall be sent to the directors and to the auditors for the time being of the Company.

## **16 Proceedings at General Meetings**

- 16.1 The words "save that, if and for so long as the Company has only one person as a member, one member present in person or by proxy shall be a quorum" shall be added at the end of the second sentence of regulation 40 of Table A.
- 16.2 If a quorum is not present within half an hour from the time appointed for a general meeting the general meeting shall stand adjourned to the same day in the next week at the same time and place or to such other day and at such other time and place as the directors may determine; and if at the adjourned general meeting a quorum is not present within half an hour from the time appointed therefor the members present in person or by proxy or (being a body corporate) by representative being not less than two persons entitled to vote upon the business to be transacted shall constitute a quorum and in any other case such adjourned general meeting shall be dissolved. Regulation 41 of Table A shall not apply to the Company. Regulation 50 of Table A shall not apply to the Company so that the Chairman of the meeting shall not have a casting vote.

## **17 Votes of Members**

- 17.1 Regulation 54 of Table A shall not apply to the Company. Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member entitled to vote who (being an individual) is present in person or by proxy (not being himself a member entitled to vote) or (being a corporate body) is present by a representative or proxy (not being himself a member entitled to vote) shall have one vote and, on a poll, every member shall have one vote for each share of which he is the holder.
- 17.2 The words "be entitled to" shall be inserted between the words "shall" and "vote" in regulation 57 of Table A.
- 17.3 A member shall not be entitled to appoint more than one proxy to attend on the same occasion and accordingly the final sentence of regulation 59 of Table A shall not apply to the Company. Any such proxy shall be entitled to cast the votes to which he is entitled in different ways.

## **18 Alternate Directors**

- 18.1 An alternate director shall be entitled to receive notice of all meetings of the directors and of all meetings of committees of the directors of which his appointer is a member (subject to his giving to the Company an address within the United Kingdom at which notices may be served on him), to attend and vote at any such meeting at which the director appointing him is not personally present, and generally to perform all the functions of his appointer at such meeting as a director in his absence. An alternate director shall not be entitled as such to receive any remuneration from the Company, save that he may be paid by the Company such



part (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct. Regulation 66 of Table A shall not apply to the Company.

**18.2** A director may appoint any person as his alternate and any such alternate may act as an alternate director to represent more than one director. An alternate director shall be entitled at any meeting of the directors or of any committee of the directors to one vote for every director whom he represents in addition to his own vote (if any) as a director, but he shall count as only one for the purpose of determining whether a quorum is present and the final sentence of regulation 88 shall not apply to the Company.

**18.3** Save as otherwise provided in the regulations of the Company, an alternate director shall be deemed for the purposes specified in Article 17.1 to be a director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the director appointing him. Regulation 69 of Table A shall not apply to the Company.

## **19 Appointment and Retirement of Directors**

**19.1** The directors shall not be required to retire by rotation and regulations 73 to 80 (inclusive) of Table A shall not apply to the Company.

**19.2** The Company may by ordinary resolution appoint any person who is willing to act to be a director, either to fill a vacancy or as an additional director.

**19.3** The directors may to give effect to or as permitted by the provisions of any Relevant Agreement in force or, if no Relevant Agreement is in force, as they think fit appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director, *provided that the appointment does not cause the number of directors to exceed any number determined in accordance with regulation 64 of Table A as the maximum number of directors for the time being in force.*

## **20 Disqualification and Removal of Directors**

**20.1** The office of a director shall be vacated if:

- (a) he ceases to be a director by virtue of any provision of the Act or these Articles or he becomes prohibited by law from being a director;
- (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (c) he is, or may be, suffering from mental disorder and either:
  - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960; or
  - (ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs;
- (d) he resigns his office by notice to the Company; or

- (e) he shall for more than six consecutive months have been absent without permission of the directors from meetings of the directors held during that period and the directors resolve that his office be vacated;

and regulation 81 of Table A shall not apply to the Company.

## **21 Gratuities and Pensions**

Regulation 87 of Table A shall not apply to the Company and the directors may exercise any powers of the Company conferred by its Memorandum of Association to give and provide pensions, annuities, gratuities or any other benefits whatsoever to or for past or present directors or employees (or other dependants) of the Company or any subsidiary or associated undertaking (as defined in section 27(3) of the Companies Act 1989) of the Company and the directors shall be entitled to retain any benefits received by them or any of them by reason of the exercise of any such powers.

## **22 Proceedings of the directors**

**22.1** Subject to the provisions of the Act, and provided that he has disclosed to the directors the nature and extent of any interest of his, a director notwithstanding his office:

- (a) may be a party to or otherwise interested in any transaction or arrangement with the Company or in which the Company is in any way interested;
- (b) may be a director or other office of or employed by or be a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is in any way interested;
- (c) may or any firm or company of which he is a member or director may act in a professional capacity for the Company or any body corporate in which the Company is in any way interested;
- (d) shall not by reason of his office be accountable to the Company for any benefit which he derives from such office, service or employment or from any such transaction or arrangement or from any interest or any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit; and
- (e) shall be entitled to vote on any resolution and (whether or not he shall vote) be counted in the quorum on any matter referred to in any of articles 21.1(a) to 21.1(d) (inclusive) or on any resolution which in any way concerns or relates to a matter in which he has, directly or indirectly, any kind of interest whatsoever and if he shall vote on any resolution as aforesaid his vote shall be counted.

**22.2** For the purposes of Article 21.1:-

- (a) a general notice to the directors that a director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person or class of persons is interested shall be deemed to be a disclosure that the director has an interest in any such transaction of the nature and extent so specified;
- (b) an interest of which a director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his; and

- (c) an interest of a person who is for any purpose of the Act (excluding any statutory modification not in force when these Articles were adopted connected with a director shall be treated as an interest of the director and in relation to an alternate director an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise.

**22.3** Any director (including an alternate director) may participate in a meeting of the directors or a committee of the directors of which he is a member by means of a conference telephone or similar communications equipment whereby all persons participating in the meeting can hear each other and participation in a meeting in this manner shall be deemed to constitute presence in person at such meeting and, subject to these Articles and the Act, he shall be entitled to vote and be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating is assembled or, if there is no such group, where the chairman of the meeting then is.

**22.4** Regulation 88 of Table A shall be amended by substituting for the sentence:

“It shall not be necessary to give notice of a meeting to a director who is absent from the United Kingdom”

the following sentence:

“Notice of every meeting of the directors shall be given to each director and his alternate director, including directors and alternate directors who may for the time being be absent from the United Kingdom and have given the Company an address within the United Kingdom for service.”

and by inserting the word “not” in the penultimate sentence of any Regulation 88 so as to read “In the case of any equality of votes, the chairman shall not have a second or casting vote”.

**22.5** Subject to any Relevant Agreement, the quorum for the transaction of the business of the directors shall be two,. Regulation 89 shall be modified accordingly.

**22.6** If a quorum is not present within half an hour from the time appointed for the meeting, the meeting shall stand adjourned to such time and place, not being less than 10 days later, as the directors present determine. If at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the directors present shall be a quorum.

**22.7** Regulations 94 to 97 (inclusive) of Table A shall not apply to the Company.

## **23     The Seal and share certificates**

If the Company has a seal it shall be used only with the authority of the directors or of a committee of the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined, every instrument to which the seal is affixed shall be signed by one director and by the secretary or another director. In the second sentence of Regulation A the words ‘shall be sealed with the seal and’ shall be deleted. Each share certificate shall only be issued by authority of the directors or of a committee of the directors authorised by the directors and shall bear the signature of one director and the company secretary or a second director. Regulation 101 of Table A shall not apply to the Company.

## **24     Notices**

- 24.1** In regulation 112 of Table A, the words “first class” shall be inserted immediately before the words “post in a prepaid envelope.”
- 24.2** Where a notice is sent by first class post, proof of the notice having been posted in a properly addressed, prepaid envelope shall be conclusive evidence that the notice was given and shall be deemed to have been given at the expiration of 24 hours after the envelope containing the same is posted. Regulation 115 of Table A shall not apply to the Company.
- 24.3** If at any time by reason of the suspension or curtailment of postal services within the United Kingdom the Company is unable effectively to convene a general meeting by notices sent through the post, a general meeting may be convened by a notice advertised in at least one national daily newspaper and such notice shall be deemed to have been duly served on all members entitled thereto at noon on the day when the advertisement appears. In any such case the Company shall send confirmatory copies of the notice by post if at least seven days prior to the meeting the posting of notices to addresses throughout the United Kingdom again becomes practicable.

## **25     Winding Up**

In regulation 117 of Table A, the words “with the like sanction” shall be inserted immediately before the words “determine how the division”.

## **26     Indemnity**

- 26.1** Subject to the provisions of section 310 of the Act every director (including an alternate director) or other officer of the Company shall be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the lawful execution of the duties of his office or otherwise in relation thereto, including any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 144 or section 727 of the Act in which relief is granted to him by the court, and no director (including an alternate director) or other officer shall be liable for any loss, damage or misfortune which may happen to or be incurred by the Company in the lawful execution of the duties of his office or in relation thereto. Regulation 118 of Table A shall not apply to the Company.
- 26.2** The directors shall have power to purchase and maintain for any director (including an alternate director), officer or auditor of the Company insurance against any such liability as is referred to in section 310(1) of the Act and subject to the provisions of the Act against any other liability which may attach to him or loss or expenditure which he may incur in relation to anything done or alleged to have been done or omitted to be done as a director (including an alternate director), officer or auditor.
- 26.3** The directors may authorise directors of companies within the same group of companies as the Company to purchase and maintain insurance at the expense of the Company for the benefit of any director (including an alternate director), other officer or auditor of such company in respect of such liability, loss or expenditure as is referred to in Article 24.2.

**NEW ARTICLES OF ASSOCIATION**

(adopted on 26 May 2005)

of

**FIRSTCITY INSURANCE GROUP LIMITED**

(Registered number: 2728925)

**EDWIN COE**  
2 Stone Buildings  
Lincoln's Inn  
London  
WC2A 3TH

Ref: 68-20954