

THE COMPANIES ACT 2006  
PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

ESURE GROUP PLC

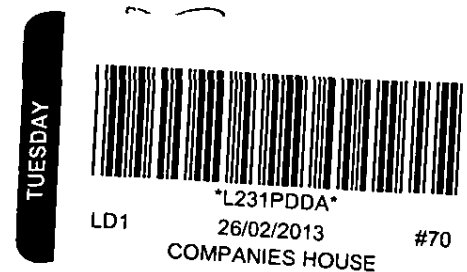
Registered No. 7064312

Incorporated in England and Wales the 3rd day of November 2009

Adopted on the 25<sup>th</sup> day of February 2013



Dickson Minto W.S  
London



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**THE COMPANIES ACT 2006**  
**PUBLIC COMPANY LIMITED BY SHARES**  
**ARTICLES OF ASSOCIATION**  
**of**  
**ESURE GROUP PLC**  
**(Registered Number 7064319)**

**CONSTITUTION**

- 1 The Company is a public company within the meaning of Section 4(2) of the Companies Act 2006 (the "2006 Act") established subject to the provisions of the 2006 Act including any statutory modification or re-enactment thereof for the time being in force and the articles contained in The Model Form Articles for private companies limited by shares as set out in The Companies (Model Articles) Regulations 2008 (Statutory Instrument 2008 No. 3229) (the "**Model Articles**") with the exception of articles 2, 13, 14, 17 to 20 (inclusive), 22(2), 24(2)(c), 26, 38, 41, 44(1), 44(2), 52 and 53, and of any other articles which are inconsistent with the additions and modifications hereinafter set forth
- 2 The liability of the members is limited to the amount, if any, unpaid on the shares held by them
- 3 In accordance with the 2006 Act the objects of the Company shall be unrestricted
- 4 The name of the Company may be changed by resolution of the Directors.

**INTERPRETATION**

- 5 In these Articles, unless the context otherwise requires, words and expressions shall bear the meaning ascribed to them in Schedule 1 of these Articles and the Schedules shall be part of and construed as one with these Articles

**SHARE CAPITAL**

6. The share capital of the Company as at the date of adoption of these Articles is £45,183,150 divided into
- 6 1 119,880,000 A Ordinary Shares,
- 6 2 99,900,000 B Ordinary Shares,
- 6.3 179,820,000 C Ordinary Shares,
- 6 4 4,485,014,000 Ordinary Shares, and

6 5 1,000 Priority Return Shares

## **RIGHTS ATTACHING TO THE SHARES**

7 The rights and restrictions as to income, capital, exit proceeds, redemption, repurchase and voting attaching to the shares are as follows

### **Income**

7 1 Subject to the terms of the Shareholders' Agreement (in particular Clause 11 4) and to

7 1.1. the prior repayment of all amounts of interest and principal and all other sums outstanding under the Shareholder Loan Note Instrument (unless the Majority C Shareholders otherwise consent), and

7 1.2. the prior repayment of all amounts of interest and principal and all other sums outstanding under the Perpetual Subordinated Note Instrument (unless the Majority C Shareholders otherwise consent);

any profits which the Directors, in their discretion, lawfully determine to distribute at any time shall be distributed as follows

7 1.3 first, in priority to the payment of any such profits to the holders of any Equity Shares or Deferred Ordinary Shares (in their capacity as holders of such classes of shares), to the holders of Priority Return Shares an amount equal to the Priority Return on each Priority Return Share held by them less any part of the Priority Return previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles,

7 1.4 second, any further profits available for distribution following the application of Article 7 1 3 shall be distributed amongst the holders of Equity Shares (in their capacities as the holders of such classes of shares) pro-rata to the Paid Up Amount upon each such share held provided that, prior to a Conversion Event and as between the holders of the Ratchet Shares (in their capacities as the holders of such classes of shares) only, any profits distributed in respect of the Ratchet Shares under this Article 7 1.4 shall be allocated amongst the holders of Ratchet Shares in accordance with Schedule 2, and

7 1 5 subject to Articles 7.2 and 7.3, the Deferred Ordinary Shares shall not be entitled to receive any profits and the holders of Deferred Ordinary Shares (as holders of Deferred Ordinary Shares) shall not be entitled to receive any profits which the Directors may lawfully determine to distribute at any time subject to the foregoing provisions of Article 7.1.

### **Capital Distributions Prior to a Conversion Event**

7 2 On any return of capital which the Company elects to make to its shareholders prior to a Conversion Event subject to the terms of the Shareholders' Agreement (in particular Clause 11 4) and to

- 7 2.1. the prior repayment of all amounts of interest and principal and all other sums outstanding under the Shareholder Loan Note Instrument (unless the Majority C Shareholders otherwise consent), and
- 7 2.2. the prior repayment of all amounts of interest and principal and all other sums outstanding under the Perpetual Subordinated Note Instrument (unless the Majority C Shareholders otherwise consent),

such capital shall be distributed as follows

- 7 2 3. first, in priority to any distribution to the holders of any Equity Shares or Deferred Ordinary Shares (in their capacity as holders of such classes of shares), to the holders of Priority Return Shares an amount equal to the Priority Return on each Priority Return Share held by them less any part of the Priority Return previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles,
- 7 2 4 second, any further amounts available for distribution following the application of Article 7 2 3 shall be distributed amongst the holders of Equity Shares (in their capacities as the holders of such classes of shares) and the holders of Deferred Shares (in their capacity as the holders of such class of shares) pro-rata to the Paid Up Amount upon each such share held provided that
  - 7.2 4 1 as between the holders of the Ratchet Shares (in their capacities as the holders of such classes of shares) any amount available for distribution under this Article 7.2 4 in respect of the Ratchet Shares shall be allocated amongst the holders of Ratchet Shares in accordance with Schedule 2,
  - 7 2 4 2 unless and until the total amount distributed to the holders of A Ordinary Shares under this Article 7 2 4 in respect of each A Ordinary Share is equal to £100,000,000 in aggregate, then the amount distributed to the holders of Ordinary Shares under this Article 7 2 4 in respect of each Ordinary Share shall be limited to the Paid Up Amount on such Ordinary Share less any dividend paid on such Ordinary Share under Article 7 1 4, and
  - 7 2 4 3 unless and until the total amount distributed to the holders of A Ordinary Shares under this Article 7 2 4 in respect of each A Ordinary Share is equal to £100,000,000 in aggregate, then the amount payable in respect of all the Deferred Ordinary Shares in aggregate under this Article 7 2 4 shall be limited to £1 00 in aggregate

#### **Exit Proceeds**

- 7 3 On a Conversion Event, subject to the terms of the Shareholders' Agreement (in particular Clause 11 4) and to

7.3.1 the prior repayment of all amounts of interest and principal and all other sums outstanding under the Shareholder Loan Note Instrument (unless the Majority C Shareholders otherwise consent), and

7.3.2 the prior repayment of all amounts of interest and principal and all sums outstanding under the Perpetual Subordinated Note Instrument (unless the Majority C Shareholders otherwise consent),

the proceeds available for allocation amongst shareholders on such Conversion Event (for the purposes of this Article "proceeds" shall be deemed to include any capital, assets or other distribution available for distribution amongst the shareholders on a winding up) shall be allocated amongst the shareholders as follows.

7.3.3 first, in priority to any allocation to the holders of any Equity Shares or Deferred Ordinary Shares (in their capacity as holders of such classes of shares), to the holders of Priority Return Shares an amount equal to the Priority Return on each Priority Return Share held by them less any part of the Priority Return previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles, and

7.3.4. second, any further proceeds available for allocation following the application of Article 7.3.3 shall be allocated amongst the holders of Equity Shares (in their capacities as the holders of such classes of shares) and the holders of Deferred Shares (in their capacity as the holders of such class of shares) pro rata to the Paid Up Amount upon each such share held provided that

7.3.4.1 as between the holders of the Ratchet Shares (in their capacities as the holders of such classes of shares) any amount available for allocation under this Article 7.3.4 in respect of the Ratchet Shares shall be allocated amongst the holders of Ratchet Shares in accordance with Schedule 4,

7.3.4.2 unless and until the total amount allocated to the holders of A Ordinary Shares under this Article 7.3.4 in respect of each A Ordinary Share is equal to £100,000,000 in aggregate, then the amount allocated to the holders of Ordinary Shares under this Article 7.3.4 in respect of each Ordinary Share shall be limited to the Paid Up Amount on such Ordinary Share less any dividend paid on such Ordinary Share under Article 7.1.4 and capital returned on such share under Article 7.2.4, and

7.3.4.3 unless and until the total amount allocated to the holders of A Ordinary Shares under this Article 7.3.4 in respect of each A Ordinary Share is equal to £100,000,000 in aggregate, then the amount allocated to all of the Deferred Ordinary Shares in aggregate under this Article 7.3.4 shall be limited to £1.00 in aggregate

## Voting

74 Subject to Article 75 and paragraph 2 of Schedule 3, on a show of hands every holder of Ratchet Shares who (being an individual) is present or (being a corporation) is present by a duly authorised representative (not being himself a member entitled to vote) shall have one vote and on a poll every member holding Ratchet Shares shall have one vote for every such share of which he is the holder

75 Ratchet Shares held by Employee Members (other than Mr Wood) shall carry voting rights in accordance with Article 74 but any voting rights, consent rights and/or approval rights attaching to any shares held by Employee Members shall be exercisable by the Manager Representative to the exclusion of any such Employee Member and the provisions of Articles 39 4 and 39 5 such that any such Employee Member shall

75 1. at any general meeting or class meeting of the Company be deemed to vote (whether on a poll or otherwise) in the manner determined by the Manager Representative,

75 2. in relation to any matter where the consent of the holders of the class or classes of shares held by him is required be deemed to grant consent if the Manager Representative grants such consent,

75 3 on any transfer of a majority of the shares of the relevant class or classes held by him in circumstances where an offer is made to him to acquire his shares at a price which is not lower than the average price per share payable to the Manager Representative be deemed to accept such offer and to transfer such shares at the time and place specified by the offeror,

and he hereby appoints the Manager Representative from time to time to sign any such resolution, consent, transfer form or other document and/or take any other act in his name and on his behalf to implement all or any of the above provisions provided that, in respect of any transfer made pursuant to Article 75, the Company shall retain on trust the proceeds of sale and shall account to him for such proceeds forthwith on demand. If, in the opinion of the Directors (acting reasonably), any member to whom this Article 75 applies takes or seeks to take any action contrary to the terms of this Article 75 or seeks to prevent the Manager Representative from taking any action pursuant to the authority conferred on him pursuant to the terms of this Article 75 any Director may, by serving written notice on the Company and the relevant member deem such member to have served a Transfer Notice in respect of all of the shares then held by him and in respect of which the Specified Price shall be the Paid Up Amount in respect of each share

76 Subject to Article 78, the holders of the Ordinary Shares shall be entitled to receive notice of and to attend and speak, but not to vote at, general meetings of the Company

- 77 Subject to Article 78, the holders of the Priority Return Shares shall be entitled to receive notice of and to attend and speak, but not to vote at, general meetings of the Company
- 78 If the business of any general meeting or class meeting of the holders of Ordinary Shares or the Priority Return Shares includes a resolution for the winding up of the Company, or for the appointment of an administrator or the approval of a voluntary arrangement, or a reduction in the capital of the Company and/or a resolution altering, varying or abrogating any of the special rights and/or privileges attaching to the Ordinary Shares or the Priority Return Shares then the holders of such shares shall be entitled to receive notice of and to attend and vote and to demand a poll at any such general meeting or class meeting of the Company but only on any such resolution
- 7.9 On any matter on which the holders of the Ordinary Shares and/or Priority Return Shares are entitled to vote (whether a general meeting, a class meeting or otherwise) on a show of hands every holder of such shares who (being an individual) is present or (being a corporation) is present by a duly authorised representative, not being himself a member entitled to vote, shall have one vote and on a poll every holder of such shares shall have one vote for each Ordinary Share and ten thousand votes for each Priority Return Share (as applicable) of which he is the holder
- 7 10. Deferred Ordinary Shares shall not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of the Company by virtue of their holdings of any such Deferred Ordinary Shares and the holders of Deferred Ordinary Shares (in their capacity as such) shall not be eligible members for the purposes of section 289 of the 2006 Act by virtue of their holdings of Deferred Ordinary Shares

#### **Redemption & Purchase of Priority Return Shares**

- 7 11 The Company may, at its option, at any time redeem or purchase all or any of the Priority Return Shares for an amount equal to the Priority Return in respect of each such share less any part of the Priority Return previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles;

subject always to

- 7 11 1 the 2006 Act,
- 7 11 2 the satisfaction of any applicable conditions to any redemption or purchase under the provisions of GENPRU,
- 7 11.3 the prior written consent of the FSA to the extent such consent is required under the provisions of GENPRU, and
- 7 11 4 the prior written consent of the holders of a majority of the Priority Return Shares to the extent any redemption or purchase pursuant to this Article is in relation to the Priority Return Shares.



- 7.12 Notwithstanding Article 7 11, the Company may not redeem or purchase the Priority Return Shares until the prior repayment of all amounts of interest and principal and all other sums due under the Shareholder Loan Note Instrument and the Perpetual Subordinated Note Instrument (unless the Majority C Shareholders otherwise consent)
- 7.13 The Company shall in the case of a redemption or purchase of all the Priority Return Shares held by a holder cancel the share certificate of the holder concerned and in the case of a redemption of part of the Priority Return Shares (as applicable) included in any certificate either:
- 7 13 1. endorse a memorandum of the amount and date of the redemption or purchase on such certificate, or
  - 7 13 2. cancel the same and without charge issue to the holder of the Priority Return Shares delivering such certificate to the Company a fresh certificate for the balance of Priority Return Shares not redeemed or purchased on that occasion
- 7 14 If any holder of Priority Return Shares whose Priority Return Shares are to be redeemed or repurchased shall fail or refuse to deliver up to the Company the certificate for his Priority Return Shares on or before the date for such redemption or purchase the Company may retain the redemption monies or purchase price until delivery of the certificate (or of an indemnity in respect thereof in a form reasonably satisfactory to the Company) but shall thereupon pay the redemption monies or purchase price to the shareholder
- 7 15 Any redemption or purchase of some but not all of the Priority Return Shares shall be made amongst the holders of the Priority Return Shares pro rata to their holding of such Priority Return Shares

#### **Purchase of Deferred Ordinary Shares**

- 7 16 Subject to the provisions of the 2006 Act, the prior written consent of the Majority C Shareholders and the prior written consent of the FSA to the extent such consent is required under the provisions of GENPRU, the Company shall be entitled to purchase all of the Deferred Ordinary Shares (as a class) for the sum of £1 in aggregate.
- 7 17 The creation or issue of Deferred Ordinary Shares (whether by conversion or otherwise) shall be deemed to confer irrevocable authority on the directors at any time after their creation or issue to appoint any person (with the prior written consent of the Majority C Shareholders) to do any of the following on behalf of the holders of Deferred Ordinary Shares as their agent/ attorney
- (a) the approval, execution and completion of any purchase of the Deferred Ordinary Shares by the Company for the consideration specified in Article 7 16,
  - (c) the execution and completion of any class consent approving any variation or abrogation of the rights of any Deferred Ordinary Share;

- (d) to vote at any class meeting of any of the holders of Deferred Ordinary Shares approving any variation or abrogation of the rights of any Deferred Ordinary Share, and
- (e) the approval, execution and completion of all documentation required to transfer all of the Deferred Ordinary Shares to a Buyer for an aggregate consideration of £1

#### **Class Consents**

- 7 18 Save to the extent expressly provided in these Articles or as required by law the Ratchet Shares shall comprise one class of shares
- 7 19 Whenever the capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class of shares in issue may from time to time (whether or not the Company is being wound up) be varied with the consent in writing of the holders of three-quarters in nominal value of the issued shares in that class or with the sanction of a special resolution passed at a separate general meeting of the holders of those shares
- 7 20 Notwithstanding that the Company may deem it necessary or prudent to submit a notification under the terms of Sections 23 or 24 of the 2006 Act, the members do not intend these Articles to contain a provision for entrenchment for the purposes of Section 22 of the 2006 Act by virtue of any class rights created by these Articles or by any other provision of these Articles

#### **Conversion of Ratchet Shares**

- 7 21 Immediately prior to a Conversion Event certain of the Ratchet Shares shall forthwith be converted into Deferred Ordinary Shares in accordance with the terms of Schedule 4 Immediately following such conversion and, notwithstanding Article 7 16, the Company shall purchase all of such Deferred Ordinary Shares (as a class) for the sum of £1 in aggregate (such payment to be made to the Management Representative on behalf of himself and all Employee Members and to the Majority C Shareholders on behalf of all holders of the C Ordinary Shares in proportion to their holdings of Deferred Ordinary Shares) and then cancel them

### **ISSUES OF SHARES**

#### **8. Issues of Shares**

- 8 1 Any shares may be issued on the terms that they are, or at the option of the Company or the holder are liable, to be redeemed and the Directors shall be authorised at the time of issue of such shares to determine the terms, conditions and manner of redemption of such shares subject always to
  - 8 1 1. the 2006 Act,
  - 8 1.2. the satisfaction of any applicable conditions to any redemption or purchase under the provisions of GENPRU, and

- 8 1.3. the prior written consent of the FSA to the extent such consent is required under the provisions of GENPRU
- 8 2 Subject to the provisions of the 2006 Act and of every other statute for the time being in force concerning companies and affecting the Company and to any direction to the contrary that may be given by ordinary resolution of the Company, the Directors may offer, allot, issue, grant options or rights over or otherwise dispose of any shares in the Company to such persons, at such times and for such consideration and upon such terms and conditions and with such preferred, deferred or other special rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Directors may determine, but so that no shares shall be issued at a discount
- 8 3 For the purposes of Section 551 of the 2006 Act, the Directors are authorised generally and unconditionally to allot without the authority of the Company in general meeting those shares specified in Article 6 at any time or times from the date of adoption of these Articles until the date occurring five years after such date. The aforesaid authority may be revoked or varied by the Company in general meeting and may be renewed by the Company in general meeting for a further period not exceeding five years. The Company may make any offer or agreement before the expiry of this authority which would or might require relevant securities to be allotted after this authority has expired and the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of this authority. In this paragraph, references to the allotment of shares shall include the grant of rights to subscribe for, or to convert any security into shares
- 8 4. In accordance with Section 570 of the 2006 Act, sub-Section (1) of Section 561 of the 2006 Act shall be excluded from applying to the allotment of equity securities (as defined in Section 560 of the 2006 Act)
- 9 The Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as otherwise provided by these Articles or by law) any other rights in respect of any share except an absolute right to the entirety thereof held by the registered holder. The Company shall however be entitled to register trustees as such in respect of any shares

#### LIEN

- 10 The Company shall have a first and paramount lien on every share for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that share and the Company shall also have a first and paramount lien on all shares standing registered in the name of a single person or in the name of any person jointly with another or others for all monies presently payable by him or any of them or his estate or their estates to the Company. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article

## TRANSFER OF SHARES

### 11. Transfer of Shares

- 11.1 Notwithstanding any other provision of these Articles, no member may grant security over or create any interest in, or purport to deal in or to transfer any interest in any shares to any person without prior approval being granted by the FSA to the extent that such approval is required under any applicable law or regulation
- 11.2 No Employee Member may grant security over or create any interest in, or purport to deal in or to transfer any interest in any shares to any person without the written consent of the Majority C Shareholders and Mr Wood (but only for so long as the PJW Parties hold at least 24 per cent of the total number of Ratchet Shares in issue and Mr Wood is not a Leaver) other than in accordance with the provisions of Articles 37.5 (*permitted transfers - employee trusts*) 39 to 44 (*compulsory transfers, fair price, change of control, tag-along, drag-along, PJW & investor drag-along*) and Schedule 3 (*A ordinary shareholders*) and transfer of shares by the PJW Parties in accordance with Article 37.4 (*permitted transfers - permitted transferees*) save that nothing in this Clause shall prevent the transmission of Vested B Ordinary Shares to a person's estate on their death or the transfer by any person entitled to any such Vested B Ordinary Shares by transmission on the death of any Original Employee Member in accordance with Article 37.4 (*permitted transfers - permitted transferees*)
- 11.3 The Directors shall register any transfer of shares made in accordance with the Shareholders' Agreement and the provisions of Articles 37 to 44 (*permitted transfers, pre-emptive transfers, compulsory transfers, fair price, change of control, tag-along, drag-along, PJW & investor drag-along*) and Schedule 3 (*A ordinary shareholders*) Save as aforesaid the Directors may, in their absolute discretion and without assigning any reason therefor, decline to register any transfer of any shares, whether or not such shares are fully paid.
- 11.4. Subject to such of the restrictions set out in these Articles as may be applicable, any member may transfer all or any of his shares by instrument of transfer in writing in any usual or common form or in any other form which the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee and the transferor shall remain the holder of the shares and as such a member of the Company until the name of the transferee is entered in the Register of Members in respect thereof.

## GENERAL MEETINGS

- 12 No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as otherwise provided in this Article 12, one Non-employee Member who holds C Ordinary Shares and Mr Wood (for as long as the PJW Parties hold at least 24 per cent of the total number of Ratchet Shares in issue) present in person or by proxy or, if a corporation, by a duly authorised representative shall be a quorum

- 13 If a quorum is not present within half an hour of the time appointed for a general meeting the meeting, if convened on the requisition of members, shall be dissolved, in any other case it shall stand adjourned to such day and at such time and place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting then it shall stand adjourned to such day and at such time and place as the Directors may determine, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the members present shall be a quorum
- 14 [Deleted]
- 15 A poll may be demanded at any general meeting by the chairman or by any director or by any member, or by members in aggregate, holding 5% or more of the total number of Ratchet Shares in issue present in person or by proxy or, if a corporation, by any representative duly authorised and entitled to vote
- 16 No resolution not previously approved by the Directors shall be moved by any member other than a director at a general meeting unless the member intending to move the same shall have left a copy thereof with his name and address at the Office at least three clear days prior to such meeting
- 17 A notice of every general meeting shall be given to every member entitled to receive notice whether or not he shall have supplied to the Company an address within the United Kingdom for the giving of notices

## DIRECTORS

- 18 The quorum for the transaction of the business of the Directors may be fixed by the Directors and, unless so fixed at any other number or unless there is only one director, shall be two one of whom shall be an Investor Director (unless no Investor Director is, at the relevant time, appointed or the provisions of Article 19 apply) and one of whom shall be a PJW Director (unless no PJW Director is, at the relevant time, appointed, or the provisions of Article 19 apply or the PJW Parties hold less than 24 per cent of the total number of Ratchet Shares in issue or there has been a Disqualifying Breach) provided that such PJW Director shall be Mr Wood (or his alternate director) to the extent Mr Wood is a Director at the relevant time. A person who holds office only as an alternate director shall, if his appointer is not present, be counted in the quorum. If there is an Investor Director in office but no Investor Director is present at any duly convened meeting of the Directors and the provisions of Article 19 do not apply and/or if there is a PJW Director appointed pursuant to Article 45.5 in office but no such PJW Director is present at any duly convened meeting of the Directors and the provisions of Article 19 do not apply, the meeting shall be adjourned to such time (being not less than one or more than seven days from the date of the meeting so adjourned) as the Directors present at the adjourned meeting shall agree and this shall be notified to each Director and the quorum for the transaction of business at the reconvened meeting shall be any two Directors provided that

the only business which may be transacted at that meeting is the business details of which are set out in the notice of the reconvened meeting

- 19 Notwithstanding Article 18 above, if the conflict of interest provisions contained in the 2006 Act apply such that there is no Investor Director or PJW Director who is entitled to vote, form part of the quorum or attend any meeting of the Directors despite the application of Article 46 or any authorisation granted pursuant to Article 46 or any authorisation granted in respect of an Investor Director or Mr Wood pursuant to Article 46 2 then the quorum requirements for the relevant meeting shall not require an Investor Director or, as applicable, a PJW Director to form part of the quorum

20

- 20 1 Unless and until otherwise determined by ordinary resolution of the Company, the minimum number of directors shall be one and there shall be no maximum number. A sole director shall have all the power and authority vested in "the Directors" in terms of these Articles

- 20 2 At any meeting of the Directors, each director shall have one vote. If the number of Investor Directors or PJW Directors present at any meeting is less than three, the number of votes exercisable by the Investor Directors or the PJW Directors present shall be increased so that each group of Directors can cast three votes in aggregate (as the Directors of each such group may determine) save that if, at the relevant time, the number of PJW Directors that may be appointed pursuant to the terms of these Articles is less than three then the number of votes exercisable by the PJW Directors in aggregate shall be reduced to the number of PJW Directors that may be appointed at the relevant time pursuant to the Articles. Notwithstanding the foregoing, if Mr Wood is a Director and present then any additional votes that may be attributable to the PJW Directors pursuant to this Article 20 2 shall be exercisable by him to the exclusion of any other PJW Director

- 21 A director shall not be required to hold shares of the Company in order to qualify for office as a director, but he shall be entitled to receive notice of and attend and speak at all general meetings of the Company or meetings of any class of members of the Company.

- 22 A director who is in any way whether directly or indirectly interested in an actual or proposed transaction or arrangement with the Company shall declare the nature and extent of his interest at a meeting of the Directors in accordance with Section 177 and/or 182 of the 2006 Act. Subject to such disclosure as aforesaid a director may vote in respect of any actual or proposed transaction or arrangement in which he is interested and if he does so vote his vote shall be counted and he may be counted in ascertaining whether a quorum is present at any meeting at which any actual contract or proposed transaction or arrangement shall come before the Directors for consideration and may retain for his own absolute use and benefit all profits and advantages accruing to him therefrom. For the purposes of this Article

- 22 1 a general notice given 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; and
- 22 2 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
- 23 The Directors may dispense with the keeping of attendance records for meetings of the Directors or committees of the Directors Article 15 of the Model Articles shall be modified accordingly
- 24 The office of a director shall be vacated
  - 24 1 if he becomes bankrupt or suspends payment of or compounds with his creditors,
  - 24 2 if he becomes of unsound mind or a patient for the purpose of any statute relating to mental health or otherwise mentally incapacitated,
  - 24.3 if (not being a director holding executive office as such for a fixed term) by notice in writing to the Company he resigns his office,
  - 24 4 if he is prohibited by law from being a director or ceases to be a director by virtue of any provision of the 2006 Act,
  - 24 5 if he, not being an Investor Director appointed pursuant to Article 45 1 or a PJW Director appointed pursuant to Articles 45 5 or 45 6 (unless Article 45 7 applies), is removed from office by notice in writing signed by or on behalf of all his co-directors and served upon him,
  - 24 6 if he, not being an Investor Director appointed pursuant to Article 45 1 or a PJW Director appointed pursuant to Article 45 5 or 45 6 (unless Article 45 7 applies), is removed from office by notice in writing signed by or on behalf of the holders of shares representing more than 50% of the aggregate Voting Rights and served upon him,
  - 24 7 if 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/or
  - 24 8 if he is required to resign by the FSA or any applicable regulation.
- 25 Without prejudice to the provisions of Article 45, the Directors shall have power at any time to appoint any person to be a director of the Company either to fill a casual vacancy or as an addition to the existing directors
- 26 Without prejudice to the provisions of Article 45, with the prior written consent of the Majority C Shareholders, members holding more than 50% of the Voting Rights may, by notice in writing signed by or on behalf of each of

them and delivered to the Office or meeting of the Directors appoint any person or persons to be directors of the Company

- 27 Subject to the overriding authority of the Remuneration Committee operated in accordance with the Shareholders' Agreement, the ordinary remuneration of the directors for their services as directors shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may unanimously agree or, failing agreement, equally except that any director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for such proportion of remuneration as relates to the period during which he has held office. The Directors may repay to any director all such reasonable expenses as he may properly incur in attending meetings of the Directors or of any committee of the Directors or general meetings of the Company or any class of members of the Company or otherwise in or about the business of the Company. In the event of any director necessarily performing or rendering any special duties or services to the Company outside his ordinary duties as a director the Directors may, if so authorised by an ordinary resolution of the Company, pay such director special remuneration and such special remuneration may be paid by way of salary, commission, participation in profits or otherwise as may be arranged and approved by the Directors
- 28 Without prejudice to the provisions of Article 45, the Directors may from time to time appoint one or more of their number to an executive office for such period and on such terms and conditions as they shall think fit and, subject to the terms and conditions of any agreement entered into in any particular case, may revoke such appointment. Subject to the terms and conditions of any such agreement the appointment of any director as aforesaid shall be ipso facto determined if he ceases from any cause to be a director
- 29 Subject to the overriding authority of the Remuneration Committee operated in accordance with the Shareholders' Agreement, a Chief Executive Officer, Managing Director, Manager or other executive officer as aforesaid shall receive such remuneration (either by way of salary, commission, participation in profits or pension or otherwise howsoever, whether similar to the foregoing or not) as the Directors may determine
- 30 The Directors on behalf of the Company and without the approval of any resolution of the Company may establish, maintain, participate in and contribute to, or procure the establishment and maintenance of, participation in and contribution to, any pension, superannuation, benevolent or life assurance fund, scheme or arrangement (whether contributory or otherwise) for the benefit of any persons (including Directors, former Directors, officers and former officers) who are or shall have been at any time in the employment or service of the Company or of any company which at the time is or was a subsidiary or a holding company of the Company or another subsidiary of a holding company of the Company (as defined in Section 1159 of the 2006 Act) or otherwise associated with the Company or of the predecessors of the Company in business or of any such other company as aforesaid, or for the benefit of the relations, spouses, widows, families,



connections or dependants of any such persons or for the benefit of any other persons whose service or services have directly or indirectly been of benefit to the Company and their relations, connections or dependants, and the Directors on behalf of the Company and without the approval of any resolution of the Company may grant or procure the grant of donations, gratuities, pensions, allowances, including allowances on death, or other payments or benefits of any kind to any of such persons as aforesaid, and the Directors on behalf of the Company and without the approval of any resolution of the Company may establish, subsidise, subscribe to or support institutions, associations, clubs, schools, funds or trusts calculated or considered to be for the benefit of any of such persons as aforesaid or otherwise for the advancement of the interests and well-being of the Company or of any such other company as aforesaid or its members; and the Directors on behalf of the Company and without the approval of any resolution of the Company may make payments for or towards the insurance of any of such persons as aforesaid. Any such director or ex-director may participate in and retain for his own benefit any such donation, gratuity, pension, allowance, payment or other benefit conferred under or pursuant to this Article and the receipt thereof shall not disqualify any person from being or becoming a director of the Company

- 31 Subject to the overriding authority of the Remuneration Committee operated in accordance with the Shareholders' Agreement, the Directors on behalf of the Company and without the approval of any resolution of the Company may establish and contribute to any employees' share scheme (within the meaning of Section 1166 of the 2006 Act) for the purchase or subscription by trustees of shares of the Company or of a holding company of the Company and may lend money to the Company's employees to enable them to purchase or subscribe for shares of the Company or of a holding company of the Company, and may establish and maintain any option or incentive scheme whereby selected employees (including salaried directors and officers) of the Company are given the opportunity of acquiring shares in the capital of the Company, and may formulate and carry into effect any scheme for sharing the profits of the Company with its employees (including salaried directors and officers) or any of them. Any director may participate in and retain for his own benefit any such shares, profit or other benefit conferred under or pursuant to this Article and the receipt thereof shall not disqualify any person from being or becoming a director of the Company
- 32 Without prejudice to Article 8 of the Model Articles, a resolution in writing signed by all the Directors from time to time in the United Kingdom shall be as valid and effectual as a resolution passed at a meeting of the Directors duly convened and held and may consist of several documents in the like form, each signed by one or more of the directors.
- 33 A meeting of the Directors or of a committee of the Directors may consist of a conference between directors who are not all in one place, but of whom each is able (directly or by telephonic communication) to speak to each of the others, and to be heard by each of the others simultaneously. A director taking part in such a conference shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum

accordingly Subject to the 2006 Act, all business transacted in such manner by the Directors or a committee of the Directors shall for the purposes of these Articles be deemed to be validly and effectively transacted at a meeting of the Directors or a committee notwithstanding that fewer than two directors or alternate directors are physically present at the same place. 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 The word "**meeting**" in these Articles shall be construed accordingly

### **BORROWING AND OTHER POWERS**

- 34 The Directors may exercise all the powers of the Company without limit as to amount to borrow and raise money and to accept money on deposit and to grant any security, mortgage, charge or discharge as they may consider fit for any debt or obligation of the Company or which is binding on the Company in any manner or way in which the Company is empowered so to grant and similarly as they may consider fit to enter into any guarantee, contract of indemnity or suretyship in any manner or way in which the Company is empowered so to enter into

### **ALTERNATE DIRECTORS**

#### **35. Alternate Directors**

- 35 1 Any director (other than an alternate director) may at any time by writing under his hand and deposited at the Office, or delivered at a meeting of the Directors, appoint any person to be his alternate director and may in like manner at any time terminate such appointment If such alternate director is not another director, such appointment, unless previously approved by the Directors, shall have effect only upon and subject to being so approved (provided that subject to Article 45.2 the appointment of an alternate by an Investor Director shall be effective immediately on notice of such appointment being given to the Company and shall not require the approval of the Directors)
- 35 2 The appointment of an alternate director shall determine on the happening of any event which if he were a director would cause him to vacate such office or if his appointer ceases to be a director
- 35 3 An alternate director shall (except when absent from the United Kingdom) 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 and shall be entitled to attend and vote as a director at any such meetings at which his appointer is not personally present and generally at such meetings to perform all the functions of his appointer as a director in his absence and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a director If his appointer is for the time being absent from the United Kingdom or temporarily unable to act through ill-health or disability, an alternate director's signature to any resolution in writing of the Directors shall be as effective as the signature of his appointer. Every person acting as an alternate director shall have one vote for each director for whom he acts as alternate (in addition to his own vote if he is also

a director) An alternate director shall not (save as aforesaid) have power to act as a director or be deemed to be a director for the purposes of these Articles

- 35 4 An alternate director may be repaid expenses and shall be entitled to be indemnified by the Company to the same extent *mutatis mutandis* as if he were a director but he shall not be entitled to receive from the Company any remuneration except only such proportion (if any) of the remuneration otherwise payable to his appointer as such appointer may by notice in writing to the Company from time to time direct

## INDEMNITY AND INSURANCE

### 36. Indemnity and Insurance

- 36 1 Without prejudice to any other indemnity which may from time to time be applicable, a relevant officer of the Company or an associated company shall be indemnified out of the assets of the Company against

- (a) any liability incurred by that officer in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or an associated company,
- (b) any liability incurred by that officer in connection with the activities of the company or an associated company in its capacity as a trustee of an occupational pension scheme (as defined in Section 235(6) of the 2006 Act), and
- (c) any other liability incurred by that officer as an officer of the company or an associated company,

provided always that this Article does not authorise any indemnity which would be prohibited or rendered void by any provision of the Acts or by any other provision of law.

In this Article

- (i) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate, and
  - (ii) a "relevant officer" means any director, former director, company secretary or former company secretary or other officer of the company or an associated company (but not its auditor)
- 36 2 The Directors may decide to purchase and maintain insurance at the expense of the Company for the benefit of any relevant officer in respect of any relevant loss. Without prejudice to the generality of Article 22 at a meeting of the Directors where such insurance is under consideration a Director may form part of the quorum and vote notwithstanding any interest he may have in such insurance

In this Article

- (a) a "relevant officer" means any director or former director, company secretary or former company secretary of the company or an associated company, any other officer or employee or former officer or employee of the company (but not its auditor) or any trustee of an occupational pension scheme (as defined in Section 235(6) of the 2006 Act) or of a trust established for the purposes of an employees' share scheme of the company or an associated company,
- (b) a "relevant loss" means any loss or liability which has been or may be incurred by a relevant officer in connection with that relevant officer's duties or powers in relation to the company, any associated company or any pension fund or employees' share scheme of the company or associated company, and
- (c) companies are associated if one is a subsidiary of the other or both are subsidiaries of the same body corporate

### PERMITTED TRANSFERS

- 37 The following transfers of shares may be made, subject to Articles 11.1 and 11.2 (*transfer of shares*), without restriction as to price or otherwise and without any requirement to offer such shares pursuant to the provisions of Article 38 (*pre-emptive transfers*) and without any requirement, save in the case of sub-paragraph 37.9 below, to comply with the provisions of Article 41 (*change of control*) namely transfers
- 37.1 by any member being a company to any holding company of such company or any direct or indirect subsidiary of any such holding company,
- 37.2 by any Non-employee Member holding shares as a nominee or on trust (whether directly or indirectly) for an employee share scheme to any other nominee or trustee of the same scheme,
- 37.3 by any nominee or trustee to any other nominee or trustee of the same beneficiary,
- 37.4 by any Original Employee Member or by any person entitled to any shares by transmission on the death of any Original Employee Member to any Permitted Transferee of such Original Employee Member and any such transferee will be bound by the provisions of these Articles (in particular, the provisions of Article 39 (*compulsory transfers*) and the provisions of Clause 7 of the Shareholders' Agreement to the extent such provisions apply or applied to the Original Employee Member as if such transferee were the Original Employee Member and the transferred shares remained held by the Original Employee Member) and on completion of any transfer pursuant to this Article the transferee shall be deemed to have conferred irrevocably authority on any director of the Company from time to time to sign any such resolution, consent, transfer form or other document and/or take any other act in his name and on his behalf to implement all or any of the provisions of Article 39 (*compulsory transfers*) and Clause 7 of the Shareholders' Agreement as his attorney or agent,

- 37.5 by the trustees of any trust established for the benefit of employees or directors (or former employees or directors) to the beneficiaries of such trust who are employees or directors (and former employees or directors with the prior written consent of the Majority C Shareholders) of a member of the Group (other than Mr Wood without the prior written consent of the Majority C Shareholders) (or any of them) as may be approved by a PJW Director appointed pursuant to Article 45.5 (if any) (or if there is no PJW Director the Remuneration Committee) and/or by any member to the trustees of such trust to hold on trust for the benefit of the beneficiaries of the trust,
- 37.6 by any Financial Institution or any fund or the general partner of any fund to.
- 37.6.1 the partners in such fund, or their nominees, but only on the winding up, dissolution or other termination of such fund,
- 37.6.2 a nominee or trustee for such Financial Institution or fund (as applicable),
- 37.6.3. another fund (or nominee or trustee for another fund) which is managed or advised by the same manager or adviser as the transferor or by any member of the same group of companies of such manager or adviser;
- 37.7 by any member pursuant to Clause 7 of the Shareholders' Agreement,
- 37.8 by any member (other than Mr Wood) pursuant to Schedule 3 (*A Ordinary Shareholders*), and
- 37.9. with the written consent of the Majority C Shareholders and Mr Wood (but only for so long as the PJW Parties hold at least 24 per cent. of the total number of Ratchet Shares in issue and Mr Wood is not a Leaver) or if the written consent of Mr Wood is no longer required pursuant to this Article 37.9 because either the PJW Parties hold less than 24 per cent of the total number of Ratchet Shares in issue or Mr Wood is a Leaver then the written consent of the holders (other than Leavers) of more than 50 per cent of the total number of B Ordinary Shares in issue (other than those B Ordinary Shares held by Leavers) shall be required in addition to the written consent of the Majority C Shareholders;

If any person to whom shares are transferred pursuant to sub-paragraphs 37.1 to 37.5, 37.6.2 or 37.6.3 above ceases to be within the required relationship with the original transferor of such shares, such shares shall be transferred back to the original transferor (or to any other person falling within the required relationship with the original transferor) forthwith upon such relationship ceasing and, if the holder of such shares fails to make such transfer, the holder shall be deemed to have served a separate Transfer Notice in respect of all of such shares then held by him and the provisions of Article 38 (*pre-emptive transfers*) shall apply save that the Specified Price shall be deemed to be the Fair Price

## PRE-EMPTIVE TRANSFERS

### 38. Pre-Emptive Transfers

- 38.1. Save as provided by Article 37 (*permitted transfers*), Article 39 (*compulsory transfers*), Article 41 to Article 44 (*change of control, tag-along, drag-along and PJW & investor drag-along*) and Schedule 3 (*A ordinary shareholders*) and subject to Article 38 12 no member or person entitled by transmission shall transfer or dispose of or agree to transfer or dispose of or grant any interest or right in any share to any person (a "**transferee**" for the purposes of this Article 38) without first offering the same for transfer to the holders for the time being of shares (other than the proposing transferor) who may be entitled to acquire such shares pursuant to the terms of Article 38 4. Such offer may be in respect of all or part only of the shares held by the proposing transferor, shall be made by the proposing transferor by the giving in writing of a notice (a "**Transfer Notice**") and may, if the proposing transferor is a Non-Employee Member, make acceptance of the offer conditional upon acquiring Shareholder Loan Notes and/or Perpetual Subordinated Notes and/or any other securities (whether of the Company or any of its subsidiaries on the terms specified in the Transfer Notice).
- 38 2 Each Transfer Notice shall specify the number and class of Shares and/or Shareholder Loan Notes and/or Perpetual Subordinated Notes and/or any other securities (as applicable) offered (the "**Sale Securities**") and (unless the Transfer Notice is deemed given as provided by these Articles) the price at which the Sale Securities are offered (the "**Specified Price**") and the identity(ies) of the proposed transferee(s) (if any) and it shall constitute the Directors as the agent of the proposing transferor for the sale of the Sale Securities to the other holders of Shares (other than the proposing transferor).
- 38 3 Subject to Article 38 12, upon receipt or deemed receipt by the Company of the Transfer Notice the Directors shall forthwith give written notice to the holders of shares (other than the proposing transferor) of the number and description of the Sale Securities and the Specified Price and (unless the Transfer Notice is deemed given as provided by these Articles) the identity(ies) of the proposed transferee(s) inviting each of such holders to state by notice in writing to the Company within 20 days (the "**Offer Period**") whether he is willing to purchase any and, if so, what maximum number of the Sale Securities ("**Maximum**") he is willing to purchase, and shall also forthwith give a copy of such notice to the proposing transferor. A person who, pursuant to such a notice, expresses a willingness to purchase any Sale Securities is referred to below as a "**Purchaser**".
- 38 4 Within 10 days of the expiration of the Offer Period the Directors shall, subject to Article 38 6 below, allocate the Sale Securities to or amongst the Purchasers and such allocation shall be made so far as practicable as follows
- 38 4 1 if the Sale Securities are A Ordinary Shares first to existing employees (other than Mr Wood without the prior written consent of the Majority C Shareholders) or prospective employees of the Company or any of its subsidiaries or a trust established for the benefit of such

employees or former employees (or for the avoidance of doubt, a combination of both) (in each case as approved by Mr Wood after prior consultation with the Majority C Shareholders or if the PJW Parties no longer hold at least 24 per cent of the total number of Ratchet Shares in issue or Mr Wood is a Leaver as approved by the Remuneration Committee), second to other Employee Members and third to Non-employee Members, or

- 38 4 2. if the Sale Securities are B Ordinary Shares and the proposing transferor is an Employee Member, first to existing employees (other than Mr Wood without the prior written consent of the Majority C Shareholders) or prospective employees of the Company or any of its subsidiaries or a trust established for the benefit of such employees or former employees (or for the avoidance of doubt, a combination of both) (in each case as approved by Mr Wood after prior consultation with the Majority C Shareholders or if the PJW Parties no longer hold at least 24 per cent of the total number of Ratchet Shares in issue or Mr Wood is a Leaver as approved by the Remuneration Committee), second to other Employee Members and third to Non-employee Members, or
- 38 4 3 if the Sale Securities are C Ordinary Shares, Ordinary Shares, Priority Return Shares and/or Deferred Ordinary Shares and the proposing transferor is a Non-employee Member, first other Non-employee Members and second to Mr Wood (for so long as the PJW Parties hold at least 24 per cent. of the total number of Ratchet Shares in issue) (and, for the avoidance of doubt, no allocation shall be made to Employee Members other than Mr Wood), or
- 38 4 4 if the Sale Securities are C Ordinary Shares, Ordinary Shares and/or Priority Return Shares and/or Deferred Ordinary Shares and the proposing transferor is an Employee Member, to other members holding the relevant class of share
- 38 5 Each allocation among the relevant persons identified in Article 38 4 shall in the case of competition be made pro-rata to the number of shares of the relevant class held by them but individual allocations shall not exceed the Maximum which the relevant person shall have expressed a willingness to purchase
- 38 6 If the Transfer Notice shall state that the proposing transferor is not willing to transfer part only of the Sale Securities, no allocation shall be made unless all the Sale Securities are allocated
- 38 7 Forthwith upon such allocation being made, the Purchasers to or amongst whom such allocation has been made shall be bound to pay to the Company (as agent for the proposing transferor) the Specified Price for, and to accept a transfer of, the Sale Securities so allocated to them respectively and the proposing transferor shall, subject to Article 41 (*change of control*) be bound forthwith upon payment of the Specified Price as aforesaid to deliver to the

Company (as agent for the Purchasers) such documents as are required to transfer such shares to the respective Purchasers.

- 38 8 If in any case the proposing transferor, after having become bound to transfer Sale Securities as aforesaid, does not do so, the Company may receive the Specified Price and the Directors may appoint some person to execute instruments of transfer of such Sale Securities in favour of the Purchasers and shall thereupon, subject to such transfers being properly stamped (if applicable), cause the name of each of the Purchasers to be entered in the Register of Members as the holder of those Sale Securities allocated to him as aforesaid and shall hold the Specified Price in trust for the proposing transferor. The issue of a receipt by the Company therefor shall be a good discharge to the Purchasers and after their names shall have been entered in the Register of Members in exercise of the aforesaid power, the validity of the transactions shall not be questioned by any person.
- 38 9 If, at the expiration of the period of 10 days referred to in Article 38 4 above, any of the Sale Securities have not been allocated in accordance with the provisions of this Article, the proposing transferor may at any time within a period of 60 days after the expiration of the said period of 10 days referred to in Article 38 4 above transfer such unallocated Sale Securities to the proposed transferee(s) (if any) specified in the Transfer Notice, or to any other person at any price not being less than the Specified Price provided that
- 38 9 1 if the Transfer Notice shall contain the statement referred to in Article 38 6 the proposing transferor shall not be entitled hereunder to transfer any of such unallocated Sale Securities unless in aggregate all of such unallocated Sale Securities are so transferred,
- 38 9 2. the Directors may require to be satisfied on reasonable grounds that such unallocated Sale Securities are being transferred in pursuance of a bona fide sale for the consideration stated in the transfer without any deduction, rebate or allowance whatsoever to the transferee and if not so satisfied may refuse to register the instrument of transfer;
- 38 9 3 if the Transfer Notice shall make any acceptance of the offer conditional as referred to in Article 38 1 the proposing transferor shall not be entitled hereunder to transfer any of such unallocated Sale Securities unless the transferee acquires the relevant proportion of Shareholder Loan Notes and/or Perpetual Subordinated Notes and/or other securities as are set out in the Transfer Notice
- 38 10 The restrictions on transfer contained in this Article shall apply to all transfers and transmissions by operation of law or otherwise of Shares
- 38.11. Where a member or other person is under these Articles deemed to have served a Transfer Notice in respect of B Ordinary Shares, such Transfer Notice shall be deemed not to contain the condition referred to in Article 38 9.3 or the statement referred to in Article 38 6
- 38 12. If the proposing transferor is an Employee Member Mr Wood (or, if Mr Wood is a Leaver or the PJW Parties hold less than 24 per cent of the total number



of Ratchet Shares in issue, the Remuneration Committee) after consultation with the Majority C Shareholders, may allocate some or all of the Sale Securities to existing employees (other than Mr Wood without the prior written consent of the Majority C Shareholders) or prospective employees of the Company or any of its subsidiaries and/or to a trust established for the benefit of such employees or former employees in which event the provisions of Articles 38.3 to 38.7 (inclusive) and 38.9 shall not apply to the Sale Securities allocated pursuant to this Article 38.12. For the avoidance of doubt, the provisions of Article 38 shall apply to any Sale Securities not allocated pursuant to this Article 38.12.

### COMPULSORY TRANSFERS

#### 39. Compulsory Transfers

39.1 Subject to Article 39.5, Mr Wood (or, if Mr Wood is a Leaver or the PJW Parties hold less than 24 per cent. of the total number of Ratchet Shares in issue, the Remuneration Committee) after consultation with the Majority C Shareholders at any time upon the Leaver becoming a Leaver until the expiry of six months from the Termination Date serve a notice in writing on the Leaver requiring him to offer for sale some or all of the his B Ordinary Shares other than his Vested B Ordinary Shares then held by him (a "**Compulsory Transfer Notice**") Upon service of a Compulsory Transfer Notice the Leaver shall be deemed to have served a Transfer Notice in respect of such shares (and such deemed Transfer Notice shall supersede any previous Transfer Notice which has not completed) and, subject to Article 39.2, the provisions of Article 38 shall apply

39.2 A deemed service of a Transfer Notice pursuant to Article 39.1 shall be deemed to provide that the Specified Price in respect of any shares the subject of the deemed Transfer Notice shall be

39.2.1 in respect of a Bad Leaver the lower of

(a) the price paid therefor by the relevant Leaver (including any premium paid thereupon) (which in the case of shares issued on or around the date of adoption of these articles shall be deemed to be £0.01 per share), and

(b) the Fair Price,

39.2.2 in respect of a Good Leaver the Fair Price.

39.3 The Majority C Shareholders and Mr Wood (for so long as the PJW Parties hold at least 24 per cent. of the total number of Ratchet Shares in issue and Mr Wood is not a Leaver) may, in their absolute and unfettered discretion regardless of precedent and without any obligation to meet or consider the matter, by notice in writing signed by or on behalf of each of them and served on the Company and the Leaver (in the Compulsory Transfer Notice or otherwise) prior to the expiry of six months from the Termination Date, (i) specify that not all or none of the Leaver's shares are to be the subject of the deemed Transfer Notice, and/or (ii) specify that the obligation for the

Directors to give written notice to the holders of Shares inviting them to purchase the sale shares shall be deferred for a further period of six months, and/or (iii) specify that a Bad Leaver shall be deemed to be a Good Leaver for the purposes of Article 39, and/or (iv) specify that the Specified Price is greater than that determined in accordance with Article 39.2 and may, by notice in writing served on the Leaver, suspend the operation of the provisions of Article 38 for all or any part of such six month period or, if later, until the Fair Price is agreed or determined

39.4 Notwithstanding any other provision herein contained (but subject to Article 7.5), if a Leaver retains any shares in the capital of the Company, he shall have all the rights of and shall rank *pari passu* with the other holders of the class or classes of shares held by him save that.

39.4.1 at any general meeting or class meeting of the Company he shall be deemed to vote (whether on a poll or otherwise) in the same manner as the majority of votes cast at the relevant meeting by the holders of the relevant class or classes of shares held by him,

39.4.2 [Deleted],

39.4.3 in relation to any matter where the consent of the holders of the class or classes of shares held by him is required he shall be deemed to grant consent if the majority of the holders of the relevant class or classes of shares held by him grant such consent,

39.4.4 on any transfer of a majority of the shares of the relevant class or classes held by him in circumstances where an offer is made to him to acquire his shares at a price which is not lower than the average price per share payable to the holders of a majority of the shares of the such class or classes he shall be deemed to accept such offer and to transfer such shares at the time and place specified by the offeror,

and he hereby appoints any director of the Company from time to time to sign any such resolution, consent, transfer form or other document and/or take any other act in his name and on his behalf to implement all or any of the above provisions provided that, in respect of any transfer made pursuant to Article 39.4.4, the Company shall retain on trust the proceeds of sale and shall account to him for such proceeds forthwith on demand

39.5 If, in the opinion of the Directors (acting reasonably), any member to whom Article 39.4 applies takes or seeks to take any action contrary to the terms of Article 39.4 or seeks to prevent any director of the Company from taking any action pursuant to the authority conferred on them pursuant to the terms of Article 39.4 any director may, by serving written notice on the Company and the relevant member deem such member to have served a Transfer Notice in respect of all of the shares then held by him and in respect of which the Specified Price shall be the Paid Up Amount in respect of each share

39.6 The Remuneration Committee may, by notice in writing served on the Company and the Leaver at any time, specify the Leaver's retained shares be transferred at nominal value to a nominee company nominated by the

Remuneration Committee to be held by such nominee company for the benefit of the Leaver. The nominee company shall cast all votes and exercise all rights, obligations and discretions in respect of such shares as directed by the Remuneration Committee or as otherwise may be required by these Articles or the Shareholders' Agreement and the relevant Leaver hereby waives all rights in respect of such shares and indemnifies the nominee company in respect of all actions (other than actions in breach of trust by such nominee) taken by them in respect of such shares.

### FAIR PRICE

#### 40. Fair Price

##### 40 1. "Fair Price" means

40 1 1. where the Fair Price has been determined in accordance with Article 40 1 3 within the 6 months prior to the date of the Compulsory Transfer Notice, Mr Wood (or, if Mr Wood is a Leaver or the PJW Parties hold less than 24 per cent of the total number of Ratchet Shares in issue, the Remuneration Committee) may, at its absolute discretion, elect to use that valuation to determine the Fair Price provided that in Mr Wood's or the Remuneration Committee's (as applicable) reasonable opinion there has been no material change to such valuation and such valuation shall be binding on the Leaver, or

40 1 2 the price per share as at the date of the Compulsory Transfer Notice agreed between such a Leaver and Mr Wood (or, if Mr Wood is a Leaver or the PJW parties hold less than 24 per cent of the total number of Ratchet Shares in issue, the Remuneration Committee with the consent of the Majority C Shareholders) within 30 days of service of the Compulsory Transfer Notice (or such longer period as the Remuneration Committee may determine), or

40 1 3. in the absence of such agreement the price as at such date certified in writing by the Valuer as being in their opinion the fair value of the shares as between a willing seller and a willing buyer (with, except in the case of the PJW Parties, discounts being applied to reflect the unquoted status of the shares) provided that the Valuer, in determining the fair value of any of such shares shall:

(a) determine the sum in cash which a willing buyer would offer to a willing seller for the whole of the issued Ratchet Shares on the basis that before a transfer of the Ratchet Shares could be completed he would be required to acquire:

(i) all of the outstanding Shareholder Loan Notes at a price per note (payable in cash) equal to all amounts of interest and principal and all other sums outstanding in respect of each such note,

(ii) all of the outstanding Perpetual Subordinated Notes at a price per note (payable in cash) equal to all amounts

of interest and principal and all other sums outstanding in respect of each such note,

- (iii) all of subsisting Ordinary Shares at a price per share (payable in cash) equal to an amount equal to the Paid Up Amount in respect of each of such share less any part of the Paid Up Amount previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles, and
  - (iv) all of the Priority Return Shares at a price per share (payable in cash) equal to the Priority Return in respect of each such share less any part of the Priority Return previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles
- (b) divide the resultant figure by the number of issued Ratchet Shares and outstanding options or rights to acquire Ratchet Shares assuming:
- (i) exercise in full of such options or rights,
  - (ii) that any Ratchet Shares available to be allocated to employees of the Company pursuant to the Shareholders' Agreement have been issued, and
  - (iii) that a Conversion Event occurred immediately prior to the date of the Compulsory Transfer Notice such that the provisions of Article 7.21 and Schedule 4 apply.
- (c) make such adjustment as they consider necessary to allow for any rights attaching to the shares to be transferred which may be outstanding and any rights whereby any person, firm or body corporate may call for the allotment or issue of shares or may exercise any right of conversion,

but so that there shall be a discount applied in respect of a holding of less than 5 per cent. of the total number of Ratchet Shares in issue to reflect the minority nature of such a holding but no addition or subtraction of any premium or discount arising in relation to any restrictions on the transferability of the shares arising only out of the provisions of these Articles and provided further that the Valuer shall take into account in relation to determining the appropriate figure for Article 40.13 above any bona fide offer from any third party to purchase any holdings the subject of a Transfer Notice

- 40.2. The costs of the Valuer shall be borne between the Company and the selling shareholder equally or in such proportions as the Valuer shall determine to be fair and reasonable in the circumstances (and in arriving at such proportions, the Valuer may take account of the relevant price per share proposed by the

relevant parties as compared to the price per share ultimately agreed or determined by the Valuer).

- 40.3. For the avoidance of doubt, to the extent to which the Fair Price cannot be agreed between the Leaver and the Remuneration Committee and a Valuer is to be appointed, the terms of engagement of the relevant Valuer shall be at the sole determination of the Company (acting reasonably) and shall not require the agreement of the relevant Leaver.

### CHANGE OF CONTROL

41. Notwithstanding any other provision of these Articles, but save for transfers pursuant to Articles 37.1-37.8 (*permitted transfers*) and Article 44 (PJV & *investor drag-along*) no sale or transfer of, or transfer of any interest in, any shares conferring a right to vote at general meetings of the Company to any person whomsoever (other than Mr Wood or the Original Investors), which would result, if made and, if appropriate, registered, in a person (together with persons acting in concert therewith) whether or not then a member of the Company obtaining or increasing a Controlling Interest in the Company, shall be made or registered and no right to subscribe for any shares which would result, when such shares are issued, in such a person obtaining or increasing a Controlling Interest in the Company shall be exercised unless.
- 41.1 prior to such transfer being completed:
- 41.1.1. a General Offer is made to all members by the person or persons proposing to acquire the Controlling Interest to purchase all other Ratchet Shares in issue and all the unissued Ratchet Shares for which any person shall then be entitled to subscribe; and
- 41.1.2 (unless the Majority C Shareholders otherwise consent) an offer is made to all noteholders by the person or persons proposing to acquire the Controlling Interest to purchase all of the outstanding Shareholder Loan Notes and Perpetual Subordinated Note at a price per note (payable in cash) equal to the aggregate amount of all amounts of interest and principal and all other sums outstanding in respect of each such note, and
- 41.1.3. (unless the Majority C Shareholders otherwise consent) an offer is made to all members by the person or persons proposing to acquire the Controlling Interest to purchase all of the subsisting Ordinary Shares at a price per share (payable in cash) equal to an amount equal to the Paid Up Amount in respect of each such share less any part of the Paid Up Amount previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles, and
- 41.1.4. (unless the Majority C Shareholders otherwise consent) an offer is made to all members by the person or persons proposing to acquire the Controlling Interest to purchase all of the Priority Return Shares at a price per share (payable in cash) equal to the Priority Return in respect of each such share less any part of the Priority Return

previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles, and

- 41 2 the relevant offer is approved in writing in advance by the Majority C Shareholders unless the relevant offer becomes unconditional in all respects on or before 31 December 2015 and is in accordance with and satisfies the provisions of Clause 17 2 (*Exit*) of the Shareholders' Agreement; and
- 41 3. at any time on or prior to 31 December 2015 the relevant offer is approved in writing in advance by Mr Wood (for so long as the PJW Parties hold at least 24 per cent of the total number of Ratchet Shares in issue, Mr Wood is not a Bad Leaver, Mr Wood is alive and no Disqualifying Breach has occurred), and

Any General Offer shall conform to the principles of the Code (so far as applicable and subject as provided in these Articles) and subject to (unless the Majority C Shareholders otherwise consent)

- 41 3.1 the prior purchase of all of the outstanding Shareholder Loan Notes and Perpetual Subordinated Notes at a price per note (payable in cash) equal to the aggregate amount of all amounts of interest and principal and all other sums outstanding in respect of each such note, and

- 41.3.2. the prior purchase of all of the subsisting Ordinary Shares at a price per share (payable in cash) equal to an amount equal to the Paid Up Amount in respect of each such share less any part of the Paid Up Amount previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles:

- 41 3 3 shall attribute the value in respect of the Equity Shares amongst the shareholders

- (a) in priority to the holders of any Equity Shares or Deferred Ordinary Shares (in their capacity as holders of such classes of shares), to the holders of Priority Return Shares, in accordance with Article 7 3 3, and
- (b) to the holders of Ratchet Shares and the Deferred Ordinary Shares in accordance with Article 7 3.4 provided that where the General Offer complies with Article 41 3 2 no value need be attributed to the Ordinary Shares under this Article 41 3 3(b) and further provided that without prejudice to Article 41.3.3(a) the value attributable to a Ratchet Share shall not be less than the highest value paid or agreed to be paid to Mr Wood or the Majority C Shareholders for a Ratchet Share by the proposed acquiror(s) of the Controlling Interest in the 6 months preceding the date of the General Offer.

- 41 4 If any transfer (or the transfers in aggregate) pursuant to this Article 41 shall constitute a Conversion Event then such Conversion Event shall be deemed

to have occurred and Article 7 21 and Schedule 4 shall be applied prior to any value being attributed to the Ratchet Shares

- 41 5 It shall be a term of a General Offer and of any agreement to acquire any shares pursuant thereto that a Controlling Interest is only obtained or increased in consequence of such General Offer or agreement if such General Offer is accepted in respect of a number of shares which would result in the offeror holding more than 30% of the Ratchet Shares in issue. Any General Offer shall be made in writing (stipulated to be open for acceptance for at least 14 days) to all shareholders and noteholders and shall include an undertaking by the offeror that neither he nor any person acting in concert with him has within the 6 months immediately preceding or will within the 6 months immediately succeeding the making of the General Offer entered into or will enter into more favourable terms with any member for the purchase of shares of the same class. Such a General Offer shall be accepted or rejected in writing within the time period reasonably stipulated and shall be deemed to have been rejected by a member if he does not respond within such time period

#### TAG-ALONG

##### 42. Tag-Along

- 42 1 If as the result of a General Offer or a Relevant Sale (pursuant to Article 44 1) a person or persons (in this Article the "**Buyer**") acquires a Compulsory Purchase Interest the Company shall forthwith notify all members and noteholders accordingly and any member or noteholder who did not accept the General Offer or did not participate in the Relevant Sale under Article 44 1 may by written notice to the Company served within 60 days of such notification require the Company as agent for such member to serve a notice (in this Article a "**Compulsory Purchase Notice**") on the Buyer requiring it to buy such member's shares (including any Ordinary Shares or Priority Return Shares) and/or any Shareholder Loan Notes and/or any Perpetual Subordinated Notes at, in respect of a General Offer, the consideration applicable to such General Offer in respect of the shares and in respect of any Shareholder Loan Notes and/or any Perpetual Subordinated Notes at a price per note (payable in cash) equal to the aggregate amount of all amounts of interest and principal and all other sums outstanding in respect of each such note or, in respect of an offer made under Article 44 1, the price per share or per note (as applicable) that was or would be payable under the Compulsory Acquisition Notice. The Company shall serve the Compulsory Purchase Notice forthwith upon receipt of any such written notice by a member
- 42 2 The Buyer shall complete the purchase of all shares and/or Shareholder Loan Notes and/or any Perpetual Subordinated Notes in respect of which a Compulsory Purchase Notice has been given and no later than 21 days from the date of the serving of such Compulsory Purchase Notice on it. The consideration shall be payable in full without any set off. The Directors shall not register any transfer to the Buyer and the Buyer shall not be entitled to exercise or direct the exercise of any rights in respect of any shares to be transferred to the Buyer until in each case the Buyer has fulfilled all his

obligations pursuant to this Article. If and for so long as the Buyer fails to comply with the provisions of this Article, the shares held by the Buyer (including any shares held by the Buyer prior to the operation of this Article) shall confer on the Buyer no right to receive notice of, attend or vote at any general meeting of the Company or at any separate general meeting of the holders of the shares of that class until the obligations of the Buyer hereunder have been complied with and such shares shall confer no right to receive notice of, attend or vote at any meeting of the Company unless and until the Buyer has complied with such obligations under this Article.

- 42.3 Any transfer pursuant to a Compulsory Purchase Notice shall not require the relevant transferor to give a Transfer Notice and the provisions of Article 38 (*pre-emptive transfers*) shall not apply.

### DRAG-ALONG

#### 43. Drag-Along

- 43.1 If any person or persons making a General Offer (in this Article the "**Buyer**") receives acceptances of or agreements to accept the General Offer in respect of shares the transfer of which, once completed, would result in the Buyer acquiring a Compulsory Purchase Interest then the Buyer may, subject to

43.1.1 the prior written consent of the Majority C Shareholders (unless the General Offer would result in an Exit prior to 31 December 2015 that is in accordance with and satisfies the provisions of Clause 17.2 (*Exit*) of the Shareholders' Agreement);

43.1.2 the prior purchase of all of the outstanding Shareholder Loan Notes and Perpetual Subordinated Notes at a price per note (payable in cash) equal to the aggregate amount of all amounts of interest and principal and all other sums outstanding in respect of each such note, and

43.1.3 the prior purchase of all of the subsisting Ordinary Shares at a price per share (payable in cash) equal to an amount equal to the Paid Up Amount in respect of each such share less any part of the Paid Up Amount previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles,

either at the same time as receiving such acceptances or agreements to accept or at any time within the following 60 days, serve notices or request that the Company serve notices (in this Article each a "**Compulsory Purchase Notice**") on all of the members who have not then accepted the General Offer (the "**Minority Shareholders**") requiring them to accept it and the consideration payable in respect of any shares (including the Ordinary Shares and Priority Return Shares) shall be that applicable to such General Offer in respect of such shares. If agreements to accept a proposed General Offer are obtained prior to the making of the General Offer, the General Offer itself may contain the Compulsory Purchase Notice. If it is the Buyer who shall serve the Compulsory Purchase Notices on the members then details of any



Compulsory Purchase Notices issued shall be sent by the Buyer to the registered office of the Company marked for the attention of the Company Secretary. Following service of the Compulsory Purchase Notices, until the earlier of the completion, withdrawal or lapse of the General Offer, the Minority Shareholders shall not be entitled to transfer their shares to anyone except the Buyer or a person identified by the Buyer.

- 43 2 For the avoidance of doubt nothing in these Articles shall prevent the issue of a new Compulsory Purchase Notice immediately prior to or following the lapse or withdrawal of an existing Compulsory Purchase Notice in which case such newly served notice shall supersede and revoke any earlier such notice, notwithstanding that the relevant acceptance and purchase period as may be designated in the original Compulsory Purchase Notice may not have expired.
- 43 3 Where any person has a right to subscribe for shares in the Company prior to the transfer of a Controlling Interest then the Buyer may serve a Compulsory Purchase Notice on him (either at the same time as all other Compulsory Purchase Notices are served or otherwise) notwithstanding that such person is not, at the time of service, the holder of any shares and, in such a case, the Compulsory Purchase Notice shall be in respect of any shares which the relevant person shall obtain upon the exercise by them of their subscription rights prior to completion of the General Offer.
- 43 4 The Buyer shall complete the purchase of all shares (including the Ordinary Shares and Priority Return Shares) pursuant to the General Offer, including those in respect of which Compulsory Purchase Notices have been served, at the same time (to the extent possible). Any transfer pursuant to a Compulsory Purchase Notice shall not require the relevant Minority Shareholder to give a Transfer Notice and the provisions of Article 38 (*pre-emptive transfers*) shall not apply.
- 43 5 If in any case a Minority Shareholder, on the expiration of 21 days from the service of the Compulsory Purchase Notice, shall not have validly accepted the General Offer by completing, executing and returning all documents required in accordance with the terms of the General Offer then the Directors may authorise some person to execute and deliver on his behalf all documents required to validly accept the General Offer and transfer the Minority Shareholder's shares to the Buyer or the person identified by the Buyer and the Company shall, upon completion of the General Offer, receive the consideration in respect of such shares and shall thereupon (subject to the transfer being duly stamped to the extent applicable) cause the name of the Buyer (or the person identified by the Buyer) to be entered into the Register of Members as the holder of the relevant shares. If the General Offer contains any alternatives (for example, a guaranteed loan note alternative or a roll-over alternative or a reinvestment alternative, or otherwise) the person so authorised by the Directors shall have full and unfettered discretion to elect which alternative to accept in respect of each Minority Shareholder (and may elect different alternatives for different Minority Shareholders or a combination in respect of a Minority Shareholder) and neither the Directors nor any person so authorised shall have any liability to the Minority

Shareholders (or any of them) in relation to the exercise of such discretion. The Company shall hold the consideration in trust for the Minority Shareholder but shall not be bound to earn or pay interest thereon. The issue of a receipt by the Company for the consideration shall be a good receipt for the price for the relevant shares but the Buyer shall not be discharged from procuring that the Company applies the money in payment to the Minority Shareholder which shall be made against delivery by the Minority Shareholder of the certificate in respect of the shares or an indemnity in respect of the same. After the name of the Buyer or the person identified by the Buyer has been entered in the Register of Members in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.

### PJW & INVESTOR DRAG-ALONG

#### 44. PJW & Investor Drag-Along

44.1 Notwithstanding any other provisions of these Articles and, in particular, the provisions of Articles 38, 41 and 43 (*pre-emptive transfers, change of control, and drag-along*), the holders of 40% or more of the Ratchet Shares or the holders of 87.5% or more of the C Ordinary Shares (in this Article the "**Seller**") may, with Drag Consent agree to sell or transfer (the "**Relevant Sale**") shares representing not less than 40% of the Ratchet Shares in issue or 87.5% or more of the C Ordinary Shares in issue (as applicable) to any person whatsoever (together with persons acting in concert therewith) (in this Article the "**Buyer**"). A Relevant Sale shall only be a Relevant Sale for the purposes of this Article 44 if

44.1.1 it is a bona fide transaction on arms length terms, and

44.1.2 (unless the Majority C Shareholders otherwise consent)

- (a) all of the outstanding Shareholder Loan Notes and Perpetual Subordinated Notes are purchased prior to completion of the Relevant Sale at a price per note (payable in cash) equal to the aggregate amount of all amounts of interest and principal and all other sums outstanding in respect of each such note, and
- (b) all of the subsisting Ordinary Shares are purchased at a price per share (payable in cash) equal to an amount equal to the Paid Up Amount in respect of each such share less any part of the Paid Up Amount previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with these Articles,

If such Relevant Sale becomes unconditional in all respects, the Buyer may by written notice to the Company served within 60 days of such acquisition require the Company as agent for the Buyer to serve notices (in this Article each a "**Compulsory Acquisition Notice**") on some or all of the members specified by the Buyer being members who have not participated in such Relevant Sale (the "**Remainder Shareholders**") requiring them to sell all (but not some only) of their shares to the Buyer or a person or entity nominated by

the Buyer at a consideration per share determined in accordance with Article 7.3 (including any contingent or deferred consideration) (in so far as it can be ascertained at the date of the Compulsory Acquisition Notice) provided that:

- 44.1.3 where all of the Ordinary Shares have been purchased in accordance with Article 44.1.2(b) then no consideration need be allocated to the Ordinary Shares when applying Article 7.3 for the purposes of this Article 44.1;
- 44.1.4. in respect of each Ratchet Share and each Deferred Ordinary Share the consideration per share is not less than the consideration per share payable to the Seller in respect of their Ratchet Shares and/or Deferred Ordinary Shares and in the same form it being recognised that such consideration payable to the Seller may have been reduced by the Buyer agreeing to pay costs associated with the Relevant Sale and the consideration payable to the Remainder Shareholders shall be the net amount per share received by the Sellers; and
- 44.1.5 if any transfer (or the transfers in aggregate) pursuant to this Article shall constitute a Conversion Event then such Conversion Event shall be deemed to have occurred and Article 7.21 and Schedule 4 shall be applied prior to any consideration being attributed to the Ratchet Shares

The Company shall serve the Compulsory Acquisition Notices forthwith upon being required to do so and the Remainder Shareholders shall not be entitled to transfer their shares to anyone except the Buyer or a person identified by the Buyer. Each Compulsory Acquisition Notice shall specify the same date (being not less than 7 and not more than 21 days after the date of the Compulsory Acquisition Notice) for the completion of the relevant transfer of shares to the Buyer (the "**Proposed Compulsory Acquisition Completion Date**") The "**Compulsory Acquisition Completion Date**" shall be the date on which the Buyer completes the purchase of the shares with the Remainder Shareholders (being a date on or after the Proposed Compulsory Acquisition Completion Date but not more than 21 days after the date of the Compulsory Acquisition Notice)

- 44.2 The Buyer shall be ready and able to complete the purchase of all shares in respect of which a Compulsory Acquisition Notice has been given on the Compulsory Acquisition Completion Date. Any transfer pursuant to a Compulsory Acquisition Notice shall not require the relevant Remainder Shareholder to give a Transfer Notice and the provisions of Article 38 (*pre-emptive transfers*) shall not apply
- 44.3 If in any case a Remainder Shareholder shall not on or before the Compulsory Acquisition Completion Date have transferred his shares to the Buyer or a person identified by the Buyer against payment of the price therefor
  - 44.3.1 the Directors shall authorise some person to execute and deliver on his behalf any necessary transfer in favour of the Buyer or the person identified by the Buyer;

44 3 2 the Company shall receive the consideration in respect of such shares, and

44 3.3. the Company shall (subject to the transfer being duly stamped) cause the name of the Buyer (or the person identified by the Buyer) to be entered into the Register of Members as the holder of the relevant shares.

The Company shall hold the consideration in trust for the Remainder Shareholder but shall not be bound to earn or pay interest thereon. The issue of a receipt by the Company for the consideration shall be a good receipt for the price for the relevant shares. The Company shall apply the consideration received by it in payment to the Remainder Shareholder against delivery by the Remainder Shareholder of the certificate in respect of the shares or an indemnity in respect of the same in form and substance acceptable to the Company. After the name of the Buyer or the person identified by the Buyer has been entered in the Register of Members in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.

44 4 For the avoidance of doubt nothing in these Articles shall prevent the issue of a new Compulsory Acquisition Notice immediately prior to or following the lapse or withdrawal of an existing Compulsory Acquisition Notice in which case such newly served notice shall supersede and revoke any earlier such notice, notwithstanding that the relevant acceptance and purchase period as may be designated in the original Compulsory Acquisition Notice may not have expired.

#### **PJW, INVESTOR DIRECTORS & INDEPENDENT DIRECTORS**

##### **45. PJW, Investor Directors & Independent Directors**

45 1 Without prejudice to the terms of Article 47 and subject to Article 45 2, the Majority C Shareholders shall be entitled from time to time, by notice in writing addressed to the Company signed by or on behalf of each of them and delivered to the Office or a meeting of the Directors to appoint any person or persons to be directors of the Company subject to a maximum of three such directors and to remove any person so appointed and to appoint another person in his place.

45 2 To the extent any person proposed to be appointed as a director of the Company pursuant to Article 45 1 is not a partner or employee of Penta Capital LLP the prior approval of Mr Wood shall be required (for so long as the PJW Parties hold at least 24 per cent. of the total number of Ratchet Shares in issue and Mr Wood is not a Leaver) (such approval not to be unreasonably withheld).

45 3 If, at any time, there is no Investor Director then the members entitled to designate an Investor Director shall be entitled from time to time to appoint any person as an Observer and to remove any person so appointed and to appoint another person in his place. An Observer shall have the right to attend all meetings of the Directors and of any committee of the Directors and

to receive such other information as a director would be entitled to receive at the same time as such information is provided to Directors and shall, as regards confidentiality, have the same obligations to the Company as if he were a director. An Observer shall be entitled to attend and speak at any such meetings of the Directors but shall not be entitled to vote

45.4 Each Investor Director and/or Observer shall be entitled to report back to the members appointing him on the affairs of the Company and its subsidiaries on a confidential basis and to disclose to such members on a confidential basis such information as he shall reasonably consider appropriate including, for the avoidance of doubt, all papers distributed to the Directors.

45.5. Subject to Article 45.6, Mr Wood, for such time as the PJW Parties hold at least 24 per cent. of the total number of Ratchet Shares in issue and Mr Wood is not a Leaver, shall be entitled from time to time, by notice in writing addressed to the Company signed by or on behalf of each of them and delivered to the Office or a meeting of the Directors to appoint any person or persons to be directors of the Company subject to a maximum of three such directors and to remove any person so appointed and to appoint another person in his place

45.6 Where Mr Wood has ceased to have the right to appoint a directors(s) pursuant to Article 45.5 because he has become a Leaver and.

45.6.1 he is a Good Leaver then for so long as a Disqualifying Breach has not occurred and:

(a) the PJW Parties or any person entitled to Mr Wood's shares by transmission hold in aggregate at least 40 per cent of the total number of Ratchet Shares in issue then he, his Permitted Transferees and persons entitled to his shares by transmission shall be entitled (by notice in writing addressed to the Company signed by or on behalf of the holders of a majority of the shares held by the PJW Parties and any person entitled to any of Mr Wood's shares by transmission and delivered to the Office or a meeting of the Directors) to appoint any person or persons (other than Mr Wood (unless the Majority C Shareholders otherwise consent) or any person who is a Leaver) to be a non-executive director of the Company subject to a maximum of three such directors and to remove any person so appointed and to appoint another such person in his place, or

(b) the PJW Parties or any person entitled to Mr Wood's shares by transmission hold in aggregate at least 30 per cent of the total number of Ratchet Shares in issue then he, his Permitted Transferees and persons entitled to his shares by transmission shall be entitled (by notice in writing addressed to the Company signed by or on behalf of the holders of a majority of the shares held by the PJW Parties and any person entitled to any of Mr Wood's shares by transmission and delivered to the

Office or a meeting of the Directors) to appoint any person or persons (other than Mr Wood (unless the Majority C Shareholders otherwise consent) or any person who is a Leaver) to be a non-executive director of the Company subject to a maximum of two such directors and to remove any person so appointed and to appoint another such person in his place, or

- (c) the PJW Parties or any person entitled to Mr Wood's shares by transmission hold in aggregate at least 24 per cent of the total number of Ratchet Shares in issue then he, his Permitted Transferees and persons entitled to his shares by transmission shall be entitled (by notice in writing addressed to the Company signed by or on behalf of the holders of a majority of the shares held by the PJW Parties and any person entitled to any of Mr Wood's shares by transmission and delivered to the Office or a meeting of the Directors) to appoint any person (other than Mr Wood (unless the Majority C Shareholders otherwise consent) or any person who is a Leaver) to be a non-executive director of the Company subject to a maximum of one such director and to remove any person so appointed and to appoint another such person in his place, or

45.6.2 he is a Bad Leaver then for so long as a Disqualifying Breach has not occurred and

- (a) the PJW Parties or any person entitled to Mr Wood's shares by transmission hold in aggregate at least 30 per cent of the total number of Ratchet Shares in issue then he, his Permitted Transferees and persons entitled to his shares by transmission shall be entitled (by notice in writing addressed to the Company signed by or on behalf of the holders of a majority of the shares held by the PJW Parties and any person entitled to any of Mr Wood's shares by transmission and delivered to the Office or a meeting of the Directors) to appoint any person or persons (other than Mr Wood or any person who is a Leaver) to be a non-executive director of the Company subject to a maximum of two such directors and to remove any person so appointed and to appoint another such person in his place, or
- (b) the PJW Parties or any person entitled to Mr Wood's shares by transmission hold in aggregate at least 24 per cent of the total number of Ratchet Shares in issue then he, his Permitted Transferees and persons entitled to his shares by transmission shall be entitled (by notice in writing addressed to the Company signed by or on behalf of the holders of a majority of the shares held by the PJW Parties and any person entitled to any of Mr Wood's shares by transmission and delivered to the Office or a meeting of the Directors) to appoint any person (other than Mr Wood or any person who is a Leaver) to be a non-executive director of the Company subject to a maximum

of one such director and to remove any person so appointed and to appoint another such person in his place

45 7 Any director appointed by Mr Wood (or his Permitted Transferees or any person entitled to his shares by transmission) pursuant to Article 45 5 or 45 6 shall at the written request of the Majority C Shareholders be removed as a Director immediately at no cost to the Company should Mr Wood or the PJW Parties or the person entitled to Mr Wood's shares by transmission cease to have the right to appoint such Director pursuant to Article 45 5 or 45 6 (as applicable) because he has or they have ceased to hold the requisite number of Ratchet Shares or Mr Wood has become a Leaver or there has been a Disqualifying Breach

45 8 Without prejudice to any other right to appoint or remove Directors under the terms of these Articles, the Majority C Shareholders and Mr Wood, for such time as the PJW Parties hold at least 24 per cent of the total number of Ratchet Shares in issue and Mr Wood is not a Bad Leaver and a Disqualifying Breach has not occurred, shall be entitled from time to time, by notice in writing addressed to the Company signed by or on behalf of each of them and delivered to the Office or a meeting of the Directors to appoint any person or persons to be independent non-executive directors of the Company subject to a maximum of two such directors and to remove any person so appointed and to appoint another person in his place

#### 46. Conflicts of Interest

46 1 The conflict of interest provisions contained in the 2006 Act in particular Section 173(2)(b) should be read in the light of the following Articles dealing with conflicts of interest

46 2 If a situation arises in which a director (the "**Conflicted Director**") has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (including without limitation, in relation to the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it) (a "**Situation**") the following provisions shall apply.

- (a) the Directors (other than the Conflicted Director and any other Director with a similar interest who shall not be counted in the quorum at the meeting and shall not vote on the resolution), or
- (b) the members (by ordinary resolution or by notice in writing given to the Company by the holders of a majority of the Voting Rights)

may resolve to authorise such Situation and the continuing performance by the Conflicted Director of his duties and confirm that the existence of such Situation shall not give rise to a breach of the duty of the Conflicted Director pursuant to Section 175 of the 2006 Act (or as such section may be amended or restated or re-numbered from time to time) Any such authorisation may be subject to such conditions as the Directors or members (as applicable) may consider necessary or desirable

- 46 3 Any proposed authorisation under Article 46 2 may only be given in respect of a matter which constitutes a Situation in which a director who is not an Investor Director has, or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company, if an Investor Director has given his consent to such authorisation
- 46 4 In the execution of his duty to promote the success of the Company it is acknowledged that the Investor Director shall be entitled to have regard to and take account of the interests of the person or party or entity who has appointed him (the "**Appointer**") and in doing so such Investor Director shall not have infringed their duty to exercise independent judgement in accordance with Section 173 of the 2006 Act (or as such section may be amended or restated or re-numbered from time to time)
- 46 5 Notwithstanding Article 46 2 above, the existence of the following Situations relating to an Investor Director, or a Director appointed pursuant to Article 47, which do or may give rise to a conflict arising as a result of any such Director's involvement with and relationship with his Appointer and the investment strategy and operations of the Appointer, shall be hereby authorised and, where specified, the existence of the following Situations relating to Mr Wood shall be hereby authorised, in each case without further approval being required by the Directors and/or the members (as appropriate) and consequently shall not give rise to a breach of duty to avoid conflicts of interest
- (i) if the Investor Director or the Director appointed pursuant to Article 47 is a shareholder in and/or member and/or partner and/or employee of the Appointer or if the Investor Director or the Director appointed pursuant to Article 47 has any economic interest in an investment fund in relation to which the Appointer forms part of the relevant fund structure;
  - (ii) if the Appointer or any person connected with the Appointer or, subject always to Clause 20 of the Shareholders' Agreement, Mr Wood wishes to take up an opportunity that had been offered to, but declined by the Group,
  - (iii) if the Group is considering a refinancing proposed by or supported by the Appointer,
  - (iv) if the Investor or Mr Wood wishes to exit its investment in the Group by way of a Sale or Listing or a sale of assets by the Group or otherwise;
  - (v) if an Investor Director or a Director appointed pursuant to Article 47 or Mr Wood accepts a benefit from a third party conferred by reason of his being a director of the Company or his doing (or not doing) anything as a director, provided such benefit falls within Section 176(4) of the 2006 Act (or as such section may be amended or restated or renumbered from time to time),



- (vi) if an Investor or Mr Wood consents or withholds consent or gives any direction pursuant to the Shareholders' Agreement and/or these Articles,

and the Investor Director and/or Mr Wood (as the case may be) shall be entitled to attend, be counted in the quorum and vote at any meeting of the Directors notwithstanding any such conflict or potential conflict

- 46.6 Where the Investor Director or a Director appointed pursuant to Article 47 obtains confidential information (other than through his position as a director of the Company) that is confidential to a third party, he will not be obliged to disclose it to the Company or to use it in relation to the Company's affairs in circumstances where to do so would amount to a breach of that confidence.
- 46.7 Notwithstanding Article 46.2 and in addition to Article 46.5, any Situation which may arise in relation to a Director appointed pursuant to Article 47 as a consequence of any action, omission, decision, approval, authorisation or consent given by such Director pursuant to and solely for the purposes of his appointment set out in Article 47 shall be hereby authorised, in each case without further approval being required by the Directors and/or the members (as appropriate) and consequently shall not give rise to a breach of duty to avoid conflicts of interest

#### EVENT OF DEFAULT

- 47 Notwithstanding any limitation set out in Article 45, in the event that and only for so long as an Event of Default subsists the Majority C Shareholders may, by notice in writing addressed to the Company signed by or on behalf of each of them and delivered to the Office or a meeting of the Directors appoint any person or persons to be directors of the Company solely for the purposes, and in accordance with the terms, of Clause 12.9 of the Shareholders' Agreement and a Director appointed pursuant to this Article may at any time be removed and/or replaced by the Majority C Shareholders in the same manner
- 48 Any Director appointed pursuant to Article 47 must be a member or employee or a wholly owned corporate entity of Penta Capital LLP (or any entity which carries on the investment management business of Penta Capital LLP in succession to Penta Capital LLP) and shall be removed by the Majority C Shareholders or shall resign at no cost to the Company should an Event of Default no longer subsist.

## SCHEDULE 1

- 1 In the Articles to which this forms a schedule the following words and expressions shall, unless the context otherwise requires, bear the following meanings

"**2006 Act**" as defined in Article 1,

"**acting in concert**" shall bear the meaning attributed thereto in the Code;

"**Anniversary**" means the anniversary of the date upon which the relevant Leaver first became a shareholder in the Company,

"**A Ordinary Shares**" means A ordinary shares of 1/12p each in the capital of the Company having the rights and restrictions ascribed to such shares in these Articles,

"**Applicable B Ordinary Shares**" means in respect of.

- (i) Mr Wood and his Permitted Transferees, 50 per cent of the B Ordinary Shares held by Mr Wood and his Permitted Transferees in aggregate, and
- (ii) any Leaver (other than Mr Wood) and his Permitted Transferees, all of the B Ordinary Shares held by such Leaver and his Permitted Transferees in aggregate;

"**Applicable Rate**" means, subject in each case to any upward adjustment as a result of Penalty Interest and/or any downward adjustment as a result of any Reduction, the rate of 18.9 per cent per annum in respect of the Interest Periods up to and including the Interest Period ending on 31 December 2012, the rate of 27 per cent per annum in respect of the Interest Period beginning on 1 January 2013 and 1 January 2014 and the rate of 40.5 per cent per annum in respect of each Interest Period thereafter,

"**Appointer**" as defined in Article 46.4,

"**Auditors**" means the auditors of the Company from time to time,

"**Bad Leaver**" means a member who becomes a Leaver as a result of the relevant member

- (a) resigning (other than as a result of permanent incapacity due to ill health (save where such ill-health arises as a result of an abuse of drink or drugs)), or
- (b) failing to renew his employment with a relevant member of the Group after the expiry of any fixed term contract of employment,
- (c) being summarily dismissed in circumstances where the Company is not liable to pay him compensation for the cessation of his

employment other than compensation required by statute or statutory instrument, or

- (d) retiring (other than at the normal retirement age for the Leaver concerned (which in the case of Mr Wood shall be 70 years old) or earlier by agreement with the Company and with the prior written consent of the Majority C Shareholders),

**"B Ordinary Shares"** means B ordinary shares of 1/12p each in the capital of the Company having the rights and restrictions ascribed to such shares in these Articles,

**"Buyer"** as defined in Article 42 1 (*tag-along*) and/or Article 43 1 (*drag-along*) and/or Article 44 1 (PJV & *investor drag-along*),

**"Code"** means the City Code on Takeovers and Mergers,

**"Compounding Rate"** means, subject to any upward adjustment as a result of Penalty Interest, the rate of 7 per cent per annum in respect of the Interest Periods up to and including the Interest Period ending on 31 December 2012, the rate of 10 per cent per annum in respect of the Interest Period beginning on 1 January 2013 and 1 January 2014 and the rate of 15 per cent per annum in respect of each Interest Period thereafter;

**"Compulsory Acquisition Completion Date"** as defined in Article 44 1 (PJV & *investor drag-along*),

**"Compulsory Acquisition Notice"** as defined in Article 44.1 (PJV & *investor drag-along*),

**"Compulsory Purchase Interest"** means an interest in shares representing more than 40% of the Ratchet Shares in issue or if, in the case of a General Offer, the C Ordinary Shares in issue represent less than 40% of the Ratchet Shares in issue or, in the case of a Relevant Sale pursuant to Article 44 1 (PJV & *investor drag-along*) then 87.5% of the C Ordinary Shares in issue,

**"Compulsory Purchase Notice"** as defined in Article 42.1 (*tag-along*) and/or 43.1 (*drag-along*),

**"Compulsory Transfer Notice"** as defined in Article 39 1 (*compulsory transfers*),

**"Conflicted Director"** as defined in Article 46 2,

**"Controlling Interest"** means shares representing not less than 30% of Ratchet Shares in issue;

**"Conversion Event"** means a Listing, a Sale or a Liquidation,

**"C Ordinary Shares"** means C ordinary shares of 1/12p each in the capital of the Company having the rights and restrictions ascribed to such shares in these Articles,

**"Deferred Ordinary Shares"** means deferred ordinary shares of £0.01 each in the capital of the Company having the rights and restrictions ascribed to such shares in these Articles,

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

**"Disqualifying Breach"** means a breach by Mr Wood of the terms of Clause 20.2.3 or Schedule 10 of the Shareholders' Agreement other than an unintentional and immaterial breach of paragraph 2 of Schedule 10,

**"Drag Consent"** means the prior written consent of

- (a) the Majority C Shareholders, and
- (b) Mr Wood,

provided that the prior written consent of the Majority C Shareholders under (a) above shall not be required prior to 31 December 2015 where the Relevant Sale (as defined in Article 44.1) would result in an Exit which is in accordance with and satisfies the provisions of Clause 17.2 (*Exit*) of the Shareholders' Agreement and further provided that the prior written consent of Mr Wood under (b) above shall not be required after 31 December 2015 or where the PJW Parties hold less than 24 per cent. of the total number of Ratchet Shares in issue or where Mr Wood is a Bad Leaver or where there has been a Disqualifying Breach,

**"eligible member"** shall bear the meaning attributed thereto in Section 289(1) of the 2006 Act,

**"Employee Member"** means any member who is a trust for the benefit of employees of the Group, any member who is or was an employee of any member of the Group and any person who acquired shares from any such member pursuant to a Permitted Transfer,

**"Equity Shares"** means the Ratchet Shares and the Ordinary Shares taken together as one class,

**"Event of Default"** means the occurrence of the events set out in Clause 12.9.1 of the Shareholders' Agreement,

**"Exit"** as defined in the Shareholders' Agreement,

**"Fair Price"** means the price per share determined in accordance with Article 40 (*fair price*),

**"Family Settlement"** means in relation to any Employee Member any trust or trusts (whether arising under a settlement inter vivos or a testamentary disposition by whomsoever made or on intestacy) under which no immediate beneficial interest in the shares in question is, for the time being, vested in any person other than the Employee Member concerned and/or his Privileged Relations;

**"Financial Institution"** means Penta Capital LLP, Tosca Penta Investments LP, any institution recognised by the United Kingdom Her Majesty's Revenue & Customs as carrying on through its lending office a bona fide banking business in the United Kingdom or any member of the British Venture Capital Association,

**"FSA"** as defined in the Shareholders' Agreement,

**"General Offer"** means an offer made in accordance with the provisions of Article 41 (*change of control*),

**"GENPRU"** as defined in the Shareholders' Agreement;

**"Good Leaver"** means any Leaver other than a Bad Leaver;

**"Group"** means the Company and its subsidiaries from time to time and "member of the Group" shall be construed accordingly,

**"Independent Director"** means a director appointed pursuant to Article 45.8,

**"Interest Payment Date"** as defined in the Perpetual Subordinated Note Instrument,

**"Interest Period"** as defined in the Perpetual Subordinated Note Instrument,

**"Investor"** as defined in the Shareholders' Agreement,

**"Investor Director"** means a director appointed pursuant to Article 45 1 (or if there is no Investor Director at the relevant time, the Observer (if any)),

**"Leaver"** means any holder of shares who is employed by and/or is a director of the Company or a relevant member of the Group from time to time (other than an Investor Director) and who serves or is served with notice of termination of his employment and/or directorships with all members of the Group by whom he is employed or of which he is a director or who dies or who ceases to be an employee and/or director of the Company or any such member of the Group (whether or not his contract of employment is validly terminated and/or whether or not such termination is wrongful or unfair or otherwise (except that in respect of Mr Wood, he shall not be a Leaver if the termination of his contract of employment is wrongful)) or who ceases to be an employee and/or director of a member of the Group because such member of the Group ceases to be a member of the Group and does not continue (or is not immediately re-employed) as an employee and/or director of the Company or any such member of the Group. Any reference in these Articles to a Leaver shall include any Permitted Transferee of any Leaver and any person who becomes entitled to a Leaver's shares by transmission following the death of a Leaver,

**"Liquidation"** means the making of a winding up order by the court or the passing of a resolution by the members that the Company be wound up;

**"Listing"** as defined in the Shareholders' Agreement,

**"Majority C Shareholders"** means the holders of more than one half of the C Ordinary Shares from time to time in issue (acting by their investment managers (if any));

**"Manager Representative"** means

(i) Mr Wood for so long as the PJW Parties hold at least 24 per cent of the total number of Ratchet Shares in issue and Mr Wood is not a Leaver or has not resigned as the Manager Representative,

(ii) if the PJW Parties cease to hold the requisite number of Ratchet Shares or Mr Wood is a Leaver or resigns as the Manager Representative, the holders of a majority of the Ratchet Shares held by Employee Members who are not Leavers shall be entitled from time to time, by notice in writing addressed to the Company signed by or on behalf of each of them and delivered to the Office or a meeting of the Directors to appoint any Employee Member who is not a Leaver to be the Manager Representative and to remove any person so appointed and to appoint another person in his place, or

(iii) if there is no Manager Representative pursuant to paragraphs (i) or (ii) above then the longest serving executive Director shall be the Manager Representative until person is appointed to be the Manager Representative pursuant to paragraphs (i) or (ii);

**"Maximum"** as defined in Article 38 3,

**"member"** means a person (whether an individual or a corporation) who holds shares;

**"Minority Shareholders"** as defined in Article 43 1 (*drag-along*),

**"Model Articles"** as defined in Article 1;

**"Mr Wood"** means Peter John Wood;

**"Non-employee Member"** means any member who is not an Employee Member;

**"Observer"** means any person appointed pursuant to Article 45 3 (P JW, *Investor Directors & Independent Directors*),

**"Offer Period"** as defined in Article 38 3;

**"Office"** means the registered office of the Company;

**"Ordinary Shares"** means ordinary shares of £0 01 each in the capital of the Company having the rights and restrictions ascribed to such shares in these Articles,

**"Original Employee Member"** means each Employee Member other than an Employee Member who became an Employee Member by reason of a Permitted Transfer,

**"Original Investor"** as defined in the Shareholders' Agreement,

**"Paid Up Amount"** means, in respect of a share, the amount paid up or credited as paid up on such share disregarding any premium provided that in respect of each Ratchet Share, Ordinary Share, Priority Return Share and Deferred Ordinary Share an amount equal to the nominal value of the relevant shares shall be credited as paid up on such share,

**"Panel"** means the Panel on Takeovers and Mergers;

**"Penalty Interest"** means if and for so long as an Event of Default subsists an additional 4 per cent per annum shall be added to the Applicable Rate that would otherwise be applicable if no Event of Default subsisted,

**"Permitted Transfer"** means a transfer of shares pursuant to Article 37 (*permitted transfers*),

**"Permitted Transferee"** means, in respect of any Employee Member, any Privileged Relation or Family Settlement of that Employee Member,

**"Perpetual Subordinated Note Instrument"** as defined in the Shareholders' Agreement,

**"Perpetual Subordinated Notes"** as defined in the Shareholders' Agreement;

**"PJW Director"** means a director appointed pursuant to Articles 45 5 or 45 6,

**"PJW Parties"** means Mr Wood and his Permitted Transferees,

**"Priority Return"** means in respect of each Priority Return Share an amount equal to (i) the amount of interest that would have accrued under the terms of the Perpetual Subordinated Note Instrument if the interest rate applicable on the Perpetual Subordinated Notes was equal to the Applicable Rate; LESS (ii) the amount of interest actually paid under the terms of the Perpetual Subordinated Note Instrument, PLUS (iii) the resultant figure on each Interest Payment Date following the application of (i) and (ii) shall be compounded on each Interest Payment Date and interest shall accrue on such compounded amount at the Compounding Rate and not at the Applicable Rate, and (iv) the resultant figure following the application of (i), (ii) and (iii) DIVIDED BY the number of Priority Return Shares in issue by the Company at the relevant time;

**"Priority Return Shares"** means redeemable priority return shares of £0.01 each in the capital of the Company having the rights and restrictions ascribed to such shares in these Articles,

**"Privileged Relation"** means in respect of any Employee Member the parent or spouse or brother or sister of the Employee Member or any lineal descendent of the Employee Member and for these purposes the step-child or adopted child of any person shall be deemed to be that person's lineal descendent,

**"Proposed Compulsory Acquisition Completion Date"** as defined in Article 44 1;

**"Ratchet Shares"** means the A Ordinary Shares, the B Ordinary Shares and the C Ordinary Shares taken together as one class,

**"Reduction"** means. (i) in respect of the Interest Periods up to and including the Interest Period ending on 31 December 2012 an amount equal to 0 0001400 per cent per annum shall be subtracted from the Applicable Rate that would otherwise apply for every 100,000 Ordinary Shares converted into Deferred Ordinary Shares or bought back by the Company, (ii) in respect of the Interest Period beginning on 1 January 2013 and 1 January 2014 an amount equal to 0 0002 per cent per annum shall be subtracted from the Applicable Rate that would otherwise apply for every 100,000 Ordinary Shares converted into Deferred Ordinary Shares or bought back by the Company; and (iii) in respect of each Interest Period thereafter an amount equal to 0 0003 per cent per annum shall be subtracted from the Applicable Rate that would otherwise apply for every 100,000 Ordinary Shares converted into Deferred Ordinary Shares or bought back by the Company,

**"Register of Members"** means the register of members kept by the Company pursuant to Section 113 of the 2006 Act;

**"Relevant Sale"** as defined in Article 44 1 (*PJW & investor drag-along*);

**"Remainder Shareholders"** as defined in Article 44.1 (*PJW & investor drag-along*);

**"Remuneration Committee"** means the remuneration committee of the Company constituted in accordance with Clause 21 of the Shareholders' Agreement,

**"Sale"** as defined in the Shareholders' Agreement;

**"Sale Securities"** as defined in Article 38 2,

**"Seller"** as defined in Article 44.1 (*PJW & investors drag-along*),

**"Shareholder Loan Note Instrument"** as defined in the Shareholders' Agreement,

**"Shareholder Loan Notes"** as defined in the Shareholders' Agreement,

**"Shareholders' Agreement"** means the shareholders' agreement entered into by the Company and others on or around 11th February 2010 as modified on or around 2 November 2011,

**"shares"** means shares in the share capital of the Company,

**"Situation"** as defined in Article 46 2,

**"Specified Price"** as defined in Article 38 2,



**"Termination Date"** means in respect of any Leaver the later of the date upon which the contract of employment or appointment as director of the relevant Leaver terminated and the date upon which the relevant Leaver ceased to be employed by or a director of the relevant member of the Group (in each case whether or not such termination or cessation was lawful, wrongful, unfair or otherwise),

**"Transfer Notice"** as defined in Article 38 1,

**"Valuer"** means the Auditors (or in the event of their being unwilling or unable to act or, at the option of the Company, an independent firm of chartered accountants nominated by the President of the Institute of Chartered Accountants of England and Wales (or his equivalent from time to time)) in each case acting as an expert and not as an arbitrator;

**"Very Good Leaver"** shall mean a Good Leaver who becomes a Good Leaver as a result of death or who is specified as such by Mr Wood (or if the PJW Parties no longer hold at least 24 per cent of the total number of Ratchet Shares in issue or Mr Wood is a Leaver as specified by the Remuneration Committee) at any time prior to a Conversion Event,

**"Vested B Ordinary Shares"** means:

- (i) in respect of a Bad Leaver, zero per cent of his Applicable B Ordinary Shares,
- (ii) in respect of a Good Leaver whose Termination Date falls.
  - (a) on or prior to the second Anniversary, zero per cent of that Leaver's Applicable B Ordinary Shares,
  - (b) on or prior to the third Anniversary, 50 per cent of that Leaver's Applicable B Ordinary Shares;
  - (c) on or prior to the fourth Anniversary, 62.5 per cent of that Leaver's Applicable B Ordinary Shares,
  - (d) on or prior to the fifth Anniversary, 75 per cent of that Leaver's Applicable B Ordinary Shares;
  - (e) on or prior to the sixth Anniversary 87.5 per cent. of that Leaver's Applicable B Ordinary Shares; and
  - (c) any time after the sixth Anniversary 100 per cent of that Leaver's Applicable B Ordinary Shares; and

**"Voting Rights"** means the right to receive notice of, attend (in person or by proxy), speak (in person or by proxy) and vote (in person or by proxy) at general meetings of the Company excluding, for the avoidance of doubt, any such right in respect of the Ordinary Shares or Priority Return Shares

- 2 Words and expressions defined in the 2006 Act shall, unless the context otherwise requires, bear the same meanings herein
- 3 This Schedule and Schedules 2, 3, and 4 shall be deemed to be part of, and shall be construed as one with, the Articles

## SCHEDULE 2

## DISTRIBUTIONS PRIOR TO AN EXIT

1 In this Schedule

"AD" means as defined in paragraph 3 2(b) below;

"Cash Flow" or "CF" means.

- (a) subscription monies paid by the Investors in respect of the C Ordinary Shares, the Ordinary Shares, the Priority Return Shares, the Perpetual Subordinated Notes and the Shareholder Loan Notes and any subscription monies paid by the Investors in respect of any Fresh Issue,
- (b) dividends or interest received by the Investors on the C Ordinary Shares and any Fresh Issue from the date of their issue to but excluding the relevant Distribution Date,
- (c) dividends or interest (excluding default or penalty interest or Penalty Interest in respect of the Priority Return Shares (including any amounts in respect of compounded interest thereon in accordance with these Articles)) received by the Investors on any of the Ordinary Shares, the Priority Return Shares, the Perpetual Subordinated Notes, the Shareholder Loan Notes or Fresh Issue on or prior to the relevant Distribution Date other than in respect of any C Ordinary Shares,
- (d) redemption moneys (excluding default or penalty interest or Penalty Interest in respect of the Priority Return Shares (including any amounts in respect of compounded interest thereon in accordance with these Articles)) received by the Investors on the redemption or repayment of any the Ordinary Shares, the Priority Return Shares, the Perpetual Subordinated Notes, the Shareholder Loan Notes and any Fresh Issue redeemed or repaid on or prior to the relevant Distribution Date other than in respect of any C Ordinary Shares,
- (e) moneys received by the Investors on a return of capital in respect of the Ordinary Shares, the Priority Return Shares or on any Fresh Issue, on or prior to the relevant Distribution Date other than in respect of any C Ordinary Shares; and
- (f) moneys received by the Investors on a return of capital in respect of C Ordinary Shares, from the date of their issue to but excluding the relevant Distribution Date

Provided.

- (a) that no payment to or by the Investors shall be counted more than once and where payments to the Investors will be treated as positive ("Positive Cash Flow") and payments by the Investors will be treated as negative ("Negative Cash Flow") (and for the avoidance of doubt,

the value of the C Ordinary Shares at the time of the relevant Distribution will not be included within the meaning of Cash Flow) and each item within Cash Flow shall be deemed to arise on the last day of the month in which its date of payment or receipt occurs; and

- (b) where the Investors receive an amount of Positive Cash Flow in connection with a transaction which results in the Investors being obliged to make an anti-embarrassment payment to HBOS Insurance and Investment Group or Lloyds Banking Group PLC (or any successor or assignee) then an amount equal to the amount of such anti-embarrassment payment shall be deducted from Positive Cash Flow for the purposes of these Articles

"D" means as defined in paragraph 3.2(a) below,

"**Distribution**" means any profits which the Directors may lawfully determine to distribute at any time to the holders of Ratchet Shares and any return of capital to the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) and "relevant Distribution" means a Distribution the allocation of which is the subject of the then present determination in accordance with this Schedule,

"**Distribution Date**" means the date of any Distribution,

"**Fresh Issue**" means any shares, loan notes, deep discount bonds, debenture or other security of the Company or any other member of the Group subscribed for by the Investors subsequent to 11 February 2010 and before the Distribution Date,

"**Incremental Ratchet Listing Conditions**" means

- (a) Mr Wood agreeing to continue in a senior position with the Company for at least two years following Listing on a service contract mutually agreed between Mr Wood and the Remuneration Committee at the time of Listing;
- (b) the Value of the Offer for Sale Shares is not less than £300,000,000,
- (c) (i) where the Value of the Offer for Sale Shares is £350,000,000 or less, that the Value of the Investor Listing Sell Down is not less than 4/7ths of the Value of the Offer for Sale Shares, (ii) where the Value of the Offer for Sale Shares is more than £350,000,000 but less than or equal to £400,000,000, that the Value of the Investor Listing Sell Down is not less than £200,000,000 plus 50% of the amount by which the Value of the Offer for Sale Shares exceeds £350,000,000, and (iii) where the Value of the Offer for Sale Shares is more than £400,000,000, that the Value of the Investor Listing Sell Down is not less than £225,000,000 plus 40% of the amount by which the Value of the Offer for Sale Shares exceeds £400,000,000,

- (d) the Original Investor being offered a lock up undertaking with the Company and its brokers on terms which are customary for institutional shareholders on a Listing and which will terminate not more than six months following the Listing;
- (e) Mr Wood agreeing to retain a significant shareholding in the Company (as advised by the Company's brokers) for a period following Listing and entering into a lock up undertaking over those shares to the extent reasonably required by the Company's brokers, which shall be no longer than 12 months,
- (f) Listing having become effective no later than 31 December 2013, and
- (g) the Shareholder Loan Notes, the Perpetual Subordinated Loan Notes, the Priority Return Shares and the Ordinary Shares (or shares derived from the Ordinary Shares) held by the Investors (to the extent not already re-purchased, redeemed or repaid) all being repaid on Listing (or binding arrangements being in place on Listing which provide for repayment within five working days following Listing becoming effective) at
  - (i) in respect of the Shareholder Loan Notes and the Perpetual Subordinated Notes, a price per note equal to the aggregate amount of all amounts of interest and principal and all other sums outstanding in respect of each such note, and
  - (ii) in respect of the Ordinary Shares (or shares derived from the Ordinary Shares), an aggregate price equal to the aggregate Paid Up Amount in respect of all of the Ordinary Shares (or securities derived from them) less any part of the Paid Up Amount previously paid in respect of all of the Ordinary Shares (or securities derived from them) by the distribution of profits or a return of capital in accordance with the Articles,

**"Incremental Ratchet Sale Conditions"** means.

- (a) if required by the purchaser, Mr Wood agreeing to continue in a senior position with the Company (which could include a consultancy role) for at least two years following the Sale on terms mutually agreed between Mr Wood and the purchaser,
- (b) if required by the purchaser, Mr Wood agreeing to grant non-compete and non-solicitation undertakings for a period not exceeding two years on terms which are customary on the sale of a UK insurance company by its executive management,
- (c) the Sale having completed and the consideration paid no later than 31 December 2013,
- (d) the Sale being a bona fide transaction on arm's length terms where the purchaser is a third party in respect of which Mr Wood has no direct or indirect economic or beneficial interest,

- (e) the Investors being able to sell all of their shares for cash on the Sale,
- (f) the Investors not being required to sell a greater proportion of their shares for cash than Mr Wood unless they choose to,
- (g) any non cash consideration in connection with the Sale being made available to the Investors on terms that are identical to the terms on which such non cash consideration is made available to Mr Wood,
- (h) in connection with the Sale the Investors only being required to provide market standard institutional warranties,
- (i) the terms of the Sale being unanimously recommended to all of the Shareholders by all of the Directors of the Company other than the Investor Directors,
- (j) if requested by the Majority Investors an independent investment bank (jointly nominated by the Majority Investors and Mr Wood (unless the PJW Parties hold less than 24 per cent of the total number of Ratchet Shares in issue in which case jointly nominated by the Majority Investors and the Company) has been instructed by the Company (at the Company's expense) to independently value the Group and has opined that the consideration in connection with the Sale places a fair and reasonable value on the Group; and
- (k) the Shareholder Loan Notes, the Perpetual Subordinated Notes, the Priority Return shares and the Ordinary Shares held by the Investors (to the extent not already re-purchased, redeemed or repaid) all being purchased from the Investors at completion of the Sale at.
  - (i) in respect of the Shareholder Loan Notes and the Perpetual Subordinated Notes, a price per note equal to the aggregate amount of all amounts of interest and principal and all other sums outstanding in respect of each such note, and
  - (ii) in respect of the Ordinary Shares, a price per share equal to an amount equal to the Paid Up Amount in respect of each such security less any part of the Paid Up Amount previously paid in respect of each such share by the distribution of profits or a return of capital in accordance with the Articles,

**"Investor Listing Sell Down"** means the C Ordinary Shares (or shares derived from the C Ordinary Shares) which the Investors would be permitted to sell (as advised by the Company's brokers) on Listing and the expression **"Value of the Investor Listing Sell Down"** shall be construed accordingly,

**"Investors"** means as defined in the Shareholders' Agreement,

**"IRR"** means the annual compounding effective discount rate which when applied to a series of cash flows produces an aggregate net present value of such cash flows as at the Subscription Date equal to zero,

"month" means calendar month;

"NB1%" means as defined in paragraph 5.3.1 below;

"NB2%" means as defined in paragraph 6.3.1 below,

"NC1%" means as defined in paragraph 5.4 below,

"NC2%" means as defined in paragraph 6.4 below;

"Offer for Sale Shares" means the Ratchet Shares (or shares derived from the Ratchet Shares) sold by members on Listing and the expression "Value of the Offer for Sale Shares" shall be construed accordingly,

"P1" means as defined in paragraph 5.1 below,

"P2" means as defined in paragraph 6.1 below;

"Prior AD" means the AD on the Distribution Date prior to the Distribution Date in relation to the relevant Distribution, and

"Subscription Date" means 11 February 2010

## 2. Interpretation

2.1 For the purposes of this Schedule, Cash Flow arises in the month in which it is paid or received

2.2 For the purposes of this Schedule 2, words defined elsewhere in these Articles shall have the same meaning when used in this Schedule 2 save to the extent specifically varied by the terms of this Schedule 2. Any term defined in this Schedule 2 shall have the meaning given to it in this Schedule 2 in relation to all matters set out in this Schedule 2 and, as the context requires, shall apply elsewhere in the Articles to the extent required to give effect to this Schedule 2

2.3. References in this Schedule to paragraphs are to paragraphs of this Schedule unless the context otherwise requires

2.4 Percentages shall be expressed as an integer plus up to 3 decimal places.

## 3. Distribution Calculations

3.1 The Directors shall at least 14 days prior to each Distribution Date.

(a) estimate the timing of the Distribution Date ("Anticipated Distribution Date");

(b) procure that the calculations provided for in paragraphs 3 to 8 of this Schedule are made (as applicable), and

(c) notify Shareholders of the results of such calculations. The Manager Representative and the holders of C Ordinary Shares and the

Directors shall use all reasonable endeavours to reach agreement as to the accuracy of such calculations in such period, to record that agreement in writing signed by or on behalf of the Manager Representative and the holders of not less than 50% of the C Ordinary Shares and, if they fail to do so, to procure the determination thereof by the Valuers who shall issue a certificate accordingly. Any such written agreement and any such certificate shall, in the absence of manifest error, be final and binding on all Shareholders, each of whom shall be sent a copy as soon as practicable following its issue.

3.2 For the purposes of determining the proportions in which each Distribution shall be shared amongst the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) the following calculations shall be carried out

- (a) The amount of the relevant Distribution ("D") shall be determined.
- (b) If the aggregate of the relevant Distribution together with all previous Distributions (this aggregate being defined as "AD") is less than or equal to £600,000,000 the calculations in paragraph 4 shall be made and paragraphs 3.2(c) to (f) below shall not apply.
- (c) If AD is greater than £600,000,000 but less than or equal to £1,000,000,000 the calculations in paragraph 5 shall be made and paragraphs 3.2(d) to (f) below shall not apply.
- (d) If the Distribution Date is on or prior to 31 December 2015 and AD is greater than £1,000,000,000 the calculations in paragraph 6 shall be made.
- (e) If the Distribution Date is on or after 1 January 2016 and the B Shareholders share of Prior AD in respect of their B Ordinary Shares was less than 25% of Prior AD the calculations in paragraph 5 shall be made.
- (f) If the Distribution Date is on or after 1 January 2016 and the B Shareholders share of Prior AD in respect of their B Ordinary Shares was equal to or greater than 25% of Prior AD the calculations in paragraph 7 shall be made.

#### **4 Where AD is Less than £600,000,000**

The relevant Distribution D shall be shared in the following proportions

- (a) 30% of D to the A Shareholders pro-rata to the number of A Ordinary Shares held by each A Shareholder save that should paragraph 2 of Schedule 3 apply such that certain A Ordinary Shares are not entitled to receive any profits then such profits that would otherwise be distributed to the holders of such A Ordinary Shares but for paragraph 2 of Schedule 3 shall be distributed amongst the other holders of A Ordinary Shares in accordance with this paragraph,



- (b) 10% of D to the B Shareholders pro-rata to the number of B Ordinary Shares held by each B Shareholder, and
- (c) 60% of D to the C Shareholders pro-rata to the number of C Ordinary Shares held by each C Shareholder.

**5. Where AD is Greater than £600,000,000 but Less than £1,000,000,000 or paragraph 3.2(e) applies**

- 5.1 Two amounts shall be calculated which, if they were received by the Investors on the Distribution Date would, when taken together with the Cash Flow, result in the Investors receiving (i) an IRR of 25%, and (ii) an amount of Positive Cash Flow equal to three times (3X) the aggregate of all Negative Cash Flow

These amounts shall be referred to as TIRR and TMM and shall be calculated as:

(i)

$$\text{TIRR} + \sum_{j=0}^n \text{CF}_j * (1.25)^{\frac{j}{12}} = 0$$

where

"n" is the number of months between the month in which the Subscription Date falls and the month in which Distribution Date falls counting the month in which the Subscription Date falls as a month 0 and the month in which Distribution Date falls as month n,

"j" is the arithmetical number attributable to a month, the number 0 being attributed to the month in which the Subscription Date falls, the number 1 being attributed to the following month and so forth until j=n,

"CF<sub>j</sub>" is the amount of Cash Flow in month j,

"\*" means multiply by,

$\sum_{j=0}^n$  means the sum of the items which follow this symbol from month 0 to month n; and

(ii)

$$\text{TMM} = (3 \times \text{NCF}) - (1 \times \text{PCF})$$

where

NCF is the amount of all Negative Cash Flow, and

PCF is the amount of all Positive Cash Flow (where both NCF and PCF shall be expressed as a positive number)

and the greater of TIRR and TMM shall be defined as P1 save that where the calculations in paragraphs 5.1(i) and 5.1(ii) result in both TIRR and TMM being less than zero then P1 shall be defined as zero

5.2.1 Subject to paragraphs 5.2.2 and 5.5, D shall be shared in such proportions that, when aggregated with all previous Distributions, the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) will have received in aggregate the following proportions of AD:

- (a) 30% of AD to the A Shareholders pro-rata to the number of A Ordinary Shares held by each A Shareholder save that should paragraph 2 of Schedule 3 apply such that certain A Ordinary Shares are not entitled to receive any profits then such profits that would otherwise be distributed to the holders of such A Ordinary Shares but for paragraph 2 of Schedule 3 shall be distributed amongst the other holders of A Ordinary Shares in accordance with this paragraph,
- (b) 10% of AD to the B Shareholders pro-rata to the number of B Ordinary Shares held by each B Shareholder, and
- (c) 60% of AD to the C Shareholders pro-rata to the number of C Ordinary Shares held by each C Shareholder.

5.2.2 If any allocation of D pursuant to paragraph 5.2.1 would result in the Investors receiving an allocation of D which is greater than P1 then D shall be shared in accordance with paragraph 5.3.1 instead of paragraph 5.2.1.

5.3.1 Subject to paragraphs 5.3.2, D shall be shared in such proportions that, when aggregated with all previous Distributions, the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) will have received in aggregate the following proportions of AD:

- (a) 30% of AD to the A Shareholders pro-rata to the number of A Ordinary Shares held by each A Shareholder save that should paragraph 2 of Schedule 3 apply such that certain A Ordinary Shares are not entitled to receive any profits then such profits that would otherwise be distributed to the holders of such A Ordinary Shares but for paragraph 2 of Schedule 3 shall be distributed amongst the other holders of A Ordinary Shares in accordance with this paragraph,
- (b) NB1% of AD to the B Shareholders pro-rata to the number of B Ordinary Shares held by each B Shareholder, and
- (c) (70%-NB1%) to the C Shareholders pro-rata to the number of C Ordinary Shares held by each C Shareholder.

where  $NB1\%$  is equal to  $(10 + f * 0.0375)$  and where  $f$  is equal to the number of complete £1,000,000 by which  $AD$  is greater than £600,000,000 and where the maximum value for  $f$  is 400.

5 3 2 If any allocation of  $D$  pursuant to paragraph 5 3.1 would result in the Investors receiving an allocation of  $D$  which is less than  $P1$  then  $D$  shall be shared in accordance with paragraph 5 4 instead of paragraph 5 3 1.

5 4  $D$  shall be shared in such proportions that, when aggregated with all previous Distributions, the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) will have received in aggregate the following proportions of  $AD$

- (a) 30% of  $AD$  to the A Shareholders pro-rata to the number of A Ordinary Shares held by each A Shareholder save that should paragraph 2 of Schedule 3 apply such that certain A Ordinary Shares are not entitled to receive any profits then such profits that would otherwise be distributed to the holders of such A Ordinary Shares but for paragraph 2 of Schedule 3 shall be distributed amongst the other holders of A Ordinary Shares in accordance with this paragraph,
- (b)  $(70\% - NC1\%)$  (subject to a minimum of 10%) of  $AD$  to the B Shareholders pro-rata to the number of B Ordinary Shares held by each B Shareholder, and
- (c)  $NC1\%$  (subject to a maximum of 60%) of  $AD$  to the C Shareholders pro-rata to the number of C Ordinary Shares held by each C Shareholder

where  $NC1\%$  is equal to the percentage which the aggregate of  $P1$  plus all previous amounts of Distributions (excluding  $D$ ) received by the C Shareholders represents of  $AD$

5 5 If the Investors have previously received an amount equal to or greater than  $P1$ , where  $P1$  was previously calculated during the application of this Schedule in respect of a Distribution, then  $D$  shall be shared in accordance with paragraph 5.3.1.

5 6 For the avoidance of doubt no calculations in this paragraph 5 shall result in the percentage of  $AD$  distributed to the B Shareholders being less than 10% or greater than 25%

**6. Where  $AD$  is Greater than £1,000,000,000 and the Distribution Date is on or prior to 31 December 2015**

6 1 Two amounts shall be calculated which, if they were received by the Investors on the Distribution Date would, when taken together with the Cash Flow, result in the Investors receiving (i) an IRR of 25%, and (ii) an amount of Positive Cash Flow equal to three times (3X) the aggregate of all Negative Cash Flow

These amounts shall be referred to as TIRR and TMM and shall be calculated as

(i)

$$\text{TIRR} + \sum_{j=0}^n \text{CF}_j * (1.25)^{\frac{j}{12}} = 0$$

where.

"n" is the number of months between the month in which the Subscription Date falls and the month in which Distribution Date falls counting the month in which the Subscription Date falls as a month 0 and the month in which Distribution Date falls as month n,

"j" is the arithmetical number attributable to a month, the number 0 being attributed to the month in which the Subscription Date falls, the number 1 being attributed to the following month and so forth until j=n,

"CF<sub>j</sub>" is the amount of Cash Flow in month j,

"\*" means multiply by,

$\sum_{j=0}^n$  means the sum of the items which follow this symbol from month 0 to month n, and

(ii)

$$\text{TMM} = (3 \times \text{NCF}) - (1 \times \text{PCF})$$

where

NCF is the amount of all Negative Cash Flow; and

PCF is the amount of all Positive Cash Flow (where both NCF and PCF shall be expressed as a positive number)

and the greater of TIRR and TMM shall be defined as P2 save that where the calculations in paragraphs 6.1(i) and 6.1(ii) results in both TIRR and TMM being less than zero then P2 shall be defined as zero

6.2.1 Subject to paragraphs 6.2.2 and 6.5, D shall be shared in such proportions that, when aggregated with all previous Distributions, the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) will have received in aggregate the following proportions of AD

(a) 30% of AD to the A Shareholders pro-rata to the number of A Ordinary Shares held by each A Shareholder save that should

paragraph 2 of Schedule 3 apply such that certain A Ordinary Shares are not entitled to receive any profits then such profits that would otherwise be distributed to the holders of such A Ordinary Shares but for paragraph 2 of Schedule 3 shall be distributed amongst the other holders of A Ordinary Shares in accordance with this paragraph,

- (b) 10% of AD to the B Shareholders pro-rata to the number of B Ordinary Shares held by each B Shareholder, and
- (c) 60% of AD to the C Shareholders pro-rata to the number of C Ordinary Shares held by each C Shareholder

6 2 2 If any allocation of D pursuant to paragraph 6 2 1 would result in the Investors receiving an allocation of D which is greater than P2 then D shall be shared in accordance with paragraph 6.3 1 instead of paragraph 6 2 1

6 3 1 Subject to Clause 6 3 2, D shall be shared in such proportions that, when aggregated with all previous Distributions, the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) will have received in aggregate the following proportions of AD

- (a) 30% of AD to the A Shareholders pro-rata to the number of A Ordinary Shares held by each A Shareholder save that should paragraph 2 of Schedule 3 apply such that certain A Ordinary Shares are not entitled to receive any profits then such profits that would otherwise be distributed to the holders of such A Ordinary Shares but for paragraph 2 of Schedule 3 shall be distributed amongst the other holders of A Ordinary Shares in accordance with this paragraph,
- (b) NB2% of AD to the B Shareholders pro-rata to the number of B Ordinary Shares held by each B Shareholder save that the percentage entitlement to a share of AD of B Shareholders who are Leavers (other than Very Good Leavers) shall be limited to  $(B2/B)*25$  where 'B2' is the number of B Ordinary Shares held by B Shareholders who are Leavers (other than Very Good Leavers) and 'B' is the number of B Ordinary Shares in issue immediately prior to the Distribution Date and the balance of any Distribution that would have been allocated to B Shareholders who are Leavers (other than Very Good Leavers) but for this limitation will be allocated to the other B Shareholders pro-rata to the number of B Ordinary Shares held by each such B Shareholder, and
- (c) (70%-NB2%) to the C Shareholders pro-rata to the number of C Ordinary Shares held by each C Shareholder.

where NB2% is  $(25 + e * 0.01)$  and where 'e' is the number of complete £1,000,000 by which AD exceeds £1,000,000,000 and where the maximum value for e is 1,000 except where the Incremental Ratchet Listing Conditions or Incremental Ratchet Sale Conditions have, prior to the Distribution Date and prior to 31 December 2013, been satisfied in which event NB2% shall be

$(30 + e * 0.01)$ , 'e' shall be the number of complete £1,000,000 by which AD exceeds £1,000,000,000 and where the maximum value for e shall be 500

- 6.3.2 If any allocation of D pursuant to paragraph 6.3.1 would result in the Investors receiving an allocation of D which is less than P2 then D shall be shared in accordance with paragraph 6.4 instead of paragraph 6.3.1
- 6.4 D shall be shared in such proportions that, when aggregated with all previous Distributions, the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) will have received in aggregate the following proportions of AD
- (a) 30% of AD to the A Shareholders pro-rata to the number of A Ordinary Shares held by each A Shareholder save that should paragraph 2 of Schedule 3 apply such that certain A Ordinary Shares are not entitled to receive any profits then such profits that would otherwise be distributed to the holders of such A Ordinary Shares but for paragraph 2 of Schedule 3 shall be distributed amongst the other holders of A Ordinary Shares in accordance with this paragraph,
  - (b)  $(70\% - NC2\%)$  (subject to a minimum of 10%) of AD to the B Shareholders pro-rata to the number of B Ordinary Shares held by each B Shareholder save that the percentage entitlement to a share of AD of B Shareholders who are Leavers (other than Very Good Leavers) shall be limited to  $(B2/B) * 25$  where 'B2' is the number of B Ordinary Shares held by B Shareholders who are Leavers (other than Very Good Leavers) and 'B' is the number of B Ordinary Shares in issue immediately prior to the Distribution Date and the balance of any Distribution that would have been allocated to B Shareholders who are Leavers (other than Very Good Leavers) but for this limitation will be allocated to the other B Shareholders pro-rata to the number of B Ordinary Shares held by each such B Shareholder, and
  - (c) NC2% (subject to a maximum of 60%) of AD to the C Shareholders pro-rata to the number of C Ordinary Shares held by each C Shareholder

where NC2% is equal to the percentage which the aggregate of P2 plus all previous amounts of Distributions (excluding D) received by the C Shareholders represents of AD.

- 6.5 If the Investors have previously received an amount equal to or greater than P2, where P2 was previously calculated during the application of this Schedule in respect of a Distribution, then D shall be shared in accordance with paragraph 6.3.1
- 6.6 For the avoidance of doubt no calculations in this paragraph 6 shall result in the percentage of AD distributed to the B Shareholders being greater than 35%.

**7. Where paragraph 3.2(f) applies**

The relevant Distribution D shall be shared in such proportions as would result in the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) receiving the same proportions of D as they received of AD on the previous Distribution Date (including for the avoidance of doubt the allocation of the Distribution made on such Distribution Date)

**8 Change in Circumstances**

If after any agreement or certification referred to in paragraph 3.1 has been made there shall be any change in D, or any delay in the occurrence of the Distribution Date shall arise such that is expected to occur in a month later than the month next after that in which the Anticipated Distribution Date falls, the procedures set out in the preceding paragraphs of this Schedule shall be repeated (as often as required) and the calculations recomputed accordingly

**9 Allocation of Costs of Valuer**

The costs of any Valuer in relation to any determination in respect of any distribution to be made to the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) pursuant to Schedule 2 (*Distributions prior to an Exit*) shall be borne by the Company

**10 Illustrative Example**

The Shareholders' Agreement contains a worked example showing the operation of the provisions set out in this Schedule 2. The worked example is illustrative only and, in the event of any ambiguity between the provisions of this Schedule and the worked example the terms of this Schedule shall prevail

### SCHEDULE 3

#### A ORDINARY SHAREHOLDERS

##### 1. General prohibition against share transfers

No Employee Shareholder can do, or agree to do, any of the following unless permitted by these Articles or unless the prior written consent of the Majority C Shareholders and Mr Wood is obtained:

- (A) pledge, mortgage, charge or otherwise encumber any of his A Ordinary Shares or any interest in any of his A Ordinary Shares,
- (B) sell, transfer or otherwise dispose of, or grant any option over, any of his A Ordinary Shares or any interest in his A Ordinary Shares,

and the directors shall not register any transfer which is (or which they believe is) not made in accordance with the provisions of these Articles.

##### 2. Bad Leavers

- (A) In the event that any person ceases to be an Employee as a result of being dismissed for a reason falling within sub-Sections 2(a), (b) and (d) of Section 98 of the Employment Rights Act 1996 or by his resignation (whether or not in circumstances which may be held to be constructive dismissal), such person shall thereafter be a "**Bad Leaver**"
- (B) Any A Ordinary Shares held or subsequently acquired by a Bad Leaver shall automatically be subject to the restrictions set out in this paragraph 2 with effect from the Trigger Date and for so long as such A Ordinary Shares are held by a Bad Leaver. Such A Ordinary Shares shall, for the purpose of this paragraph 2, be known as "**Bad Leaver Shares**" and all reference to "**Bad Leaver Share(s)**" elsewhere in this Schedule 3 shall be read accordingly. Bad Leaver Shares shall not be entitled to any rights to vote at any meeting of the Company and shall not be entitled to participate in any dividend or other distribution by the Company. In the event of any inconsistency between the restrictions in this paragraph 2 and any other provisions of these Articles, this paragraph 2 shall prevail
- (C) If a Bad Leaver ceases (or ceased, in the case of a Previous Employee) to be an Employee other than by reason of his resignation he shall within 5 days following the Trigger Date offer his Bad Leaver Shares to Mr Wood or any Nominated Employee at nominal value
- (D) If a Bad Leaver ceases (or ceased, in the case of a Previous Employee) to be an Employee by reason of his resignation prior to the first anniversary of him becoming an Employee he shall within 5 days following the Trigger Date offer his Bad Leaver Shares to Mr Wood or any Nominated Employee at their nominal value
- (E) If a Bad Leaver ceases (or ceased, in the case of a Previous Employee) to be an Employee by reason of his resignation on or after the first anniversary of him



becoming an Employee he shall within 5 days following the Trigger Date offer his Bad Leaver Shares to Mr Wood or any Nominated Employee at a price equal to a proportion of the valuation determined in accordance with paragraph 4 calculated on the following basis depending upon the number of full years the Bad Leaver has been an Employee at the time he ceases (or ceased, in the case of a Previous Employee) to be an Employee

1 full year	5 per cent.
2 full years	15 per cent
3 full years	30 per cent
4 full years	60 per cent
5 full years	100 per cent

- (F) For the avoidance of doubt, any Bad Leaver Shares transferred to Mr Wood under this Schedule 3 shall immediately cease to be subject to the restrictions set out in this paragraph 2.

### 3. Good Leavers

- (A) In the event that any person ceases (or ceased, in the case of a Previous Employee) to be an Employee for any reason other than those specified in paragraph 2(A) (including as a result of the death of such person), such person shall be a "Good Leaver"
- (B) Subject to sub-paragraphs (C) to (G) of this paragraph 3, a Good Leaver shall within 5 days following the Trigger Date offer all A Ordinary Shares held or subsequently acquired by him to Mr Wood or any Nominated Employee at their valuation determined in accordance with paragraph 4
- (C) If the Good Leaver has been an Employee for a continuous period of at least 24 months prior to ceasing to be an Employee, he may retain 50 per cent of the A Ordinary Shares held by him and shall not be obliged to offer those retained shares under paragraph 3(B) above
- (D) If the Good Leaver has been an Employee for a continuous period of at least 36 months prior to ceasing to be an Employee he may, in addition to the A Ordinary Shares retained under paragraph 3(C), retain a further 12 5 per cent. of the A Ordinary Shares held by him and shall not be obliged to offer those retained shares under paragraph 3(B) above
- (E) If the Good Leaver has been an Employee for a continuous period of at least 48 months prior to ceasing to be an Employee he may, in addition to the A Ordinary Shares retained under paragraph 3(C) and (D), retain a further 12 5 per cent of the A Ordinary Shares held by him and shall not be obliged to offer those retained shares under paragraph 3(B) above
- (F) If the Good Leaver has been an Employee for a continuous period of at least 60 months prior to ceasing to be an Employee he may, in addition to the A

Ordinary Shares retained under paragraph 3(C), (D) and (E), retain a further 12.5 per cent of the A Ordinary Shares held by him and shall not be obliged to offer those retained shares under paragraph 3(B) above

- (G) If the employment of the Good Leaver terminates on or after 1 August 2010 and the Good Leaver has been an Employee for a continuous period of at least 72 months prior to ceasing to be an Employee he may, in addition to the A Ordinary Shares retained under paragraph 3(C), (D), (E) and (F), retain a further 12.5 per cent of the A Ordinary Shares held by him and shall not be obliged to offer those retained shares under paragraph 3(B) above

#### **4. Valuation**

The valuation in respect of each Bad Leaver Share or each A Ordinary Share held by the relevant Good Leaver shall be

- (A) if a Valuation shall have been determined by an Expert pursuant to paragraph 6 within the 12 month period prior to a person ceasing to be an Employee and where a notice was not served under paragraph 6(C), a sum equal to such Valuation, or
- (B) if no such Valuation has been obtained, a sum per A Ordinary Share as shall be agreed between the Offering Shareholder and Mr Wood within 30 days of the relevant person ceasing to be an Employee or if later, acquiring A Ordinary Shares, or
- (C) thereafter failing such agreement, such Valuation as shall be determined by an Expert pursuant to paragraph 6.

#### **5. Offers to sell shares**

- (A) Any offer under paragraph 2 or paragraph 3 shall be open for acceptance in full by Mr Wood or any Nominated Employee for a period of 30 Business Days following delivery of written notice to Mr Wood of such offer by the Offering Shareholder. If the offer is accepted by a Nominated Employee references to Mr Wood in paragraphs 5(C) and (D) and 6 shall be deemed to be a reference to the Nominated Employee.
- (C) Completion of any transfer of A Ordinary Shares under this Schedule 3 ("**Completion**") shall take place 5 Business Days after the later of acceptance by Mr Wood of the relevant offer or determination of the Valuation in (if applicable). On Completion any person required to transfer any A Ordinary Shares shall deliver a duly completed and executed stock transfer form to the Company, together with the definitive share certificate(s) or a suitable indemnity in lieu thereof, in respect of the A Ordinary Shares due to be transferred and Mr Wood shall pay the consideration due to be paid for such shares to the Company. The Company shall hold the consideration for the purchase of those A Ordinary Shares on trust for the relevant person, but shall not be bound to earn or pay any interest thereon. The receipt by the Company for such consideration shall be a good receipt for the acquisition of the relevant A Ordinary Shares (but Mr Wood shall not be discharged from using reasonable endeavours to procure that the Company applies such

money in payment to the transferor of the relevant shares against delivery by such person of a duly completed and executed stock transfer form and the certificate(s), or a suitable indemnity in lieu thereof, in respect of such shares) After Mr Wood's name has been entered into the register of members in respect of any transfer of A Ordinary Shares under this Schedule 3 the proceedings shall not be questioned by any person

- (D) In the event that any person fails or refuses to make any offer or execute any instrument of transfer (or indemnity in respect of any lost, stolen or destroyed share certificate) required to transfer any A Ordinary Shares in accordance with this Schedule 3, the Board may authorise any person to execute and deliver any such document on such person's behalf.

#### **6. Determination of Valuation by Expert**

- (A) The Expert shall be appointed by the Board. The Expert shall state in writing what is in his opinion the Fair Price of the A Ordinary Shares as at the date on which the Offering Shareholder ceases to be an Employee and the terms of Article 40 shall be deemed to have been amended accordingly for the purposes of this Schedule 3 (the "Valuation")
- (B) The Expert shall be asked to determine the Valuation within 20 Business Days of his appointment and shall notify the relevant Offering Shareholder, the Board and Mr Wood of his determination
- (C) Within 5 Business Days of the date of determination of the Valuation, Mr Wood or any Nominated Employee may, by service of written notice to the Offering Shareholder, decline to purchase the shares held by that person, at the Valuation so determined, the effect of which shall release Mr Wood or any Nominated Employee from any obligation to purchase such shares, and the provisions of paragraph 8 shall apply

#### **7. Chairman's Discretion**

- (A) If a Bad Leaver ceases to be an Employee by reason of his resignation the Chairman of the Board from time to time may, at his discretion, determine that the proportion of Valuation receivable under paragraph 2(E) shall be varied upwards or downwards
- (B) In the event that any person ceases (or ceased, in the case of a Previous Employee) to be an Employee as a result of his death, such person (or any person entitled to such person's shares by transmission) be entitled to transfer any A Ordinary Shares held by him in accordance with the provisions of Article 37.4.

#### **8. No Purchase of Shares**

If the Bad Leaver Shares or A Ordinary Shares held by a Good Leaver are not acquired by Mr Wood or a Nominated Employee pursuant to the provisions of this Schedule 3, the Offering Shareholder shall be deemed to be an Employee Shareholder for the purposes of Schedule 3, in respect of the A Ordinary Shares continued to be held by him

## 9. Definitions

For the purposes of this Schedule 3 but only for the purposes of this Schedule 3 the following words and expressions shall bear the following meanings to the exclusion of any definitions set out in Schedule 1 (or elsewhere in these Articles) and where a word or expression is defined in Schedule 1 (or elsewhere in these Articles) but not otherwise defined in this Schedule 3 such word or expression shall bear the meaning given to such term in Schedule 1 (or as defined elsewhere in these Articles)

**"Bad Leaver"** has the meaning set out in paragraph 2,

**"Bad Leaver Shares"** has the meaning set out in paragraph 2(B),

**"Board"** means the board of directors of the Company,

**"Completion"** has the meaning set out in paragraph 5(C),

**"Employee"** means, from time to time, any person who is an employee or director of the Company, esure Holdings Limited or any of their respective subsidiaries (excluding Mr Wood),

**"Employee Shareholder"** means, from time to time, any person who holds A Ordinary Shares and who is an Employee or Previous Employee;

**"Expert"** is an expert appointed pursuant to paragraph 6,

**"Good Leaver"** has the meaning set out in paragraph 3,

**"Mr Wood"** means Peter John Wood save that should the PJW Parties hold less than 24 per cent of the total number of Ratchet Shares in issue and/or Mr Wood be a Leaver then Mr Wood shall not be able to accept an offer of Bad Leavers Shares or A Ordinary Shares from a Good Leaver, under paragraphs 2 and 3 respectively and any offer or notices to be given to Mr Wood under this Schedule shall instead be given to the Company and any reference to "Mr Wood"

- (i) in paragraph 1 shall be deemed to have been deleted,
- (ii) in paragraph 4(B) and the definition of Nominated Employee in this paragraph 9 shall be deemed to have been deleted and replaced with the words "the Remuneration Committee", and
- (iii) in paragraph 6(A) in respect of which references to Mr Wood shall be deemed to have been deleted and replaced with the words "the Company",

**"Nominated Employee"** means any Employee or a trust established for the benefit of employees or directors (or former employees or directors) of any member of the Group nominated by Mr Wood as being able to accept an offer of Bad Leavers Shares or A Ordinary Shares from a Good Leaver, under paragraphs 2 and 3 respectively,

**"Offering Shareholder"** means a person who is required to offer his A Ordinary Shares (including A Ordinary Shares referred to as "Bad Leaver Shares" where that term is used in this Schedule 3) pursuant to this Schedule 3,

**"Previous Employee"** means, from time to time, any person who was formerly an employee or director of the Company or any of its subsidiaries (excluding Mr Wood),

**"Trigger Date"** means (1) in relation to an Employee Shareholder who is an Employee, the date on which the Employee ceases to be an Employee or (2) in relation to an Employee Shareholder who is a Previous Employee who has exercised an option to acquire shares under the Rules of the esure Holdings Limited Share Option Scheme following cessation of his employment, the date of such acquisition, and

**"Valuation"** has the meaning set out in paragraphs 4 and 6

## SCHEDULE 4

## RATCHET

## 1 In this Schedule

"B2" means the number of B Ordinary Shares held by Leavers (other than Very Good Leavers),

"Cash Equivalent" means, in relation to any deferred consideration, the sum agreed between the Manager Representative and the holders of not less than 50% of the C Ordinary Shares (in issue prior to Conversion) (or, failing such agreement, certified by the Valuers) as being in their opinion the current value of the right to receive that consideration and, in relation to any non-cash consideration, the sum agreed between the Manager Representative and the holders of not less than 50% of the C Ordinary Shares (in issue prior to Conversion) or, failing such agreement, certified by the Valuers as being in their opinion the current market value of that non-cash consideration,

"Conversion" means the conversion of A Ordinary Shares, B Ordinary Shares and C Ordinary Shares in accordance with the provisions of Article 7 21 and the calculations set out in this Schedule 4,

"Conversion Date" means the date of the first occurring Conversion Event,

"Conversion Event" means a Listing, a Sale or a Liquidation,

"Market Capitalisation" or "MC" means

- (i) in the case of Listing, the market value of the Ratchet Shares (or any shares derived from the Ratchet Shares and, in all cases, following the operation of paragraph 5 4) in issue determined by reference to the new issue price of any shares to be issued on Listing or, if there is no new issue, the price at which any such Ratchet Shares (or any shares derived from the Ratchet Shares and, in all cases, following the operation of paragraph 5 4) are to be placed or offered for sale for the purposes of Listing (where, if the shares to be issued on Listing are not Ratchet Shares, taking account of any reorganisation or recapitalisation which occurs on or immediately prior to Listing) but, for the avoidance of doubt, not taking into account the market value of any Non-Core Ratchet Shares (if any);
- (ii) in the case of a Sale, the aggregate cash consideration payable by the relevant purchasers for the Ratchet Shares (on the assumption that the entire issued share capital of the Company is acquired by them pursuant to the Sale) plus, to the extent that consideration shall be so payable otherwise than in cash or shall be so payable on deferred terms, the Cash Equivalent of that consideration, and
- (iii) in the case of a Liquidation the aggregate amount, including the Cash Equivalent of any non-cash consideration, which the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not,

for the avoidance of doubt, in their capacity as holders of any other shares) will receive on completion of the Liquidation, and

**"Non-Core Ratchet Shares"** means the aggregate of the number of Ratchet Shares to be issued on Listing (if any, and not including any shares to be issued pursuant to the Bonus Issue under paragraph 5.4 below) and the number of Ratchet Shares issued after the Subscription Date (as defined in Schedule 2) as consideration for any acquisition. As at the date of adoption of these Articles there are 92,962 unissued B Ordinary Shares. For the avoidance of any doubt, these B Ordinary Shares, if issued, shall not be **"Non-Core Ratchet Shares"**.

## 2. Interpretation

2.1 For the purposes of this Schedule 4, words defined elsewhere in these Articles shall have the same meaning when used in this Schedule 4 save to the extent specifically varied by the terms of this Schedule 4. Any term defined in this Schedule 4 shall have the meaning given to it in this Schedule 4 in relation to all matters set out in this Schedule 4 and, as the context requires, shall apply elsewhere in the Articles to the extent required to give effect to this Schedule 4.

2.2 References in this Schedule to paragraphs are to paragraphs of this Schedule unless the context otherwise requires.

2.3 Percentages shall be expressed as an integer plus up to 3 decimal places.

## 3. Conversion Calculations

3.1 The Directors shall at least 5 days prior to each Conversion Event

- (a) estimate the timing of the Conversion Date ("**Anticipated Conversion Date**"),
- (b) procure that the calculations provided for in paragraphs 3 to 5 of this Schedule are made,
- (c) determine their opinion of the Cash Equivalent (if required) and that the other calculations provided for are made in accordance with this Schedule 4 insofar as necessary to enable the provisions of paragraph 5 of this Schedule 4 to be given effect, and
- (d) notify Shareholders of the results of such calculations, including, in the case of a Listing, providing a range of calculations based on an estimated price range at which Ratchet Shares may be sold in connection with such Listing. The Manager Representative and the holders of C Ordinary Shares and the Directors shall use all reasonable endeavours to reach agreement as to the accuracy of such calculations in such period, to record that agreement in writing signed by or on behalf of the Manager Representative and the holders of not less than 50% of the C Ordinary Shares and, if they fail to do so, to procure the determination thereof by the Valuers who shall issue a

certificate accordingly. Any such written agreement and any such certificate shall, in the absence of manifest error, be final and binding on all Shareholders, each of whom shall be sent a copy as soon as practicable following its issue.

3.2. For the purposes of determining the number of Deferred Ordinary Shares arising on Conversion the calculations set out in this paragraph shall be carried out immediately prior to Conversion

- (a) The MC shall be calculated – in the case of a Listing on the basis of a price per share at which such Listing will occur agreed between the Company, the Manager Representative and the holders of C Ordinary Shares
- (b) Schedule 2 (*Distributions Prior to an Exit*) shall be applied, mutatis mutandis, to MC as if it was a Distribution made on the Conversion Date to which that Schedule applies.
- (c) Paragraph 5 shall be applied

#### 4. Change in Circumstances

If after any agreement or certification referred to in paragraph 3.1 has been made there shall be

- (a) any change in the MC, or
- (b) any delay in the occurrence of the Conversion Date shall arise such that is expected to occur in a month later than the month next after that in which the Anticipated Conversion Date falls,

the procedures set out in the preceding paragraphs of this Schedule shall be repeated (as often as required) and the calculations recomputed accordingly provided that, in the case of a Listing, there shall be no such requirement to repeat the procedures set out in the preceding paragraphs of this Schedule pursuant to (a) above if the MC would still fall within the range of calculations notified to Shareholders in accordance with sub-paragraph 3.1(d) above

#### 5. Conversion of Ratchet Shares

5.1 On the first occurring Conversion Event

- (i) if, following the application of paragraph 3.2(b) of this Schedule 4, MC falls to be allocated in accordance with paragraphs 3.2(b), (c) or (e) of Schedule 2 (*Distributions Prior to an Exit*) then such number of the A Ordinary Shares and B Ordinary Shares shall convert into Deferred Ordinary Shares (on a one for one basis) as will result in MC being shared in the proportions determined by paragraph 3.2(b), (c) or (e) of Schedule 2 (*Distributions Prior to an Exit*), as applicable, amongst the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders



of any other shares) pro rata to the number of Ratchet Shares held by each such holder, or

- (ii) if, following the application of paragraph 3 2(b) of this Schedule 4, MC falls to be allocated in accordance with paragraphs 3 2(d) or (f) Schedule 2 (*Distributions Prior to an Exit*) then such number of the A Ordinary Shares, the B2 and the C Ordinary Shares shall convert into Deferred Ordinary Shares (on a one for one basis) as will result in MC being shared in the proportions determined by paragraph 3 2(d) or (f) of Schedule 2 (*Distributions Prior to an Exit*), as applicable, amongst the holders of Ratchet Shares (in their capacity as holders of Ratchet Shares and not, for the avoidance of doubt, in their capacity as holders of any other shares) pro rata to the number of Ratchet Shares held by each such holder.

5 2 The Deferred Ordinary Shares arising under paragraph 5 1 above shall be allocated to members pro rata to their holding of A Ordinary Shares, B Ordinary Shares, B2 and C Ordinary Shares (as applicable) immediately prior to Conversion

5 3 If Conversion and the allocation of shares referred to above would result in any member holding a fraction of a Ratchet Share or a fraction of a Deferred Ordinary Share the number of Ratchet Shares held by that member shall be rounded up and the number of Deferred Ordinary Shares held by that member shall be rounded down, in each case to the nearest whole number of shares. The calculations set out in this Schedule must be agreed between the Management Representative (on behalf of the A Shareholders and the B Shareholders) and the holders of more than 50% of the C Ordinary Shares (on behalf of the C Ordinary Shareholders). In the event of a dispute over the operation of the provisions of this paragraph 5 and this Schedule 4 the Directors shall instruct the Valuers to make the calculations required and the determination of the Valuers shall, in the absence of manifest error, be final and binding on the Company and the members

5 4 In the case of a Listing

5 4 1 immediately following the Conversion described in the paragraphs above, each A Shareholder, B Shareholder and C Shareholder shall be allotted and issued A Ordinary Shares, B Ordinary Shares and C Ordinary Shares (as applicable) (the "**Bonus Issue**") pro rata (subject to paragraph 5.4.2 below) to their holdings up to an aggregate nominal amount equal to the amount credited to the Company's reserves as a result of the repurchase of the Deferred Shares by the Company under Article 7 21, such that following such allotment and issue the aggregate number of A Ordinary Shares, B Ordinary Shares and C Ordinary Shares in issue shall be the same as the number of Ratchet Shares that were in issue immediately prior to the Conversion described in the paragraphs above (the "**Original Number**"),

5 4.2 the A Ordinary Shares, B Ordinary Shares and C Ordinary Shares to be allotted and issued pursuant to paragraph 5 4.1 above shall be allocated as follows:

- (a) so as first to ensure that following such allotment and issue, each holder of A Ordinary Shares shall hold exactly the same number of A Ordinary Shares as he or she held immediately prior to the Conversion, and
- (b) (having taken into account sub-paragraph (a) above) if such allotment and issue would result in any B Shareholder or C Shareholder holding a fraction of a share to be allotted and issued pursuant to the Bonus Issue, the number of shares to be allotted and issued to such member will be rounded up or down to the nearest whole number so far as it is possible to do so whilst ensuring that following the Bonus Issue, the number of ordinary shares in issue shall be the same as the Original Number. In such circumstances where, in order to ensure that immediately following the Bonus Issue the aggregate number of A Ordinary Shares, B Ordinary Shares and C Ordinary Shares in issue shall be the same as the Original Number, it will not be possible to round all such members' entitlement to the nearest whole number:
  - (i) where rounding to the nearest whole number would result in the aggregate number of A Ordinary Shares, B Ordinary Shares and C Ordinary Shares in issue being greater than the Original Number, the entitlements of the B Shareholder or C Shareholder whose fractional entitlement exceeds 0.5 by the smallest amount shall be rounded down to the nearest whole number (and this process shall be repeated in respect of all such members, if necessary in the event that members' fractional entitlements are the same in surname alphabetical order, until the number of ordinary shares in issue shall be the same as the Original Number), and
  - (ii) where rounding to the nearest whole number would result in the aggregate number of A Ordinary Shares, B Ordinary Shares and C Ordinary Shares in issue being less than the Original Number, the entitlements of the B Shareholder or C Shareholder whose fractional entitlement is less than 0.5 by the smallest amount shall be rounded up to the nearest whole number (and this process shall be repeated in respect of all such members, if necessary in the event that members' fractional entitlements are the same in surname alphabetical order, until the number of ordinary shares in issue shall be the same as the Original Number),

- 5.4.3 the Company shall capitalise any sum which is part of any of the Company's reserves (including premiums received when any shares were issued, capital redemption reserves or other undistributable reserves) for the purposes of paying up in full the shares to be allotted and issued under this paragraph 5.4, such shares to be credited as fully paid, and
- 5.4.4 immediately following the Bonus Issue, each A Ordinary Share, B Ordinary Share and C Ordinary Share shall be converted into a single class of new ordinary share on a 1:1 basis
- 5.5. The Company shall inform the persons who prior to the conversion thereof in accordance with sub-paragraph 5.4.4 above held the relevant Ratchet Shares of the results of the calculations or determinations set out in paragraphs 3, 4 and 5 forthwith upon their being made available. Forthwith upon receipt of a notice from the Company requiring them so to do (if any), the holders of A Ordinary Shares, B Ordinary Shares or C Ordinary Shares (as applicable) shall deliver to the Company at the Office the share certificates in respect of the shares of which they were, prior to Conversion, the holders (or an indemnity in respect thereof in a form reasonably satisfactory to the Company), and the Company shall, on receipt of such certificates (or an indemnity in respect thereof in a form reasonably satisfactory to the Company), deliver to such members new certificates, in respect of either (i) the revised number of A Ordinary Shares, B Ordinary Shares or C Ordinary Shares (as applicable) to which, upon Conversion or, (ii) in the case of a Listing, the number of the new ordinary shares to which upon the operation of paragraph 5.4, they are entitled.
- 6. Miscellaneous**
- 6.1 Subject to any special rights which may be attached to any other class of shares, any profits which the Company may determine to distribute after Conversion (and, in the case of a Listing, upon the operation of paragraph 5.4), and any capital or assets which may be distributed, on a winding up or otherwise, by way of return of capital after Conversion, amongst the holders of Ratchet Shares (and, in the case of a Listing and upon the operation of paragraph 5.4, of new ordinary shares) (in their capacity as holders of Ratchet Shares (or new ordinary shares) and not, for the avoidance of doubt, in their capacity as holders of any other shares) shall be distributed pro rata according to the Paid Up Amount thereon
- 6.2 Subject to paragraph 6.1, the rights attached to the Ratchet Shares (and, in the case of a Listing and upon the operation of paragraph 5.4, to new ordinary shares) which are not converted into Deferred Ordinary Shares as a result of the operation of a Conversion, shall remain unchanged in all respects and no further Conversion shall occur
- 6.3 The costs of any Valuer in relation to any determination in respect of any conversion of Ratchet Shares on an Exit pursuant to this Schedule 4 (*Ratchet*) shall be borne by the Company

- 6 4 If, following any conversion and/or subsequent conversion as set out in paragraph 5 above, the relevant Exit does not take place, the shareholders and Company will take such steps as are necessary to restore the original shareholding positions immediately prior to any such conversions

7 Illustrative Example

The Shareholders' Agreement contains a worked example showing the operation of the provisions set out in this Schedule 4 (excluding the operation of paragraph 5 4) The worked example is illustrative only and, in the event of any ambiguity between the provisions of this Schedule and the worked example the terms of this Schedule shall prevail