

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser. The whole text of this document should be read.**

If you have sold or transferred all of your common shares in the capital of Lancashire Holdings Limited ("Common Shares"), please forward this document together with the accompanying Form of Proxy and Form of Direction to the stockbroker, bank or other agent who arranged the sale or transfer for transmission to the purchaser or transferee. If you have sold or transferred part of your holding of Common Shares you are advised to consult your stockbroker, bank or other agent who arranged the sale or transfer.

Notice of a Special General Meeting of Lancashire Holdings Limited to be held at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda on Wednesday 22 December 2010 commencing at 12 noon (Bermuda time) is set out on page 6 of this document. Holders of Common Shares ("Shareholders") will find enclosed a Form of Proxy for use at the Special General Meeting. Holders of depository interests in the Common Shares will find a Form of Direction by which they can instruct Capita IRG Trustees Limited ("Capita") to vote in respect of their interest. To be valid, the enclosed Form of Proxy must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the holding of the Special General Meeting. To be valid the Form of Direction must be received not later than 72 hours before the time appointed for the holding of the Special General Meeting.

---

## **LANCASHIRE HOLDINGS LIMITED**

*(Incorporated and registered in Bermuda under registration number EC37415)*

### **Notice of Special General Meeting**

---

**Your attention is also drawn to the letter from the Chairman of Lancashire Holdings Limited which is set out on pages 2 to 5 of this document recommending that you vote in favour of the resolutions to be proposed at the Special General Meeting.**

**LETTER FROM THE CHAIRMAN  
LANCASHIRE HOLDINGS LIMITED  
(the “Company”)**

*(Incorporated and registered in Bermuda under registration number EC37415)*

*Directors:*

**John Bishop**, *Non-Executive Director*  
**Richard Brindle**, *Chief Executive Officer*  
**Emma Duncan**, *Non-Executive Director*  
**Alex Maloney**, *Chief Underwriting Officer*  
**Neil McConachie**, *President and Chief Financial Officer*  
**Ralf Oelssner**, *Senior Independent Director*  
**Robert Spass**, *Non-Executive Director*  
**William Spiegel**, *Non-Executive Director*  
**Martin Thomas**, *Non-Executive Chairman*

*Registered Office:*  
Power House  
7 Par-la-Ville Road  
Hamilton HM 11  
Bermuda

**29 November 2010**

**To Shareholders and for information only to holders of depository interests:**

Dear Shareholder,

**Special General Meeting**

I am writing to give you details of the business proposed to be considered at the Company’s forthcoming Special General Meeting to be held at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda on Wednesday 22 December 2010 commencing at 12 noon (Bermuda time). The notice convening the SGM is set out towards the end of this letter.

**Background to the Business to be considered**

At Board Meetings held on 5 November 2010 and 26 November 2010, the Board of Directors (the “Board”) approved resolutions to convene a Special General Meeting of the Company for the purposes of considering and approving various amendments to (i) the Company’s bye-laws (the “Bye-laws”) and (ii) the rules of the Company’s Restricted Share Scheme.

**Proposed Business**

**(1) Resolutions to amend the Company’s Bye-laws**

The Board is seeking Shareholders’ approval to amend the Company’s Bye-laws. It is proposed that the Bye-laws be amended as follows:

- (i) The Board is seeking Shareholders’ approval to amend Bye-laws 3 and 4 to permit the Company to purchase its own shares for cancellation or acquire them as Treasury Shares (subject to the Memorandum of Association). All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by law, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the Company’s share capital. The Company’s Memorandum of Association was amended in 2008 to permit the Company to hold Treasury Shares (not to exceed 10% of the issued share capital). Generally, the rights attaching to Common Shares are curtailed while they are held as Treasury Shares.
- (ii) The Board is seeking Shareholders’ approval to amend Bye-laws 8, 56(e) and 74 to reflect that it is no longer a mandatory requirement of the Bermuda Companies Act 1981 (the “Companies Act”) that deeds or other documents be executed under seal in order to be

effective. The requirements for issuing share certificates under seal have also been amended, and consequently an amendment is required to Bye-law 8 to simplify the provisions relating to the execution of share certificates. An amendment is also required to Bye-law 56(e) to delete the requirement for a common seal on a power of attorney. An amendment is also required to Bye-law 74 on the form and use of seal. Instead of a seal being mandatory, the Company may adopt a seal in such form as the Board may determine. The seal may be affixed to any deed, instrument or document, and if the seal is to be affixed thereto, it shall be attested by the signature of any director, officer, or the Secretary or any person appointed by the Board for that purpose. Also, any person appointed to act as the Company's Resident Representative may affix the seal of the Company to certify the authenticity of any copies of documents.

- (iii) The Board is seeking Shareholders' approval to amend Bye-law 10.2 to reflect the change in Bermuda law that the register of members should now be open to inspection at the registered office of the Company without charge.
- (iv) The Board is seeking Shareholders' approval to amend Bye-laws 22, 23, 30, 58, 59 and 69 to reflect the change to Bermuda law that removes the requirement for companies to have officers with specific titles such as "President" and "Chairman". The only specific title now required is that of "Secretary". The Companies Act now also provides that a company may appoint as officers, persons who may or may not be directors. Bye-laws 58 and 59 should be amended to reflect these changes. Should a company elect to have officers, it can give its officers whatever title is preferred. Bye-laws 22, 23, 30, and 69, which refer to the Chairman or President, need to be amended to take account of the fact that there may not be officers with such titles.
- (v) The Board is seeking Shareholders' approval to amend Bye-laws 26, 28, 32, 65 and 66 to take account of the new provisions permitting the delivery of electronic records, and empowering companies to conduct their meetings via webcam or other electronic means. The law has made provision for electronic record delivery and specifically, an electronic record is also deemed to have been delivered if it is published on a website and the person to whom the document is to be provided has agreed to that method and been given access to the necessary webpage (this method being commonly referred to as "Notice and Access"). Bye-law 26 should be amended to take account of the changes to giving notice and access. An amendment is required to Bye-law 28 to allow Shareholders to participate in any general meeting by such telephonic, electronic or other communication facilities or means that allow all persons participating in the meeting to communicate with each other simultaneously. Amendments are required to Bye-law 32, where a vote is taken by poll, to allow persons to be present by telephone, electronic or other communication facilities or means and to cast their vote in such manner as the chairman of the meeting shall direct, and for votes cast in such manner to be included in the examination and count at the conclusion of the poll. Bye-law 65 should be amended to reflect the fact that notice of board meetings can also be given by electronic means, and Bye-law 66 should be amended to reflect that electronic participation in meetings is permitted.
- (vi) The Board is seeking Shareholders' approval to modify the subsidiary voting push-up provision in Bye-law 45, so that Bye-law 45 is only applicable in the event that the voting rights of Shares of the Company held by U.S. Shareholders are adjusted pursuant to Bye-laws 40-44. The primary purpose of these provisions in Bye-laws 40-44 is to mitigate the risk of a direct or indirect U.S. Shareholder of the Company having current income inclusions pursuant to the controlled foreign corporation rules under the U.S. Internal Revenue Code. If no voting rights are adjusted under Bye-laws 40-44, then Bye-law 45 would not be applicable either, which is the reason for the proposed change.
- (vii) The Board is seeking Shareholders' approval to amend Bye-law 63.6 to give the Company the ability to advance money to a director or an officer for his defence in any civil or criminal proceedings, on the condition that the director or officer shall repay the advance if any allegation of fraud or dishonesty is proved against him. The Companies Act now expressly states that a company may indemnify its directors and officers not only from an eventual award against them, but for the costs of defending themselves. In the

event that a case for fraud or dishonesty is proved, the directors or officers will be required to repay the funds provided for their defence.

- (viii) The Board is seeking Shareholders' approval to amend Bye-law 67 to clarify the quorum requirement for Board meetings.

The reason for listing the resolutions separately is to ensure that failure to approve any one need not preclude approval of any other. A draft version of the Bye-laws incorporating all the above changes (Appendix 1) is available for review on the Company's website at [www.lancashiregroup.com](http://www.lancashiregroup.com) and is available for inspection by prior appointment (by emailing [CL2010@dl.com](mailto:CL2010@dl.com)) during normal business hours on any weekday until the close of the meeting at the offices of Dewey & LeBoeuf, No. 1 Minster Court, Mincing Lane, London, EC3R 7YL United Kingdom, and at the Company's registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

## **(2) Resolutions to amend the rules of the Company's Restricted Share Scheme**

- (ix) The Board is seeking Shareholders' approval to amend the rules of the Company's Restricted Share Scheme.

### *Changes in relation to the Restricted Share Scheme*

The Company operates the Lancashire Holdings Limited Restricted Share Scheme (the "RSS") as its primary, share-based, long-term incentive arrangement for selected employees (including the Company's executive directors).

Implemented in 2008, the RSS provides for the grant of conditional rights over Common Shares. Under current policy, awards under the RSS ordinarily vest three years from grant, subject to the award holder's continued employment and the satisfaction of performance conditions (if applicable).

Following a review of the current terms of the RSS, the remuneration committee of the Company's board of directors (the "Committee") has proposed two minor changes in relation to the current terms of the RSS.

The Board is seeking Shareholders' approval to authorise the Company to amend the terms of the RSS: firstly, to provide for an exercise period for awards structured as nil (or nominal) cost options, which would continue until the tenth anniversary of the grant of the awards. This amendment should enable the holders of such awards to better manage the timing of the tax charge associated with the exercise of their awards. This should encourage recipients to retain their interests in the Company arising from RSS awards for a longer period.

The Board is seeking Shareholders' approval to authorise the Company to amend the terms of the RSS: secondly, to provide that in the case of awards structured as nil (or nominal) cost options, the dividend equivalent payment may also include sums in relation to dividends paid during the period from the time the awards vest and the time such awards are exercised.

A draft version of the RSS rules incorporating all the above changes (Appendix 2) is available for review on the Company's website at [www.lancashiregroup.com](http://www.lancashiregroup.com) and is available for inspection by prior appointment (by emailing [CL2010@dl.com](mailto:CL2010@dl.com)) during normal business hours on any weekday until the close of the meeting at the offices of Dewey & LeBoeuf, No. 1 Minster Court, Mincing Lane, London, EC3R 7YL United Kingdom and at the Company's registered office at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda.

### **Voting**

**Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Special General Meeting. You are requested to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for the holding of the Special General Meeting. The return of a completed Form of Proxy will not preclude you from attending the Special General Meeting and voting in person, should you so wish.**

**Holders of depository interests in the Company wishing to instruct Capita to vote in respect of the holder's interest should use the enclosed Form of Direction. The completed Form of Direction must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 72 hours before the time appointed for the holding of the Special General Meeting.**

**Record Date**

Only Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 26 November 2010 shall be entitled to attend and vote at the meeting in respect of the number of Common Shares registered in their name at that time. Changes to entries on the register of members after 5.00pm (Bermuda time) on 26 November 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting. The length of time between the record date and the Special General Meeting is necessary to allow sufficient time to complete the voting cut-back calculations related to any U.S. 9.5% Shareholders as required by Bye-laws 40 and 41.

**Recommendation**

The directors believe that the resolutions set out in the Special General Meeting notice are in the best interests of the Company and its Shareholders as a whole and recommend that you vote in favour of the resolutions. Each director who holds Common Shares in the Company intends to vote in favour of all the resolutions in respect of his own shareholdings.

Yours sincerely,

**Martin Thomas**  
*Chairman*

**LANCASHIRE HOLDINGS LIMITED**  
**NOTICE OF SPECIAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that a Special General Meeting of the Company will be held at Power House, 7 Par-la-Ville Road, Hamilton HM 11, Bermuda on Wednesday 22 December 2010 commencing at 12 noon (Bermuda time), for the purpose of considering and, if thought fit, passing the following resolutions:

**To consider, and if thought fit, pass the following resolutions as Special Resolutions (as defined in the Company's Bye-laws):**

**1. Approval of amendments to the Company's Bye-laws**

That the Company's Bye-laws be amended as follows:

- (i) Amend Bye-laws 3 and 4 to add a reference to Treasury Shares, and the terms upon which they may be held.
- (ii) Amend Bye-laws 8, 56(e) and 74 to take account of the fact corporate seals are no longer required.
- (iii) Amend Bye-law 10.2 to reflect that the register of members may be inspected free of charge.
- (iv) Amend Bye-laws 22, 23, 30, 58, 59 and 69 to reflect the fact that the requirement for specific titles for officers has been removed.
- (v) Amend Bye-laws 26, 28, 32, 65 and 66 to take account of the new provisions in the Act allowing for electronic delivery of notice and access to Shareholders.
- (vi) Amend Bye-law 45 to modify the subsidiary voting push-up provision in Bye-law 45, so that Bye-law 45 is only applicable in the event that the voting rights of any shares of the Company held by U.S. Shareholders are adjusted pursuant to Company Bye-laws 40-44.
- (vii) Amend Bye-law 63.6 to authorise the Company to advance defence funds to indemnified parties.
- (viii) Amend Bye-law 67 to authorise the Company to clarify the quorum requirement for Board meetings.

**2. Approval of amendments to the rules of the Company's Restricted Share Scheme**

- (ix) That amendments to the terms of the Lancashire Holdings Limited Restricted Share Scheme (the "RSS") referred to in the Chairman of the Board's letter to Shareholders dated 29 November 2010 and produced in draft to this meeting and, for the purposes of identification, initialled by the Chairman, be approved and the directors be authorised to adopt such amendments into the RSS.

**BY ORDER OF THE BOARD**

**Greg Lunn**  
*Company Secretary*

29 November 2010

Registered Office:  
Power House  
7 Par-la-Ville Road  
Hamilton HM 11  
Bermuda

Registration number:  
EC37415

**Notes:**

- (i) A Shareholder entitled to attend and vote at the meeting convened by this notice or any adjournment thereof is entitled to appoint one or more proxies to attend and to vote instead of him. A proxy need not be a member of the Company.
- (ii) To be valid, the enclosed Form of Proxy must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time appointed for the holding of the Special General Meeting.
- (iii) Any holders of depository interests in the Company wishing to instruct Capita to vote in respect of the holder's interest should use the enclosed Form of Direction. The completed Form of Direction must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 72 hours before the time appointed for the holding of the Special General Meeting.

Only those Shareholders entered on the register of members of the Company at 5.00pm (Bermuda time) on 26 November 2010 shall be entitled to attend and vote at the meeting in respect of the number of Common Shares registered in their name at that time. Changes to entries on the register of members after 5.00pm (Bermuda time) on 26 November 2010 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

**Appendix 1 – proposed amended Bye-laws of Lancashire Holdings Limited**



**BYE-LAWS OF**

**Lancashire Holdings Limited**  
**(EC 37415)**

## TABLE OF CONTENTS

	<b>Interpretation</b>	34. Instrument of Proxy	66. <a href="#">Electronic</a> Participation in Meetings <a href="#">by Telephone</a>
1.	Definitions	35. Representation of Corporate Member	67. Quorum at Board Meetings
	<b>Shares</b>	36. Adjournment of General Meeting	68. Board to Continue in Event of Vacancy
2.	Power to Issue Shares	37. Written Resolutions	69. Chairman to Preside
3.	Power of the Company to Purchase its Shares	38. Directors' Attendance at General Meetings	70. Written Resolutions
4.	Rights Attaching to Shares		71. Validity of Prior Acts of the Board
5.	Calls on Shares		
6.	Prohibition on Financial Assistance	<b>Votes of Members</b>	<b>Corporate Records</b>
7.	Forfeiture of Shares	39. General	72. Minutes
8.	Share Certificates	40. Adjustment Voting Power	73. Place Where Corporate Records Kept
9.	Fractional Shares	41. Other Adjustments of Voting Power	74. Form and Use of Seal
	<b>Registration of Shares</b>	42. Notice	
10.	Register of Members	43. Board Determination Binding	<b>Accounts</b>
11.	Registered Holder Absolute Owner	44. Requirement to Provide Information and Notice	75. Books of Account
12.	Transfer of Registered Shares		76. Financial Year End
13.	Restrictions on Transfer	<b>Certain Subsidiaries</b>	<b>Audits</b>
14.	Transmission of Registered Shares	45. Voting of Subsidiary Shares	77. Annual Audit
	<b>Untraced Shareholders</b>	46. Bye-laws or Articles of Association of Certain Subsidiaries	78. Appointment of Auditors
15.	Untraced Shareholders		79. Remuneration of Auditors
	<b>Alteration of Share Capital</b>	<b>Directors and Officers</b>	80. Duties of Auditors
16.	Power to Alter Capital	47. Election of Directors	81. Access to Records
17.	Variation of Rights Attaching to Shares	48. No Share Qualification	82. Financial Statements
	<b>Dividends and Capitalisation</b>	49. Term of Office of Directors	83. Distribution of Auditors Report
18.	Dividends	50. Alternate Directors	84. Vacancy in the office of Auditor
19.	Power to Set Aside Profits	51. Removal of Directors	
20.	Method of Payment	52. Vacancy in the Office of Director	<b>Communications to the Company</b>
21.	Capitalisation	53. Remuneration of Directors	85. To the Company
	<b>Meetings of Members</b>	54. Defect in Appointment of Director	<b>Communications by the Company</b>
22.	Annual General Meetings	55. Directors to Manage Business	86. By the Company
23.	Special General Meetings	56. Powers of the Board of Directors	<b>Voluntary Winding-Up and Dissolution</b>
24.	Requisitioned General Meetings	57. Register of Directors and Officers	87. Winding-Up
25.	Notice	58. <a href="#">Appointment of</a> Officers	
26.	Giving Notice <a href="#">and Access</a>	59. Appointment of <del>Officers</del> <a href="#">Secretary</a>	<b>Changes to Constitution</b>
27.	Postponement or Cancellation of General Meeting	60. Duties of Officers	88. Changes to Bye-laws
28.	Attendance and Security at General Meetings	61. Remuneration of Officers	89. Discontinuance
29.	Quorum at General Meetings	62. Conflicts of Interest	
30.	Chairman to Preside <a href="#">at General Meetings</a>	63. Indemnification and Exculpation of Directors and Officers	<b>Disclosure of Interests in Shares and Company Investigations</b>
31.	Voting on Resolutions		90A. Provisions applicable to Bye-laws 91B and 91C
32.	Power to Demand a Vote on a Poll	<b>Meetings of the Board of Directors</b>	90B. Notification of Interests in Shares
33.	Voting by Joint Holders of Shares	64. Board Meetings	90C. Power of the Company to Investigate Interests in Shares
		65. Notice of Board Meetings	91. <b>Takeover Provisions</b>

---

## INTERPRETATION

### 1. Definitions

**1.1** In these Bye-laws, the following words and expressions shall, where not inconsistent with the context, have the following meanings, respectively:

Act	the Companies Act 1981, as amended from time to time;
Alternate Director	an alternate director appointed in accordance with these Bye-laws;
Attribution Percentage	with respect to a Member, the percentage of the Member's shares that are treated as Controlled Shares of a Tentative 9.5% U.S. Shareholder;
Auditor	includes an individual or partnership;
Board	the board of directors appointed or elected pursuant to these Bye-laws and acting by resolution in accordance with the Act and these Bye-laws or the directors present at a meeting of directors at which there is a quorum;
City Code	The City Code on Takeovers and Mergers, as issued from time to time by or on behalf of the Panel (including the Substantial Acquisition Rules) or any successor to or replacement thereof from time to time issued by or on behalf of the Panel or, for the avoidance of doubt, any successor thereto or replacement body thereof;
Code	the Internal Revenue Code of 1986, as amended, of the United States of America;
Company	the company for which these Bye-laws are approved and confirmed;

---

Controlled Shares	all shares of the Company directly, indirectly or constructively owned by a person as determined pursuant to section 958 of the Code and Treasury Regulations promulgated thereunder and under section 957 of the Code;
Depository	any person who is a member in the Company by virtue of holding shares in the Company as trustee for those individuals who have elected to hold shares in the Company in dematerialised form through depository interests;
Director	a director of the Company and shall include an Alternate Director;
Employee Share Schemes	any employees' share scheme which the Company shall from time to time adopt including, without limitation, the Company's long term incentive plan adopted in 2005 and restricted share scheme adopted in 2008;
FSA	the United Kingdom Financial Services Authority;
FSMA	the United Kingdom Financial Services and Markets Act 2000 (as amended);
Group	the Company and every company and other entity which is for the time being controlled by or under common control with the Company (for these purposes, "control" means the power to direct management or policies of the person in question, whether by means of an ownership interest or otherwise);
Indirect	when referring to a holder or owner of shares, ownership of shares within the meaning of section 958(a)(2) of the Code;

---

Listing Rules	the rules and regulations made by the FSA in its capacity as the UKLA under the FSMA, and contained in the UKLA's publication of the same name;
London Stock Exchange	the London Stock Exchange plc;
Member	the person registered in the Register of Members as the holder of shares in the Company and, when two or more persons are so registered as joint holders of shares, means the person whose name stands first in the Register of Members as one of such joint holders or all of such persons, as the context so requires;
9.5% U.S. Shareholder	a "United States person" as defined in the Code (a "U.S. Person") whose Controlled Shares constitute nine and one-half percent (9.5%) or more of the voting power of all issued shares of the Company and who generally would be required to recognise income with respect to the Company under section 951(a)(1) of the Code, if the Company were a controlled foreign corporation as defined in section 957 of the Code and if the ownership threshold under section 951(b) of the Code were 9.5%;
Notice	written notice as further provided in these Bye-laws unless otherwise specifically stated;
Officer	any person appointed by the Board to hold an office in the Company;
Panel	means the Panel on Takeovers and Mergers in the United Kingdom, and any successor thereof or replacement body thereto;

---

Register of Directors and Officers	the register of directors and officers referred to in these Bye-laws;
Register of Members	the register of members referred to in these Bye-laws;
Resident Representative	any person appointed to act as resident representative and includes any deputy or assistant resident representative;
Secretary	the person appointed to perform any or all of the duties of secretary of the Company and includes any deputy or assistant secretary and any person appointed by the Board to perform any of the duties of the Secretary;
Special Resolution	a resolution passed by a majority of not less than three-fourths of such Members as (being entitled to do so) vote in person or by proxy at a general meeting of the Company of which notice specifying the intention to propose the resolution as a special resolution has been duly given;
Substantial Acquisition Rules	means the Rules Governing Substantial Acquisitions of Shares, as issued from time to time by or on behalf of the Panel;
Tentative 9.5% U.S. Shareholder	a U.S. Person that, but for adjustments or restrictions on exercise of the voting power of shares pursuant to Bye-laws 40-44 (inclusive), would be a 9.5% U.S. Shareholder;
<u>Treasury Share</u>	<u>a share of the Company that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been cancelled;</u>
UKLA	the United Kingdom Listing Authority, a division of the FSA acting in its capacity as competent authority for the purposes of Part VI of the FSMA; and

## Warrant Certificates

warrant certificates issued to certain founder shareholders and employees of the Company (the "Warrant Holders") containing terms and conditions pursuant to which the Company has granted warrants to the Warrant Holders to subscribe for shares in the capital of the Company.

**1.2** In these Bye-laws, where not inconsistent with the context:

- (a) words denoting the plural number include the singular number and vice versa;
- (b) words denoting the masculine gender include the feminine and neuter genders;
- (c) words importing persons include companies, associations or bodies of persons whether corporate or not;
- (d) the words:
  - (i) "may" shall be construed as permissive; and
  - (ii) "shall" shall be construed as imperative; and
- (e) unless otherwise provided herein, words or expressions defined in the Act shall bear the same meaning in these Bye-laws.

**1.3** In these Bye-laws expressions referring to writing or its cognates shall, unless the contrary intention appears, include facsimile, printing, lithography, photography, electronic mail and other modes of representing words in visible form.**1.4** Headings used in these Bye-laws are for convenience only and are not to be used or relied upon in the construction hereof.

~~1.4~~

## SHARES

### 2. Power to Issue Shares

- 2.1** Subject to these Bye-laws and to any resolution of the Members to the contrary, and without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, the Board shall have the power to issue any unissued shares of the Company on such terms and conditions as it may determine.
- 2.2** Without limitation to the provisions of Bye-law 4, subject to the provisions of the Act, any preference shares may be issued or converted into shares that (at a determinable date or at the option of the Company or the holder) are liable to be redeemed on such terms and in such manner as may be determined by the Board before the issue or conversion.
- 2.3** Notwithstanding the foregoing or any other provision of these Bye-laws, the Company shall not issue any shares or grant options or warrants in a manner that the Board determines in its sole discretion may result in a non-de minimis adverse tax, legal or regulatory consequence to the Company, any of its subsidiaries or any direct or indirect holder of shares or its affiliates.
- 2.4** (a) The Directors shall not exercise any power to allot Relevant Securities (as defined below), unless they are, in accordance with this Bye-law 2.4, authorised to do so by a resolution of the Members in general meeting.
- (b) In this Bye-law 2.4 "**Relevant Securities**" means:-
- (i) shares in the Company other than shares allotted in pursuance of any Employee Share Scheme and any warrants exercised under the Warrant Certificates; and
  - (ii) any right to subscribe for, or to convert any security into, shares in the Company (other than shares so allotted); and a reference to the allotment of Relevant Securities includes the grant of such a right but (subject to Bye-law 2.4(f) below), not the allotment of shares pursuant to such a right.



- 
- (c) Authority under this Bye-law 2.4 may be given for a particular exercise of the power or for its exercise generally, and may be unconditional or subject to conditions.
  - (d) Any authority under this Bye-law 2.4 shall state the maximum amount of Relevant Securities that may be allotted under it and the date on which it will expire, which must be not more than 5 years from the date on which the resolution is passed by virtue of which the authority is given; but such an authority may be previously revoked or varied by a resolution of the Members in general meeting.
  - (e) Any authority under this Bye-law 2.4 may be renewed or further renewed by a resolution of the Members in general meeting for a further period not exceeding 5 years; but the resolution must state (or restate) the amount of Relevant Securities which may be allotted under the authority or, as the case may be, the amount remaining to be allotted under it, and must specify the date on which the renewed authority will expire.
  - (f) In relation to any authority under this Bye-law 2.4 for the grant of such rights as are mentioned in Bye-law 2.4(b)(ii), the reference in Bye-law 2.4(d) (as also the corresponding reference in Bye-law 2.4(e)) to the maximum amount of Relevant Securities that may be allotted under the authority is to the maximum amount of shares which may be allotted pursuant to the rights.
  - (g) The Directors may allot Relevant Securities, notwithstanding that authority under this Bye-law 2.4 has expired, if they are allotted in pursuance of an offer or agreement made by the Company before the authority expired and the authority allowed it to make an offer or agreement which would or might require Relevant Securities to be allotted after the authority expired.
  - (h) No breach of this Bye-law 2.4 shall affect the validity of any allotment of any Relevant Security.
- 2.5** (a) Subject to the provisions of this Bye-law 2.5 and Bye-law 2.6, the Company shall not allot any Equity Securities (defined in Bye-law 2.5(g)):-

- 
- (i) on any terms to a person unless it has made an offer to each person who holds Relevant Shares, Relevant Employee Shares or Relevant Warrant Shares (in each case as defined in Bye-law 2.5(g)) to allot to him on the same or more favourable terms a proportion of those securities which is as nearly as practicable equal to the proportion in nominal value held by him (as the case may be) of the aggregate of Relevant Shares, Relevant Employee Shares or Relevant Warrant Shares; and
- (ii) to a person unless the period during which any such offer may be accepted has expired or the Company has received notice of the acceptance or refusal of every offer so made.
- (b) Bye-law 2.5(a) does not apply to a particular allotment of Equity Securities if these are, or are to be, wholly or partly paid up otherwise than in cash; and securities which the Company has offered to allot to a holder of Relevant Shares, Relevant Employee Shares or Relevant Warrant Shares may be allotted to him, or anyone in whose favour he has renounced his right to their allotment, without contravening Bye-law 2.5(a)(ii). For these purposes, "paid up otherwise than in cash" means paid up otherwise than by means of any of the following: cash received by the Company or a cheque received by the Company in good faith which the Directors have no reason to suspect will not be paid or a release of a liability of the Company for a liquidated sum or an undertaking to pay cash to the Company at a future date, and "cash" includes foreign currency.
- (c) Bye-law 2.5(a) does not apply to the allotment of securities which would, apart from a renunciation or assignment of the right to their allotment, be held under any Employee Share Scheme.
- (d) An offer to be made under Bye-law 2.5(a) shall be in writing and shall be made by giving a notice containing the offer to a holder of shares in accordance with Bye-law 25 provided that, if the holder is the holder of a share warrant, the offer may be made by causing it, or a notice specifying where a copy of it can be obtained or inspected, to be published in the London Gazette.

- 
- (e) The offer must state a period of not less than 21 days during which it may be accepted; and the offer shall not be withdrawn before the end of that period.
- (f) The foregoing provisions of this Bye-law 2.5 are without prejudice to any enactment by virtue of which the Company is prohibited (whether generally or in specified circumstances) from offering or allotting Equity Securities to any person and are subject to any exclusions or other arrangements which the Board may deem necessary or desirable in relation to fractional entitlements or due to legal or practical problems arising in or under the laws of, or the requirements of any regulatory body or stock exchange in, any territory. Where the Company cannot by virtue of such an enactment offer or allot Equity Securities to a holder of Relevant Shares, Relevant Employee Shares or Relevant Warrant Shares, or the Board, in the exercise of its powers under this Bye-law, determines that such an offer or allotment shall not be made, those provisions shall have effect as if the shares held by that holder were not Relevant Shares, Relevant Employee Shares or Relevant Warrant Shares.
- (g) For the purposes of this Bye-law 2.5 and Bye-law 2.6:-
- (A) "**Equity Security**" means a Relevant Share in the Company (other than a bonus share), or a right to subscribe for, or to convert securities into, Relevant Shares in the Company.
  - (B) A reference to the allotment of Equity Securities or of Equity Securities consisting of Relevant Shares of a particular class includes the grant of a right to subscribe for, or to convert any securities into, Relevant Shares in the Company or (as the case may be) Relevant Shares of a particular class; but such a reference does not include the allotment of any Relevant Shares pursuant to such a right;
  - (C) "**Relevant Employee Shares**" means shares of the Company which would be Relevant Shares in it but for the fact that they are held by a person who acquired them in pursuance of any Employee Share Scheme;
  - (D) "**Relevant Shares**" means shares in the Company other than:-

- 
- (i) shares which as respects dividends and capital carry a right to participate only up to a specified amount in a distribution, and
  - (ii) shares which are held by a person who acquired them in pursuance of any Employee Share Scheme or pursuant to any warrants exercised under the Warrant Certificates or, in the case of shares which have not been allotted, are to be allotted in pursuance of such a scheme or pursuant to any warrants exercised under the Warrant Certificates;
- (E) "**Relevant Warrant Shares**" means shares of the Company which would be Relevant Shares in it but for the fact that they are held by a person who acquired them pursuant to any warrants exercised under the Warrant Certificates;
- (h) A reference to a class of shares is to shares to which the same rights are attached as to voting and as to participation, both as respects dividends and as respects capital, in a distribution.
  - (i) In relation to an offer to allot securities required by Bye-law 2.5(a), a reference in Bye-law 2.5 (however expressed) to the holder of shares of any description is to whoever was at the close of business on a date, to be specified in the offer and to fall in the period of 28 days immediately before the date of the offer, the holder of shares of that description.
- 2.6** (a) Where the Directors are generally authorised for purposes of section 2.4, they may be given power by a Special Resolution, to allot Equity Securities pursuant to that authority as if:-
- (i) Bye-law 2.5(a) did not apply to the allotment; or
  - (ii) that Bye-law 2.5(a) applied to the allotment with such modifications as the Directors may determine,
- and where the Directors make an allotment under this Bye-law 2.6, Bye-law 2.5 shall have effect accordingly.
- (b) Where the Directors are authorised for purposes of Bye-law 2.4 (whether generally or otherwise), the Company may by Special Resolution resolve either:-

- (i) that Bye-law 2.5(a) shall not apply to a specified allotment of Equity Securities to be made pursuant to that authority; or
- (ii) that Bye-law 2.5(a) shall apply to the allotment with such modifications as may be specified in the resolution,

and where such a resolution is passed, Bye-law 2.5 shall have effect accordingly.

- (c) The power conferred by Bye-law 2.6(a) or a Special Resolution under Bye-law 2.6(b) ceases to have effect when the authority to which it relates is revoked or would (if not renewed) expire; but if the authority is renewed, the power or (as the case may be) the resolution may also be renewed, for a period not longer than that for which the authority is renewed, by a Special Resolution.
- (d) Notwithstanding that any such power or resolution has expired, the Directors may allot Equity Securities in pursuance of an offer or agreement previously made by the Company, if the power or resolution enabled the Company to make an offer or agreement which would or might require Equity Securities to be allotted after it expired.
- (e) A Special Resolution under Bye-law 2.6(b), or a Special Resolution to renew such a resolution, shall not be proposed unless it is recommended by the Directors and there has been circulated, with the notice of the meeting at which the resolution is proposed, to the Members entitled to have that notice a written statement by the Directors setting out:-
  - (a) their reasons for making the recommendation;
  - (b) the amount to be paid to the Company in respect of the Equity Securities to be allotted; and
  - (c) the Directors' justification of that amount.

### 3. Power of the Company to Purchase its Shares

**3.1** The Company may purchase its own shares for cancellation or acquire them as Treasury Shares (subject to the Memorandum of Association) in accordance with the provisions of the Act on such terms as the Board shall think fit.

**3.2** The Board may exercise all the powers of the Company to purchase or acquire all or any part of its own shares in accordance with the Act, provided, however, that such purchase shall not be made if the Board determines that it would result in a non-de minimis adverse tax, legal or regulatory consequence to the Company, any of its subsidiaries or any direct or indirect holder of shares or its affiliates.

### 4. Rights Attaching to Shares

**4.1** At the date these Bye-laws are adopted, the share capital of the Company shall consist of shares of a single class ("Common Shares") the holders of which shall, subject to the provisions of these Bye-laws:

- (a) be entitled to one vote per share subject to any adjustments or restrictions on exercise of voting power under Bye-laws 40-44 (inclusive);
- (b) be entitled to such dividends as the Board may from time to time declare;
- (c) in the event of a winding-up or dissolution of the Company, whether voluntary or involuntary or for the purpose of a reorganisation or otherwise or upon any distribution of capital, be entitled to the surplus assets of the Company; and
- (d) generally be entitled to enjoy all of the rights attaching to shares.

**4.2** The Board is authorised to exercise the powers of the Company set out in Section 45(1)(a) of the Act from time to time and to create and issue additional shares of any existing class or shares of a new class and, without limiting the generality of the foregoing, may provide for the issuance of preference shares ("Preference Shares") in one or more series, and to establish from time to time

---

the number of shares to be included in each such series, and to fix the designation, powers, preferences and rights of the shares of each such series and the qualifications, limitations, or restrictions thereof (and, for the avoidance of doubt, such matters and the issuance of such Preference Shares shall not be deemed to vary the rights attached to the Common Shares or, subject to the terms of any other series of Preference Shares, to vary the rights attached to any other class of shares of the Company). The authority of the Board with respect to each series shall include, but not be limited to, determination of the following:

- (a) the number of shares constituting that series and the distinctive designation of that series;
- (b) the dividend rate on the shares of that series, whether dividends shall be cumulative and, if so, from which date or dates, and the relative rights of priority, if any, of the payment of dividends on shares of that series;
- (c) whether that series shall have voting rights, in addition to the voting rights provided by law, and if so, the terms of such voting rights including, without limitation, any special rights to appoint or elect a Director and to determine such Director's term of office;
- (d) whether that series shall have conversion or exchange privileges (including, without limitation, conversion into Common Shares), and, if so, the terms and conditions of such conversion or exchange, including provision for adjustment of the conversion or exchange rate in such events as the Board shall determine;
- (e) whether or not the shares of that series shall be redeemable or repurchaseable, and, if so, the terms and conditions of such redemption or repurchase, including the manner of selecting shares for redemption or repurchase if less than all shares are to be redeemed or repurchased, the date or dates upon or after which they shall be redeemable or repurchaseable, and the amount per share payable in case of redemption or repurchase, which amount may vary under different conditions and at different redemption or repurchase dates;
- (f) whether that series shall have a sinking fund for the redemption or repurchase of shares of that series, and, if so, the terms and amount of such sinking fund;

- (g) the right of the shares of that series to the benefit of conditions and restrictions upon the creation of indebtedness of the Company or any subsidiary, upon the issue of any additional shares (including additional shares of such series or any other series) and upon the payment of dividends or the making of other distributions on, and the purchase, redemption or other acquisition by the Company or any subsidiary of any issued shares of the Company;
- (h) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Company, and the relative rights of priority, if any, of payment of shares of that series; and
- (i) any other relative participating, optional or other special rights, qualifications, limitations or restrictions of that series.

**4.3** Any Preference Shares of any series which have been redeemed (whether through the operation of a sinking fund or otherwise) or which, if convertible or exchangeable, have been converted into or exchanged for shares of any other class or classes shall have the status of authorised and unissued Preference Shares of the same series and may be reissued as a part of the series of which they were originally a part or may be reclassified and reissued as part of a new series of Preference Shares to be created by resolution or resolutions of the Board or as part of any other series of Preference Shares, all subject to the conditions and the restrictions on issuance set forth in the resolution or resolutions adopted by the Board providing for the issue of any series of Preference Shares.

**4.4** At the discretion of the Board, whether or not in connection with the issuance and sale of any shares or other securities of the Company, the Company may issue securities, contracts, warrants or other instruments evidencing any shares, option rights, securities having conversion or option rights, or obligations on such terms, conditions and other provisions as are fixed by the Board, including, without limiting the generality of this authority, conditions that preclude or limit any person or persons owning or offering to acquire a specified number or percentage of the issued Common Shares, other shares, option rights, securities having conversion or option rights, or obligations of the Company or transferee of the person or persons from exercising, converting,



transferring or receiving the shares, option rights, securities having conversion or option rights, or obligations.

4.5 All the rights attaching to a Treasury Share shall be suspended and shall not be exercised by the Company while it holds such Treasury Share and, except where required by the Act, all Treasury Shares shall be excluded from the calculation of any percentage or fraction of the share capital, or shares, of the Company.

## 5. Calls on Shares

5.1 The Board may make such calls as it thinks fit upon the Members in respect of any monies (whether in respect of nominal value or premium) unpaid on the shares allotted to or held by such Members (and not made payable at fixed times by the terms and conditions of issue) and, if a call is not paid on or before the day appointed for payment thereof, the Member may at the discretion of the Board be liable to pay the Company interest on the amount of such call at such rate as the Board may determine, from the date when such call was payable up to the actual date of payment. The Board may differentiate between the holders as to the amount of calls to be paid and the times of payment of such calls.

5.2 Any sum which by the terms of allotment of a share becomes payable upon issue or at any fixed date, whether on account of the nominal value of the share or by way of premium, shall for all the purposes of these Bye-laws be deemed to be a call duly made and payable, on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of these Bye-laws as to payment of interest, costs, charges and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

- 5.3 The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.
- 5.4 The Company may accept from any Member the whole or a part of the amount remaining unpaid on any shares held by him, although no part of that amount has been called up.

## 6. Prohibition on Financial Assistance

The Company shall not give, whether directly or indirectly, whether by means of loan, guarantee, provision of security or otherwise, any financial assistance for the purpose of the acquisition or proposed acquisition by any person of any shares in the Company, but nothing in this Bye-law shall prohibit transactions permitted under the Act.

## 7. Forfeiture of Shares

- 7.1 If any Member fails to pay, on the day appointed for payment thereof, any call in respect of any share allotted to or held by such Member, the Board may, at any time thereafter during such time as the call remains unpaid, direct the Secretary to forward such Member a notice in writing in the form, or as near thereto as circumstances admit, of the following:

Notice of Liability to Forfeiture for Non-Payment of Call  
Lancashire Holdings Limited  
(the "Company")

You have failed to pay the call of [amount of call] made on the [ ] day of [ ], 200[ ], in respect of the [number] share(s) [number in figures] standing in your name in the Register of Members of the Company, on the [ ] day of [ ], 200[ ], the day appointed for payment of such call. You are hereby notified that unless you pay such call together with interest thereon at the rate of [ ] per annum computed from the said [ ] day of [ ], 200[ ] at the registered office of the Company the share(s) will be liable to be forfeited.

Dated this [ ] day of [ ], 200[ ]

\_\_\_\_\_  
[Signature of Secretary] By Order of the Board

- 7.2 If the requirements of such notice are not complied with, any such share may at any time thereafter before the payment of such call and the interest due in respect thereof be forfeited by a

resolution of the Board to that effect, and such share shall thereupon become the property of the Company and may be disposed of as the Board shall determine.

- 7.3** A Member whose share or shares have been forfeited as aforesaid shall, notwithstanding such forfeiture, be liable to pay to the Company all calls owing on such share or shares at the time of the forfeiture and all interest due thereon.
- 7.4** The Board may accept the surrender of any shares which it is in a position to forfeit on such terms and conditions as may be agreed. Subject to those terms and conditions, a surrendered share shall be treated as if it had been forfeited.
- 7.5** A statutory declaration in writing that the declarant is a Director or the Secretary of the Company and that a share has been duly forfeited on the date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares. The Company may receive the consideration (if any) given for the share on sale, re-allotment or disposition thereof and the Board may authorise some person to transfer the share to the person to whom the same is sold, re-allotted or disposed of, and he shall thereupon be registered as the holder of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be effected by any irregularity or invalidity in the proceedings relating to the forfeiture, sale, re-allotment or disposal of the share. The person who becomes registered as the holder of the share shall be discharged from all calls made before such sale, re-allotment or disposal of the share.
- 7.6** The forfeiture of a share shall involve the extinction at the time of forfeiture of all interests in and all claims and demands against the Company in respect of that share and all other rights and liabilities incidental to that share as between the holder of that share and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past Members.

## **8. Share Certificates**

- 8.1** Every Member shall be entitled to a certificate under the common seal of the Company (or a facsimile thereof) or bearing the signature (or a facsimile thereof) of a Director or the Secretary or a person expressly authorised to sign specifying the number and, where appropriate, the class

of shares held by such Member and whether the same are fully paid up and, if not, specifying the amount paid on such shares. The Board may by resolution determine, either generally or in a particular case, that any or all signatures on certificates may be printed thereon or affixed by mechanical means.

**8.2** The Company shall be under no obligation to complete and deliver a share certificate unless specifically called upon to do so by the person to whom the shares have been allotted.

**8.3** If any share certificate shall be proved to the satisfaction of the Board to have been worn out, lost, mislaid, or destroyed the Board may cause a new certificate to be issued and request an indemnity for the lost certificate if it sees fit.

## **9. Fractional Shares**

The Company may issue its shares in fractional denominations and deal with such fractions to the same extent as its whole shares and shares in fractional denominations shall have in proportion to the respective fractions represented thereby all of the rights of whole shares including (but without limiting the generality of the foregoing) the right to vote, to receive dividends and distributions and to participate in a winding-up.

## **REGISTRATION OF SHARES**

### **10. Register of Members**

**10.1** The Board shall cause to be kept in one or more books a Register of Members and shall enter therein the particulars required by the Act.

**10.2** The Register of Members shall be open to inspection without charge at the registered office of the Company on every business day, subject to such reasonable restrictions as the Board may impose, so that not less than two hours in each business day be allowed for inspection. The Register of Members may, after notice has been given in accordance with the Act, be closed for any time or times not exceeding in the whole thirty days in each year.

### **11. Registered Holder Absolute Owner**

The Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound to recognise any equitable claim or other claim to, or interest in, such share on the part of any other person.

**12. Transfer of Registered Shares**

**12.1** An instrument of transfer shall be in writing in the form of the following, or as near thereto as circumstances admit, or in such other form as the Board may accept:

Transfer of a Share or Shares  
Lancashire Holdings Limited  
(the "Company")

FOR VALUE RECEIVED.....[amount], I, [name of transferor] hereby sell, assign and transfer unto [transferee] of [address], [number] of shares of the Company.

DATED this [ ] day of [ ], 200[ ]

Signed by:

In the presence of:

\_\_\_\_\_  
Transferor

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Transferee

\_\_\_\_\_  
Witness

**12.2** Such instrument of transfer shall be signed by or on behalf of the transferor and transferee, provided that, in the case of a fully paid share, the Board may accept the instrument signed by or on behalf of the transferor alone. The transferor shall be deemed to remain the holder of such share until the same has been transferred to the transferee in the Register of Members.

**12.3** The Board may refuse to recognise any instrument of transfer unless it is accompanied by the certificate in respect of the shares to which it relates and by such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer.

**12.4** The joint holders of any share may transfer such share to one or more of such joint holders, and the surviving holder or holders of any share previously held by them jointly with a deceased Member may transfer any such share to the executors or administrators of such deceased Member.

- 12.5** The Board may in its absolute discretion and without assigning any reason therefor refuse to register the transfer of a share which is not fully paid. The Board shall refuse to register a transfer unless all applicable consents, authorisations and permissions of any governmental body or agency in Bermuda have been obtained. If the Board refuses to register a transfer of any share the Secretary shall, within three months after the date on which the transfer was lodged with the Company, send to the transferor and transferee notice of the refusal.
- 12.6** Shares may be transferred without a written instrument if transferred by an appointed agent or otherwise in accordance with the Act.
- 12.7** The Board shall, subject always to the Act and any other applicable laws and regulations and the facilities and requirements of any relevant system concerned and these Bye-laws, have power to implement and/or approve any arrangements they may, in their absolute discretion, think fit in relation to the evidencing of title to and transfer of interests in shares in the capital of the Company in the form of depositary interests or similar interests, instruments or securities, and to the extent such arrangements are so implemented, no provision of these Bye-laws shall apply or have effect to the extent that it is in any respect inconsistent with the holding or transfer thereof or the shares of the Company represented thereby. The Board may from time to time take such actions and do such things as they may, in their absolute discretion, think fit in relation to the operation of any such arrangements.

### **13. Restrictions on Transfer**

- 13.1** The Board may decline to approve or register or permit the registration of any transfer of shares if it appears to the Board, after taking into account the restrictions on exercise of voting rights contained in Bye-laws 40-44 (inclusive), that any non-de minimis adverse tax, regulatory or legal consequences to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates would result from such transfer provided that such refusal does not prevent dealings in such shares taking place on an open and proper basis.
- 13.2** The Board shall have the authority to request from any direct or indirect holder of shares, and such holder shall provide, such information as the Board may reasonably request for the purpose of determining whether any transfer contemplated by Bye-law 13.1 should be permitted. If such information is not provided, the Board may decline to approve or register such transfer.

## 14. Transmission of Registered Shares

- 14.1** In the case of the death of a Member, the survivor or survivors where the deceased Member was a joint holder, and the legal personal representatives of the deceased Member where the deceased Member was a sole holder, shall be the only persons recognised by the Company as having any title to the deceased Member's interest in the shares. Nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any share which had been jointly held by such deceased Member with other persons. Subject to the provisions of the Act, for the purpose of this Bye-law, "legal personal representative" means the executor or administrator of a deceased Member or such other person as the Board may, in its absolute discretion, decide as being properly authorised to deal with the shares of a deceased Member.
- 14.2** Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member may be registered as a Member upon such evidence as the Board may deem sufficient or may elect to nominate some person to be registered as a transferee of such share (provided, however, that no such person may be registered as a Member if the Board, after taking into account the restrictions on exercise of voting rights contained in Bye-laws 40–44 (inclusive), determines that any non-de minimis adverse tax, regulatory or legal consequences to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates would result from such transfer), and in such case the person becoming entitled shall execute in favour of such nominee an instrument of transfer in writing in the form, or as near thereto as circumstances admit, of the following:

Transfer by a Person Becoming Entitled on Death/Bankruptcy of a Member

- (the "Company")

I/We, having become entitled in consequence of the [death/bankruptcy] of [name and address of deceased/bankrupt Member] to [number] share(s) standing in the Register of Members of the Company in the name of the said [name of deceased/bankrupt Member] instead of being registered myself/ourselves, elect to have [name of transferee] (the "Transferee") registered as a transferee of such share(s) and I/we do hereby accordingly transfer the said share(s) to the Transferee to hold the same unto the Transferee, his or her executors, administrators and assigns, subject to the conditions on which the same were held at the time of the execution hereof; and the Transferee does hereby agree to take the said share(s) subject to the same conditions.

DATED this [ ] day of [ ], 200[ ]

Signed by:

In the presence of:

\_\_\_\_\_

\_\_\_\_\_

Transferor

Witness

\_\_\_\_\_

\_\_\_\_\_

Transferee

Witness

**14.3** On the presentation of the foregoing materials to the Board, accompanied by such evidence as the Board may require to prove the title of the transferor, the transferee shall be registered as a Member. Notwithstanding the foregoing, the Board shall, in any case, have the same right to decline or suspend registration as it would have had in the case of a transfer of the share by that Member before such Member's death or bankruptcy, as the case may be.

**14.4** Where two or more persons are registered as joint holders of a share or shares, then in the event of the death of any joint holder or holders the remaining joint holder or holders shall be absolutely entitled to the said share or shares and the Company shall recognise no claim in respect of the estate of any joint holder except in the case of the last survivor of such joint holders.

**UNTRACED SHAREHOLDERS**

**15. Untraced Shareholders**

**15.1** The Company shall be entitled to sell, in such manner and for such price as it thinks fit, any share of a Member or any share to which a person is entitled by virtue of transmission on death or bankruptcy or any other event giving rise to its transmission by operation of law (such Member or other person being referred to for the purposes of this Bye-law as the "Untraced Shareholder") if and provided that:

- (a) during the continuous period of 12 years prior to the date of the publication of the advertisements referred to in the Bye-law 15.1(b) below (or, if published on different dates, the first thereof) at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed;



- 
- (b) the Company has, by advertisement in both a national newspaper and in a newspaper circulating in the area in which the last known address of the Untraced Shareholder or the address at which service of the notices upon the Untraced Shareholder may be effected in accordance with these Bye-laws is located, given notice of its intention to sell such share;
  - (c) during the said period of 12 years and the further period of three months following the publication of the said advertisements (or, if published on different dates, the first thereof) the Company shall have received no indication either of the whereabouts or of the existence of the Untraced Shareholder; and
  - (d) the Company has first given notice in writing to the London Stock Exchange of its intention to sell such share or if shares of the class concerned are traded on that exchange.
- 15.2** If during any 12 year period referred to in Bye-law 15.1 further shares have been issued in respect of those held at the beginning of such period or of any previously issued during such period and all the other requirements of this Bye-law (other than the requirement that they be in issue for 12 years) have been satisfied in regard to the further shares, the Company may also sell the further shares.
- 15.3** To give effect to any such sale the Company may appoint any person to execute as transferor an instrument of transfer of the said share and such instrument of transfer shall be as effective as if it had been executed by the Untraced Shareholder and the transferee shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of sale shall belong to the Company which shall be obliged to account to the Untraced Shareholder for an amount equal to such proceeds and shall enter the name of the Untraced Shareholder in the books of the Company as a creditor of such amount. No duty shall be owed by the Company or the Directors (or any of them) to the Untraced Shareholder or its or his estate or its or his legal or personal representatives in connection with any sale pursuant to this Bye-law 15.3 (save as expressly set out in this Bye-law 15.3) and no trust shall be created in respect of the debt and no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or

invested in such investments (other than shares of the Company or its holding company if any) as the Directors may from time to time think fit.

## **ALTERATION OF SHARE CAPITAL**

### **16. Power to Alter Capital**

**16.1** The Company may if authorised by resolution of the Board increase its share capital (and the Board is hereby authorised to exercise such power from time to time without further resolution of the Members), and if authorised by a resolution of the Members, divide, consolidate, subdivide, change the currency denomination of, diminish or otherwise alter or reduce its share capital in any manner permitted by the Act.

**16.2** Where, on any alteration or reduction of share capital, fractions of shares or some other difficulty would arise, the Board may deal with or resolve the same in such manner as it thinks fit provided that any such action does not result in, after taking into account the restrictions on exercise of voting rights contained in Bye-laws 40-44 (inclusive), any non-de minimis adverse tax, regulatory or legal consequences to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates.

### **17. Variation of Rights Attaching to Shares**

**17.1** If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound-up, be varied with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of the votes cast at a separate general meeting of the holders of the shares of the class at which meeting the necessary quorum shall be two persons at least holding or representing by proxy one-third of the issued shares of the class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

- 17.2** The Company shall not vary the rights attaching to any class of shares if the Board, after taking into account the restrictions on exercise of voting rights contained in Bye-laws 40-44 (inclusive), determines that any non-de minimis adverse tax, regulatory or legal consequences to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates would result from such variation.

## **DIVIDENDS AND CAPITALISATION**

### **18. Dividends**

- 18.1** The Board may, subject to these Bye-laws and in accordance with the Act, declare a dividend to be paid to the Members, in proportion to the number of shares held by them, and such dividend may be paid in cash or wholly or partly in specie in which case the Board may fix the value for distribution in specie of any assets. No unpaid dividend shall bear interest as against the Company.
- 18.2** The Board may fix any date as the record date for determining the Members entitled to receive any dividend.
- 18.3** The Company may pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.
- 18.4** The Board may declare and make such other distributions (in cash or in specie) to the Members as may be lawfully made out of the assets of the Company. No unpaid distribution shall bear interest as against the Company.

### **19. Power to Set Aside Profits**

The Board may, before declaring a dividend, set aside out of the surplus or profits of the Company, such sum as it thinks proper as a reserve to be used to meet contingencies or for equalising dividends or for any other purpose.

### **20. Method of Payment**

- 20.1** Any dividend or other monies payable in respect of a share may be paid by cheque or warrant sent through the post directed to the address of the Member in the Register of Members (in the

case of joint Members, the senior joint holder, seniority being determined by the order in which the names stand in the Register of Members), or by direct transfer to such bank account as such Member may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to such persons as the Member may direct, and payment of the cheque or warrant shall be a good discharge to the Company. Every such cheque or warrant shall be sent at the risk of the person entitled to the money represented thereby. If two or more persons are registered as joint holders of any shares any one can give an effectual receipt for any dividend paid in respect of such shares.

- 20.2** The Board may deduct from the dividends or distributions payable to any Member all monies due from such Member to the Company on account of calls or otherwise.
- 20.3** Any dividend and or other monies payable in respect of a share which has remained unclaimed for 7 years from the date when it became due for payment shall, if the Board so resolves, be forfeited and cease to remain owing by the Company. The payment of any unclaimed dividend or other moneys payable in respect of a share may (but need not) be paid by the Company into an account separate from the Company's own account. Such payment shall not constitute the Company a trustee in respect thereof.
- 20.4** The Company shall be entitled to cease sending dividend cheques and warrants by post or otherwise to a Member if those instruments have been returned undelivered to, or left uncashed by, that Member on at least two consecutive occasions, or, following one such occasion, reasonable enquiries have failed to establish the Member's new address. The entitlement conferred on the Company by this Bye-law 20.4 in respect of any Member shall cease if the Member claims a dividend or cashes a dividend cheque or warrant.

## **21. Capitalisation**

- 21.1** The Board may resolve to capitalise any sum for the time being standing to the credit of any of the Company's share premium or other reserve accounts or to the credit of the profit and loss account or otherwise available for distribution by applying such sum in paying up unissued shares to be allotted as fully paid bonus shares pro rata (except in connection with the conversion of shares of one class to shares of another class) to the Members.

**21.2** The Board may resolve to capitalise any sum for the time being standing to the credit of a reserve account or sums otherwise available for dividend or distribution by applying such amounts in paying up in full partly paid or nil paid shares of those Members who would have been entitled to such sums if they were distributed by way of dividend or distribution.

## MEETINGS OF MEMBERS

### 22. Annual General Meetings

The annual general meeting of the Company shall be held each year (other than the year of incorporation) at such time and place as the President or the Chairman (if any) or the Board shall appoint, provided that no annual general meeting shall be held in the United Kingdom.

### 23. Special General Meetings

The President or the Chairman (if any) or the Board may convene a special general meeting of the Company whenever in their judgment such a meeting is necessary, provided that no special general meeting shall be held in the United Kingdom.

### 24. Requisitioned General Meetings

The Board shall, on the requisition of Members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up share capital of the Company as at the date of the deposit carries the right to vote at general meetings of the Company, forthwith proceed to convene a special general meeting of the Company and the provisions of the Act shall apply.

### 25. Notice

**25.1** At least 21 days' notice of an annual general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, place and time at which the meeting is to be held, that the election of Directors will take place thereat, and as far as practicable, the other business to be conducted at the meeting.

**25.2** At least 14 days' notice of a special general meeting shall be given to each Member entitled to attend and vote thereat, stating the date, time, place and the general nature of the business to be considered at the meeting.

- 25.3** The Board may fix any date as the record date for determining the Members entitled to receive notice of and to vote at any general meeting of the Company.
- 25.4** A general meeting of the Company shall, notwithstanding that it is called on shorter notice than that specified in these Bye-laws, be deemed to have been properly called if it is so agreed by (i) all the Members entitled to attend and vote thereat in the case of an annual general meeting; and (ii) by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving a right to attend and vote thereat in the case of a special general meeting.
- 25.5** The accidental omission to give notice of a general meeting to, or the non-receipt of a notice of a general meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

**26. Giving Notice and Access**

**26.1** A notice may be given by the Company to any Member:

- (a) by delivering it to such Member in person; or
- (b) by sending it by letter mail or courier to such Member's address in the Register of Members; or
- (c) by transmitting it by electronic means (including facsimile and electronic mail, but not telephone) in accordance with such directions as may be given by such Member to the Company for such purpose; or
- (d) by delivering it in accordance with the provisions of the Act pertaining to delivery of electronic records by publication on a website; or
- (e) in accordance with Bye-law 26.6.

~~26.1~~**26.2** Any notice required to be given to a Member shall, with respect to any shares held jointly by two or more persons, be given to whichever of such persons is named first in the Register of Members and notice so given shall be sufficient notice to all the holders of such shares.

~~26.2~~26.3 Save as provided by Bye-laws 26.42 and 26.6~~225.4~~, any notice shall be deemed to have been served at the time when the same would be delivered in the ordinary course of transmission and, in proving such service, it shall be sufficient to prove that the notice was properly addressed and prepaid, if posted, at the time when it was posted, delivered to the courier ~~or to the cable company~~ or transmitted by ~~telex, facsimile,~~ electronic means~~mail, or such other method as the case may be.~~

~~26.3~~26.4 Mail notice shall be deemed to have been served seven days after the date on which it is deposited, with postage prepaid, in the mail of any member state of the European Union, the United States, or Bermuda.

~~26.4~~26.5 The Company shall be under no obligation to send a notice or other document to the address shown for any particular Member in the Register of Members if the Board considers that the legal or practical problems under the laws of, or the requirements of any regulatory body or stock exchange in, the territory in which that address is situated are such that it is necessary or expedient not to send the notice or document concerned to such Member at such address and may require a Member with such an address to provide the Company with an alternative acceptable address for delivery of notices by the Company.

26.6 Where a Member indicates his consent (in a form and manner satisfactory to the Board), to receive information or documents by accessing them on a website rather than by other means, or receipt in this manner is otherwise permitted by the Act, the Board may deliver such information or documents by notifying the Member of their availability and including therein the address of the website, the place on the website where the information or document may be found, and instructions as to how the information or document may be accessed on the website.

26.7 In the case of information or documents delivered in accordance with Bye-law 26.6, service shall be deemed to have occurred when (i) the Member is notified in accordance with that Bye-law; and (ii) the information or document is published on the website.

## **27. Postponement or Cancellation of General Meeting**

The Chairman or the President may, and the Secretary on instruction from the Chairman or the President shall, postpone or cancel any general meeting called in accordance with the provisions of these Bye-laws

(other than a meeting requisitioned under these Bye-laws) provided that notice of postponement or cancellation is given to each Member before the time for such meeting. Fresh notice of the date, time and place for the postponed or cancelled meeting shall be given to the Members in accordance with the provisions of these Bye-laws.

## **28. Attendance and Security at General Meetings**

**28.1** Members may participate in any general meeting by ~~means of~~ such ~~telephonic~~ telephone, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

**28.2** The Board may, and at any general meeting, the Chairman of such meeting may make any arrangement and impose any requirement or restriction it or he considers appropriate to ensure the security of a general meeting including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place. The Board and, at any general meeting, the Chairman of such meeting are entitled to refuse entry to a person who refuses to comply with any such arrangements, requirements or restrictions.

## **29. Quorum at General Meetings**

**29.1** At any general meeting of the Company two or more persons (being shareholders or proxy holders) present in person at the start of and throughout the meeting shall form a quorum for the transaction of business.

**29.2** If within half an hour from the time appointed for the meeting a quorum is not present, then, in the case of a meeting convened on a requisition, the meeting shall be deemed cancelled and, in any other case, the meeting shall stand adjourned to the same day one week later, at the same time and place or to such other day, time or place as the Secretary may determine. If the meeting shall be adjourned to the same day one week later or the Secretary shall determine that the meeting is adjourned to a specific date, time and place, it is not necessary to give notice of the adjourned meeting other than by announcement at the meeting being adjourned. If the Secretary shall determine that the meeting be adjourned to an unspecified date, time or place, fresh notice



of the resumption of the meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

**30. Chairman to Preside at General Meetings**

Unless otherwise agreed by a majority of those attending and entitled to vote thereat, the Chairman, if there be one, and if not the President, if there be one, shall act as Chairman at all meetings of the Members at which such person is present. In their absence, ~~-, the Deputy Chairman or Vice President, if present, shall act as Chairman and in the absence of all of them~~ a Chairman shall be appointed or elected by those present at the meeting and entitled to vote.

**31. Voting on Resolutions**

**31.1** Subject to the provisions of the Act and these Bye-laws, any question proposed for the consideration of the Members at any general meeting shall be decided by the affirmative votes of a majority of the votes cast, but in all cases after giving effect to any adjustments or restrictions on exercise of voting power pursuant to Bye-laws 40-44 (inclusive) and in accordance with the provisions of these Bye-laws. In the case of an equality of votes both for and against the resolution, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to the votes to which he may be entitled as a Member or as a representative or proxy of a Member.

**31.2** No Member shall be entitled to vote at a general meeting unless such Member has paid all the calls on all shares held by such Member.

**31.3** At any general meeting a resolution put to the vote of the meeting shall, in the first instance, be voted upon by a show of hands and, subject to any rights or restrictions for the time being lawfully attached to any class of shares and subject to the provisions of these Bye-laws, every Member present in person and every person holding a valid proxy at such meeting shall be entitled to, for each voting share of which such person is the holder or for which such person holds a proxy, the number of votes determined pursuant to Bye-laws 40-44 (inclusive) and shall cast such vote by raising his or her hand.

- 31.4** In the event that a Member participates in a general meeting by telephone or electronic means, the Chairman of the meeting shall direct the manner in which such Member may cast his vote on a show of hands.
- 31.5** At any general meeting if an amendment shall be proposed to any resolution under consideration and the Chairman of the meeting shall rule on whether the proposed amendment is out of order, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling.
- 31.6** At any general meeting a declaration by the Chairman of the meeting that a question proposed for consideration has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in a book containing the minutes of the proceedings of the Company shall, subject to the provisions of these Bye-laws, be conclusive evidence of that fact.

## **32. Power to Demand a Vote on a Poll**

- 32.1** Notwithstanding the foregoing, a poll may be demanded by any of the following persons:
- (a) the Chairman of such meeting; or
  - (b) at least three Members present in person or represented by proxy; or
  - (c) any Member or Members present in person or represented by proxy and holding between them not less than one-tenth of the total voting rights of all the Members having the right to vote at such meeting; or
  - (d) any Member or Members present in person or represented by proxy holding shares in the Company conferring the right to vote at such meeting, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all such shares conferring such right.
- 32.2** Where a poll is demanded, subject to any rights or restrictions for the time being lawfully attached to any class of shares, including, without limitation, the provisions of Bye-laws 40-44 (inclusive) on the adjustments or eliminations of voting power, every person present at such meeting shall have for each voting share of which such person is the holder or for which such

person holds a proxy, the number of votes determined pursuant to Bye-laws 40-44 (inclusive) for each share of which such person is the holder or for which such person holds a proxy and such vote shall be counted by ballot as described herein, or in the case of a general meeting at which one or more Members are present by telephone, electronic or other communication facilities or means, in such manner as the chairman of the meeting may direct and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded and shall replace any previous resolution upon the same matter which has been the subject of a show of hands. A person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

**32.3** A poll demanded for the purpose of electing a Chairman of the meeting or on a question of adjournment shall be taken forthwith and a poll demanded on any other question shall be taken in such manner and at such time and place at such meeting as the Chairman (or acting Chairman) of the meeting may direct and any business other than that upon which a poll has been demanded may be proceeded with pending the taking of the poll.

**32.4** Where a vote is taken by poll, each person physically present and entitled to vote shall be furnished with a ballot paper on which such person shall record his vote in such manner as shall be determined at the meeting having regard to the nature of the question on which the vote is taken, and each ballot paper shall be signed or initialed or otherwise marked so as to identify the voter and the registered holder in the case of a proxy. Each person present by telephone, electronic or other communication facilities or means shall cast his vote in such manner as the chairman shall direct. At the conclusion of the poll, the ballot papers and votes cast in accordance with such directions shall be examined and counted by a committee of not less than two Members or proxy holders appointed by the chairman for the purpose and the result of the poll shall be declared by the chairman.

### **33. Voting by Joint Holders of Shares**

In the case of joint holders, the vote of the senior who tenders a vote (whether in person or by proxy) shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

### **34. Instrument of Proxy**

- 34.1** A Member may appoint a proxy by (a) an instrument appointing a proxy in writing in substantially the following form or such other form as the Board may determine from time to time:

Proxy  
Lancashire Holdings Limited  
(the "Company")

I/We, [insert names here], being a Member of the Company with [number] shares, HEREBY APPOINT [name] of [address] or failing him, [name] of [address] to be my/our proxy to vote for me/us at the meeting of the Members to be held on the [ ] day of [ ], 200[ ] and at any adjournment thereof. (Any restrictions on voting to be inserted here.)

Signed this [ ] day of [ ], 200[ ]

---

Member(s)

or (b) such telephonic, electronic or other means as may be approved by the Board from time to time.

- 34.2** The appointment of a proxy must be received by the Company at the registered office or at such other place or in such manner as is specified in the notice convening the meeting or in any instrument of proxy sent out by the Company in relation to the meeting at which the person named in the appointment proposes to vote, and an appointment of proxy which is not received in the manner so permitted shall be invalid.

- 34.3** A Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf.

- 34.4** The decision of the Chairman of any general meeting as to the validity of any appointment of a proxy shall be final.

## **35. Representation of Corporate Member**

- 35.1** A corporation which is a Member may, by written instrument, authorise such person or persons as it thinks fit to act as its representative at any meeting of the Members and any person so

authorised shall be entitled to exercise the same powers on behalf of the corporation which such person represents as that corporation could exercise if it were an individual Member, and that Member shall be deemed to be present in person at any such meeting attended by its authorised representative or representatives.

**35.2** Notwithstanding the foregoing, the Chairman of the meeting may accept such assurances as he thinks fit as to the right of any person to attend and vote at general meetings on behalf of a corporation which is a Member.

### **36. Adjournment of General Meeting**

**36.1** The Chairman of any general meeting at which a quorum is present may with the consent of Members holding a majority of the voting rights of those Members present in person or by proxy (and shall if so directed by Members holding a majority of the voting rights of those Members present in person or by proxy), adjourn the meeting.

**36.2** In addition, the Chairman may adjourn the meeting to another time and place without such consent or direction if it appears to him that:

- (a) it is likely to be impracticable to hold or continue that meeting because of the number of Members wishing to attend who are not present; or
- (b) the unruly conduct of persons attending the meeting prevents, or is likely to prevent, the orderly continuation of the business of the meeting; or
- (c) an adjournment is otherwise necessary so that the business of the meeting may be properly conducted.

**36.3** Unless the meeting is adjourned to a specific date, place and time announced at the meeting being adjourned, fresh notice of the date, place and time for the resumption of the adjourned meeting shall be given to each Member entitled to attend and vote thereat in accordance with the provisions of these Bye-laws.

### **37. Written Resolutions**

- 
- 37.1** Subject to the following, anything which may be done by resolution of the Company in general meeting or by resolution of a meeting of any class of the Members may, without a meeting and without any previous notice being required, be done by resolution in writing signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members who at the date of the resolution would be entitled to attend the meeting and vote on the resolution (after giving effect to any reduction or increase in voting rights required under Bye-laws 40-44 (inclusive)).
- 37.2** A resolution in writing may be signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, all the Members, or all the Members of the relevant class thereof, in as many counterparts as may be necessary.
- 37.3** A resolution in writing made in accordance with this Bye-law is as valid as if it had been passed by the Company in general meeting or by a meeting of the relevant class of Members, as the case may be (provided that any such resolution shall be valid only if (i) the signature of the last Member to sign is affixed outside the United States, and (ii) the Board has not determined that the use of a resolution in writing would result in a non-de minimis adverse tax, regulatory or legal consequence to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates), and any reference in any Bye-law to a meeting at which a resolution is passed or to Members voting in favour of a resolution shall be construed accordingly. Such resolution shall be deemed to be adopted, as an act of the Members, at the place where, and at the time when, the signature of the last Member to sign is affixed thereto.
- 37.4** A resolution in writing made in accordance with this Bye-law shall constitute minutes for the purposes of the Act.
- 37.5** This Bye-law shall not apply to:
- (a) a resolution passed to remove an auditor from office before the expiration of his term of office; or
  - (b) a resolution passed for the purpose of removing a Director before the expiration of his term of office.

**37.6** For the purposes of this Bye-law, the date of the resolution is the date when the resolution is signed by, or in the case of a Member that is a corporation whether or not a company within the meaning of the Act, on behalf of, the last Member to sign and any reference in any Bye-law to the date of passing of a resolution is, in relation to a resolution made in accordance with this Bye-law, a reference to such date.

### **38. Directors Attendance at General Meetings**

The Directors of the Company shall be entitled to receive notice of, attend and be heard at any general meeting.

## **VOTES OF MEMBERS**

### **39. General**

Subject to the provisions of Bye-laws 40-44 (inclusive) below, and subject to any rights and restrictions for the time being attached to any class or classes or series of shares, every Member shall have one vote for each share carrying the right to vote on the matter in question of which he is the holder. Notwithstanding any other provisions of these Bye-laws, all determinations in these Bye-laws that are made by or subject to a vote or approval of Members shall be based upon the voting power of such Members' shares as determined pursuant to Bye-laws 40-44 (inclusive).

### **40. Adjustment of Voting Power**

**40.1** The voting power of all shares is hereby adjusted (and shall be automatically adjusted in the future) to the extent necessary so that there is no 9.5% U.S. Shareholder. The Board shall implement the foregoing in the manner provided herein, provided however, that the foregoing provision and the remainder of this Bye-law 40 shall not apply in the event that one Member owns greater than 75% of the voting power of the issued shares of the Company determined without applying the voting power adjustments or eliminations under Bye-laws 40-44 (inclusive).

**40.2** The Board shall from time to time, including prior to any time at which a vote of Members is taken, take all reasonable steps necessary to ascertain, including those specified in Bye-law 44,

through communications with Members or otherwise, whether there exists, or will exist at the time any vote of Members is taken, a Tentative 9.5% U.S. Shareholder.

**40.3** In the event that a Tentative 9.5% U.S. Shareholder exists, the aggregate votes conferred by shares held by a Member and treated as Controlled Shares of that Tentative 9.5% U.S. Shareholder shall be reduced to the extent necessary such that the Controlled Shares of the Tentative 9.5% U.S. Shareholder will constitute less than 9.5% of the voting power of all issued and outstanding shares. In applying the previous sentence where shares held by more than one Member are treated as Controlled Shares of such Tentative 9.5% U.S. Shareholder, the reduction in votes shall apply to such Members in descending order according to their respective Attribution Percentages, provided that, in the event of a tie, the reduction shall apply pro rata to such Members. The votes of Members owning no shares treated as Controlled Shares of any Tentative 9.5% U.S. Shareholder shall, in the aggregate, be increased by the same number of votes subject to reduction as described above provided however that no shares shall be conferred votes to the extent that doing so will cause any person to be treated as a 9.5% U.S. Shareholder. Such increase shall be apportioned to all such Members in proportion to their voting power at that time, provided that such increase shall be limited to the extent necessary to avoid causing any person to be a 9.5% U.S. Shareholder. The adjustments of voting power described in this Bye-law shall apply repeatedly until there is no 9.5% U.S. Shareholder. The Board of Directors may deviate from any of the principles described in this Bye-law and determine that shares held by a Member shall carry different voting rights as it determines appropriate (1) to avoid the existence of any 9.5% U.S. Shareholder or (2) to avoid adverse tax, legal or regulatory consequences to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates. For the avoidance of doubt, in applying the provisions of Bye-laws 40-44 (inclusive), a share may carry a fraction of a vote.

#### **41. Other Adjustments of Voting Power**

In addition to the provisions of Bye-law 40, any shares shall not carry any right to vote to the extent that the Board of Directors determines that it is necessary that such shares should not carry the right to vote in order to avoid adverse tax, legal or regulatory consequences to the Company, any subsidiary of the Company, or any other direct or indirect holder of shares or its affiliates, provided that no adjustment pursuant to this sentence shall cause any person to become a 9.5% U.S. Shareholder.



**42. Notice**

Prior to the meeting on which Members shall vote on any matter (or prior to any vote in the case of notification to Members specified in item (3) of this Bye-law), the Board may, in its sole discretion, (1) retain the services of an internationally recognized accounting firm or organization with comparable professional capabilities in order to assist the Company in applying the principles of Bye-laws 40 and 41 and (2) obtain from such firm or organization a statement describing the information obtained and procedures followed and setting forth the determinations made with respect to Bye-laws 40 and 41, and (3) notify in writing or orally each Member of the voting power conferred by its shares determined in accordance with Bye-laws 40 and 41. For the avoidance of doubt, any failure by the Board to take any of the actions described in this Bye-law 42 shall not invalidate any votes cast or the proceedings at the meeting.

**43. Board Determination Binding**

Any determination by the Board as to any adjustments or eliminations of voting power of any shares made pursuant to Bye-laws 40-44 (inclusive) shall be final and binding and any vote taken based on such determination shall not be capable of being challenged solely on the basis of such determination.

**44. Requirement to Provide Information and Notice**

**44.1** The Board shall have the authority to request from any direct or indirect holder of shares, and such holder of shares shall provide, such information as the Board may reasonably request for the purpose of determining whether any holder's voting rights are to be adjusted. If such holder fails to respond to such a request, or submits incomplete or inaccurate information in response to such a request, the Board may determine in its sole discretion that such holder's shares shall carry no voting rights in which case such holder shall not exercise any voting rights in respect of such shares until otherwise determined by the Board.

**44.2** Any direct or indirect holder of shares shall give notice to the Company within ten days following the date that such holder acquires actual knowledge that it is the direct or indirect holder of Controlled Shares of 9.5% or more of the voting power of all issued shares of the Company (without giving effect to voting power adjustments or eliminations under Bye-laws 40-44 (inclusive)).

- 44.3** Notwithstanding the foregoing, no Member shall be liable to any other Member or the Company for any losses or damages resulting from such Member's failure to respond to, or submission of incomplete or inaccurate information in response to, a request under Bye-law 44.1 or from such Member's failure to give notice under Bye-law 44.2.
- 44.4** Any information provided by any Member to the Company pursuant to this Bye-law 44 or for purposes of making the analysis required by Bye-laws 40 and 41, shall be deemed confidential information (the "**Confidential Information**") and shall be used by the Company solely for the purposes contemplated by such Bye-laws (except as may be required otherwise by applicable law or regulation). The Company shall hold such Confidential Information in strict confidence and shall not disclose any Confidential Information that it receives, except (i) to the U.S. Internal Revenue Service (the "**Service**") if and to the extent the Confidential Information is required by the Service, (ii) to any outside legal counsel or accounting firm engaged by the Company to make determinations regarding the relevant Bye-laws or (iii) as otherwise required by applicable law or regulation.
- 44.5** For the avoidance of doubt, the Company shall be permitted to disclose to the Members and others the relative voting percentages of all Members after application of Bye-laws 40-44 (inclusive). At the written request of a Member, the Confidential Information of such Member shall be destroyed or returned to such Member after the later to occur of (i) such Member no longer being a Member or (ii) the expiration of the applicable statute of limitations with respect to any Confidential Information obtained for purposes of engaging in any tax-related analysis.

## CERTAIN SUBSIDIARIES

### 45. Voting of Subsidiary Shares

Notwithstanding any other provision of these Bye-laws to the contrary, if the voting rights of any shares of the Company are adjusted pursuant to Bye-laws 40-44 (inclusive) and the Company is required or entitled to vote at a general meeting of any direct non-U.S. subsidiary of the Company, the Board shall refer the subject matter of the vote to the Members of the Company on a poll (subject to Bye-laws 40-44 (inclusive)) and seek authority from the Members for the Company's corporate representative or proxy to vote in favor of the resolution proposed by the subsidiary. The Board shall cause the Company's corporate representative or proxy to vote the Company's shares in the subsidiary pro rata to the votes

received at the general meeting of the Company, with votes for or against the directing resolution being taken, respectively, as an instruction for the Company's corporate representative or proxy to vote the appropriate proportion of its shares for and the appropriate proportion of its shares against the resolution proposed by the subsidiary. The Board shall have authority to resolve any ambiguity.

#### **46. Bye-laws or Articles of Association of Certain Subsidiaries**

The Board in its discretion shall require that the Bye-laws or Articles of Association or similar organisational documents of each subsidiary of the Company, organised under the laws of a jurisdiction outside the United States of America, other than any non-U.S. subsidiary that is a direct or indirect subsidiary of a U.S. Person, shall contain provisions substantially similar to Bye-laws 45 and 46. The Company shall enter into agreements, as and when determined by the Board, with each such subsidiary, only if and to the extent reasonably necessary and permitted under applicable law, to effectuate or implement this Bye-law.

### **DIRECTORS AND OFFICERS**

#### **47. Election of Directors**

**47.1** The Board shall consist of such number of Directors being not less than two Directors and not more than such maximum number of Directors, not exceeding 15 Directors, as the Board may from time to time determine.

**47.2** The Board may appoint any person who is willing to act as a Director, either to fill a vacancy or by way of addition to their number, but so that the total number of Directors shall not exceed any maximum number fixed by or in accordance with this Bye-law. Any person so appointed (whether before or after the date of adoption of these Bye-laws) by the Directors shall hold office only until the next annual general meeting and shall then be eligible for re-election provided that any Director appointed pursuant to this Bye-law 47.2 at any time after the date of the notice convening any annual general meeting but before such meeting is held shall hold office until the next succeeding annual general meeting and shall be eligible for re-election at such annual general meeting. If not re-appointed at such annual general meeting, he shall vacate office at the conclusion thereof.

- 
- 47.3** Only persons who are proposed or nominated in accordance with this Bye-law shall be eligible for election as Directors. Any Member or the Board may propose any person for election as a Director. Where any person, other than a Director retiring at the meeting or a person proposed for re-election or election as a Director by the Board, is to be proposed for election as a Director, notice must be given to the Company of the intention to propose him and of his willingness to serve as a Director. Where a Director is to be elected at an annual general meeting, that notice must be given not less than 90 days nor more than 120 days before the anniversary of the last annual general meeting prior to the giving of the notice or, in the event the annual general meeting is called for a date that is not 30 days before or after such anniversary the notice must be given not later than 10 days following the earlier of the date on which notice of the annual general meeting was posted to Members or the date on which public disclosure of the date of the annual general meeting was made. Where a Director is to be elected at a special general meeting, that notice must be given not later than 10 days following the earlier of the date on which notice of the special general meeting was posted to Members or the date on which public disclosure of the date of the special general meeting was made.
- 47.4** A resolution for the appointment of two or more persons as Directors by a single resolution shall not be moved at any general meeting unless a resolution that it shall be so moved has first been agreed to by the meeting without any vote being given against it and any resolution moved in contravention of this position shall be void.
- 47.5** Where the number of persons validly proposed for re-election or election as a Director is greater than the number of Directors to be elected, the persons receiving the most votes (up to the number of Directors to be elected) shall be elected as Directors, and an absolute majority of the votes cast shall not be a prerequisite to the election of such Directors.
- 47.6** At any general meeting the Members may authorise the Board to fill any vacancy in their number left unfilled at a general meeting.
- 47.7** Notwithstanding the foregoing provisions of this Bye-law 47, a Director may also be appointed or elected pursuant to the special rights that may be designated by the Board in respect of a class or series of shares pursuant to Bye-law 4.2(c).

**48. No Share Qualification**

A Director shall not be required to hold any shares in the capital of the Company by way of qualification. A Director who is not a Member shall nevertheless be entitled to attend and speak at general meetings and at any separate meeting of the holders of any class of shares or debentures in the capital of the Company.

#### **49. Term of Office of Directors**

49.1 At each annual general meeting any Director eligible for re-election under Bye-law 47.2 and one-third of the other Directors for the time being (or, if their number is not three or a multiple of three, the number nearest to, but (except where less than three Directors are subject to retirement by rotation) not greater than, one-third) shall retire from office by rotation.

49.2 The Directors eligible for re-election by rotation (excluding, for this purpose, Directors eligible for re-election under Bye-law 47.2) shall include (so far as necessary to obtain the number required) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director (subject to the provisions of the Act and these Bye-laws) shall be eligible for re-election.

49.3 The Company at the meeting at which a Director retires under any provision of these Bye-laws may (subject to Bye-law 47.4) by a resolution of its Members fill up the office being vacated by electing thereto the retiring Director or some other person eligible for appointment. In default of such action by the Members, the retiring Director shall continue in office as though he was re-elected at such meeting except in any of the following cases:

- (a) where at such meeting it is expressly resolved not to fill up each such office or a resolution for the re-election of such Director is put to the meeting and lost; or
- (b) where such Director has given notice in writing to the Company that he is unwilling to be re-elected.

The retirement shall not have effect until the conclusion of the meeting except where a resolution is passed to elect some other person in the place of the retiring Director or a resolution for his re-election is put to the meeting and lost in which case the retirement will take place forthwith, and accordingly a retiring Director who is re-elected or whose term of office otherwise continues as though he was re-elected at such meeting will continue in office without break.

## **50. Alternate Directors**

**50.1** At any general meeting of the Company, the Members may elect a person or persons to act as a Director in the alternative to any one or more Directors of the Company or may authorise the Board to appoint such Alternate Directors.

**50.2** Unless the Members otherwise resolve, any Director may appoint a person or persons to act as a Director in the alternative to himself by notice in writing deposited with the Secretary. Any person so elected or appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present.

**50.3** An Alternate Director shall be entitled to receive notice of all meetings of the Board and to attend and vote at any such meeting at which a Director for whom such Alternate Director was appointed in the alternative is not personally present and generally to perform at such meeting all the functions of such Director for whom such Alternate Director was appointed.

**50.4** An Alternate Director shall cease to be such if the Director for whom such Alternate Director was appointed ceases for any reason to be a Director but may be re-appointed by the Board as an alternate to the person appointed to fill the vacancy in accordance with these Bye-laws.

## **51. Removal of Directors**

**51.1** Subject to any provision to the contrary in these Bye-laws, the Members entitled to vote for the election of Directors may, at any special general meeting convened and held in accordance with these Bye-laws, remove a Director, provided that the notice of any such meeting convened for the purpose of removing a Director shall contain a statement of the intention so to do and be

served on such Director not less than 14 days before the meeting and at such meeting the Director shall be entitled to be heard on the motion for such Director's removal.

**51.2** If a Director is removed from the Board under the provisions of this Bye-law the Members may fill the vacancy at the meeting at which such Director is removed. In the absence of such election or appointment, the Board may fill the vacancy.

## **52. Vacancy in the Office of Director**

**52.1** The office of Director shall be vacated if the Director:

- (a) is removed from office pursuant to these Bye-laws or is prohibited from being a Director by law;
- (b) is or becomes bankrupt, or makes any arrangement or composition with his creditors generally;
- (c) is or becomes of unsound mind or dies;
- (d) resigns his office by notice in writing to the Company; or
- (e) upon his term of office expiring pursuant to the special rights of any class or series of shares.

**52.2** The Members in general meeting or the Board shall have the power to appoint any person as a Director to fill a vacancy on the Board occurring as a result of the death, disability, disqualification or resignation of any Director or as a result of an increase in the size of the Board and to appoint an Alternate Director to any Director so appointed.

## **53. Remuneration of Directors**

### **53.1 Directors' fees**

The amount of any remuneration payable to Directors shall be determined by the Board and shall be deemed to accrue from day to day. Any such fees shall be divisible among the Directors as they may determine by resolution, 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 a proportion of the remuneration related to the period during which he has held office.

### **53.2 Remuneration of executive Director**

Any Director who holds any executive office (including for this purpose the office of Chairman or Deputy Chairman whether or not such office is held in an executive capacity), or who serves on any committee, or who, at the request of the Directors, goes or resides abroad, makes any special journey or otherwise performs services which in the opinion of the Directors, determined in a resolution of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such remuneration by way of salary, commission or otherwise as the Directors may determine in addition to or in lieu of any fee payable to him for his services as Director pursuant to these Bye-laws.

### **53.3 Expenses**

The Company shall repay to any Director all such reasonable expenses as he may properly incur in the performance of his duties including attending meetings of the Directors or of any committee of the Directors or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in or about the business of the Company.

### **53.4 Directors' pensions and other benefits**

Without limiting the generality of the power and authority delegated to the Directors in Bye-law 53.1, the Directors may exercise all the powers of the Company to establish and maintain or procure the establishment and maintenance of any non-contributory or contributory pension or superannuation funds for the benefit of, and give or procure the giving of donations, gratuities,



pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of or who are or were at any time Directors or officers of and holding any salaried employment or office in the Company or any other company which is its holding company or in which the Company or such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company or in any company which is a subsidiary undertaking of the Company or of any such other company and the families and dependants of any such persons, and also establish and subsidise or subscribe to any institutions, associations, clubs or funds calculated to be for the benefit of or to advance the interests and well-being of the Company or of any such other company, or of any such persons as aforesaid, and, subject to the Act, make payments for or towards the insurance of any such persons as aforesaid, and do any of the matters aforesaid either alone or in conjunction with any such other company.

#### **54. Defect in Appointment of Director**

All acts done in good faith by the Board or by a committee of the Board or by any person acting as a Director shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

#### **55. Directors to Manage Business**

**55.1** The business of the Company shall be managed and conducted by the Board. In managing the business of the Company, the Board may exercise all such powers of the Company as are not, by statute or by these Bye-laws, required to be exercised by the Company in general meeting subject, nevertheless, to these Bye-laws and the provisions of any statute.

**55.2** Subject to these Bye-laws, the Board may delegate to any company, firm, person, or body of persons any power of the Board (including the power to sub-delegate).

#### **56. Powers of the Board of Directors**

The Board may:

- 
- (a) appoint, suspend, or remove any manager, secretary, clerk, agent or employee of the Company and may fix their remuneration and determine their duties;
  - (b) exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and may issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or any third party;
  - (c) appoint one or more Directors to the office of managing director or chief executive officer of the Company, who shall, subject to the control of the Board, supervise and administer all of the general business and affairs of the Company;
  - (d) appoint a person to act as manager of the Company's day-to-day business and may entrust to and confer upon such manager such powers and duties as it deems appropriate for the transaction or conduct of such business;
  - (e) by power of attorney, appoint any company, firm, person or body of persons, whether nominated directly or indirectly by the Board, to be an attorney of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board) and for such period and subject to such conditions as it may think fit and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions so vested in the attorney. ~~Such attorney may, if so authorised under the seal of the Company, execute any deed or instrument under such attorney's personal seal with the same effect as the affixation of the seal of the Company;~~
  - (f) procure that the Company pays all expenses incurred in promoting and incorporating the Company;
  - (g) delegate any of its powers (including the power to sub-delegate) to a committee appointed by the Board which may consist partly or entirely of non-Directors, provided that every such committee shall conform to such directions as the Board shall impose on them and provided further that the meetings and proceedings of any such committee shall

be governed by the provisions of these Bye-laws regulating the meetings and proceedings of the Board, so far as the same are applicable and are not superceded by directions imposed by the Board and provided also that such committee shall consist of a majority of members who are non-resident for tax purposes in the United Kingdom;

- (h) delegate any of its powers (including the power to sub-delegate) to any person on such terms and in such manner as the Board may see fit provided that such person is resident outside the United Kingdom whether nominated directly or indirectly by the Board;
- (i) present any petition and make any application in connection with the liquidation or reorganisation of the Company;
- (j) in connection with the issue of any share, pay such commission and brokerage as may be permitted by law; and
- (k) authorise any company, firm, person or body of persons to act on behalf of the Company for any specific purpose and in connection therewith to execute any deed, agreement, document or instrument on behalf of the Company.

## 57. Register of Directors and Officers

The Board shall cause to be kept in one or more books at the registered office of the Company a Register of Directors and Officers and shall enter therein the particulars required by the Act.

## ~~58. Officers~~

~~The Officers shall consist of a President and a Vice President or a Chairman and a Deputy Chairman, a Chief Executive Officer, a Chief Financial Officer, a Secretary and such additional Officers as the Board may determine all of whom shall be deemed to be Officers for the purposes of these Bye laws.~~

## ~~59.~~58. Appointment of Officers

~~The Board shall appoint a President and Vice President or a Chairman and Deputy Chairman, and a Chief Financial Officer who shall be Directors. The Secretary (and additional Officers, if any) shall be appointed by the Board from time to time may appoint such Officers (who may or may not be Directors) as the Board may determine.-.~~

**59. Appointment of Secretary**

The Secretary shall be appointed by the Board from time to time.

**60. Duties of Officers**

The Officers shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Board from time to time.

**61. Remuneration of Officers**

The Officers shall receive such remuneration as the Board may determine.

**62. Conflicts of Interest**

**62.1** Any Director, or any Director's firm, partner or any company with whom any Director is associated, may act in any capacity for, be employed by or render services to the Company and such Director or such Director's firm, partner or company shall be entitled to remuneration as if such Director were not a Director. Nothing herein contained shall authorise a Director or Director's firm, partner or company to act as Auditor to the Company.

**62.2** A Director who is directly or indirectly interested in a contract or proposed contract or arrangement with the Company shall declare the nature of such interest as required by the Act.

**62.3** Following a declaration being made pursuant to this Bye-law, and unless disqualified by the Chairman of the relevant Board meeting, a Director may vote in respect of any contract or proposed contract or arrangement in which such Director is interested and may be counted in the quorum for such meeting.

**62.4** Notwithstanding Bye-law 62.3, a Director shall not vote or be counted in the quorum on any resolution concerning his own appointment as the holder of any office or place of profit with the Company or any company in which the Company is interested including fixing or varying the terms of his appointment or the termination thereof.

**63. Indemnification and Exculpation of Directors and Officers**

**63.1** Subject to the proviso that the following indemnity shall not extend to any matter which would render it void or unenforceable pursuant to the Act, the Directors, Secretary and other Officers (such term to include any person appointed to any committee by the Board) for the time being acting in relation to any of the affairs of the Company, any subsidiary thereof and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company or any subsidiary thereof and every one of them, and their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, liabilities, losses, damages and expenses which they or any of them, their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of the Company's business, or their duty, or supposed duty, or in their respective offices or trusts, including but not limited to liabilities under contract, tort and statute or any applicable foreign law or regulation and all reasonable legal and other costs and expenses properly payable, and without limiting the foregoing generality, the persons to which it applies shall be indemnified out of the funds of the Company against all liabilities incurred by them by or by reason of any act done, concurred in or omitted in the conduct of the Company's business or in the discharge of his duties in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, or in connection with any application under the Act in which relief from liability is granted to him by the court, and none of them shall be liable to the Company for the acts, receipts, neglects or defaults of the others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto, PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Each Member agrees to waive any claim or right of action such Member might have, whether individually or by or in the right of the Company, against any Director or Officer on account of any action taken by such Director or Officer, or the failure of such Director or Officer to take any action in the performance of his duties with or for the Company or any subsidiary thereof, PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director or Officer. The

indemnity provided to the persons specified in this Bye-law 63.1 shall apply if those persons are acting in the reasonable belief that they have been appointed or elected to any office or trust of the Company, or any subsidiary thereof, notwithstanding any defect in such appointment or election.

- 63.2** To the extent that any person is entitled to claim an indemnity pursuant to these Bye-laws in respect of amounts paid or discharged by him, the indemnity shall take effect as an obligation of the Company to reimburse the person making such payment or effecting such discharge. Subject to the Act, expenses incurred in defending any civil or criminal action or proceeding for which indemnification is required pursuant to these Bye-laws shall be paid by the Company in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of the person so entitled to repay such amount if it shall be ultimately determined that they are not entitled to be indemnified, provided that no monies shall be paid hereunder unless payment of the same is authorised in the specific case by a determination that such indemnification would be proper in the circumstances because they have met the standard of conduct which would entitle them to the indemnification thereby provided, and such determination shall be made, by either the Board, by a majority vote at a meeting duly constituted by a quorum of Directors not party to the proceedings or matter with regard to which the indemnification is, or would be claimed, or if such meeting cannot be constituted because of a lack of disinterested quorum, by independent legal counsel in a written opinion, or by a resolution of the Members.
- 63.3** The Company may purchase and maintain insurance for the benefit of any Director or Officer of the Company against any liability incurred by him under the Act in his capacity as a Director or Officer of the Company or indemnifying such Director or Officer in respect of any loss arising or liability attaching to him by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which the Director or Officer may be guilty in relation to the Company or any subsidiary thereof.
- 63.4** This Bye-law 63 shall provide the broadest indemnity allowable under applicable law, and to the extent any indemnification hereunder is prohibited, unenforceable or not authorised under applicable law, this Bye-law 63 shall be interpreted as broadly as possible without invalidating the remaining provisions hereof.

**63.5** No amendment or repeal of any provision of this Bye-law 63 shall alter detrimentally the rights to the advancement of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment, repeal or termination.

**63.6** The Company may advance moneys to a Director or Officer for the costs, charges and expenses incurred by the Director or Officer in defending any civil or criminal proceedings against him, on condition that the Director or Officer shall repay the advance if any allegation of fraud or dishonesty is proved against him.

## MEETINGS OF THE BOARD OF DIRECTORS

### **64. Board Meetings**

The Board may meet for the transaction of business, adjourn and otherwise regulate its meetings as it sees fit, provided that no meeting of the Board shall be held in the United Kingdom. Subject to the provisions of these Bye-laws, a resolution put to the vote at a meeting of the Board shall be carried by the affirmative votes of a majority of the votes cast and in the case of an equality of votes the resolution shall fail.

### **65. Notice of Board Meetings**

A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Board. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director verbally (in person or by telephone) or otherwise communicated or sent to such Director by post, ~~eable, telex, telecopier, facsimile,~~ electronic ~~means~~ mail or other mode of representing words in a ~~legible-visible~~ form at such Director's last known address or in accordance with any other instructions ~~address~~ given by such Director to the Company for this purpose.

### **66. Electronic Participation in Meetings ~~by Telephone~~**

Directors may participate in any meeting ~~of the Board~~ by ~~means of~~ such telephonic ~~telephone~~, electronic or other communication facilities or means as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting, provided that such person is physically outside the United Kingdom. Such a meeting shall be deemed to take place outside the United Kingdom where the

largest group of those Directors participating in the meeting is physically assembled, or, if there is no such group, where the chairman of the meeting then is.

#### **67. Quorum at Board Meetings**

The quorum necessary for the transaction of business at a meeting of the Board shall be two Directors. No meetings of the Board shall be quorate if the majority of the Directors present consist of persons who are personally resident in the United Kingdom for United Kingdom tax purposes ~~respectively~~unless the Board has previously resolved otherwise in respect of that particular meeting.

#### **68. Board to Continue in the Event of Vacancy**

The Board may act notwithstanding any vacancy in its number but, if and so long as its number is reduced below the number fixed by these Bye-laws as the quorum necessary for the transaction of business at meetings of the Board, the continuing Directors or Director may act for the purpose of (i) summoning a general meeting of the Company; or (ii) preserving the assets of the Company.

#### **69. Chairman to Preside**

Unless otherwise agreed by a majority of the Directors attending, the Chairman, if there be one, and if not, the President, if there be one, shall act as Chairman at all meetings of the Board at which such person is present. In their absence ~~the Deputy Chairman or Vice President, if present, shall act as Chairman and in the absence of all of them~~ a Chairman shall be appointed or elected by the Directors present at the meeting.

#### **70. Written Resolutions**

A resolution signed by all the Directors, which may be in counterparts, shall be as valid as if it had been passed at a meeting of the Board duly called and constituted, such resolution to be effective on the date on which the last Director signs the resolution, provided that any such resolution shall be valid only if (i) the signature of the last Director to sign is affixed outside the United Kingdom and the United States of America, and (ii) the Board has not determined that the use of a resolution in writing would result in a non-de minimis adverse tax, regulatory or legal consequence to the Company, any subsidiary of the Company, or any direct or indirect holder of shares or its affiliates. For the purposes of this Bye-law only, "Director" shall not include an Alternate Director. Such resolution shall be deemed to be adopted,



as an act of the Board, at the place where, and at the time when, the signature of the last Director to sign is affixed thereto. The terms of this Bye-law shall be subject to the requirement that any Director signing a written resolution shall be physically outside the United Kingdom when signing such written resolution.

#### **71. Validity of Prior Acts of the Board**

No regulation or alteration to these Bye-laws made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if that regulation or alteration had not been made.

### **CORPORATE RECORDS**

#### **72. Minutes**

The Board shall cause minutes to be duly entered in books provided for the purpose:

- (a) of all elections and appointments of Officers;
- (b) of the names of the Directors present at each meeting of the Board and of any committee appointed by the Board; and
- (c) of all resolutions and proceedings of general meetings of the Members, meetings of the Board, and meetings of committees appointed by the Board.

#### **73. Place Where Corporate Records Kept**

Minutes prepared in accordance with the Act and these Bye-laws shall be kept by the Secretary at the registered office of the Company.

#### **74. Form and Use of Seal**

**74.1** The ~~seal of the~~ Company may adopt a seal ~~shall be~~ in such form as the Board may determine. The Board may adopt one or more duplicate seals for use in or outside Bermuda.

**74.2** AThe seal ~~of the Company shall~~ may, but need not, be affixed to any deed, instrument or document, and if the seal is to be affixed thereto, except it shall be attested by the signature of (i)

~~any~~ Director, or (ii) any Officer, or (iii) ~~and~~ the Secretary, or ~~any two Directors, or (iv)~~ any person appointed by the Board for that purpose, ~~provided that any Director, Officer or Resident Representative, may affix the seal of the Company attested by such Director, Officer or Resident Representative's signature to any authenticated copies of these Bye laws, the incorporating documents of the Company, the minutes of any meetings or any other documents required to be authenticated by such Director, Officer or Resident Representative.~~

74.3 A Resident Representative may, but need not, affix the seal of the Company to certify the authenticity of any copies of documents.

## ACCOUNTS

### 75. Books of Account

**75.1** The Board shall cause to be kept proper records of account with respect to all transactions of the Company and in particular with respect to:

- (a) all sums of money received and expended by the Company and the matters in respect of which the receipt and expenditure relates;
- (b) all sales and purchases of goods by the Company; and
- (c) all assets and liabilities of the Company.

**75.2** Such records of account shall be kept at the registered office of the Company, or subject to the provisions of the Act, at such other place as the Board thinks fit and shall be available for inspection by the Directors during normal business hours provided that such records of account shall not be kept in the United Kingdom.

### 76. Financial Year End

The financial year end of the Company may be determined by resolution of the Board and failing such resolution shall be 31<sup>st</sup> December in each year.

## AUDITS

### 77. Annual Audit

Subject to any rights to waive laying of accounts or appointment of an Auditor pursuant to the Act, the accounts of the Company shall be audited at least once in every year.

## **78. Appointment of Auditors**

**78.1** Subject to the provisions of the Act, at the annual general meeting or at a subsequent special general meeting in each year, an independent representative of the Members shall be appointed by them as Auditor of the accounts of the Company.

**78.2** The Auditor may be a Member but no Director, Officer or employee of the Company shall, during his continuance in office, be eligible to act as an Auditor of the Company.

## **79. Remuneration of Auditors**

The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.

## **80. Duties of Auditors**

**80.1** The financial statements provided for by these Bye-laws shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards.

**80.2** The generally accepted auditing standards referred to in this Bye-law may be those of a country or jurisdiction other than Bermuda or such other generally accepted auditing standards as may be provided for in the Act. If so, the financial statements and the report of the Auditor shall identify the generally accepted auditing standards used.

## **81. Access to Records**

The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto, and the Auditor may call on the Directors or Officers of the Company for any information in their possession relating to the books or affairs of the Company.

## **82. Financial Statements**

---

Subject to any rights to waive laying of accounts pursuant to the provisions of the Act, financial statements as required by the Act shall be laid before the Members in general meeting.

**83. Distribution of Auditors report**

The report of the Auditor shall be submitted to the Members in general meeting.

**84. Vacancy in the Office of Auditor**

If the office of Auditor becomes vacant by the resignation or death of the Auditor, or by the Auditor becoming incapable of acting by reason of illness or other disability at a time when the Auditor's services are required, the vacancy thereby created shall be filled in accordance with the Act.

**85. Communications to the Company**

**85.1** Subject to the Act and except where otherwise expressly stated, any document or information to be sent or supplied to the Company under these Bye-laws or otherwise (whether or not such document or information is required to be sent or supplied or authorised under the Act) shall be in hard copy form or, subject to paragraph 85.2 below, be sent or supplied in electronic form or by means of a website.

**85.2** Subject to the Act, a document or information may be given to the Company in electronic form only if it is given in such form and manner and such address as have been specified by the Board from time to time for the receipt of documents in electronic form. The Board may prescribe such procedures as it thinks fit for verifying the authenticity or integrity of any such document or information given to it in electronic form.

**86. Communications by the Company**

**86.1** A document or information may be sent or supplied in hard copy form by the Company to any Member either personally or by sending or supplying it by post addressed to the Member at his registered address or by leaving it at that address.

**86.2** Subject to the Act, a document or information may be sent or supplied by the Company to any Member in electronic form to such address as may from time to time be authorised by the Member concerned or by making it available on a website and notifying the Member concerned

in accordance with the Act that it has been made available. A Member shall be treated as having agreed that the Company may send or supply a document or information by means of a website if the relevant conditions set out in the Act have been satisfied.

- 86.3** In the case of joint holders of a share, any document or information sent or supplied by the Company in any manner permitted by these Bye-laws to the joint holder who is named first in the register in respect of the joint holding shall be deemed to be given to all holders of the share.

## **VOLUNTARY WINDING-UP AND DISSOLUTION**

### **87. Winding-Up**

If the Company shall be wound up the liquidator may, with the sanction of a resolution of the Members, divide amongst the Members in specie or in kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in the trustees upon such trusts for the benefit of the Members as the liquidator shall think fit, but so that no Member shall be compelled to accept any shares or other securities or assets whereon there is any liability.

## **CHANGES TO CONSTITUTION**

### **88. Changes to Bye-laws**

**88.1** Subject to Bye-law 88.2, no Bye-law shall be rescinded, altered or amended and no new Bye-law shall be made until the same has been approved by a resolution of the Board and by a resolution of the Members.

**88.2** Bye-laws 47, 48, 49, 51, 88 and 90 shall not be rescinded, altered or amended and no new Bye-law shall be made which would have the effect of rescinding, altering or amending the provisions of such Bye-laws, until the same has been approved by a resolution of the Board including the affirmative vote of not less than 66% per cent of the Directors then in office and by a resolution of the Members including the affirmative vote of not less than 66% per cent of the votes attaching to all shares in issue.

**89. Discontinuance**

The Board may exercise all the powers of the Company to discontinue the Company to a jurisdiction outside Bermuda pursuant to the Act.

**DISCLOSURE OF INTERESTS IN SHARES AND COMPANY INVESTIGATIONS****90.A Provisions applicable to Bye-laws 90.B and 90.C.**

- (1) For the purposes of Bye-law 90.B:-
- (a) "**authorised person**" is as defined in section 31 of the FSMA;
  - (b) "**authorised professional firm**" means a professional firm which is an authorised person;
  - (c) "**designated professional body**" means a professional body designated by the treasury under section 326 of the FSMA (Designation of professional bodies) for the purposes of Part XX of the FSMA (Provision of Financial Services by Members of the Professional);
  - (d) "**DTR**" means the Disclosure Rules and Transparency Rules sourcebook from time to time published by the FSA;
  - (e) "**financial instrument**" means an instrument specified in Section C of Annex 1 of MiFID;
  - (f) "**firm**" means an authorized person, but not a professional firm unless it is an authorised professional firm;
  - (g) "**management company**" means a company as defined in article 1a(2) of Council Directive 85/611/EEC of 20 December 1985 on the co-ordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UVITS);
  - (h) "**MiFID**" means the European Parliament and Council Directive on markets in financial instruments (No. 2004/39/EC)
  - (i) "**professional firm**" means a person which is:
    - (i) an individual who is entitled to practice a professional regulated by a designated professional body and, in practicing it, is subject to its rules, whether or not he is a member of that body; or

- 
- (ii) a person (not being an individual) which is controlled and managed by one or more such individuals;
  - (j) "**shareholder**" means any natural person or legal governed by private or public law, who hold directly, as a Member , or indirectly:
    - (i) shares of the Company in its own name and on its own account;
    - (ii) shares of the Company in its own name, but on behalf of another natural person or legal entity;
    - (iii) depository receipts, in which case the holder of the depository receipt shall be considered as the shareholder of the underlying shares represented by the depository receipts;
  - (k) "**shares**" means the shares (including preference shares and convertible shares) which are:
    - (i) already issued and carry rights to vote in all circumstances at general meetings of the Company including shares (such as preference shares) which, following the exercise of an option for their conversion, event of default or otherwise, have become fully enfranchised for voting purposes; and
    - (ii) admitted to trading on a regulated market (such as the London Stock Exchange's market for larger and established companies) or prescribed market (such as AIM, a market operated by the London Stock Exchange).
  - (l) "**trading day**" means a day included in the calendar of trading days published by FSA at [www.fsa.gov.uk](http://www.fsa.gov.uk);
  - (m) an acquisition or disposal of shares is to be regarded as effective when the relevant transactions is executed unless the transaction provides for settlement to be subject to conditions which are beyond the control of the parties in which case the acquisitions or disposal is to be regarded as effective on the settlement of the transactions;
  - (n) a stock-lending agreement which provides for the outright transfer of securities and which provides the lender with a right to call for re-delivery of the lent stock (or its equivalent) is not

(as respects the lender) to be taken as involving a disposal of any shares which may be the subject of the stock loan;

- (o) for the purposes of calculating whether any percentage threshold is reached, exceeded or fallen below and in any resulting notification, the proportion of voting rights held shall if necessary be rounded down to the next whole number;
- (p) a person is an indirect holder of shares for the purpose of the definition of shareholder in this Bye-law to the extent that he is entitled to acquire, to dispose of, or to exercise voting rights in any of the following cases or a combination of them:
  - (i) voting rights held by a third party with whom that person has concluded an agreement, which obliges them to adopt, by concerted exercise of the voting rights they hold, a lasting common policy towards the management of the Company;
  - (ii) voting rights held by a third party under an agreement concluded with that person providing for the temporary transfer for consideration of the voting rights in question;
  - (iii) voting rights attaching to shares which are lodged as collateral with that person provided that person controls the voting rights and declares the intention of exercising them;
  - (iv) voting rights attaching to shares in which that person has the life interest;
  - (v) voting rights which are held, or may be exercised within the meaning of cases (i) to (iv) or, in cases (iv) and (viii) by a firm undertaking investment management, or by a management company, by an undertaking controlled by that person;
  - (vi) voting rights attaching to shares deposited with that person which the person can exercise at its discretion in the absence of specific instructions from the shareholders;
  - (vii) voting rights held by a third party in his own name on behalf of that person; and
  - (viii) voting rights which that person may exercise as a proxy where that person can exercise the voting rights at his discretion in the absence of specific instructions from the shareholders;



- 
- (q) financial statements should be taken into account in the context of notifying major holdings of shares pursuant to Bye-law 90.B(1) to the extent that such instruments give the holder an unconditional right to acquire the underlying shares or cash on maturity. Consequently, financial instruments should not be considered to include instruments entitling the holder to receive shares depending on the price of the underlying shares reaching a certain level at a certain moment in time nor should they be considered to cover those instruments that allow the instrument issuer or a third party to give shares or cash to the instrument holder on maturity.
- (2) For the purposes of Bye-law 90.C:-
- (a) **"Relevant Share Capital"** means the Company's issued share capital of any class carrying rights to vote in all circumstances at general meetings of the Company (including any shares held as treasury shares); and for the avoidance of doubt (a) where the Company's share capital is divided into different classes of shares, references to Relevant Share Capital are to the issued share capital of each such class taken separately and (b) the temporary suspension of voting rights in respect of any shares comprised in issued share capital of the Company of any such class does not affect the application of this Bye-law in relation to interest in those or any other shares comprised in that class;
- (b) **"interest"** means, in relation to the Relevant Share Capital, an interest of any kind whatsoever in any shares comprised therein (disregarding any restraints or restrictions to which the exercise of any right attached to the interest in the share is, or may be, subject) and without limiting the meaning of "interest" a person shall be taken to have an interest in a share if:
- (i) he enters into a contract to acquire the share; or
- (ii) not being the registered holder, he is entitled to exercise any right conferred by the holding of the share or is entitled to control the exercise of any such right, and for the purposes of this Bye-law 90.A(2)(b)(ii) a person is entitled to exercise or control the exercise of a right conferred by the holding of shares if he has a right (whether subject to conditions or note) the exercise of which would make him so entitled, or is under an obligation (whether subject to conditions or not) the fulfillment of which would make him so entitled; or

- 
- (iii) he is a beneficiary of a trust where the property held on trust includes an interest in the share; or
  - (iv) otherwise than by virtue of having an interest under a trust, he has a right (whether conditional or absolute) to call for delivery of the share to himself or to his order; or
  - (v) otherwise than by virtue of having an interest under a trust, he has a right (whether conditional or absolute) to acquire an interest in the share or is under an obligation (whether conditional or absolute) to take an interest in the share; or
  - (vi) he has a right to subscribe for the share;
- (c) a person is taken to be interested in any shares in which his spouse or civil partner or any infant child or step-child of his is interested; and "infant" means a person under the age of 18 years;
- (d) a person is taken to be interested in shares if a body corporate is interested in them and:
- (i) that body corporate or its directives are accustomed to act in accordance with his directions or instructions; or
  - (ii) he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that body corporate,

PROVIDED THAT (a) where a person is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of a company and that company is entitled to exercise or control the exercise of any of the voting power at general meetings of another company ("the effective voting power") then, for purposes of paragraph (d)(ii) above, the effective voting power is taken as exercisable by that person and (b) purposes of this Bye-law 90.A.(2)(d), a person is entitled to exercise or control the exercise of voting power if he has a right (whether subject to conditions or not) the exercise of which would make him so entitled or he is under an obligation (whether or not so subject) the fulfillment of which would make him so entitled.

- (3) The provisions of Bye-laws 90.B and 90.C are in addition to any and separate from other rights or obligations arising at law or otherwise.

**90.B. Notification of Interests in Shares**

(1) A Member must notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds directly as a Member or on account of another person who is a shareholder or through a direct or indirect holding of financial instruments falling within Bye-law 90.B(2) (or a combination of such holdings) by such Member or other person:

- (a) reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100% as a result of an acquisition or disposal of shares or financial instruments falling within Bye-law 90.B(2); or
- (b) reaches, exceeds or falls below an applicable threshold in (1) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the Company in accordance with DTR 5.6.1R,

and when a Member is acquired to make such notification on account of another person who is a shareholder, the Member shall procure that such other person complies with this Bye-law 90.B(1) as though such other person were a Member.

(2) In any consideration of the application of this Bye-law, the voting rights referred to in Chapter 5 of the DTR shall be disregarded for the purposes of this Bye-law if but only to the extent that such voting rights would be disregarded for the purposes of DTR5.1.3R to 5.1.5R were the Company an "issuer" as defined in DTR5.1.1R(1).

(3) Any notification required to be made to the Company pursuant to this Bye-law shall be effected as soon as possible, but not later than two trading days, the first of which shall be the day after the date on which the relevant person:

- (a) learns of the acquisition or disposal or of the possibility of exercising voting rights, or on which, having regard to the circumstance, should have learned of it, regardless of the date on which the acquisition, disposal or possibility of exercising voting rights takes effect; or
- (b) is informed about the event mentioned in Bye-law 90.B(1)(b).

And for the purposes of (a) above a person shall, in relation to a transaction to which he is a party or which he has instructed, be deemed to have knowledge of the acquisition, disposal or possibility to

---

exercise voting rights no later than two trading days following the transaction in question and where a transaction is conditional upon the approval by public authorities of the transaction or on a future uncertain event the occurrence of which is outside the control of the parties to the agreement, the parties are deemed to have knowledge of the acquisition, disposal or possibility of exercising voting rights only when the relevant approvals are obtained or when the event happens.

- (4) Voting rights must be calculated on the basis of all the shares to which voting rights are attached even if the exercise of such rights is suspended and shall be given in respect of all shares to which voting rights are attached.
- (5) The number of voting rights to be considered when calculating whether a threshold is reached, exceeded or fallen below is the number of voting rights in existence according to the Company's most recent disclosure made in accordance with DTR5.6.1R, but disregarding voting rights attached to any treasury shares held by the Company (in accordance with the Company's most recent disclosure of such holdings).
- (6) Notifications in relation to shares admitted to trading on the London Stock Exchange's market for larger and established companies, must be made using the form TR1 available in electronic format at the FSA's website at [www.fsa.gov.uk](http://www.fsa.gov.uk) or on such other form as prescribed by relevant legislation.
- (7) In determining whether a notification is required a person's net (direct or indirect) holding in a share (and of relevant financial instruments) may be assessed by reference to that person's holdings at a point in time up to midnight of the day for which the determination is made (taking into account of acquisitions and disposals executed during that day).
- (8) A person making a notification to the Company to which this Bye-law applies must, if the notification relates to shares admitted to trading on the London Stock Exchange's market for larger and established companies, at the same time file a copy of such notification with the FSA.

The information to be filed with the FSA must include a contact address of the person making the notification (but such details must be in a separate annex and not included on the form which is sent to the Company).

- 
- (9) If it shall come to the notice of the Directors that any member has not, within the requisite period, made or, as the case may be, procured the making of any notification required by Bye-law 90.B, the Company may (at the absolute discretion of the Directors) at any time thereafter by notice (a "**restriction notice**") to such Member direct that, in respect of the shares in relation to which the default has occurred (the "**default shares**" which expression shall include any further shares which are issued in respect of any default shares), the Member shall not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum.
- (10) Where the default shares represent at least 0.25 per cent. (in nominal value) of the issued shares of the same class as the default shares, then the restriction notice may also direct that:
- (a) any dividend or any part thereof or other monies which would otherwise be payable on or in respect of the default shares shall be withheld by the Company, shall not bear interest against the Company, and shall be payable (when the restriction notice ceases to have effect) to the person who would but for the restriction have been entitled to them; and/or
  - (b) where an offer of the right to elect to receive shares of the Company instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by such Member in respect of such default shares shall not be effective.

Upon the giving of a restriction notice its terms shall apply accordingly.

- (11) The Company shall send a copy of the restriction to each other person appearing to be interested in the shares the subject of such notice, but the failure or omission by the Company to do so shall not invalidate such notice.
- (12) Any restriction notice shall have effect in accordance with its terms until not more than seven days after the Directors are satisfied that the default in respect of which the restriction notice was issued no longer continues but shall cease to have effect in relation to any shares which are transferred by such Member. The Company may (at the absolute discretion of the Directors) at any time give notice to the Member cancelling, or suspending for a stated period the operation of, a restriction notice in whole or in part.

- 
- (13) For the purposes of this Bye-law 90.B, a person shall be treated as appearing to be interested in any shares if the Member holding such shares has given to the Company a notification whether following service of a notice Bye-law 90.C or otherwise which either:
- (a) names such person as being interested; or
  - (b) (after taking into account any such notification and any other relevant information in the possession of the Company) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares.

**90.C Power of the Company to investigate interests in shares**

- (1) The Company may by notice in writing request any person whom the Company knows or has reasonable cause to believe to be or, at any time during the 3 years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Relevant Share Capital:-
- (a) to confirm that fact or (as the case may be) to indicate whether or not it is the case; and
  - (b) where he holds or has during that time held an interest in shares so comprised, to give such further information as may be requested in accordance with Bye-law 90.C(2).
- (2) A notice under Bye-law 90.C(1) may request the person to whom it is addressed:-
- (a) to give particulars of his own past or present interest in shares comprised in the Relevant Share Capital (held by him at any time during the three year period mentioned in Bye-law 90.C(1));
  - (b) where the interest is a present interest and any other interest in the shares subsists or, in any case, where another interest in the shares subsisted during that three year period at any time when his own interest subsisted, to give (so far as lies within his knowledge) such particulars with respect to that other interest as may be requested by the notice including the identity of persons interested in the shares in question;
  - (c) where his interest is a past interest, to give (so far as lies within his knowledge) particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.

- 
- (3) A notice under Bye-law 90.C(1) shall request any information given in response to the notice to be given in writing within such time as may be specified in the notice, being a period of not less than 14 days following service thereof.
- (4) This Bye-law applies in relation to a person who has or previously had, or is or was entitled to acquire, a right to subscribe for shares in the Company which would on issue be comprised in Relevant Share Capital as it applies in relation to a person who is or was interested in shares so comprised; and references above in this section to an interest in shares so comprised and to shares so comprised are to be read accordingly in any such case as including respectively any such right and shares which would on issue be so comprised.
- (5) Subject to the provisions of Bye-law 90.C(9), if any Member, or any other person appearing to the Directors to be interested in any shares in the capital of the Company held by such Member has been served with a request notice under Bye-law 90.C and does not within the 14 day period prescribed therein supply to the Company the information thereby requested, the Company may (at the absolute discretion of the Directors) at any time thereafter by notice (a "**restriction notice**") to such Member direct that, in respect of the shares in relation to which the default has occurred (the "**default shares**") which expression shall include any further shares which are issued in respect of any default shares), the Member shall not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum.
- (6) Where the default shares represent at least 0.25 per cent. (in nominal value) of the issued shares of the same class as the default shares, then the restriction notice may also direct that:
- (a) any dividend or any part thereof or other monies which would otherwise be payable on or in respect of the default shares shall be withheld by the Company; shall not bear interest against the Company; and shall be payable (when the restriction notice ceases to have effect) to the person who would but for the restriction notice have been entitled to them; and/or
  - (b) where an offer of the right to elect to receive shares of the Company instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by such Member in respect of such default shares shall not be effective; and/or

- 
- (c) no transfer of any of the shares held by such Member shall be recognised or registered by the Directors unless:-
- (i) the transfer is a permitted transfer; or
  - (ii) the Member is not himself in default as regards supplying the requisite information required under Bye-law 90.C and, when presented for registration, the transfer is accompanied by a certificate by the Member in a form satisfactory to the Directors to the effect that after due and careful enquiry the Member is satisfied that none of the shares the subject of the transfer are default shares.

Upon the giving of a restriction notice its terms shall apply accordingly.

- (7) The Company shall send a copy of the restriction notice to each other person appearing to be interested in the shares the subject of such notice, but the failure or omission by the Company to do so shall not invalidate such notice.
- (8) Any restriction notice shall have effect in accordance with its terms until not more than seven days after the Directors are satisfied that the default in respect of which the restriction notice was issued no longer continues but shall cease to have effect in relation to any shares which are transferred by such Member by means of a permitted transfer or in accordance with Bye-law 90.C(6)(c) above on receipt by the Company of notice that a transfer as aforesaid has been made. The Company may (at the absolute discretion of the Directors) at any time give notice to the Member cancelling, or suspending for a stated period the operation of, a restriction notice in whole or in part.
- (9) Where a restriction notice is served on a Depositary, and the Depositary fails, through no fault of its own, to comply for any reason with the restriction notice, the provisions of Bye-laws 90.C(5) to 90.C(8) will only be implemented by the Company in relation to those shares in the Company in respect of which there has been a failure, and will not be implemented in relation to any other shares in the Company held by the Depositary. The Depositary may transfer or agree to transfer the shares in respect of which there has been a failure, or any rights in them, to the beneficial holder or holders of such shares in the Company.
- (10) For the purposes of this Bye-law 90.C:



- 
- (a) a person shall be treated as appearing to be interested in any shares if the Member holding such shares has given to the Company a notification whether following service of a notice under Bye-law 90.C or otherwise which either:
- (i) names such person as being so interested; or
  - (ii) (after taking into account any such notification and any other relevant information in the possession of the Company) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares; and
- (b) a transfer of shares is a "**permitted transfer**" if but only if:
- (i) it is a transfer by way of, or in pursuance of, acceptance of a takeover offer for the Company meaning an offer to acquire all the shares, or all the shares of any class or classes, in the Company (other than shares which at the date of the offer are already held by the offeror), being an offer on terms which are the same in relation to all the shares to which the offer relates or, where those shares include shares of different classes, in relation to all the shares of each class; or
  - (ii) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the shares to a third party not connected with the transferring Member or with any other person appearing to the Directors to be interested in such shares; or
  - (iii) the transfer results from a sale made on or through the London Stock Exchange (which shall include the Alternative Investment Market) or any stock exchange outside the United Kingdom on which the Company's shares of the same class as the default shares are normally dealt in.

## 91. Takeover provisions

**91.1** A person must not (other than solely as custodian or depositary (or nominee thereof) under any arrangements implemented and/or approved by the Directors under Bye-law 12.7):

- (a) whether by himself, or with persons determined by the Board to be acting in concert with him, acquire after the date that this Bye-law shall come into effect (for purposes of this

Bye-law 91, the "**Effective Date**") shares of the Company which, taken together with shares held or acquired after the Effective Date by persons determined by the Board to be acting in concert with him, carry 30 per cent. or more of the voting rights attributable to the Common Shares; or

- (b) whilst he, together with persons determined by the Board to be acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights attributable to Common Shares of the Company, acquire after the Effective Date, whether by himself or with persons determined by the Board to be acting in concert with him, additional shares which, taken together with shares held by persons determined by the Board to be acting in concert with him, increases his voting rights attributable to Common Shares of the Company, (each of (a) and (b) for purposes of this Bye-law 91, a "**Limit**"), except as a result of a "**Permitted Acquisition**", as hereinafter defined; or
- (c) effect or purport to effect a "**Prohibited Acquisition**", as hereinafter defined.

**91.2** Where any person breaches any Limit, except as a result of a Permitted Acquisition, or becomes interested in any shares of the Company as a result of a Prohibited Acquisition that person is in breach of these Bye-laws.

**91.3** The Board may do all or any of the following where it has reason to believe that any Limit is or may be breached or any Prohibited Acquisition has been or may be effected:

- (a) require any Member or person appearing or purporting to be interested in any shares of the Company to provide such information as the Board considers appropriate to determine any of the matters under this Bye-law 91;
- (b) have regard to such public filings as it considers appropriate to determine any of the matters under this Bye-law 91;
- (c) make such determinations under this Bye-law 91 as it thinks fit, either after calling for submissions from affected Members or other persons or without calling for such submissions;

- 
- (d) determine that the voting rights attached to such number of shares held by such persons as the Board may determine to be held, or in which such persons are or may be interested, in breach of these Bye-laws (for purposes of this Bye-law 91, "**Excess Shares**") are from a particular time incapable of being exercised for a definite or indefinite period;
  - (e) determine that some or all of the Excess Shares must be sold;
  - (f) determine that some or all of the Excess Shares will not carry any right to any dividends or other distributions from a particular time for a definite or indefinite period; and
  - (g) take such other action as it thinks fit for the purposes of this Bye-law 91 including:
    - (i) prescribing rules (not inconsistent with this Bye-law 91);
    - (ii) setting deadlines for the provision of information;
    - (iii) drawing adverse inferences where information requested is not provided;
    - (iv) making determinations or interim determinations;
    - (v) executing documents on behalf of a Member;
    - (vi) converting any Excess Shares held in uncertificated form into certificated form, or vice-versa;
    - (vii) paying costs and expenses out of proceeds of sale; and
    - (viii) changing any decision or determination or rule previously made.

**91.4** (a) An acquisition is a "**Permitted Acquisition**" if:

- (i) the Board consents to the acquisition (even if, in the absence of such consent, the acquisition would be a Prohibited Acquisition), or
- (ii) the acquisition is made in circumstances in which the City Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the City Code, as if it so applied; or

- 
- (iii) if the acquisition arises from repayment of a stock borrowing arrangement (on arm's length commercial terms).
  - (b) An acquisition is a "**Prohibited Acquisition**" if:
    - (i) the Substantial Acquisition Rules (for so long as they form part of the City Code);  
or
    - (ii) Rules 4, 5, 6 or 8 of the City Code,  
would in whole or part apply to the acquisition if the Company was subject to the City Code and the acquisition was made (or, if not yet made, would if and when made be) in breach of or otherwise not comply with the Substantial Acquisition Rules (for so long as they form part of the City Code) or Rules 4, 5, 6 or 8 of the City Code.
- 91.5** The Board has full authority to determine the application of this Bye-law 91, including as to the deemed application of the whole or any part of the City Code. Such authority shall include all discretion vested in the Panel as if the whole or any part of the City Code applied including, without limitation, the determination of conditions and consents, the consideration to be offered and any restrictions on the exercise of control. Any resolution or determination of, or decision or exercise of any discretion or power by, the Board or any Director or by the chairman of any meeting acting in good faith under or pursuant to the provisions of this Bye-law 91 shall be final and conclusive; and anything done by, or on behalf of, or on the authority of, the Board or any Director acting in good faith pursuant to the provisions of this Bye-law 91 shall be conclusive and binding on all persons concerned and shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Board shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with this Bye-law 91.
- 91.6** Any one or more of the Directors may act as the attorney(s) of any Member in relation to the execution of documents and other actions to be taken for the sale of Excess Shares determined by the Board under this Bye-law 91.
- 91.7** This Bye-law 91 shall only have effect during such times as the City Code does not apply to the Company.

**Appendix 2 – Lancashire Holdings Limited – proposed amended rules of the Company’s Restricted Share Scheme**

# LANCASHIRE HOLDINGS LIMITED

---

## LANCASHIRE HOLDINGS LIMITED RESTRICTED SHARE SCHEME

---

Approved by shareholders of the Company on 4<sup>th</sup> January 2008

Adopted by the board of the Company on 14<sup>th</sup> February 2008

Amended by the Remuneration Committee of the Board on 5<sup>th</sup> November 2010 (subject to shareholder approval)

The Scheme is a discretionary benefit offered by the Lancashire Holdings Group for the benefit of its employees. Its main purpose is to increase the interest of the employees in Lancashire Holdings' long term business goals and performance through share ownership. The Scheme is an incentive for the employees' future performance and commitment to the goals of the Lancashire Holdings Group.

Shares purchased or received under the Scheme, any cash received under the Scheme and any gains obtained under the Scheme are **not** part of salary for any purpose (except to any extent required by statute).

The Scheme was offered for the first time in 2008 and the Committee (as defined in the detailed rules of the Scheme) has the right to decide, in the Committee's sole discretion, whether or not further awards shall be granted in the future and to which employees those awards shall be granted.

The detailed rules of the Scheme are set out overleaf.



## CONTENTS

<b>Rule</b>	<b>Page</b>
1. <b>DEFINITIONS AND INTERPRETATION</b> .....	<b>1</b>
2. <b>ELIGIBILITY</b> .....	<b>3</b>
3. <b>GRANT OF AWARDS</b> .....	<b>4</b>
4. <b>LIMITS</b> .....	<b>6</b>
5. <b>VESTING OF AWARDS</b> .....	<b>7</b>
6. <b>CONSEQUENCES OF VESTING</b> .....	<b>9</b>
7. <b>EXERCISE OF OPTIONS</b> .....	<b>10</b>
8. <b>CASH ALTERNATIVE</b> .....	<b>11</b>
9. <b>LAPSE OF AWARDS</b> .....	<b>13</b>
10. <b>LEAVERS</b> .....	<b>13</b>
11. <b>TAKEOVERS AND OTHER CORPORATE EVENTS</b> .....	<b>15</b>
12. <b>ADJUSTMENT OF AWARDS</b> .....	<b>17</b>
13. <b>ALTERATIONS</b> .....	<b>18</b>
14. <b>MISCELLANEOUS</b> .....	<b>19</b>
<b>APPENDIX: GRANT OF A FORFEITABLE SHARES AWARD</b> .....	<b>21</b>
<b>SCHEDULE: CASH CONDITIONAL AWARDS</b> .....	<b>22</b>

## 1. DEFINITIONS AND INTERPRETATION

1.1 In the Scheme, unless the context otherwise requires:

"**AIM**" means the Alternative Investment Market of the London Stock Exchange;

"**Award**" means a Conditional Award, a Forfeitable Shares Award or an Option (and references in the Rules to "Award" are to all Tranches comprised in that Award unless stated to the contrary or the context requires otherwise);

"**Board**" means the board of directors of the Company or a duly authorised committee of the Board or a duly authorised person;

"**CEO**" means the Chief Executive Officer of the Company from time to time;

"**Committee**" means:

- (i) the remuneration committee of the Board or a committee or person duly authorised by that remuneration committee and, on and after the occurrence of a corporate event described in Rule 11 (*Takeovers and other corporate events*), the remuneration committee of the Board shall be such remuneration committee as constituted immediately before such event occurs; or
- (ii) in relation to Participants and prospective Participants who are not executive officers and senior management, the CEO (other than for the purposes of Rule 4.5(i) or where the CEO delegates such authority to the remuneration committee referred to in (i) above);

"**Company**" means Lancashire Holdings Limited (incorporated in Bermuda with registered number EC37415);

"**Conditional Award**" means a conditional right to acquire Shares granted under the Scheme;

"**Control**" means in relation to a company, the power of a person or other legal entity to secure;

- (a) by means of the holding of shares or the possession of voting rights in or relating to that or any other company; or
- (b) by virtue of any powers conferred by the by-laws, articles of association or other document regulating that or any other company

that the affairs of the first mentioned company are conducted in accordance with the wishes of that person or other legal entity (and "Controlled" shall be construed accordingly);

"**Date of Admission**" means the date on which Shares were admitted to trading on AIM being 16 December 2005;

"**Demerger**" means a form of restructure in which shareholders in the parent or ultimate holding company gain direct ownership in a subsidiary.

"**Dividend Equivalent**" means a benefit calculated by reference to dividends paid on Shares as described in Rule 3.5;



**"Early Vesting Date"** means either:

- (c) the date of cessation of employment of a Participant in the circumstances referred to in Rule 10.1 (*Good leavers*); or
- (d) a date of notification referred to in Rule 11.1 (*General offers*), the date of the relevant event in Rule 11.2 (*Schemes of arrangement and winding up*) or the date of Vesting referred to in Rule 11.3 (*Demergers and similar events*);

**"Exercise Period"** means the period referred to in Rule 6.2 during which an Option (or any Tranche thereof, as applicable) may be exercised;

**"Forfeitable Shares"** means Shares comprised in a Forfeitable Shares Award which are subject to certain restrictions and forfeiture under the Scheme;

**"Forfeitable Shares Award"** means the transfer of the beneficial interest in Forfeitable Shares to a Participant and the subsequent holding of that interest in accordance with the Scheme;

**"Grant Date"** means the date on which an Award is granted;

**"Group Member"** means:

- (a) a Participating Company or a body corporate which is the Company's holding company (within the meaning of section 86(2) of the Bermuda Companies Act 1981) or a Subsidiary of the Company's holding company;
- (b) a body corporate which is a subsidiary company (within the meaning of section 86 of Bermuda Companies Act 1981) of a body corporate within paragraph (a) above and has been designated by the Board for this purpose; and
- (c) any other body corporate in relation to which a body corporate within paragraph (a) or (b) above is able (whether directly or indirectly) to exercise 20% or more of its equity voting rights and has been designated by the Board for this purpose;

**"ITEPA"** means the Income Tax (Earnings and Pensions) Act 2003 of the United Kingdom;

**"Listing Rules"** means the Listing Rules published by the United Kingdom Listing Authority from time to time;

**"London Stock Exchange"** means London Stock Exchange plc or any successor to that company;

**"Model Code"** means the Model Code on Directors' Dealings in Securities as set out in appendix to Chapter 9 of the Listing Rules (as amended from time to time);

**"Normal Vesting Date"** means the date on which an Award (or any Tranche thereof) vests under Rule 5.1 (*Timing of Vesting: Normal Vesting Date*);

**"Option"** means a right to acquire Shares granted under the Scheme which is designated as an option by the Committee under Rule 3.2 (*Type of Award*);

**"Option Price"** means the amount, if any, payable on the exercise of an Option;

**"Participant"** means a person who holds an Award including his personal representatives;

**"Participating Company"** means the Company or any Subsidiary of the Company;

"**Performance Condition**" means a condition, if any, related to performance which is specified by the Committee under Rule 3.1 (*Terms of grant*);

"**Rule**" means a rule of the Scheme;

"**Scheme**" means the Lancashire Holdings Limited Restricted Share Scheme as amended from time to time;

"**Shares**" means fully paid Common Shares in the capital of the Company;

"**Subsidiary**" means a body corporate which is for the time being Controlled by the Company;

"**Tax Liability**" means any amount of tax or social security contributions for which a Participant would or may be liable and for which any Group Member or former Group Member would or may be obliged to (or would or may suffer a disadvantage if it were not to) account to any relevant authority;

"**Tranche**" means a percentage of the total number of Shares subject to an Award as determined by the Committee on or before the Grant Date and "**Tranches**" shall be construed accordingly. References in the Rules to "**Award**" are to all Tranches comprised in that Award unless stated to the contrary or the context requires otherwise;

"**Vest**" means:

- (a) in relation to a Conditional Award (or a Tranche thereof), a Participant becoming entitled to have the relevant Shares transferred to him (or his nominee) subject to the Rules;
- (b) in relation to an Option (or a Tranche thereof), it becoming exercisable;
- (c) in relation to a relevant Forfeitable Shares Award (or a Tranche thereof), the restrictions imposed on the relevant Forfeitable Shares under the Scheme ceasing to apply

and **Vesting** shall be construed accordingly;

"**Vested Shares**" means those Shares in respect of which an Award (or a Tranche thereof, as applicable) Vests.

1.2 Any reference in the Scheme to any enactment includes a reference to that enactment as from time to time modified, extended or re-enacted.

1.3 Expressions in italics and headings are for guidance only and do not form part of the Scheme.

## 2. **ELIGIBILITY**

An individual is eligible to be granted an Award only if he is an employee (including an executive director and, if approved by the Board, the Chairman) of a Participating Company.

### 3. GRANT OF AWARDS

#### 3.1 Terms of grant

Subject to Rule 3.7 (*Timing of grant*), Rule 3.8 (*Approvals and consents*) and Rule 4 (*Limits*), the Committee may resolve to grant an Award on:

- (a) the terms set out in the Scheme; and
- (b) such additional terms (whether a Performance Condition and/or any other terms) as the Committee may specify

to any person who is eligible to be granted an Award under Rule 2 (*Eligibility*).

#### 3.2 Type of Award

- (a) Subject to Rule 3.2 (b) below, on or before the Grant Date, the Committee shall determine whether an Award shall be a Conditional Award, an Option or a Forfeitable Shares Award. If the Committee does not specify the type of an Award on or before the Grant Date then an Award shall be a Conditional Award.
- (b) Following the grant of a Conditional Award, the Committee may determine by resolution that that Conditional Award shall be restructured as an Option with a nil or nominal exercise price.

#### 3.3 Tranches of an Award

On or before the Grant Date, the Committee shall determine whether or not the Award shall be comprised of Tranches and, if so, what percentage of the total number of Shares in respect of which the Award is to be granted shall be comprised in each Tranche.

#### 3.4 Method of grant

An Award shall be granted as follows:

- (a) a Conditional Award or an Option shall be granted by deed executed by the Company;
- (b) if an Award is an Option, the Committee shall determine the Option Price (if any) on or before the Grant Date provided that the Committee may reduce or waive such Option Price on or prior to the exercise of the Option;
- (c) a Forfeitable Shares Award shall be granted by the procedure set out in the appendix to the Scheme.

#### 3.5 Treatment of dividends

The Committee may decide on or before the grant of an Award that either:-

- (a) a Participant (or his nominee) shall be entitled to receive a benefit determined by reference to the value of the dividends that would have been paid on the Vested Shares in respect of dividend record dates occurring during the period between the Grant Date and the date of Vesting or the date of exercise in the case of Options unless the Committee determines otherwise. The Committee shall decide the basis on which the value of such dividends shall be calculated which may assume the reinvestment of dividends. The Committee may also decide at this time whether the Dividend Equivalent shall be provided to the Participant in the form of cash and/or Shares. The Dividend Equivalent shall be provided in accordance with Rule 6.4; or

- (b) it shall grant an Award on terms where the number of Shares comprised in an Award shall increase by deeming dividends that would have been paid on such Shares in respect of dividend record dates occurring within the period between the Grant Date and the date of Vesting or the date of exercise in the case of Options unless the Committee determines otherwise to have been reinvested in additional Shares on such terms (as to the inclusion or exclusion of any dividend tax credit, the price at which any such additional Shares shall be deemed to have been purchased or otherwise) as the Committee shall decide.

This Rule shall not apply in the case of a Forfeitable Shares Award under which a Participant is entitled to receive dividends.

### 3.6 **Method of satisfying Awards**

Unless specified to the contrary by the Committee on the Grant Date, an Award may be satisfied:

- (a) by the issue of new Shares; and/or
- (b) by the transfer of treasury Shares; and/or
- (c) by the transfer of Shares (other than the transfer of treasury Shares).

The Committee may decide to change the way in which it is intended that an Award granted as a Conditional Award or an Option may be satisfied after it has been granted, having regard to the provisions of Rule 4 (*Limits*).

### 3.7 **Timing of grant**

Subject to Rule 3.8 (*Approvals and consents*), an Award may be granted at any time save that an Award may not be granted after 3rd January 2018 (that is, the expiry of the period of 10 years after the date of adoption of the predecessor Scheme by the shareholders of the Company).

### 3.8 **Approvals and consents**

The grant of any Award shall be subject to obtaining any approval or consent required under the Listing Rules, the Model Code and any relevant share dealing code of the Company, the City Code on Takeovers and Mergers, or any other UK or overseas regulation or enactment.

### 3.9 **Non-transferability and bankruptcy**

An Award granted to any person:

- (a) shall not be transferred, assigned, charged or otherwise disposed of (except on his death to his personal representatives) and shall lapse immediately on any attempt to do so; and
- (b) shall lapse immediately if he is declared bankrupt.

#### 4. **LIMITS**

##### 4.1 **10 per cent. in 10 years limit**

An Award shall not be granted in any calendar year if, at the time of its proposed Grant Date, it would cause the number of Shares allocated (as defined in Rule 4.2) on or after the Date of Admission and in the period of 10 calendar years ending with that calendar year under the Scheme and under any other employee share plan adopted by the Company to exceed such number as represents 10 per cent. of the common share capital of the Company in issue at that time.

##### 4.2 **Meaning of "allocated"**

For the purposes of Rules 4.1:

- (a) Shares are allocated:
  - (i) when an option, award or other contractual right to acquire unissued Shares or treasury Shares is granted;
  - (ii) where Shares are issued or treasury Shares are transferred otherwise than pursuant to an option, award or other contractual right to acquire Shares, when those Shares are issued or treasury Shares transferred;
- (b) any Shares which have been issued or which may be issued (or any Shares transferred out of treasury or which may be transferred out of treasury) to any trustees to satisfy the exercise of any option, award or other contractual right granted under any employee share plan shall count as allocated unless they are already treated as allocated under this Rule;
- (c) for the avoidance of doubt, existing Shares other than treasury Shares that are transferred or over which options, awards or other contractual rights are granted shall not count as allocated; and
- (d) for the avoidance of doubt, Common Shares issued under the Company's management ordinary warrants and management performance warrants, which were described in the Company's Prospectus prepared in connection with its admission to the Official List of the United Kingdom Listing Authority and to trading on the London Stock Exchange's main market for listed securities, shall not count towards this limit.

##### 4.3 **Post-grant events affecting numbers of "allocated" Shares**

For the purposes of Rule 4.2:

- (a) where:
  - (i) any option, award or other contractual right to acquire unissued Shares or treasury Shares is released or lapses (whether in whole or in part); or
  - (ii) after the grant of an option, award or other contractual right the Committee determines that:
    - (aa) it shall be satisfied by the payment of cash equal to the gain made on its vesting or exercise; or

- (bb) it shall be satisfied by the transfer of existing Shares (other than Shares transferred out of treasury)

the unissued Shares or treasury Shares which consequently cease to be subject to the option, award or other contractual right shall not count as allocated; and

- (b) the number of Shares allocated in respect of an option, award or other contractual right shall be such number as the Board shall reasonably determine from time to time.

#### 4.4 **Changes to investor guidelines**

Treasury Shares shall cease to count as allocated Shares for the purposes of Rule 4.2 if institutional investor guidelines cease to require such Shares to be so counted.

#### 4.5 **Individual limit**

- (i) The maximum total market value of Shares over which Awards may be granted to any employee during any financial year of the Company may be determined by the Committee from time to time.
- (ii) Subject to the maximum determined under Rule 4.5(i) above, the CEO may determine the maximum total market value of Shares over which Awards may be granted, during any financial year of the Company, to any employee who is not an executive officer or other member of senior management.

#### 4.6 **Effect of limits**

Any Award shall be limited and take effect so that the limits in this Rule 4 are complied with.

#### 4.7 **Restriction on use of unissued Shares and treasury Shares**

No Shares may be issued or treasury Shares transferred to satisfy the Vesting of any Conditional Award or the exercise of any Option to the extent that such issue or transfer would cause the number of Shares allocated (as defined in Rule 4.2 and adjusted under Rule 4.3) to exceed the limit in Rule 4.1 (*10 per cent. in 10 years limit*) except where there is a variation of share capital of the Company which results in the number of Shares so allocated exceeding such limits solely by virtue of that variation.

### 5. **VESTING OF AWARDS**

#### 5.1 **Timing of Vesting: Normal Vesting Date**

Subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*), an Award, or, if applicable, a Tranche thereof, shall Vest on the later of:

- (a) the date on which the Committee determines whether or not any Performance Condition and any other condition imposed on the Vesting of the Award or Tranche thereof (as applicable) has been satisfied (in whole or part); and
- (b) the date specified by the Committee on or before the Grant Date

except where earlier Vesting occurs on an Early Vesting Date under Rule 10 (*Leavers*) or Rule 11 (*Takeovers and other corporate events*).

For the avoidance of doubt, when an Award is comprised of Tranches, each Tranche may be subject to a different Normal Vesting Date, if so determined by the Committee on or before the Grant Date.

## 5.2 **Extent of Vesting**

An Award (or any Tranche thereof) shall only Vest to the extent:

- (a) that any Performance Condition is satisfied on the Normal Vesting Date or, if appropriate, the Early Vesting Date;
- (b) permitted by any other term imposed on the Vesting of the Award; and
- (c) in relation to Vesting before the Normal Vesting Date, as permitted by Rules 10.3 and 11.5 (*Reduction in number of Vested Shares*).

Where, under Rule 10 (*Leavers*) or Rule 11 (*Takeovers and other corporate events*), an Award (or Tranche thereof) would (subject to the satisfaction of any Performance Condition) Vest before the end of the full period over which performance would be measured under the Performance Condition then, unless provided to the contrary by the Performance Condition, the extent to which the Performance Condition has been satisfied in such circumstances shall be determined by the Committee on such reasonable basis as it decides.

## 5.3 **Restrictions on Vesting: regulatory and tax issues**

An Award (or any Tranche thereof) shall not Vest unless and until the following conditions are satisfied:

- (a) the Vesting of the Award (or Tranche thereof), and the issue or transfer of Shares after such Vesting, would be lawful in all relevant jurisdictions and in compliance with the Listing Rules, the Model Code, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;
- (b) if, on the Vesting of the Award (or Tranche thereof, as applicable) a Tax Liability would arise by virtue of such Vesting and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 5.5 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability;
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the Vesting of the Award (or Tranche thereof, as applicable); and
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

For the purposes of this Rule 5.3, references to Group Member include any former Group Member.

#### 5.4 **Tax liability before Vesting**

If a Participant will, or is likely to, incur any Tax Liability before the Vesting of an Award (or Tranche thereof, as applicable) then that Participant must enter into arrangements acceptable to any relevant Group Member to ensure that it receives the amount of such Tax Liability. If no such arrangement is made then the Participant shall be deemed to have authorised the Company to sell or procure the sale of sufficient of the Shares subject to his Award (or the relevant Tranche, as applicable) on his behalf to ensure that the relevant Group Member receives the amount required to discharge the Tax Liability and the number of Shares subject to his Award (or the relevant Tranche, as applicable) shall be reduced accordingly.

For the purposes of this Rule 5.4, references to Group Member include any former Group Member.

#### 5.5 **Payment of Tax Liability**

The Participant authorises the Company to sell or procure the sale of sufficient Vested Shares on or following the Vesting of his Award (or Tranche thereof, as applicable) on his behalf to ensure that any relevant Group Member or former Group Member receives the amount required to discharge the Tax Liability which arises on Vesting except to the extent that the Board decides that all or part of the Tax Liability shall be funded in a different manner.

### 6. **CONSEQUENCES OF VESTING**

#### 6.1 **Conditional Awards**

On or as soon as reasonably practicable after the Vesting of a Conditional Award (or Tranche thereof, as applicable), the Board shall, subject to Rule 5.5 (*Payment of Tax Liability*) and any arrangement made under Rules 5.3(b) and 5.3(c) (*Restrictions on Vesting: regulatory and tax issues*), transfer or procure the transfer of the Vested Shares to the Participant (or a nominee for him).

#### 6.2 **Options**

An Option (or Tranche thereof, as applicable) shall, subject to Rule 7.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), be exercisable in respect of Vested Shares ~~up until~~:

- (a) subject to Rule 6.2(b) below, up to and including the tenth anniversary of the Grant Date; or
- (b) during such shorter period beginning with the Grant Date as the Committee may have determined before the grant of that Option

unless it lapses earlier under Rule 10.1 (*Good Leavers*), Rule 10.2 (*Cessation of employment in other circumstances*), Rule 11.1 (*General offers*), Rule 11.2 (*Schemes of arrangement and winding up*) or Rule 11.3 (*Demergers and similar events*).

#### 6.3 **Forfeitable Shares Award**

On the Vesting of a Forfeitable Shares Award (or any Tranche thereof, as applicable), the Vested Shares shall cease to be subject to the restrictions imposed on the relevant Forfeitable Shares under the Scheme and the Board shall, subject to Rule 5.5 (*Payment of Tax Liability*) and any arrangement made under Rules 5.3(b) and 5.3(c) (*Restrictions on Vesting: regulatory and tax issues*), transfer or procure the transfer of:



- (a) the legal title to the Vested Shares; and/or
- (b) any documents of title relating to the Vested Shares

to the Participant (or a nominee for him) on or as soon as reasonably practicable after Vesting.

#### 6.4 **Dividend equivalent**

If the Committee decided under Rule 3.5 (*Treatment of dividends*) that a Participant would be entitled to the Dividend Equivalent in relation to Shares under their Award but did not decide at that time whether the Dividend Equivalent would be provided in the form of cash and/or Shares, then the Committee shall make such decision on or as soon as practicable after Vesting.

The Committee, acting fairly and reasonably, may decide to exclude the value of all or part of a special dividend or any other dividend from the amount of the Dividend Equivalent.

The provision of the Dividend Equivalent to the Participant shall be made as soon as practicable after the issue or transfer of Vested Shares and:

- (a) in the case of a cash payment, shall be subject to such deductions (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable;
- (b) in the case of a provision of Shares, Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 5.5 (*Payment of Tax Liability*) shall apply as if such provision was the Vesting of an Award.

### 7. **EXERCISE OF OPTIONS**

#### 7.1 **Restrictions on the exercise of an Option: regulatory and tax issues**

An Option (or any Tranche thereof, as applicable) which has Vested may not be exercised unless the following conditions are satisfied:

- (a) the exercise of the Option (or any Tranche thereof, as applicable) and the issue or transfer of Shares after such exercise would be lawful in all relevant jurisdictions and in compliance with the Listing Rules (as applicable), the Model Code, any relevant share dealing code of the Company, the City Code on Takeovers and Mergers and any other relevant UK or overseas regulation or enactment;
- (b) if, on the exercise of the Option, (or any Tranche thereof, as applicable), a Tax Liability would arise by virtue of such exercise and the Board decides that such Tax Liability shall not be satisfied by the sale of Shares pursuant to Rule 7.4 (*Payment of Tax Liability*) then the Participant must have entered into arrangements acceptable to the Board that the relevant Group Member will receive the amount of such Tax Liability;
- (c) the Participant has entered into such arrangements as the Committee requires (and where permitted in the relevant jurisdiction) to satisfy a Group Member's liability to social security contributions in respect of the exercise of the Option (or the relevant Tranche thereof, if applicable); and
- (d) where the Committee requires, the Participant has entered into, or agreed to enter into, a valid election under Part 7 of ITEPA (*Employment income: elections to disapply tax charge on restricted securities*) or any similar arrangement in any overseas jurisdiction.

For the purposes of this Rule 7.1, references to Group Member include any former Group Member.

## 7.2 **Exercise in whole or part**

An Option (or, if applicable, a Tranche thereof) may be exercised in full ([unless the Committee determines otherwise](#)) or in multiples of [100] Shares unless it is being exercised to the full extent outstanding.

## 7.3 **Method of exercise**

The exercise of any Option (or, if applicable, a Tranche thereof) shall be effected in the form and manner prescribed by the Board. Unless the Board, acting fairly and reasonably determines otherwise, any notice of exercise shall, subject to Rule 7.1 (*Restrictions on the exercise of an Option: regulatory and tax issues*), take effect only when the Company receives it, together with payment of any relevant Option Price (or, if the Board so permits, an undertaking to pay that amount).

## 7.4 **Payment of Tax Liability**

The Participant authorises the Company to sell or procure the sale of sufficient Vested Shares on or following exercise of his Option (or any Tranche thereof, if applicable) on his behalf to ensure that any relevant Group Member receives the amount required to discharge the Tax Liability which arises on such exercise except to the extent that he agrees to fund all or part of the Tax Liability in a different manner.

## 7.5 **Transfer or allotment timetable**

As soon as reasonably practicable after an Option (or any Tranche thereof, if applicable) has been exercised, the Company shall, subject to Rule 7.4 (*Payment of Tax Liability*) and any arrangement made under Rules 7.1(b) and 7.1(c) (*Restrictions on exercise: regulatory and tax issues*), transfer or procure the transfer to him (or a nominee for him) or, if appropriate, allot to him (or a nominee for him) the number of Shares in respect of which the Option (or, if applicable, the relevant Tranche) has been exercised.

## 8. **CASH ALTERNATIVE**

### 8.1 **Committee determination**

Where a Conditional Award (or any Tranche thereof) Vests or where an Option has been exercised to any extent and Vested Shares have not yet been allotted or transferred to the Participant (or his nominee), the Committee may determine that, in substitution for his right to acquire such number of Vested Shares as the Committee may decide (but in full and final satisfaction of his right to acquire those Shares), he shall be paid by way of additional employment income a sum equal to the cash equivalent (as defined in Rule 8.3) of that number of Shares in accordance with the following provisions of this Rule 8.

### 8.2 **Limitation on the use of this Rule**

Rule 8.1 shall not apply in relation to an Award made to a Participant in any jurisdiction where the presence of Rule 8.1 would cause:

- (a) the grant of the Award to be unlawful or for it to fall outside any applicable securities law exclusion or exemption; or

- (b) adverse tax or social security contribution consequences for the Participant or any Group Member as determined by the Board

provided that this Rule 8.2 shall only apply if its application would prevent the occurrence of a consequence referred to in (a) or (b) above.

### 8.3 **Cash equivalent**

For the purpose of this Rule 8, the cash equivalent of a Share is:

- (a) in the case of a Conditional Award (or, if applicable, a Tranche thereof), the market value of a Share on the day when the Award (or relevant Tranche thereof) Vests;
- (b) in the case of an Option (or, if applicable, a Tranche thereof), the market value of a Share on the day when the Option (or relevant Tranche thereof) is exercised reduced by the Option Price in respect of that Share.

Market value on any day shall be determined as follows:

- (a) if on the day of Vesting or exercise, Shares are quoted on the London Stock Exchange Daily Official List, the middle-market quotation of a Share, as derived from that List, on that day; or
- (b) if Shares are not so quoted, such value of a Share as the Committee reasonably determines.

### 8.4 **Payment of cash equivalent**

Subject to Rule 8.5 (*Share alternative*), as soon as reasonably practicable after the Committee has determined under Rule 8.1 that a Participant shall be paid a sum in substitution for his right to acquire any number of Vested Shares:

- (a) the Company shall pay to him or procure the payment to him of that sum in cash; and
- (b) if he has already paid the Company for those Shares, the Company shall return to him the amount so paid by him.

### 8.5 **Share alternative**

If the Committee so decides, the whole or any part of the sum payable under Rule 8.4 shall, instead of being paid to the Participant in cash, be applied on his behalf:

- (a) in subscribing for Shares at a price equal to the market value by reference to which the cash equivalent is calculated; or
- (b) in purchasing such Shares; or
- (c) partly in one way and partly in the other

and the Company shall allot or transfer to him (or his nominee) or procure the transfer to him (or his nominee) of the Shares so subscribed for or purchased.

### 8.6 **Deductions**

There shall be deducted from any payment under this Rule 8 such amounts (on account of tax or similar liabilities) as may be required by law or as the Board may reasonably consider to be necessary or desirable.

## 9. LAPSE OF AWARDS

### 9.1 General

An Award (or, if applicable, a Tranche thereof) shall lapse:

- (a) in accordance with the Rules; or
- (b) to the extent it does not Vest under these Rules.

On the lapse of all or any part of a Forfeitable Shares Award, the beneficial interest (and, if appropriate, the legal interest) of the Forfeitable Shares in respect of which such Award has lapsed shall be transferred for no (or nominal) consideration to any person specified by the Board.

### 9.2 Long-stop date for lapse

An Option (or Tranche thereof, as applicable) shall lapse at the end of the Exercise Period to the extent that it remains unexercised.

## 10. LEAVERS

### 10.1 Good leavers

If a Participant ceases to be a director or employee of a Group Member by reason of:

- (a) death;
- (b) retirement with the agreement of the Committee;
- (c) injury or disability evidenced to the satisfaction of the Committee;
- (d) redundancy (within the meaning of the Employment Rights Act 1996) or any overseas equivalent;
- (e) his office or employment being with either a company which ceases to be a Group Member or relating to a business or part of a business which is transferred to a person who is not a Group Member; or
- (f) for any other reason, if the Committee so decides

then

- (i) any Option (or any Tranche thereof, as applicable) granted to him that has already Vested and remains outstanding at the time of cessation shall, subject to Rule 7.1 (*Restrictions on exercise*), Rule 9.2 (*Long stop date for lapse*) and Rule 10.6 (*Curtailed exercise period for leavers*), continue to be capable of exercise for a period of 12 months after the date of cessation and to the extent not exercised shall lapse at the end of that period; and
- (ii) any other Award granted to him shall, subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 10.6 (*Curtailed exercise period for leavers*), Vest on the Normal Vesting Date (or Normal Vesting Dates where the Award is comprised of Tranches) and Rule 10.3 (*Leavers: reduction in number of Vested Shares*) shall apply; unless

- (iii) the Committee decides that, subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*), his Award (including all Tranches thereof) shall Vest on the date of cessation and Rule 10.3 (*Leavers: reduction in number of Vested Shares*) shall apply.

Where an Option (or Tranche thereof, if applicable) Vests under Rule 10.1(ii) or (iii) that Option (or Tranche thereof, if applicable) may, subject to Rule 7.1 (*Restrictions on exercise*), Rule 9.2 (*Long stop date for lapse*) and Rule 10.6 (*Curtailment of exercise period for leavers*), be exercised during the period of 12 months commencing on the date of Vesting and to the extent not exercised within that period shall lapse upon the expiry of the 12 month period.

## 10.2 Cessation of employment in other circumstances

If a Participant ceases to be a director or employee of a Group Member for any reason other than those specified in Rule 10.1 (*Good leavers*) then any Award held by him shall lapse in full immediately on such cessation.

## 10.3 Leavers: reduction in number of Vested Shares

Where an Award (or any Tranche thereof), Vests on or after a Participant ceasing to be a director or employee of a Group Member, the Committee shall determine the number of Vested Shares of that Award (or Tranche) by the following steps:

- (a) applying any Performance Condition and any other condition imposed on the Vesting of the Award (or, if applicable, the relevant Tranche thereof); and
- (b) applying a pro rata reduction to the number of Shares determined under 10.3(a) (for each Tranche (if relevant)) based on the period of time after the Grant Date and ending on the date of cessation relative to the period specified by the Committee under Rule 5.1(b) in respect of that Award or, if applicable, the relevant Tranche thereof

unless the Committee, acting fairly and reasonably, decides that the reduction in the number of Vested Shares under Rule 10.3(b) for the Award as a whole or for one or more Tranches thereof is inappropriate in any particular case when it shall increase the number of Vested Shares of the Award or the relevant Tranche(s), as applicable, to such higher number as it decides provided that number does not exceed the number of Shares determined under Rule 10.3(a) for the Award (or relevant Tranche, if applicable).

If an Award Vests under any of Rules 11.1 to 11.3 when the holder of that Award has ceased to be a director or employee of a Group Member then this Rule 10.3 shall take precedence over Rule 11.5.

## 10.4 Meaning of ceasing employment

A Participant shall not be treated for the purposes of this Rule 10 as ceasing to be a director or employee of a Group Member until such time as he is no longer a director or employee of any Group Member. If any Participant ceases to be such a director or employee before the Vesting of his Award in circumstances where he retains a statutory right to return to work then he shall be treated as not having ceased to be such a director or employee until such time (if at all) as he ceases to have such a right to return to work while not acting as an employee or director.

The reason for the termination of office or employment of a Participant shall be determined by reference to Rules 10.1 and 10.2 regardless of whether such termination was lawful or unlawful.

## 10.5 Death following cessation of employment

If a Participant dies following cessation of employment in circumstances where his Award did not lapse but it has not Vested by the time of his death, it shall Vest immediately on his death to the extent determined by reference to the time of cessation in accordance with Rule 10.1(iii).

An Award in the form of an Option that Vests under this Rule may, subject to Rule 7.1 (Restrictions on exercise) and Rule 11 (Takeovers and other corporate events), be exercised in respect of the Vested Shares within the period of 12 months commencing on the date of Vesting (or, if shorter, until the expiry of the Exercise Period) and, to the extent that the Option is not exercised, it shall lapse at the end of that period

## 10.6 Curtailment of exercise period for leavers

In the case of Options, the exercise periods in Rule 10.1 (*Good Leavers*) shall be shortened if Rule 11.1 (*General Offers*), Rule 11.2 (*Schemes of arrangement and winding-up*) or Rule 11.3 (*Demerger and similar events*) applies.

## 11. TAKEOVERS AND OTHER CORPORATE EVENTS

### 11.1 General offers

If any person (or group of persons acting in concert):

- (a) obtains Control of the Company as a result of making a general offer to acquire Shares; or
- (b) having obtained Control of the Company makes such an offer and such offer becomes unconditional in all respects

the Board shall within 7 days of becoming aware of that event notify every Participant of it and, subject to Rule 11.4 (*Internal reorganisations*), the following provisions shall apply:

- (i) subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*), all Awards shall Vest on the date of such notification if they have not then Vested and Rule 11.5 (*Corporate events: reduction in number of Vested Shares*) shall apply; and
- (ii) any Option may, subject to Rule 7.1 (*Restrictions on exercise*) and Rule 9.2 (*Long-stop date for lapse*), be exercised within one month of the date of such notification, but to the extent that an Option is not exercised within that period, that Option shall (regardless of any other provision of the Scheme) lapse at the end of that period.

### 11.2 Schemes of arrangement and winding up

In the event that:

- (a) a compromise or arrangement is sanctioned by the Court under section 425 of the Companies Act 1985 or Sections 99 to 101 of the Companies Act 1981 in connection with or for the purposes of a change in Control of the Company or an amalgamation agreement pursuant to Sections 104 to 109 of the Companies Act 1981 becomes unconditional; or
- (b) the Company passes a resolution for a voluntary winding up of the Company; or
- (c) an order is made for the compulsory winding up of the Company

all Awards shall, subject to Rule 5.3 (*Restrictions on Vesting: regulatory and tax issues*) and Rule 11.4 (*Internal reorganisations*), Vest on the date of such event if they have not then Vested and Rule 11.5 (*Corporate events: reduction in number of Vested Shares*) shall apply.

If an event as described in this Rule occurs then an Option may, subject to Rule 7.1 (*Restrictions on exercise*), Rule 9.2 (*Long-stop date for lapse*) and Rule 11.4 (*Internal reorganisations*), be exercised within one month of such event, but to the extent that the Option is not exercised within that period, it shall (regardless of any other provision of the Scheme) lapse at the end of that period.

### 11.3 Demergers and similar events

If a Demerger, special dividend or other similar event (the “**Relevant Event**”) is proposed which, in the opinion of the Committee, would affect the market price of Shares to a material extent, then the Committee may, at its discretion, decide that the following provisions shall apply:

- (a) the Committee shall, as soon as reasonably practicable after deciding to apply these provisions, notify a Participant that, subject to earlier lapse under Rule 10 (*Leavers*) subject to -and Rule 9.2 (*Long-stop date for lapse*), his Award Vests if it has not already Vested -and, if relevant, his Option may be exercised on such terms as the Committee may determine and during such period preceding the Relevant Event or on the Relevant Event as the Committee may determine;
- (b) if an Award Vests, or an Option is exercised, conditional upon the Relevant Event and such event does not occur then the conditional Vesting or exercise shall not be effective and the Award shall continue to subsist; and
- (c) if the Committee decides that an Award Vests under this Rule 11.3 then the date of that Vesting shall be the Early Vesting Date and the provisions of Rule 11.5 (*Corporate events: reduction in number of Vested Shares*) shall apply.

### 11.4 Internal reorganisations

In the event that:

- (a) a company (the “**Acquiring Company**”) is expected to obtain Control of the Company as a result of an offer referred to in Rule 11.1 (*General offers*) or a compromise or arrangement or amalgamation agreement referred to in Rule 11.2 (a) (*Schemes of arrangement and winding up*); and
- (b) at least 75% of the shares in the Acquiring Company are expected to be held by substantially the same persons who immediately before the obtaining of Control of the Company were shareholders in the Company

then the Committee, with the consent of the Acquiring Company, may decide before the obtaining of such Control that an Award shall not Vest under Rule 11.1 or Rule 11.2 but shall be automatically surrendered in consideration for the grant of a new award which the Committee determines is equivalent to the Award it replaces except that it will be over shares in the Acquiring Company or some other company.

The Rules will apply to any new award granted under this Rule 11.4 as if references to Shares were references to shares over which the new award is granted and references to the Company were references to the company whose shares are subject to the new award.

## 11.5 Corporate events: reduction in number of Vested Shares

If an Award Vests under any of Rules 11.1 to 11.3, the Committee shall determine the number of Vested Shares of that Award by the following steps:

- (a) applying any Performance Condition and any other condition imposed on the Vesting of the Award or any Tranche thereof; and
- (b) subject to Rule 10.3 (*Leavers: reduction in number of Vested Shares*), by applying a pro rata reduction to the number of Shares determined under Rule 11.5(a) (for each Tranche (if relevant)) based on the period of time after the Grant Date and ending on the Early Vesting Date relative to the period specified by the Committee under Rule 5.1(b) in respect of that Award or, if applicable, the relevant Tranche(s) thereof

unless the Committee, acting fairly and reasonably, decides that the reduction in the number of Vested Shares under Rule 11.5(b) for the Award as a whole or for one or more Tranches thereof is inappropriate in any particular case when it shall increase the number of Vested Shares of the Award or the relevant Tranche(s) thereof, as applicable, to such higher number as it decides provided that number does not exceed the number of Shares determined under Rule 11.5(a) for the Award (or relevant Tranche thereof, if applicable).

If an Award Vests under any of Rules 11.1 to 11.3 after the holder of that Award has ceased to be a director or employee of a Group Member then Rule 10.3 shall take precedence over this Rule 11.5.

## 12. ADJUSTMENT OF AWARDS

### 12.1 General rule

In the event of:

- (a) any variation of the share capital of the Company; or
- (b) a Demerger, special dividend or other similar event which affects the market price of Shares to a material extent

the Committee may make such adjustments as it considers appropriate under Rule 12.2 (*Method of adjustment*).

### 12.2 Method of adjustment

An adjustment made under this Rule shall be to one or more of the following:

- (a) the number of Shares comprised in an Award (including any Tranche thereof);
- (b) subject to Rule 12.3 (*Adjustment below nominal value*), the Option Price; and
- (c) where any Award (or any Tranche thereof) has Vested or Option has been exercised but no Shares have been transferred or allotted after such Vesting or exercise, the number of Shares which may be so transferred or allotted and (if relevant) the price at which they may be acquired.

### 12.3 Adjustment below nominal value

An adjustment under Rule 12.2 may have the effect of reducing the price at which Shares may be subscribed for on the exercise of an Option to less than their nominal value, but only if and to the extent that the Board is authorised:



- (a) to capitalise from the reserves of the Company a sum equal to the amount by which the nominal value of the Shares in respect of which the Option is exercised and which are to be allotted after such exercise exceeds the price at which the Shares may be subscribed for; and
- (b) to apply that sum in paying up such amount on such Shares

so that on exercise of any Option in respect of which such a reduction shall have been made the Board shall capitalise that sum (if any) and apply it in paying up that amount.

## 13. ALTERATIONS

### 13.1 General rule on alterations

Except as described in Rule 13.2 (*Shareholder approval*) and Rule 13.4 (*Alterations to disadvantage of Participants*) the Committee may at any time alter the Scheme or the terms of any Award.

### 13.2 Shareholder approval

Except as described in Rule 13.3 (*Exceptions to shareholder approval*), no alteration to the advantage of an individual to whom an Award has been or may be granted shall be made under Rule 13.1 to the provisions concerning:

- (a) eligibility;
- (b) the individual limits on participation;
- (c) the overall limits on the issue of Shares or the transfer of treasury Shares;
- (d) the basis for determining a Participant's entitlement to, and the terms of, Shares or cash provided under the Scheme;
- (e) the adjustments that may be made in the event of any variation of capital; and
- (f) the terms of this Rule 13.2

without the prior approval by ordinary resolution of the members of the Company in general meeting.

### 13.3 Exceptions to shareholder approval

Rule 13.2 (*Shareholder approval*) shall not apply to:

- (a) any minor alteration to benefit the administration of the Scheme, to take account of a change in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for Participants or any Group Member; or
- (b) any alteration relating to any Performance Condition made under Rule 13.5.

### 13.4 Alterations to disadvantage of Participants

No alteration to the material disadvantage of Participants (other than a change to any Performance Condition) shall be made under Rule 13.1 unless:

- (a) the Board shall have invited every relevant Participant to indicate whether or not he approves the alteration; and

- (b) the alteration is approved by a majority of those Participants who have given such an indication.

### 13.5 **Alterations to a Performance Condition**

The Committee may amend any Performance Condition without prior shareholder approval if:

- (a) an event has occurred which causes the Committee reasonably to consider that it would be appropriate to amend the Performance Condition;
- (b) the altered Performance Condition will, in the reasonable opinion of the Committee, be not materially less difficult to satisfy than the unaltered Performance Condition would have been but for the event in question; and
- (c) the Committee shall act fairly and reasonably in making the alteration.

## 14. **MISCELLANEOUS**

### 14.1 **Employment**

The rights and obligations of any individual under the terms of his office or employment with any Group Member shall not be affected by his participation in the Scheme or any right which he may have to participate in it. An individual who participates in the Scheme waives any and all rights to compensation or damages in consequence of the termination of his office or employment for any reason whatsoever insofar as those rights arise or may arise from him ceasing to have rights under an Award (including any Tranche thereof) as a result of such termination. Participation in the Scheme shall not confer a right to continued employment upon any individual who participates in it. The grant of any Award does not imply that any further Award will be granted nor that a Participant has any right to receive any further Award.

### 14.2 **Disputes**

In the event of any dispute or disagreement as to the interpretation of the Scheme, or as to any question or right arising from or relating to the Scheme, the decision of the Committee shall be final and binding upon all persons.

### 14.3 **Exercise of powers and discretions**

The exercise of any power or discretion by the Committee shall not be open to question by any person and a Participant or former Participant shall have no rights in relation to the exercise of or omission to exercise any such power or discretion.

### 14.4 **Share rights**

All Shares allotted under the Scheme shall rank equally in all respects with Shares then in issue except for any rights attaching to such Shares by reference to a record date before the date of the allotment. No Shares shall be issued or transferred hereunder unless the Committee is satisfied such Shares will be issued and/or transferred fully paid.

Where Vested Shares are transferred to Participants (or their nominee) or, in the case of Forfeitable Shares, released from their restrictions under the Scheme, Participants shall be entitled to all rights attaching to such Shares by reference to a record date on or after the date of such transfer or release of such restrictions.

### 14.5 **Notices**

Any notice or other communication under or in connection with the Scheme may be given:

- (a) by personal delivery or by post, in the case of a company to its registered office, and in the case of an individual to his last known address, or, where he is a director or employee of a Group Member, either to his last known address or to the address of the place of business at which he performs the whole or substantially the whole of the duties of his office or employment;
- (b) in an electronic communication to their usual business address or such other address for the time being notified for that purpose to the person giving the notice; or
- (c) by such other method as the Board determines.

#### 14.6 **Third parties**

No third party has any rights under the Contracts (Rights of Third Parties) Act 1999 of the United Kingdom to enforce any term of the Scheme.

#### 14.7 **Benefits not pensionable**

Benefits provided under the Scheme shall not be pensionable.

#### 14.8 **Data Protection**

Each Participant consents to the collection, processing and transfer of his personal data for any purpose relating to the operation of the Scheme. This includes:

- (a) providing personal data to any Group Member and any third party such as trustees of any employee benefit trust, administrators of the Scheme, registrars, brokers and any of their respective agents;
- (b) processing of personal data by any such Group Member or third party;
- (c) transferring personal data to a country outside the European Economic Area (including a country which does not have data protection laws equivalent to those prevailing in the European Economic Area); and
- (d) providing personal data to potential purchasers of the Company, the Participant's employer or the business in which the Participant works.

#### 14.9 **Governing law**

The Scheme and all Awards shall be governed by and construed in accordance with the law of Bermuda and the Courts of Bermuda have exclusive jurisdiction to hear any dispute.

## APPENDIX

### GRANT OF A FORFEITABLE SHARES AWARD

Before the grant of a Forfeitable Shares Award, each employee selected for such an Award must enter into an agreement with the Company under the terms of which the employee agrees both in respect of the Shares comprised in the Award at the Grant Date and any additional Shares that may become subject to the Award under Rule 3.5 (*Treatment of Dividends*)

- (a) to have full beneficial ownership of the Shares;
- (b) unless the Committee decides otherwise, to waive his right to all dividends on his Forfeitable Shares until Vesting;
- (c) that he will not assign, transfer, charge or otherwise dispose of any Forfeitable Shares or any interest in such Forfeitable Shares until Vesting save as otherwise required by the Rules;
- (d) if required by the Committee, to enter into any elections under Part 7 of ITEPA and any election to transfer, or any agreement to pay, secondary Class 1 National Insurance contributions in relation to his Forfeitable Shares; and
- (e) to sign any documentation to give effect to the terms of the Forfeitable Shares Award.

On the Grant Date (or as soon as practicable after the payment date of the relevant dividend in the case of additional Shares that are to become subject to the Forfeitable Shares Award under Rule 3.5) either the legal ownership of the Forfeitable Shares shall be held on the Participant's behalf by a nominee as chosen from time to time by the Committee or the Participant shall deposit the share certificate (or any other document of title) relating to the Forfeitable Shares together with a signed but otherwise uncompleted instrument of transfer with such person as the Committee may from time to time decide.

## SCHEDULE

### CASH CONDITIONAL AWARDS

The Rules of the Scheme shall apply to a right (a “**Cash Conditional Award**”) to receive a cash sum granted or to be granted under this Schedule as if it was a Conditional Award, except as set out in this Schedule. Where there is any conflict between the Rules and this Schedule, the terms of this Schedule shall prevail.

1. The Committee may grant or procure the grant of a Cash Conditional Award.
2. Each Cash Conditional Award shall relate to a given number of notional Shares.
3. On the Vesting of the Cash Conditional Award (or, if applicable, any Tranche thereof) the holder of that Award shall be entitled to a cash sum which shall be equal to the “**Cash Value**” of the notional Vested Shares, where the Cash Value of a notional Share is the market value of a Share on the date of Vesting of the Cash Conditional Award (or the relevant Tranche thereof). For the purposes of this Schedule, the market value of a Share on any day shall be determined in accordance with Rule 8.3 (*Cash equivalent*).
4. The cash sum payable under paragraph 3 above shall be paid by the employer of the Participant as soon as practicable after the Vesting of the Cash Conditional Award (or the relevant Tranche thereof), net of any deductions (on account of tax or similar liabilities) as may be required by law.
5. For the avoidance of doubt, a Cash Conditional Award shall not confer any right on the holder of such an Award to receive Shares or any interest in Shares.