

Company No 2746616

THE COMPANIES ACT 1985
PRIVATE COMPANY LIMITED BY SHARES

SPECIAL RESOLUTION

OF


REED ELSEVIER GROUP plc

Passed 1 October 2008

SPECIAL RESOLUTION

At an extraordinary general meeting of the above named Company, duly convened and held at 1-3 Strand, London, WC2N 5JR on 1 October 2008, the following resolution was passed as a Special Resolution

"THAT the revised Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the company in substitution for, and to the exclusion of the existing Articles of Association "


Chairman

TUESDAY



A08 04/11/2008 35
COMPANIES HOUSE

Company No 2746616



THE COMPANIES ACT 1985

A PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

REED ELSEVIER GROUP plc

(Adopted by special resolution passed on 1 October 2008)

THE COMPANIES ACT 1985

A PUBLIC COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

REED ELSEVIER GROUP plc*

PRELIMINARY

The regulations in Table A in the Companies (Tables A-F) Regulations 1985 as in force at the date of the company's registration shall not apply to the company

Interpretation

1 In the articles

the Act means the Companies Act 1985 including any statutory modification or re-enactment thereof for the time being in force,

the articles means the articles of the company,

clear days in relation to the period of a notice means that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect,

E shareholder means the holder of "E" shares,

Elsevier Reed Finance means the company incorporated in The Netherlands with Amsterdam Chamber of Commerce File Number 33 145 842,

Exchange Shares means shares of the series R in the capital of the E shareholder,

* NOTE On 19th April, 2002 the name of the company was changed from "REED ELSEVIER PLC" to "REED ELSEVIER GROUP PLC" pursuant to a special resolution dated 9 April 2002

executed includes any mode of execution,

Finance Group means Elsevier Reed Finance BV and its subsidiaries from time to time,

Governing Agreement means the agreement with that name between Reed Elsevier PLC and Reed Elsevier NV, amended and restated with effect from 15 April 1999, as further amended from time to time,

the holder in relation to shares means the member whose name is entered in the register of members as the holder of the shares,

Implementation Agreement means the agreement with that name dated 30 October 1992 between Reed Elsevier NV and Reed Elsevier PLC relating to the merger of the businesses of Reed Elsevier NV and Reed Elsevier PLC, as amended from time to time,

Nominations Committee means the committee constituted by each of Reed Elsevier PLC and Reed Elsevier N V for the purpose of nominating persons for appointment as directors of each of Reed Elsevier PLC, Reed Elsevier N V and the Company

Party giving Notice has the meaning given in clause 9 of the Governing Agreement,

R shareholder means the holder of "R" shares,

Reed Elsevier Group means the company and its subsidiaries from time to time,

registered office means the registered office of the company,

RHBV means Reed Holding BV, a company incorporated in The Netherlands with file number 33 241 739 at the Amsterdam Chamber of Commerce, and/or any other subsidiary of the R shareholder which is for the time being a holder of Exchange Shares or of any ordinary shares in the capital of the E shareholder derived therefrom,

the seal means the common seal of the company and includes any official seal kept by the company by virtue of sections 39 or 40 of the Act,

secretary means the secretary of the company or any other person appointed to perform the duties of the secretary of the company, including a joint, assistant or deputy secretary,

the United Kingdom means Great Britain and Northern Ireland

Unless the context otherwise requires, words or expressions contained in the articles bear the same meaning as in the Act but excluding any statutory modification thereof not in force at the time the articles are adopted

Headings are inserted for convenience only and do not affect the construction of the articles

Delegation

2 In the articles (a) powers of delegation shall not be restrictively construed, (b) the word **directors** in the context of the exercise of any power contained in the articles includes (i) any committee consisting of one or more directors to which, and (ii) any director holding executive office to whom, the power in question has been delegated, (c) no power of delegation shall be limited by the existence or, except where expressly provided by the terms of delegation, the exercise of that or any other power of delegation, and (d) except where expressly provided by the terms of delegation, the delegation of a power shall not exclude the concurrent exercise of that power by any other body or person who is for the time being authorised to exercise it under the articles or under another delegation of the power

SHARE CAPITAL

Issue of shares

3 Subject to the provisions of the Act and without prejudice to any rights attached to any existing shares, any share may be issued with such rights or restrictions as the company may by ordinary resolution determine, but, except with the prior approval of the R shareholder and the E shareholder, no share may be issued which is not fully paid and no share of any class may be issued to a person who does not already hold shares of that class

Authorised share capital

4 The authorised share capital of the company upon adoption of the articles is £120,000 divided into 100,000 7.5% cumulative preference shares of £1 ("**G**" **shares**), 10,000 "R" Ordinary shares of £1 ("**R**" **shares**) and 10,000 "E" Ordinary shares of £1 ("**E**" **shares**) The rights as regards participation in the profits and assets of the company attaching to these shares are as set out in articles 105 and 106

Voting rights of "G" shares

5 The "G" shares shall not carry the right to receive notice of, or to attend or vote at, general meetings

Redeemable shares

6 Subject to the provisions of the Act, shares may be issued which are to be redeemed or are to be liable to be redeemed at the option of the company or the holder on such terms and in such manner as may be provided by the articles

Commissions

7 The company may exercise the powers of paying commissions conferred by the Act. Subject to the provisions of the Act, any such commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one way and partly in the other.

Trusts not recognised

8 Except as required by law, no person shall be recognised by the company as holding any share upon any trust and (except as otherwise provided by the articles or by law) the company shall not be bound by or recognise any interest in any share except an absolute right to the entirety thereof in the holder.

SHARE CERTIFICATES

Members' rights to certificates

9 Every member, upon becoming the holder of any shares, shall be entitled without payment to one certificate for all the shares of each class held by him (and, upon transferring a part of his holding of shares of any class, to a certificate for the balance of such holding) or several certificates each for one or more of his shares upon payment for every certificate after the first of such reasonable sum as the directors may determine. Every certificate shall be sealed with the seal and shall specify the number, class and distinguishing numbers (if any) of the shares to which it relates and the amount or respective amounts paid up thereon. The company shall not be bound to issue more than one certificate for shares held jointly by several persons and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

Replacement certificates

10 If a share certificate is defaced, worn-out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the company in investigating evidence as the directors may determine but otherwise free of charge, and (in the case of defacement or wearing-out) on delivery up of the old certificate.

LIEN

Company to have lien on shares

11 The company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) payable at a fixed time or called in respect of that share. The directors may at any time declare any share to be wholly or in part exempt from the

provisions of this article The company's lien on a share shall extend to any amount payable in respect of it

Enforcement of lien by sale

12 The company may sell in such manner as the directors determine any shares on which the company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within fourteen clear days after notice has been given to the holder of the share or to the person entitled to it in consequence of the death or bankruptcy of the holder, demanding payment and stating that if the notice is not complied with the shares may be sold

Giving effect to sale

13 To give effect to a sale the directors may authorise some person to execute an instrument of transfer of the shares sold to, or in accordance with the directions of, the purchaser The title of the transferee to the shares shall not be affected by any irregularity in or invalidity of the proceedings in reference to the sale

Application of proceeds

14 The net proceeds of the sale, after payment of the costs, shall be applied in payment of so much of the sum for which the lien exists as is presently payable, and any residue shall (upon surrender to the company for cancellation of the certificate for the shares sold and subject to a like lien for any moneys not presently payable as existed upon the shares before the sale) be paid to the person entitled to the shares at the date of the sale

CALLS ON SHARES AND FORFEITURE

Power to make calls

15 Subject to the terms of allotment, the directors may make calls upon the members in respect of any moneys unpaid on their shares (whether in respect of nominal value or premium) and each member shall (subject to receiving at least fourteen clear days' notice specifying when and where payment is to be made) pay to the company as required by the notice the amount called on his shares A call may be required to be paid by instalments A call may, before receipt by the company of any sum due thereunder, be revoked in whole or part and payment of a call may be postponed in whole or part A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect whereof the call was made

Time when call made

16 A call shall be deemed to have been made at the time when the resolution of the directors authorising the call was passed

Liability of joint holders

17 The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof

Interest payable

18 If a call remains unpaid after it has become due and payable the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the share or in the notice of the call or, if no rate is fixed, at the appropriate rate (as defined by the Act), but the directors may waive payment of the interest wholly or in part

Deemed calls

19 An amount payable in respect of a share on allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call and if it is not paid the provisions of the articles shall apply as if that amount had become due and payable by virtue of a call

Differentiation on calls

20 Subject to the terms of allotment, the directors may make arrangements on the issue of shares for a difference between the holders in the amounts and times of payment of calls on their shares

Notice requiring payment of call

21 If a call remains unpaid after it has become due and payable the directors may give to the person from whom it is due not less than fourteen clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited

Forfeiture for non-compliance

22 If the notice is not complied with any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the directors and the forfeiture shall include all dividends or other moneys payable in respect of the forfeited shares and not paid before the forfeiture

Sale of forfeited shares

23 Subject to the provisions of the Act, a forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the directors determine either to the person who was before the forfeiture the holder or to any other person and at any time before sale, re-allotment or other disposition, the forfeiture may be cancelled on such terms as the directors think fit. Where for the purposes of its disposal a forfeited share is to be transferred to any person the directors may authorise some person to execute an instrument of transfer of the share to that person.

Liability following forfeiture

24 A person any of whose shares have been forfeited shall cease to be a member in respect of them and shall surrender to the company for cancellation the certificate for the shares forfeited but shall remain liable to the company for all moneys which at the date of forfeiture were presently payable by him to the company in respect of those shares with interest at the rate at which interest was payable on those moneys before the forfeiture or, if no interest was so payable, at the appropriate rate (as defined in the Act) from the date of forfeiture until payment but the directors may waive payment wholly or in part or enforce payment without any allowance for the value of the shares at the time of forfeiture or for any consideration received on their disposal.

Evidence of forfeiture

25 A statutory declaration by a director or the secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts stated in it as against all persons claiming to be entitled to the share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the share and the person to whom the share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture or disposal of the share.

TRANSFER OF SHARES

Form and execution of transfer

26 The instrument of transfer of a share may be in any usual form or in any other form which the directors may approve and shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

Restrictions on transfer

27 The directors shall not register a transfer unless

- (a) the transfer is in respect of only one class of shares, and
- (b) the transfer is in respect of all the issued shares of that class, and
- (c) the transfer is either accompanied by a notice in writing signed by or on behalf of all the other members consenting to the transfer or, subject to article 79, is to give effect to an offer which has been made pursuant to the City Code on Takeovers and Mergers, as in force from time to time

The directors may refuse to register the transfer of a share on which the company has a lien. They may also refuse to register a transfer unless it is lodged at the registered office, or at such other place as the directors may appoint, and is accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

Notice of refusal to register

28 If the directors refuse to register a transfer of a share, they shall within two months after the date on which the transfer was lodged with the company send to the transferee notice of the refusal.

Suspension of registration

29 The registration of transfers of shares or of transfers of any class of shares may be suspended at such times and for such periods (not exceeding thirty days in any year) as the directors may determine.

No fee payable on registration

30 No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to any share.

Retention of transfers

31 The company shall be entitled to retain any instrument of transfer which is registered, but any instrument of transfer which the directors refuse to register shall be returned to the person lodging it when notice of the refusal is given.

TRANSMISSION OF SHARES

Transmission

32 If a member dies, the survivor or survivors where he was a joint holder, and his personal representatives where he was a sole holder or the only survivor of joint holders, shall be the only persons recognised by the company as having any title to his interest, but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been jointly held by him

Election by person entitled

33 A person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as the directors may properly require, elect either to become the holder of the share or to have some person nominated by him registered as the transferee. If he elects to become the holder he shall give notice to the company to that effect. If he elects to have another person registered he shall execute an instrument of transfer of the share to that person. All the articles relating to the transfer of shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the member and the death or bankruptcy of the member had not occurred

Rights of persons entitled by transfer

34 A person becoming entitled to a share in consequence of the death or bankruptcy of a member shall have the rights to which he would be entitled if he were the holder of the share, except that he shall not, before being registered as the holder of the share, be entitled in respect of it to attend or vote at any meeting of the company or at any separate meeting of the holders of any class of shares in the company

ALTERATION OF SHARE CAPITAL

Alterations permitted by ordinary resolution

35 The company may by ordinary resolution

- (a) increase its share capital by new shares of such amount as the resolution prescribes,
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares,
- (c) subject to the provisions of the Act, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, any of them may have any preference or advantage as compared with the others, and

- (d) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled

Fractions arising on consolidation

36 Whenever as a result of a consolidation of shares any members would become entitled to fractions of a share, the directors may, on behalf of those members, sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the provisions of the Act, the company) and distribute the net proceeds of sale in due proportion among those members, and the directors may authorise some person to execute an instrument of transfer of the shares to, or in accordance with the directions of, the purchaser. 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 in or invalidity of the proceedings in reference to the sale.

GENERAL MEETINGS

Types of general meeting

37 All general meetings other than annual general meetings shall be called extraordinary general meetings.

Convening general meetings

38 The directors may call general meetings and, on the requisition of members pursuant to the provisions of the Act, shall forthwith proceed to convene an extraordinary general meeting for a date not later than 22 clear days after receipt of the requisition. If there are not within the United Kingdom sufficient directors to call a general meeting, any director or any member of the company may call a general meeting.

NOTICE OF GENERAL MEETINGS

Period and contents of notice

39 An annual general meeting and an extraordinary general meeting called for the passing of a special resolution or a resolution appointing a person as a director shall be called by at least twenty-one clear days' notice. All other extraordinary general meetings shall be called by at least fourteen clear days' notice but a general meeting may be called by shorter notice if it is so agreed -

- (a) in the case of an annual general meeting, by all the members entitled to attend and vote thereat, and

- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote being a majority together holding not less than ninety-five per cent in nominal value of the shares giving that right

The notice shall specify the time and place of the meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the meeting as such

Subject to the provisions of the articles and to any restrictions imposed on any shares, the notice shall be given to all the members, to all persons entitled to a share in consequence of the death or bankruptcy of a member and to the directors and auditors

Accidental omission to give notice

40 The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting

PROCEEDINGS AT GENERAL MEETINGS

Quorum

41 Two persons, one of whom is the R shareholder, or a proxy or duly authorised representative of such holder, and the other of whom is the E shareholder or a proxy or duly authorised representative of such holder, shall constitute a quorum. No business shall be transacted at any meeting unless such a quorum is present

If quorum not present

42 If such a quorum is not present within half an hour from the time appointed for the meeting, or if during a meeting such a quorum ceases to be present, the meeting shall stand adjourned to the same day in the next week at the same time and place or to such time and place as the directors may determine

Chairman

43 Save as provided below, the chairman, if any, of the board of directors, or in his absence the deputy chairman, if any, of the board of directors, or in his absence some other director nominated by the directors, shall preside as chairman of the meeting, but if neither the chairman nor the deputy chairman nor such other director (if any) be present within fifteen minutes after the time appointed for holding the meeting and willing to act, the directors present shall elect one of their number to be chairman and, if there is only one director present and willing to act, he shall be chairman. If there are joint chairmen of the board of directors, both of whom are present at the meeting within fifteen minutes after the time

appointed for holding the meeting and both of whom are willing to act, they shall decide which of them is to preside at the meeting, failing which one of them shall be selected by lot

If chairman not present

44 If no director is willing to act as chairman, or if no director is present within fifteen minutes after the time appointed for holding the meeting, the members present and entitled to vote shall choose one of their number to be chairman

Directors entitled to speak

45 A director shall, notwithstanding that he is not a member, be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the company

Adjournments

46 The chairman may, with the consent of a meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at an adjourned meeting other than business which might properly have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen days or more, at least seven clear days' notice shall be given specifying the time and place of the adjourned meeting and the general nature of the business to be transacted. Otherwise it shall not be necessary to give any such notice

Methods of voting

47 A resolution put to the vote of a meeting shall be decided on a show of hands unless before, or on the declaration of the result of the show of hands a poll is duly demanded. Subject to the provisions of the Act, a poll may be demanded by the chairman or a member or proxy having the right to vote on the resolution in question

Declaration of result

48 Unless a poll is duly demanded a declaration by the chairman that a resolution has been carried or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution

Withdrawal of demand for poll

49 The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the chairman and a demand so withdrawn shall

not be taken to have invalidated the result of a show of hands declared before the demand was made

Conduct of poll

50 A poll shall be taken as the chairman directs and he may appoint scrutineers (who need not be members) and fix a time and place for declaring the result of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded

When poll to be taken

51 A poll shall be taken forthwith unless all the members present in person or by proxy agree otherwise. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll was demanded. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made

No casting vote for chairman

52 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman shall not be entitled to a casting vote in addition to any other vote he may have

Notice of poll

53 No notice need be given of a poll not taken forthwith if the time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven clear days' notice shall be given specifying the time and place at which the poll is to be taken

Resolutions in writing

54 A resolution in writing executed by or on behalf of each member who would have been entitled to vote upon it if it had been proposed at a general meeting at which he was present shall be as effectual as if it had been passed at a general meeting duly convened and held and may consist of several instruments in the like form each executed by or on behalf of one or more members. In the case of a corporation a resolution in writing may be signed on its behalf by a director or the secretary thereof or by its duly appointed attorney or duly authorised representative. The provisions of this article shall apply mutatis mutandis to resolutions in writing of any class of members of the company

Effectiveness of special and extraordinary resolutions

55 Where for any purpose an ordinary resolution of the company is required, a special or extraordinary resolution shall also be effective and

where for any purpose an extraordinary resolution is required a special resolution shall also be effective

VOTES OF MEMBERS

Votes on a show of hands or poll

56 Subject to any rights or restrictions attached to any shares and article 79, on a show of hands every member who is present in person or by proxy shall have one vote, and on a poll each "R" share shall carry one vote and each "E" share shall carry one vote

Votes of joint holders

57 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 seniority shall be determined by the order in which the names of the holders stand in the register of members

Member under incapacity

58 A member in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his receiver, curator bonis or other person authorised in that behalf appointed by that court, and any such receiver, curator bonis or other person may, on a poll, vote by proxy. Evidence to the satisfaction of the directors of the authority of the person claiming to exercise the right to vote shall be deposited at the registered office, or at such other place as is specified in accordance with the articles for the deposit of instruments of proxy, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable

Calls in arrears

59 No member shall vote at any general meeting or at any separate meeting of the holders of any class of shares in the company, either in person or by proxy, in respect of any share held by him unless all moneys presently payable by him in respect of that share have been paid

Objection to voting

60 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive

Supplementary

61 On a poll votes may be given either personally or by proxy. A member may appoint more than one proxy to attend on the same occasion.

Instruments of proxy

62 An instrument appointing a proxy shall be in writing, executed by or on behalf of the appointor and shall be in any usual or common form or in any other form which the directors may approve.

Validity of form of proxy

63 The instrument of proxy shall, unless the contrary is stated in it, be deemed to confer authority to vote as the proxy thinks fit on any resolution put to the meeting for which the proxy is given, whether or not notice of the resolution was given in the notice of meeting, and on any amendment of such a resolution. The instrument of proxy shall, unless the contrary is stated in it, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Delivery of form of proxy

64 The instrument appointing a proxy and any authority under which it is executed or a copy of such authority certified notarially or in some other way approved by the directors may

- (a) be deposited at the registered office or at such other place within the United Kingdom 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 before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or
- (b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and before the time appointed for the taking of the poll, or
- (c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any director,

and an instrument of proxy which is not deposited or delivered in a manner so permitted shall be invalid.

Revocation of authority

65 A vote given or poll demanded by proxy or by the duly authorised representative of a corporation shall be valid notwithstanding the previous

determination of the authority of the person voting or demanding a poll unless notice of the determination was received by the company at the registered office or at such other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll

NUMBER OF DIRECTORS

Limits on number of directors

66 The number of directors (other than alternate directors) shall be not less than two nor more than twenty or such lesser number of directors as the company may by ordinary resolution determine

ALTERNATE DIRECTORS

Power to appoint alternates

67 Any director (other than in the capacity of an alternate director) may appoint any other director to be an alternate director and may remove an alternate director so appointed by him. A director may act as the alternate for any number of directors

Alternates entitled to receive notice but no remuneration

68 An alternate director shall be entitled to receive notice of all meetings of directors and of all meetings of committees of directors of which his appointor is a member, to attend and (as provided in article 97) vote at any such meeting at which the director appointing him is not personally present, and generally to perform all the functions of his appointor as a director in his absence, but shall not be entitled to receive any remuneration from the company for his services as an alternate director

Termination of appointment

69 An alternate director shall cease to be an alternate director if his appointor ceases to be a director

Method of appointment and revocation

70 Any appointment or removal of an alternate director shall be by notice to the company signed by the director making or revoking the appointment or in any other manner approved by the directors

Alternate not an agent of appointor

71 Save as otherwise provided in the articles, an alternate director shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the director appointing him

POWERS OF DIRECTORS

Business to be managed by directors

72 Subject to the provisions of the Act, the memorandum and the articles and to any directions given by special resolution, the business of the company shall be managed by the directors who may exercise all the powers of the company. No alteration of the memorandum or articles and no such direction shall invalidate any prior act of the directors which would have been valid if that alteration had not been made or that direction had not been given. The powers given by this article shall not be limited by any special power given to the directors by the articles and a meeting of directors at which a quorum is present may exercise all powers exercisable by the directors

Agents

73 The directors may, by power of attorney or otherwise, appoint any person to be the agent of the company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers

COMMITTEES OF THE DIRECTORS

Committees of the directors

74 The directors may delegate

- (a) any of their powers to any committee consisting of one or more directors, and
- (b) to any director holding any executive office, such of their powers as the directors consider desirable to be exercised by him

Any such delegation shall, in the absence of express provision to the contrary in the terms of delegation, be deemed to include authority to sub-delegate to one or more directors (whether or not acting as a committee) or to any employee or agent of the company all or any of the powers delegated and may be made subject to such conditions as the directors may specify, and may be revoked or altered. The proceedings of a committee with two or more members shall be governed by the articles regulating the proceedings of directors so far as they are capable of applying but the directors may determine a different quorum to that which applies to meetings of the directors. Notwithstanding any other provision of

the articles, the directors may not delegate to any committee of the directors or any other person any of their powers in relation to articles 105 or 106, save for their powers in article 105 7, and any delegation by the directors shall be deemed not to extend to any such powers

APPOINTMENT, REMOVAL AND RETIREMENT OF DIRECTORS

Appointment by board

75 Subject to articles 76 and 79, the board may appoint a person who is willing to act to be a director, either to fill a vacancy or as an additional director and in either case whether or not for a fixed term, provided that the appointment does not cause the number of directors to exceed the number fixed by or in accordance with these Articles as the maximum number of directors. Irrespective of the terms of his appointment, a director so appointed shall hold office only until the next following general meeting and shall not be taken into account in determining the directors who are to retire by rotation at the meeting. If not re-appointed at such general meeting, he shall vacate office at its conclusion.

Eligibility for appointment by board

76 Subject to article 79, a person may only be appointed as a director of the Company under Article 75 if that person has first been nominated for appointment by the R shareholder and the E shareholder in writing. A written notice from the chairman of the Nominations Committee which identifies a person for nomination for appointment as a director of the Company shall constitute written notice from the R shareholder and the E shareholder for the purposes of this article 76.

Retirement of directors

77 At every annual general meeting one-third of the directors or, if their number is not three or a multiple of three, the number nearest to one-third shall retire from office, but

- (a) if any director has at the start of the annual general meeting been in office for more than three years since his last appointment or re-appointment, he shall retire, and
- (b) if there is only one director who is subject to retirement by rotation, he shall retire.

Removal of directors

78 Subject to article 79, a person must be removed as a director of the Company if the R shareholder and the E shareholder request the removal of that person in writing.

Notices of Suspension

79 For such time (if any) as a Notice of Suspension (as defined in clause 9 of the Governing Agreement) is in force -

- (a) in relation to the appointment of directors
 - (i) Article 76 shall cease to apply,
 - (ii) Article 56 shall cease to apply in relation to any resolution to appoint a person as a director of the Company,
 - (iii) on any resolution to elect a person as a director of the Company put to a general meeting, each ordinary share held by the Party giving Notice shall carry three votes rather than one, and
 - (iv) a person may only be appointed as a director of the Company if
 - (A) the Party giving Notice has given the Company written notice nominating that person for appointment as a director of the Company, or
 - (B) a resolution to appoint the person as a director of the Company is passed at a general meeting of the Company,
- (b) in relation to the removal of directors
 - (i) Article 78 will cease to apply, and
 - (ii) Article 56 shall cease to apply in relation to any resolution to remove a person as a director of the Company, and
 - (iii) on any resolution to remove a person as a director of the Company put to a general meeting, each ordinary share held by the Party giving Notice shall carry three votes rather than one, and
 - (iv) a person may only be removed as a director of the Company (as opposed to being required to vacate the office of director in accordance with Article 80) if
 - (A) the Party giving Notice has given the Company written notice requesting that person be so removed, or
 - (B) a resolution to remove the person as director of the Company is passed at a general meeting of the Company,

- (c) in the case of a transfer of shares in the company by the Party giving Notice, there shall be substituted for article 27(c)

‘the transfer has been approved by a resolution of the directors’

DISQUALIFICATION OF DIRECTORS

Disqualification

80 The office of a director shall be vacated if

- (a) he ceases to be a director by virtue of any provision of the Act or he becomes prohibited by law from being a director, or
- (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally, or
- (c) he is, or may be, suffering from mental disorder and either
 - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the Mental Health Act 1983 or, in Scotland, an application for admission under the Mental Health (Scotland) Act 1960, or
 - (ii) an order is made by a court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder for his detention or for the appointment of a receiver, curator bonis or other person to exercise powers with respect to his property or affairs,
- (d) he resigns his office by notice to the company, or
- (e) he is removed from office pursuant to article 78 or 79, or
- (f) the directors of the Company resolve by simple majority to request the director to resign

REMUNERATION OF DIRECTORS

Ordinary remuneration of directors

81 Directors who do not hold executive office under the company shall be entitled to such remuneration as the company may by ordinary resolution determine and, unless the resolution provides otherwise, the remuneration shall be deemed to accrue from day to day

DIRECTORS' EXPENSES

Directors may be paid expenses

82 The directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of directors or committees of directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the company or otherwise in connection with the discharge of their duties

DIRECTORS' APPOINTMENTS AND INTERESTS

Appointment to executive office

83 Subject to the provisions of the Act, the directors may appoint one or more of their number to the office of Chief Executive, or to any other executive office under the company, and may enter into an agreement or arrangement with any director for his employment by the company or for the provision by him of any services outside the scope of the ordinary duties of a director. Any such appointment, agreement or arrangement may be made upon such terms as the directors determine and they may remunerate any such director for his services as they think fit. Any appointment of a director to an executive office shall terminate if he ceases to be a director but without prejudice to any claim to damages for breach of the contract of service between the director and the company

Directors may have contract with the company

84A Provided that he has disclosed to the board the nature and extent of his interest (unless the circumstances referred to in section 177(5) or section 177(6) of the 2006 Act apply, in which case no such disclosure is required) a director notwithstanding his office

- (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise (directly or indirectly) interested,
- (ii) may act by himself or his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director,
- (iii) may be a director or other officer of, or employed by, or a party to a transaction or arrangement with, or otherwise interested in, any body corporate in which the Company is otherwise (directly or indirectly) interested

84B A director shall not, by reason of his office, be accountable to the Company for any remuneration or other benefit which he derives from any office or employment or from any transaction or arrangement or from any interest in any body corporate

- (i) the acceptance, entry into or existence of which has been approved by the board pursuant to article 97 (subject in any such case, to any limits or conditions to which such approval was subject), or
- (ii) which he is permitted to hold or enter into by virtue of paragraph (i), (ii), or (iii) of article 84A,

nor shall receipt of any such remuneration or other benefit constitute a breach of his duty under section 177 of the 2006 Act

84C Any disclosure required by article 84A may be made at a meeting of the board, by notice in writing or by general notice or otherwise in accordance with section 177 of the 2006 Act

Information belonging to the company

85 A director may communicate to any member of the company, or to any director or officer of a member of the company, any information which the director would, but for the provisions of this article, be precluded because of his fiduciary relationship with the company from using for the benefit of, or communicating to, any person other than the company (except for the purpose of the proper performance of his duties) and may authorise on behalf of that member of the company the publication of any such information which that member is required to publish by law or by the regulations of any stock exchange on which shares in that member are from time to time listed, quoted or traded

Exercise by company of voting rights

86 The directors may exercise the voting power conferred by the shares in any body corporate held or owned by the company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing any or all of them directors of such body corporate, or voting or providing for the payment or giving of remuneration or other benefits to the directors of such body corporate)

DIRECTORS' GRATUITIES, PENSIONS AND INSURANCE

Gratuities and pensions

87 The directors may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any director who

has held but no longer holds any executive office or employment with the company or with any body corporate which is or has been a subsidiary of the company or a predecessor in business of the company or of any such subsidiary, and for any member of his family (including a spouse and a former spouse) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit.

Insurance

88 Without prejudice to the provisions of article 122, the directors shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers or employees of the company, or of any other company which is a member of it or in which the company or such member has any interest whether direct or indirect or which is in any way allied to or associated with the company, or of any subsidiary undertaking of the company or any such other company, or who are or were at any time trustees of any pension fund or employees' share scheme in which employees of the company or any such other company or subsidiary undertaking are interested, including (without prejudice to the generality of the foregoing) insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to their duties, powers or offices in relation to the company or any such other company, subsidiary undertaking, pension fund or employees' share scheme

Section 719 of the Act

89 Pursuant to section 719 of the Act, the directors are hereby authorised to make such provision as may seem appropriate for the benefit of any persons employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or the transfer of the whole or part of the undertaking of the company or any subsidiary Any such provision shall be made by a resolution of the directors in accordance with the said section

PROCEEDINGS OF DIRECTORS

Notice and voting

90 Subject to the provisions of the articles, the directors may regulate their proceedings as they think fit A director may, and the secretary at the request of a director shall, call a meeting of the directors Notice of a meeting of the directors shall be deemed to be properly given to a director if it is given to him personally or by word of mouth or sent in writing to him at his last known address or any other address given by him to the company for this purpose A director who is also an alternate director shall be entitled to a separate vote in addition to his own vote on behalf of his

appointor who is absent Any director may waive notice of a meeting and any such waiver may be retrospective

Quorum

91 The quorum for the transaction of the business of the directors shall be two

Powers of directors if number falls below quorum

92 The continuing directors or a sole continuing director may act notwithstanding any vacancies in their number, but, if the number of directors is less than the number fixed as the quorum, the continuing directors or director may act only for the purpose of calling a general meeting

Chairman

93 The directors may either appoint one of their number to be the chairman of the board of directors and one of their number to be the deputy chairman, or may appoint two of their number to be joint chairmen of the board of directors, and may at any time remove a director from such office Where there is only one chairman of the board of directors, that director shall preside at every meeting of directors at which he is present unless he is unwilling to do so, when the deputy chairman shall preside unless he is unwilling to do so When there are joint chairmen, the joint chairmen shall decide which of them is to preside at a particular meeting, failing which one of them shall be selected by lot But if there is no director holding those offices, or if there is no chairman or deputy chairman present within five minutes after the time appointed for the meeting and willing to preside, the directors present may appoint one of their number to be chairman of the meeting

Validity of acts of directors

94 All acts done by a meeting of directors, or by a committee of directors, or by a person acting as a director shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any director or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a director and had been entitled to vote

Written resolutions

95 A resolution in writing signed by all the directors entitled to receive notice of a meeting of directors or to receive notice of and to vote at a committee of directors, shall be as valid and effectual as if it had been passed at a meeting of directors or (as the case may be) a committee of directors duly convened and held and may consist of several documents in

the like form each signed by one or more directors, but a resolution signed by an alternate director on behalf of his appointor need not also be signed by his appointor and, if it is signed by a director who has appointed an alternate director, it need not be signed by the alternate director in that capacity

Meetings by telephone, etc.

96 Without prejudice to the first sentence of article 90, a meeting of the directors or of a committee of the directors may consist of a conference between directors who are not all in one place, but of whom each is able (directly or by video conferencing, telephonic or other similar communication) to speak to each of the others, and to be heard by each of the others simultaneously. A director taking part in such a conference shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group of those participating in the conference is assembled, or, if there is no such group, where the chairman of the meeting then is. The word "meeting" in the articles shall be construed accordingly.

Directors' power to vote on contracts in which they are interested

97 For the purposes of section 175 of the 2006 Act, the board may authorise any matter proposed to it in accordance with these articles which would, if not so authorised, involve a breach of duty by a director under that section, including, without limitation, any matter which relates to a situation in which a director has, or can have, an interest which conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation will be effective only if

- (a) any requirement as to quorum at the meeting at which the matter is considered is met without counting the director in question or any other interested director, and
- (b) the matter was agreed to without their voting or would have been agreed to if their votes had not been counted.

The board may (whether at the time of the giving of the authorisation or subsequently) make any such authorisation subject to any limits or conditions it expressly imposes but such authorisation is otherwise given to the fullest extent permitted. The board may vary or terminate any such authorisation at any time.

For the purposes of the Articles, a conflict of interest includes a conflict of interest and duty and a conflict of duties, and interest includes both direct and indirect interests.

SECRETARY

Appointment and removal of secretary

98 Subject to the provisions of the Act, the secretary shall be appointed by the directors for such term, at such remuneration and upon such conditions as they may think fit, and any secretary so appointed may be removed by them

MINUTES

Minutes required to be kept

99 The directors shall cause minutes to be made in books kept for the purpose

- (a) of all appointments of officers made by the directors, and
- (b) of all proceedings at meetings of the company, of the holders of any class of shares in the company, and of the directors, and of committees of directors, including the names of the directors present at each such meeting

THE SEAL

Authority required for use of seal

100 The seal shall only be used by the authority of the directors or of a committee of directors authorised by the directors. The directors may determine who shall sign any instrument to which the seal is affixed and unless otherwise so determined it shall be signed by a director and by the secretary or by a second director

Official seal for use abroad

101 The company may exercise the powers conferred by section 39 of the Act with regard to having an official seal for use abroad

DEEDS

Execution by company under hand

102 Where the Act so permits, any instrument signed with the authority of a resolution of the directors or a committee of the directors by one director and the secretary or by two directors and expressed to be executed by the company as a deed shall have the same effect as if executed under the seal, provided that no instrument which makes it clear on its face that it is intended by the persons making it to have effect as a deed shall be signed without the authority of the directors

Delivery of deeds

103 A document which is executed by the company as a deed shall not be deemed to be delivered by the company solely as a result of its having been executed by the company

CERTIFICATION

Certified copies

104 Any director or the secretary or any person appointed by the directors for the purpose shall have power (a) to authenticate any documents affecting the constitution of the company, any resolutions passed by the company, the holders of any class of shares of the company or the directors or any committee of the directors, and any books, records, documents or accounts relating to the business of the company, and (b) to certify copies thereof or extracts therefrom as true copies or extracts. A document purporting to be a copy of a resolution, or the minutes of or an extract from the minutes of a meeting of the company or the holders of any class of shares of the company or of the directors or any committee of the directors that is certified as aforesaid shall be conclusive evidence in favour of all persons dealing with the company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting

INCOME RIGHTS

Interpretation

105 1 In this article, subject to the provisions of article 105 3, 105 5 and 105 7 to 105 9

Anticipated Distribution means, in relation to either the R shareholder or the E shareholder and any Relevant Period, the aggregate of the dividends referred to in the definitions of Preference Share Amount and Target Dividend Amount below and the relevant shareholder's reasonable estimate of the amount of the redemption moneys in respect of any Preference Shares which it will be required to pay out during the Relevant Period (other than amounts which could lawfully be paid out of capital rather than distributable reserves),

Anticipated Distribution Time means the time at which the first part of the relevant Anticipated Distribution is expected by the relevant shareholder to be made,

Associated Tax Credit means, in relation to any dividend payable or proposed to be paid by either the R shareholder or the E shareholder, the amount of any associated tax credit (or the value of any other similar associated tax benefit) which would be available to a shareholder receiving

the dividend who was an individual solely domiciled and resident and subject to tax in the country in which the company paying the dividend is within the charge to tax by reason of residence or incorporation, but excluding the amount of any such credit or benefit in respect of tax to be deducted or withheld from the dividend by the paying company,

Business Day means a day on which banks are generally open for business in both the City of London and Amsterdam,

Cash Requirement means, in relation to either the R shareholder or the E shareholder and any Relevant Period, the amount which the relevant shareholder notifies to the company by the Notification Time to be its bona fide estimate of the amount it requires to receive by way of dividend from the company in order to be able to meet in full all its Permitted Liabilities, having regard to

- (a) the amount, and likely timing and currency of payment of those Permitted Liabilities, and
- (b) the amount, and likely timing and currency of its Relevant Cash,

Deficit Amount means, in relation to either the R shareholder or the E shareholder and any Relevant Period, such amount (if any) as the relevant shareholder notifies to the company by the Notification Time to be its bona fide estimate of the amount required to be paid to it by way of dividend in order to ensure that the amount of its Distributable Reserves calculated by reference to its Relevant Accounts is not negative,

Distributable Reserves means, in relation to either the R shareholder or the E shareholder and any Relevant Period, the aggregate of

- (a) the amount of the reserves which, by reference to Relevant Accounts, would be lawfully available to be used in the payment of the Anticipated Distribution (which amount shall be negative for the purposes of the aggregation required by this definition if the reserves are negative),
- (b) the aggregate amount of
 - (i) all resources that either (A) have been defrayed by the relevant shareholder at any time or are expected to be defrayed prior to the Anticipated Distribution Time in breach of the Governing Agreement or in discharge of a liability of the kind mentioned in paragraph (3) of the definition of "Permitted Liabilities" or in settlement of a claim by the other shareholder (whether or not liability is admitted) or in discharge of expenses incurred in settlement of such a claim or (B) would have been available to it at the Anticipated Distribution Time had it observed the terms of the Implementation Agreement, and

- (ii) all liabilities expected to subsist at the Anticipated Distribution Time and which either (A) were or are expected to be incurred in breach of the Governing Agreement (B) were subsisting at the time of completion of the Implementation Agreement in breach of the terms of that Agreement or (C) are of the kind mentioned in paragraph (3) of the definition of "Permitted Liabilities",

to the extent that the defraying of such resources or subsistence of such liabilities has or will at the Anticipated Distribution Time have reduced the amount of the reserves mentioned in paragraph (a) above or to the extent that, had such resources been available or such liabilities not subsisted, those reserves would have been greater, provided that, if any dividend of the relevant shareholder has ever been reduced on account of a particular matter falling within this paragraph (b) (having regard to the Equalisation Ratio, the Governing Agreement and this article), there shall be deducted from any amount which would otherwise be taken into account under this paragraph (b) the amount by which the reserves mentioned in paragraph (a) above are greater than they would have been but for that reduction,

- (c) the amount of any additional reserves that would have been available to the relevant shareholder for the purpose of calculating the Distributable Reserves had each subsidiary of the relevant shareholder declared a dividend in favour of the relevant shareholder, immediately prior to the time as at which the Relevant Accounts are made up, of the full amount of the reserves available for distribution by that subsidiary (but this paragraph (c) shall not apply to any amount which would not be taken into account for the purposes of calculating Relevant Cash by reason of paragraph (d) of the definition thereof or for the purposes of calculating the relevant Target Dividend Amount by reason of paragraph (b) of the definition thereof),

E, when used as a prefix to terms defined in this article, signifies the relevant amount in relation to the E shareholder,

Earliest Payment Date means, in relation to any proposed dividend payment by the company, the date notified by the Company to the R shareholder and the E shareholder as the earliest date on which any part of that dividend would be paid,

Equalisation Ratio has the meaning ascribed to it in the Governing Agreement,

Excluded Shares means, in relation to either the R shareholder or the E shareholder, any shares which either

- (a) were in issue or allotted at the time of completion of the Implementation Agreement in breach of clause 4.2 of that Agreement,
- (b) were issued after that time pursuant to the exercise of options or conversion or subscription rights which existed at that time in breach of that clause, or
- (c) were issued in breach of the Governing Agreement,

Gross Dividend Amount means, in relation to either the R shareholder or the E shareholder and any Relevant Period (a) the amount of the dividend payable or proposed to be paid by the relevant shareholder in that Relevant Period on its ordinary share capital (or which would be payable or proposed to be paid but for the relevant shareholder's inability to do so, or intention to pay a different amount, by reason of any of the matters mentioned in paragraph 4.2 of Schedule 1 to the Governing Agreement) including, for the avoidance of doubt, the amount of any tax to be deducted or withheld from the dividend by or on behalf of the company paying the dividend, plus (b) (except to the extent already included in (a)) the amount of any Associated Tax Credit, all such amounts being expressed in the currency of payment and on a per share basis,

Notification Time means, in relation to any proposed dividend payment by the company, the time at which the proposed dividend is to be declared or recommended by the directors or such earlier time, on a date not more than five Business Days prior to the date on which the directors expect to declare or recommend a dividend, as the directors may determine, in each case, as notified by the company to the R shareholder and the E shareholder,

Permitted Liabilities means, in relation to either the R shareholder or the E shareholder and any Relevant Period, the amount which the relevant shareholder notifies to the company by the Notification Time to be its bona fide estimate of the aggregate amount of the liabilities and expenditure, actual or prospective, of that shareholder which will fall due for payment or will be defrayed within that Relevant Period and shall include, without limitation to the generality of the foregoing, subject as provided below

- (a) any liability of the company to any other member of the Reed Elsevier Group or to any member of the Finance Group,
- (b) any liability to account for tax deducted or withheld from dividend or other payments, and
- (c) expenditure reasonably expected to be required to enable a subsidiary of that shareholder to discharge any liability or expenditure (provided that such funding would not be in breach of the Governing Agreement),

but shall exclude (unless otherwise agreed by the R shareholder and the E shareholder).

- (1) any liability or expenditure to the extent that (in the bona fide opinion of the relevant shareholder) it will be settled by some other person,
- (2) any liability or expenditure directly or indirectly constituting, or resulting from, or arising out of, any act of, omission by or matter concerning the relevant shareholder or any subsidiary of the relevant shareholder which has constituted, a breach of the provisions of the Governing Agreement or which would not have existed had the provisions of clause 4.2 of the Implementation Agreement been observed by that shareholder,
- (3) a liability to pay to the other shareholder damages or any other amount by way of compensation for breach of contract or other wrongful act or pursuant to the settlement of any claim by the other shareholder (whether or not liability is admitted) and any expenditure to be incurred in settlement of such a claim or in discharge of expenses incurred in such settlement, and
- (4) a liability to pay, or payment of, the cash amount of any dividend to be paid to its shareholders by that shareholder (but so that, for the avoidance of doubt, the exclusion in this paragraph (4) shall not extend to any amount to be deducted or withheld from such payment),

Preference Share means, in relation to either the R shareholder or the E shareholder, any share in the capital of the relevant shareholder carrying a preferential right to dividend, other than any Excluded Shares (and **Preference shareholder** shall be construed accordingly),

Preference Share Amount means, in relation to either the R shareholder or the E shareholder and any Relevant Period, such amount as the relevant shareholder notifies to the company by the Notification Time to be its bona fide estimate of the aggregate of

- (a) the cash amount required to be paid to it by way of dividend to enable it to pay any dividend payable during the Relevant Period to Preference shareholders in full in accordance with the terms of the relevant Preference Shares and, where relevant, to enable it to make payment of redemption moneys to holders of Preference Shares which it will be required to redeem during the Relevant Period, but in each case having regard to the Relevant Cash of the relevant shareholder available to it at the appropriate time for the purpose of paying any such dividend or redemption moneys (recognising its need to fund the payment of any Permitted Liabilities falling due within the Relevant Period), plus

- (b) the further amount, if any, required to be paid to it by way of dividend so that its Distributable Reserves, calculated by reference to its Relevant Accounts, are equal to the amount of distributable reserves necessary to enable it lawfully to make payment to Preference shareholders of any such dividend or redemption moneys,

R, when used as a prefix to terms defined in this article, signifies the relevant amount in relation to the R shareholder,

Relevant Accounts has, in relation to either the R shareholder or the E shareholder and any Relevant Period, the following meaning

- (a) if the relevant shareholder anticipates that it will produce accounts after the Notification Time by reference to which the legality of the Anticipated Distribution (if any) will be determined (whether or not those accounts will be drawn up as at a time after the Notification Time), those accounts shall be the Relevant Accounts (whether or not such accounts are in fact drawn up) unless the Distributable Reserves of the relevant shareholder (if any) calculated by reference to those accounts would be less than the amount of the reserves which would as a matter of law be required to pay the Anticipated Distribution (if any),
- (b) subject to paragraph (a) above, the Relevant Accounts shall be the accounts existing at the Notification Time which (in the absence of any accounts prepared thereafter) would be relevant for determining the legality of the Anticipated Distribution (if any) unless as set out in paragraph (a) above,
- (c) in all other cases, the Relevant Accounts shall be accounts drawn up as at the latest possible time before the making of the first part of the Anticipated Distribution so as to take account to the fullest extent possible of any dividends declared or paid or expected to be declared or paid by any members of the Reed Elsevier Group (including the company) or any member of the Finance Group or, in relation to the R shareholder, RHBV (whether or not such accounts are in fact drawn up),

Relevant Cash means, in relation to either the R shareholder or the E shareholder and any Relevant Period, the amount which the relevant shareholder notifies to the company by the Notification Time to be its bona fide estimate of the amount of the resources which will be available to it in that Relevant Period and

- (a) such amount shall, without prejudice to the generality of the foregoing, include (subject to paragraph (d) below)
 - (i) the amount of resources which are or are expected to be available at the commencement of the Relevant Period,

- (ii) the amount of resources which are expected to be received during the Relevant Period under indemnity or other arrangements from any member of the Reed Elsevier Group or of the Finance Group or by payment of dividend from any member of the Reed Elsevier Group (other than dividends of the company pursuant to paragraphs (b), (d), (f) and (g) of article 105 2) or of the Finance Group, and
 - (iii) the amount of the resources which are expected to be received during the Relevant Period upon exercise of any right to subscribe share or loan capital of the relevant shareholder,
- (b) in the computation of such amount, there shall be added, except to the extent that the R shareholder and the E shareholder have agreed otherwise
 - (i) the aggregate of the amounts of all resources which either
 - (A) have been defrayed by the relevant shareholder at any time in breach of the Governing Agreement or in discharge of a liability of the kind mentioned in paragraph (3) of the definition of "Permitted Liabilities" or in settlement of a claim by the other shareholder (whether or not liability is admitted) or in discharge of expenses incurred in settlement of such a claim, or
 - (B) would have been available to it had it observed the terms of the Implementation Agreement,
 - less
- (ii) the aggregate of the following amounts
 - (A) if resources have been so defrayed as part of a transaction which resulted in the acquisition by the relevant shareholder of cash, or a non-cash asset which was subsequently directly or indirectly wholly or in part converted into cash the amount of the cash so acquired,
 - (B) if resources have been so defrayed as part of a transaction which resulted in the acquisition by the relevant shareholder of a non-cash asset which, or an asset directly or indirectly deriving from which, is or is expected to be wholly or in part still held by the relevant shareholder at the Notification Time the amount attributed to that non-cash asset in the calculation of the Relevant Cash pursuant to paragraphs (c) and (g) below, and

(C) if any dividend paid by the relevant shareholder to its shareholders has ever been reduced on account of a particular matter within sub-paragraph (b)(i) above (having regard to the Equalisation Ratio, the provisions of the Governing Agreement and this article 105) the amount saved by the relevant shareholder by reason of that reduction,

provided that the amount deducted pursuant to this sub-paragraph (b)(ii) in respect of a particular matter shall not exceed the amount which would otherwise be taken into account in respect of that matter pursuant to sub-paragraph (b)(i) above,

- (c) such amount shall, without prejudice to the generality of the foregoing, include (subject to paragraph (d) below and to the extent not otherwise taken into account in the calculation of Relevant Cash) the amount of any resources available or which are expected to be available to subsidiaries of the relevant shareholder to the extent that, subject to compliance with applicable legal requirements, they could be made available to that shareholder (provided that this paragraph (c) shall not apply to take into account any amount treated as available to the R shareholder by virtue of paragraph (b) in the definition of Target Dividend Amount),
- (d) such amount shall not include any amount (or the value of any asset) which the R shareholder and the E shareholder have agreed should be excluded, but if the agreement of the R shareholder and the E shareholder is that any such amount (or value) should be excluded from the calculation only for a specified period or for so long as a specified purpose requires, then such amount (or value) shall cease to be excluded from the calculation with effect from the date such period expires or such purposes cease (or may reasonably be expected to cease) to be applicable,
- (e) in the computation of such amount there shall be deducted
 - (i) the amount of any reserve maintained by the relevant shareholder pursuant to article 105 9, and
 - (ii) unless the R shareholder and the E shareholder have agreed otherwise, any amount received by the R shareholder (or by RHBV) as a result of a disposal by the R shareholder (or by RHBV) of all or part of its interest in the Exchange Shares (net of all costs, including taxation, and other expenditure associated with the disposal) to the extent that such amount has not been reduced whether by reason of being distributed to shareholders of the R shareholder or in the payment of taxation associated with its distribution (whether by RHBV to

the R shareholder, by the R shareholder to its shareholders or otherwise) or in any other way,

- (f) shall not include any amount representing dividends unclaimed by shareholders of either the R shareholder or the E shareholder, unless and until the R shareholder or E shareholder, as appropriate, ceases to be bound (in accordance with applicable law) to make payment of such sums to or for the benefit of a shareholder,
- (g) shall, without prejudice to the generality of the foregoing, be deemed to include (subject to paragraph (d) above and to the extent not taken into account by paragraph (b) or paragraph (c) above) the fair market value of any asset of the relevant shareholder held in non-cash form (or, if higher, the value at which the asset then stands in the accounts of the relevant shareholder) but this paragraph (g) shall not apply (i) to either shareholder's holding of shares in members of the Reed Elsevier Group or of the Finance Group nor, in the case of the R shareholder, its holding of shares in RHBV, nor (ii) to any asset which the relevant shareholder is permitted to acquire under the terms of the Governing Agreement,

Relevant Period means, in relation to any proposed dividend payment by the company, the period between (a) the Notification Time in relation to that dividend and (b) the Earliest Payment Date in respect of the next dividend following the proposed dividend payment in question,

Target Dividend means, in relation to either the R shareholder or the E shareholder and any Relevant Period, the amount which the relevant shareholder notifies the company by the Notification Time as the aggregate Gross Dividend Amount for the Relevant Period, based on the number of ordinary shares (not being Excluded Shares) which it expects to be entitled to participate in the relevant dividend and the extent to which such shares will be eligible to receive the relevant dividend (such notification stating the Gross Dividend Amount per share on which the calculation is based), plus in the case of the E shareholder the amount which the E shareholder notifies to the company that it proposes to pay on the Exchange Shares during the Relevant Period,

Target Dividend Amount means, in relation to either the R shareholder or the E shareholder and any Relevant Period, the amount which the relevant shareholder notifies the company by the Notification Time to be its bona fide estimate of the amount it requires to receive by way of dividend from the company in order to enable it to pay the cash amount (excluding any amount to be deducted or withheld from such payment) of its Target Dividend and

- (a) having regard to Relevant Cash available to it at the appropriate time for the purpose of paying that Target Dividend (recognising any need to fund out of Relevant Cash the payment of any Permitted Liabilities falling due during the Relevant Period and dividends and

redemption moneys payable during the Relevant Period to Preference shareholders), and

- (b) in the case of the R shareholder, having regard to the net amount which would be received by the R shareholder (after allowance for all tax costs and for any costs which would be suffered by the R shareholder or by RHBV on the assumption set out below) if RHBV were to make an immediate dividend payment to the R shareholder out of any dividend which RHBV may reasonably be expected to receive on its holding of shares in the E shareholder during the Relevant Period (on the assumption, for withholding tax purposes only, that the R shareholder takes reasonable steps to secure any available relief from obligations to withhold tax on such dividend payments), subject only to retention of an amount that is reasonable in the circumstances to meet the administrative costs of RHBV and to enable RHBV to meet its anticipated expenditure requirements (including any liability to taxation but excluding any expenditure or liability resulting from any act, omission or matter constituting a breach by RHBV of the agreement between RHBV and the E shareholder entered into on or before the date of adoption of the articles or which would involve a breach by the R shareholder of the Governing Agreement), and
- (c) including such further amount as may be required to be paid to the relevant shareholder by way of dividend so that its Distributable Reserves, calculated by reference to its Relevant Accounts and having regard to any payment of dividend or redemption moneys during the Relevant Period to Preference shareholders envisaged in the definition of Preference Share Amount above, are equal to the amount of distributable reserves necessary to enable the R shareholder lawfully to pay the R Target Dividend

Distribution of profit

105 2 Subject to article 105 9, the profits which the company may determine to distribute by way of dividend shall be applied

- (a) first, in paying as a dividend on the "G" shares, a fixed cumulative dividend at the rate of 7 5 per cent per annum on the amounts paid up on the "G" shares, such dividend to be paid half-yearly on the 1st day of June and the 1st day of December in each year in respect of the half-yearly periods ending on the days immediately preceding those dates,
- (b) second, in paying as a dividend on
 - (i) the "R" shares, an amount equal to the R Cash Requirement, and
 - (ii) the "E" shares, an amount equal to the E Cash Requirement,

provided that, if the amount of the dividend to be distributed pursuant to this paragraph (b) is less than the sum of the R Cash Requirement and the E Cash Requirement, the amounts payable shall be calculated as follows

$$R_1 = \frac{C_E L_R + A L_R - C_R L_E}{L_R + L_E}$$

$$E_1 = A - R_1$$

where

C_E = the amount of the E Relevant Cash,

C_R = the amount of the R Relevant Cash,

L_E = the amount of the E Permitted Liabilities,

L_R = the amount of the R Permitted Liabilities,

A = the total amount of the dividend to be distributed pursuant to this paragraph (b),

R_1 = the amount of the dividend to be paid on the "R" shares pursuant to this paragraph (b),

E_1 = the amount of the dividend to be paid on the "E" shares pursuant to this paragraph (b),

provided that

(1) if either the R Cash Requirement or the E Cash Requirement is zero, the whole amount to be distributed pursuant to this paragraph (b) shall be payable to the shareholder the Cash Requirement of which is not zero, and

(2) in no event shall the amount payable to either shareholder under this paragraph (b) exceed that shareholder's Cash Requirement,

(c) third

(i) if the R shareholder has in issue any Preference Shares on which any dividend or redemption moneys are payable during the Relevant Period, in paying as a dividend on the "R" shares an amount equal to the R Deficit Amount (if any), and

- (ii) if the E shareholder has in issue any Preference Shares on which any dividend or redemption moneys are payable during the Relevant Period, in paying as a dividend on the "E" shares an amount equal to the E Deficit Amount (if any),

provided that (unless the R shareholder and the E shareholder notify the company that they have agreed otherwise) if the amount available for distribution under this paragraph (c) is less than the sum of the R Deficit Amount and the E Deficit Amount, the amounts payable on the "R" Shares and the "E" Shares shall be reduced pro rata,

- (d) fourth, in paying as a dividend

- (i) on the "R" shares, an amount equal to the R Preference Share Amount, if any, and
- (ii) on the "E" shares, an amount equal to the E Preference Share Amount, if any,

provided that (unless the R shareholder and the E shareholder notify the company that they have agreed otherwise) if the amount available for distribution under this paragraph (d) is less than the sum of the R Preference Share Amount and the E Preference Share Amount, the amounts payable on the "R" shares and the "E" shares respectively shall reduce pro rata,

- (e) fifth

- (i) if not paid under sub-paragraph (c)(i) above, in paying as a dividend on the "R" shares the R Deficit Amount (if any), and
- (ii) if not paid under sub-paragraph (c)(ii) above, in paying as a dividend on the "E" shares the E Deficit Amount (if any),

provided that (unless the R shareholder and the E shareholder notify the Company that they have agreed otherwise) if the amount available for distribution under this paragraph (e) is less than the sum of the R Deficit Amount and the E Deficit Amount, the amounts payable on the "R" Shares and the "E" Shares shall be reduced pro rata,

- (f) sixth (subject to article 105 9(d) below), in paying as a dividend on

- (i) the "R" shares, the R Target Dividend Amount, and
- (ii) the "E" shares, the E Target Dividend Amount,

provided that, if the amount of the dividend to be distributed pursuant to this paragraph (f) is less than the sum of the R Target

Dividend Amount and the E Target Dividend Amount, the amount to be so distributed shall be divided between the R shareholder and the E shareholder in such proportion as is necessary to ensure that the ability of those shareholders to pay the cash elements of their respective Target Dividends is reduced pro rata (ignoring for this purpose any impact on that ability of any of the matters mentioned in paragraph 4.2 of Schedule 1 to the Governing Agreement),

- (g) seventh, in paying as a dividend on the "R" shares and "E" shares the balance of the profits which the company has determined to distribute by way of dividend in such proportions as the R shareholder and the E shareholder agree

Exchange rates

- 105.3(a) Dividends payable by the company shall be declared in sterling. Dividends may, if requested by any shareholder, be paid to that shareholder in a currency other than sterling, based on such rate(s) of exchange as the shareholder may agree with the company or, in default of agreement, based on such rate(s) of exchange as the directors may consider reasonable and appropriate
- (b) The amounts which this article contemplates being notified by each shareholder to the company may be expressed in a single currency other than sterling. However, if any amount is so notified in a currency other than sterling, it shall be translated into sterling for the purpose of any calculation required by this article at such rate(s) of exchange as the relevant shareholder may agree with the company or, failing agreement, at such rate(s) as the directors may consider reasonable and appropriate, having regard in particular to the forward rate(s) applicable to the relevant outgoings of the shareholder
- (c) Any determination by the directors (in the absence of agreement with the relevant shareholder) of an applicable exchange rate for the purposes of paragraphs (a) or (b) above shall be conclusive and binding

Dates

- 105.4(a) The directors shall
 - (i) give the R shareholder and the E shareholder not less than 15 Business Days notice of the Notification Time in relation to any dividend if it is to be other than the time at which the proposed dividend is to be declared or paid,
 - (ii) ensure that the R shareholder and the E shareholder are notified or are otherwise aware of the earliest date on which any part of a particular dividend will be paid not less than

15 Business Days prior to the Notification Time in relation to the preceding dividend

- (b) Save as mentioned in paragraph (a) of article 105 2, each dividend shall be paid on such date or dates as the directors shall determine. In determining such dates, the directors shall have regard to the Earliest Payment Date in respect of that dividend and the dates on which Permitted Liabilities, Preference Share Amounts and Target Dividends of the relevant shareholder will be payable (to the extent that they are aware of those dates). The directors may determine different dates for payments to different shareholders. Dividends shall not carry interest pending payment.

Failure by a shareholder to notify

105 5 If, in relation to any proposed dividend payment by the company, either shareholder fails to give any notification to the company by the Notification Time of its

- (a) Cash Requirement and Permitted Liabilities,
- (b) Deficit Amount,
- (c) Preference Share Amount, or
- (d) Target Dividend Amount,

the relevant amount for that shareholder in relation to the relevant dividend payment shall be nil

Shareholders to notify each other

105 6 At the same time as a shareholder gives any notification contemplated by this article to the company, it shall supply a copy of that notification to the other shareholder

Power to require supporting evidence

105 7 The directors may, and shall on being requested to do so by either the R shareholder or the E shareholder, require a shareholder to supply such supporting evidence in respect of, or confirmation of the information forming the basis of, any notification given by that shareholder for the purposes of this article (or on which any such notification should have been based had it been given or properly given), or such information as is required to calculate the Relevant Cash of a shareholder who has failed to give notification of that amount, as, in all the circumstances, is reasonable and appropriate. If

- (a) any evidence or confirmation required pursuant to this paragraph is not provided within such reasonable time as the directors shall specify, or
- (b) in the reasonable opinion of the directors, the evidence or confirmation provided demonstrates a manifest error or absence of good faith in relation to the relevant notification, or
- (c) no notification of the amount of the Relevant Cash has been given,

the directors shall be entitled in their absolute discretion to decide that the amount specified in the relevant notification shall be deemed to be nil or such higher amount (not being more favourable to the relevant shareholder than the amount specified in the relevant notification, if any) as the directors consider to be reasonable having regard to the evidence and confirmations requested or received by them. In such event, the amount so determined by the directors shall be deemed for all purposes of the articles to be the amount of the Cash Requirement, Permitted Liabilities, Relevant Cash, Deficit Amount, Preference Share Amount or, as the case may be, Target Dividend Amount

If Gross Dividend Amounts not agreed

105.8 Without prejudice to article 105.5 if, in relation to any proposed dividend payment, either shareholder shall notify the directors that as at the Notification Time the Gross Dividend Amounts to be paid by the R shareholder and the E shareholder respectively have not been agreed by the R shareholder and the E shareholder in accordance with the terms of the Governing Agreement

- (a) the Gross Dividend Amount per share for each shareholder shall be such amount as the directors determine to be the higher of
 - (i) the Gross Dividend Amount notified by that shareholder, and
 - (ii) the Gross Dividend Amount per share for that shareholder which would be derived from applying to the Gross Dividend Amount per share notified by the other shareholder the Equalisation Ratio and Applicable Exchange Rate (as defined at the relevant time for the purposes of the Governing Agreement),
- (b) based on the Gross Dividend Amount so determined by them for each shareholder, the directors shall determine the Target Dividend, Target Dividend Amount, Permitted Liabilities and Cash Requirement for each shareholder, and may request such information from the shareholders as they reasonably require in order to make such determinations and, to the extent that it is impractical to request such information or such information is not obtained prior to the time at which the relevant dividend is to be

declared or recommended, the directors shall be entitled to make such assumptions and estimates as to the matters required to determine the Target Dividend, Target Dividend Amount, Permitted Liabilities and Cash Requirement for each shareholder as they may consider reasonable or necessary,

- (c) the Target Dividend, Target Dividend Amount, Permitted Liabilities and Cash Requirement for each shareholder in relation to the Relevant Period shall then be deemed for all purposes of the articles to be the amount so determined by the directors

For the avoidance of doubt, the determination of Gross Dividend Amounts by the directors in accordance with (a) above shall be without prejudice to the power of the directors to decide the portion of the profits of the company which it is appropriate to distribute

Inability to pay Target Dividend in full

105.9 If, in relation to any proposed dividend payment, either the R shareholder or the E shareholder notifies the company that it will be unable, by reason of any provision having the force of law (but not solely by reason of the inadequacy of reserves or the amounts payable to it pursuant to paragraphs (a) to (e) of article 105.2 being insufficient to enable it to discharge its liabilities and to pay all preferential dividends or the existence of Excluded Shares), to make payment in full of its Target Dividend to its ordinary shareholders, the following provisions shall apply

- (a) unless the relevant shareholder requests otherwise pursuant to paragraph (b) below, (i) the dividend payable to that shareholder under paragraph (f) of article 105.2 shall be paid to it in full, notwithstanding that it will be unable to pay the full cash element of the Target Dividend to its shareholders, and (ii) the amount of any Permitted Liabilities of the relevant shareholder and all other relevant amounts shall be computed as if such full payment were to be made, and in that event the difference between the total amount paid to the relevant shareholder under article 105.2 (together with any sum paid or due to the relevant shareholder by way of tax credit or any other similar associated tax benefit) and the total amount which would have been paid had paragraph (b) below applied (translated, in the case of the E shareholder into euros at the rate used in the calculation of the Target Dividend Amount) shall be credited to a separate reserve in the books of the relevant shareholder,
- (b) if the relevant shareholder so requests prior to the Notification Date, the dividend payable to that shareholder under paragraph (f) of article 105.2 shall be whichever shall be the lesser of
 - (i) the amount notified by the relevant shareholder to be the amount which would have been the Target Dividend Amount

had that amount reflected the maximum Target Dividend permitted by the provisions having the force of law in consequence of which this article 105 9 applies, and

- (ii) the amount which would have been payable to the relevant shareholder under the said paragraph had paragraph (a) above applied,

and, if paragraph (b)(i) applies, the reduced level of the dividend to be paid by the relevant shareholder to its shareholders shall be taken into account in computing the amount of the Permitted Liabilities of the relevant shareholder and all other relevant amounts, and the difference between the total amount paid to the relevant shareholder under article 105 2 and the amount which would have been paid had paragraph (a) above applied (in each case, including the amount of any tax that has been or would be deducted or withheld from the payment by the company) shall be credited to a separate reserve in the books of the company (the "Deferred Dividend Reserve"), to be used for the purpose of paying supplementary dividends to the relevant shareholder in future to enable it to make compensatory dividend payments to its shareholders,

- (c) where, pursuant to paragraph (b) above, any amount stands to the credit of either shareholder in a Deferred Dividend Reserve, the relevant shareholder may, at or before the Notification Time in respect of any future dividend payment by the company, request that, upon that dividend being declared or recommended or at such later date as may be agreed with the company, there is paid to it by way of further dividend all or part of the amount standing to its credit in the Deferred Dividend Reserve for the purpose of making compensatory dividend payments to its shareholders, but such arrangements shall not be taken into account for the purpose of notification of the Target Dividend or Target Dividend Amount of the relevant shareholder,
- (d) following a request by either shareholder in accordance with (c) above, the company shall make payment of the amount requested in priority to any dividend which is, or would otherwise be, payable under paragraph (f) of article 105 2 (and in priority to such other dividend payments as the R shareholder and the E shareholder may agree and notify to the company) as part of the same distribution of profit,
- (e) if and to the extent so requested by the R shareholder and the E shareholder jointly, the directors shall adjust the amount of the Deferred Dividend Reserve in such manner as the directors consider appropriate to reflect any arrangements agreed between the

R shareholder and the E shareholder and notified jointly to the company in relation to

- (i) any change in the issued share capital of the relevant shareholder (provided, in the case of an increase in the issued share capital, that the new shares are to rank for compensatory payments),
- (ii) any change in the taxation regime or rates of tax or tax credit applicable to the relevant shareholder or to payments of dividend to or by it,
- (iii) any future movements in the euro-sterling exchange rate, or
- (iv) compensating the shareholders of the relevant shareholder for the delay in receipt of the amount represented by the Deferred Dividend Reserve

105 10 All notifications given by either shareholder for the purposes of this article shall be prepared with due care and attention and, to the extent any notification requires any element of estimation, that estimation shall be made in good faith and based upon reasonable assumptions

CAPITAL RIGHTS

Interpretation

106 1 Save as indicated below, words and expressions defined for the purpose of article 105 have the same meaning in this article and, subject to the other provisions of this article, in this article

Assumptions means the following assumptions

- (a) that each of the Liquidation Companies is wound up, commencing on the Commencement Date,
- (b) that all of the assets of the Liquidation Companies (except, in the case of the R shareholder and the E shareholder, the "R" shares, the "E" shares and shares in Elsevier Reed Finance, the R shareholder's shares in RHBV and any shares held by RHBV in the E shareholder and all rights attaching to any such shares, but including for the avoidance of doubt the E shareholders' shares in Reed Elsevier Nederland BV and Reed Elsevier Overseas BV) are disposed of on an arm's length basis in the windings-up on the Determination Date,
- (c) that the R shareholder and the E shareholder received in respect of the "R" shares and the "E" shares the amounts actually received by them prior to the making of the relevant notification pursuant to paragraph (b) of article 106 3 at the time when these amounts were

actually received and that they will receive their respective due proportions of the Specified Amount on the Specified Date,

- (d) that the interest of the R shareholder and the E shareholder in the company immediately after the Specified Date is equal to the relevant Residual Value and that the interest of the R shareholder in RHBV is equal to the RHBV Residual Value,
- (e) that Elsevier Reed Finance makes a single cash distribution to its shareholders on the Determination Date of the full amount of assets available for distribution to its shareholders,
- (f) that RHBV makes a single cash distribution to its shareholders immediately following the distribution pursuant to paragraph (e) above of the full amount of assets available for distribution to its shareholders (excluding its shares in the E shareholder and any amount available as a result of a distribution by the E shareholder),
- (g) that, subject to the discharge of its liabilities (including tax liabilities which would arise if the Assumptions were fulfilled), RHBV makes immediate onward liquidation distributions to its shareholders of all moneys that would be available to it as a result of the E shareholder making distributions on the assumption that the E shareholder makes distributions in accordance with the assumptions set out in paragraph (a) of article 106 12 (but taking account of the extent to which amounts would in fact be capable of distribution by the E shareholder having regard, amongst other things, to liabilities of the E shareholder which are not Permitted Liquidation Liabilities),
- (h) that all reliefs from tax that would be available to the Liquidation Companies in their assumed liquidations (including by virtue of any tax grouping or other fiscal unity provisions to the extent such reliefs are available from the R shareholder, the E shareholder, the company, Elsevier Reed Finance or any of their respective subsidiaries) are claimed, surrendered and used in such a manner as minimises the overall incidence of taxation on the assumed liquidations of the Liquidation Companies (in each case on the assumption that the terms of clause 4 2 of the Implementation Agreement have been observed by each shareholder and that there has been no breach by any party of the provisions of the Governing Agreement or of the agreement of even date with the Governing Agreement between RHBV and the E shareholder),

Available Assets means, in relation to either the R shareholder or the E shareholder, the amount of the assets of the relevant shareholder that would be available in a winding-up of that shareholder on the basis of the Assumptions (other than Assumptions (c) and (g), save as mentioned below) and subject to the following

- (a) the following shall not be regarded as forming part of those assets

- (i) any amount which would otherwise be taken into account in respect of the "R" shares or the "E" shares and any other shares held by the relevant shareholder in the Liquidation Companies,
 - (ii) any distributions pursuant to article 106 2 other than any distribution required by paragraph (a) of that article,
 - (iii) any amount (to the extent it might otherwise be treated as an asset of the relevant shareholder) representing dividends unclaimed by shareholders of the relevant shareholder, to the extent that, at the Commencement Date, the relevant shareholder is or may become bound (in accordance with applicable law or regulation) to make payment of such sums to or for the benefit of a shareholder,
- (b) in the computation of the amount of such assets there shall be deducted
 - (i) the amount of any reserve maintained by the relevant shareholder pursuant to article 105 9, and
 - (ii) in the case of the R shareholder, unless the R shareholder and the E shareholder have jointly notified the company that they have agreed otherwise, an amount equal to the amount received (net of all costs, including taxation and other expenditure associated with the disposal) by the R shareholder (or by RHBV) as a result of a disposal by the R shareholder (or by RHBV) of all or any part of its interest in the Exchange Shares, to the extent such amount has not been reduced whether by reason of being distributed to shareholders of the R shareholder or in the payment of taxation associated with its distribution (whether by RHBV to the R shareholder, or by the R shareholder to its shareholders or otherwise) or in any other way,
- (c) the following shall, without limitation, be regarded as forming part of those assets
 - (i) any amounts which could reasonably be expected to be received from any member of the Reed Elsevier Group or of the Finance Group under any indemnity, loan or other arrangements,
 - (ii) any amounts that would be receivable by the relevant shareholder on a winding-up, in accordance with the Assumptions, of Elsevier Reed Finance,

(d) in the computation of the amount of such assets, there shall be added, except to the extent that the R shareholder and the E shareholder have agreed otherwise

(i) the aggregate of the amounts of all resources that either (A) have been defrayed by the relevant shareholder at any time in breach of the Governing Agreement or in consequence of a liability or expenditure of the kind mentioned in paragraph (3) of the definition of "Permitted Liabilities" or (B) would have been available to it had it observed the terms of the Implementation Agreement, less

(ii) the aggregate of the following amounts

(A) if resources have been so defrayed as part of a transaction which resulted in the acquisition by the relevant shareholder of cash, or a non-cash asset, which was subsequently, directly or indirectly wholly or in part converted into cash the amount of the cash so acquired,

(B) if resources have been so defrayed as part of a transaction which resulted in the acquisition by the relevant shareholder of a non-cash asset which, or an asset directly or indirectly deriving from which, was wholly or in part still held by the relevant shareholder at the Commencement Date the amount attributed to that non-cash asset in the calculation of the relevant Available Assets, and

(C) if any dividend paid by the relevant shareholder to its shareholders has ever been reduced on account of a particular matter coming within sub-paragraph (d)(i) above (having regard to the Equalisation Ratio and the provisions of the Governing Agreement and article 105) the amount saved by the relevant shareholder by reason of that reduction,

provided that the amount deducted pursuant to this sub-paragraph (d)(ii) in respect of a particular matter shall not exceed the amount which would otherwise be taken into account in respect of that matter pursuant to sub-paragraph (d)(i) above,

Commencement Date means noon (London time) on the effective date of the commencement of the winding-up of the company being, in the case of a voluntary winding-up, the date of the relevant resolution to commence winding-up and, in the case of a compulsory winding-up, the date of the presentation of the petition for winding-up to the court,

Determination Date means the date six months after the Commencement Date or such other date as the R shareholder and the E shareholder shall, prior to that date (or any other date previously agreed for the purpose of this definition), agree and notify to the company,

Excess Liabilities Requirement means, in relation to either the R shareholder or the E shareholder, the amount by which the Permitted Liquidation Liabilities of the relevant shareholder exceed its Available Assets,

Expert means such person as the R shareholder and the E shareholder shall designate by notice to the company given within 15 Business Days (or such longer period as the R shareholder, the E shareholder and the Liquidator shall agree whether before or after the expiry of that period) of, in the case of a matter falling within paragraph (b) of article 106 4, the service of the relevant Objection Notice or, in the case of a matter falling within paragraph (b) of article 106 5, the date of the relevant notification under article 106 3(d) or, in either case, any previous Expert appointed in relation to the matter in question becoming unable or unwilling to act or, in default of any such designation, such person as may be appointed for the purpose of resolving the matter in question (on the application of either shareholder or the Liquidator) by the President for the time being of the Institute of Chartered Accountants in England and Wales,

Liquidator means the liquidator of the company,

Liquidation Companies means the R shareholder, the E shareholder, Elsevier Reed Finance and RHBV,

Objection Notice means, in relation to any Proposed Distribution, a notice given by either the R shareholder or the E shareholder to the company stating that the relevant shareholder does not agree one or more of the amounts specified, or deemed to have been specified, in the relevant notification given by the other shareholder pursuant to paragraph (b) of article 106 3 as the amount of its Available Assets, Permitted Liquidation Liabilities or Preference Capital Amount,

Permitted Liquidation Liabilities means, in relation to either the R shareholder or the E shareholder, the amount of the liabilities of the relevant shareholder which would be provable in a winding-up of it commencing on the Commencement Date, (including liabilities in respect of tax) which would be liabilities of the relevant shareholder if the Assumptions were satisfied but so that such amount shall exclude

- (a) any liability to account for the amount of any tax (other than, for the avoidance of doubt, tax on its income, profits or gains) which would be required to be deducted or withheld from payments to shareholders in the winding-up,

- (b) any liability directly or indirectly constituting, or resulting from, or arising out of, any act or omission by or matter concerning the relevant shareholder or any subsidiary of the relevant shareholder which has constituted, a breach of the Governing Agreement or which would not have existed had the terms of clause 4.2 of the Implementation Agreement been observed by the relevant shareholder,
- (c) a liability to pay to the other shareholder damages or any other amount by way of compensation for breach of contract or other wrongful act or pursuant to the settlement of any claim by the other shareholder (whether or not liability is admitted) and any expenditure to be incurred in settlement of such a claim, and
- (d) any liability to the extent it will be settled by some other person

Preference Capital Amount means, in relation to either the R shareholder or the E shareholder, the amount required to discharge in full the sums that would be payable by the relevant shareholder to the holders of its Preference Shares, if any, in a winding-up of the relevant shareholder commencing on the Commencement Date, less the amount (if any) by which its Available Assets exceed its Permitted Liquidation Liabilities, provided that the Preference Capital Amount shall not be less than zero,

Preference Share means a share in the capital of either the R shareholder or the E shareholder carrying a preferential right to capital distribution on a winding-up other than an Excluded Share,

Proposed Distribution means the distribution contemplated by the relevant notification pursuant to paragraph (a) of article 106.3,

Residual Amount means the Specified Amount less such amount as the Liquidator would be required to distribute pursuant to paragraphs (a) to (d) of article 106.2 prior to the making of any distribution pursuant to paragraph (e) of that article,

Residual Value means, in relation to either the R shareholder or the E shareholder and any Proposed Distribution, the value for the purpose of the taxation of capital gains of the interest of the relevant shareholder in the company as at the time immediately after the Specified Date,

RHBV Residual Value means, in relation to the R shareholder, the value for the purpose of the taxation of capital gains of the interest of the R shareholder in RHBV (having regard to the value of the interest of RHBV in the E shareholder) as at the time immediately after the Specified Date,

Specified Amount means, in relation to a Proposed Distribution the amount specified by the Liquidator in the relevant notification pursuant to paragraph (a) of article 106.3,

Specified Date means the date specified by the Liquidator in the relevant notification pursuant to paragraph (a) of article 106 3,

Target Capital Distribution Amount means in relation to either the R shareholder or the E shareholder and any Proposed Distribution, the amount which represents that proportion of the Residual Amount which is required to be paid to the relevant shareholder in order to satisfy the formulae set out in paragraph 7 1 2 of Schedule 1 to the Governing Agreement,

references to an amount being **final and binding** mean that the relevant amount shall be deemed conclusively to be the amount of the relevant Available Assets, Permitted Liquidation Liabilities, Preference Capital Amount or, as the case may be, Target Capital Distribution Amount for the purposes of calculating the amount of all distributions made pursuant to this article 106 between the time when the relevant amount becomes final and binding and such time as another notice is given pursuant to paragraph (a) of article 106 3

Capital rights

106 2 Subject to article 106 7 to 106 10 below, on the winding-up of the company, the assets of the company available for distribution to shareholders shall be applied in the following order

- (a) in paying to the holder or holders of the "G" shares a sum equal to the nominal capital paid up on those shares,
- (b) in paying
 - (i) to the R shareholder, an amount equal to the R Excess Liabilities Requirement, and
 - (ii) to the E shareholder, an amount equal to the E Excess Liabilities Requirement,

provided that, if the amount available for distribution is not sufficient to pay the sum of the R Excess Liabilities Requirement and the E Excess Liabilities Requirement in full, the amounts to be distributed pursuant to this paragraph (b) shall be calculated by reference to the following formula

$$R = \frac{A_E L_R + DL_R - A_R L_E}{L_R + L_E}$$

$$E = D - R$$

where

A_F = the amount of the E Available Assets,

A_R = the amount of the R Available Assets,

L_E = the amount of the E Permitted Liquidation Liabilities,

L_R = the amount of the R Permitted Liquidation Liabilities,

D = the total amount available to be distributed pursuant to this paragraph (b),

R = the amount to be paid to the R shareholder,

E = the amount to be paid to the E shareholder,

provided that

(1) if either the R Excess Liabilities Requirement or the E Excess Liabilities Requirement is zero, the whole amount shall be payable to the shareholder the Excess Liabilities Requirement of which is not zero, and

(2) in no event shall the amount payable to either shareholder exceed that shareholder's Excess Liabilities Requirement,

(c) in paying to the R shareholder and the E shareholder an amount equal to the amount standing to the credit of any Deferred Dividend Reserve in the name of the relevant shareholder on the Commencement Date, provided that, if the amount to be distributed is not sufficient to pay such amounts, the amount paid to each shareholder pursuant to this paragraph (c) shall be reduced pro rata,

(d) in paying

(i) to the R shareholder, an amount equal to the R Preference Capital Amount,

(ii) to the E shareholder, an amount equal to the E Preference Capital Amount,

provided that (unless the R shareholder and the E shareholder notify the company that they have agreed otherwise) if the amount available for distribution under this paragraph (d) is less than the sum of the R Preference Capital Amount and the E Preference Capital Amount, the amounts payable on the R shares and the E shares respectively shall reduce pro rata to the R Preference Capital Amount and the E Preference Capital Amount,

(e) in paying

- (i) to the R shareholder, an amount equal to the sum of the R Target Capital Distribution Amounts in relation to all interim and final distributions pursuant to article 106.10, and
- (ii) to the E shareholder, an amount equal to the sum of the E Target Capital Distribution Amounts in relation to all interim and final distributions pursuant to article 106 10

Notifications

106 3(a) The Liquidator may at any time and from time to time notify the R shareholder and the E shareholder of the aggregate amount which the Liquidator believes will be available to be distributed as an interim or final distribution pursuant to paragraph (b) to (e) of article 106 2 on or about a specified future date

(b) Within one month of any notification pursuant to paragraph (a) above, each of the R shareholder and the E shareholder shall notify the Liquidator of -

(i) its bona fide best estimate as at the time when the notification pursuant to this paragraph (b) is made of the amount of its -

(A) Available Assets,

(B) Permitted Liquidation Liabilities,

(C) Preference Capital Amount,

(D) Residual Value and, in the case of the R shareholder, the RHBV Residual Value, and

(E) its Target Capital Distribution Amount (if any) with respect to the relevant distribution, and

(ii) the exchange rates it has used in arriving at the amounts referred to in paragraph (i) above

(c) Subject to article 106 4 below, if either shareholder fails to notify any amount required by paragraph (b)(i) above (other than sub-paragraph (D)), the relevant shareholder shall be deemed to have notified the Liquidator that the relevant amount is

(i) in the case of its Available Assets -

(A) if the amount of its Available Assets shall have been conclusively determined for the purposes of any distributions made immediately prior to the service of the

relevant notice under paragraph (a) above, the amount so conclusively determined, or

(B) if that amount shall not have been conclusively determined, nil, and

(ii) in all other cases, nil

(d) The company shall, as soon as is practicable, notify.

(i) the R shareholder of the details of any notifications by the E shareholder pursuant to paragraph (b) above,

(ii) the E shareholder of the details of any such notifications by the R shareholder, and

(iii) the R shareholder or, as the case may be, the E shareholder of any default by the other of the kind mentioned in paragraph (c) above

Determination of shareholders requirements

106 4(a) The amount specified, or deemed to be specified, by either the R shareholder or the E shareholder as the amount of its Available Assets, Permitted Liquidation Liabilities or Preference Capital Amount pursuant to article 106 3 shall be final and binding unless, within 15 Business Days of receipt by the other shareholder of notification of the relevant amount (or of any default in specifying the relevant amount) pursuant to paragraph (d) of article 106 3, that other shareholder serves an Objection Notice on the company in respect of that amount

(b) In any case falling within sub-paragraph (c)(i)(B) of article 106 3, an Objection Notice shall be deemed to have been served in respect of the amount of the Available Assets of the relevant shareholder unless prior to the expiry of the period specified in paragraph (a) above the other shareholder shall have served a notice on the company stating that this paragraph (b) shall not apply to the relevant situation

(c) If, in respect of any amount mentioned in paragraph (a) above, an Objection Notice is served, the matter in question (the **Disputed Amount**) shall be referred to the Expert with a view to the Expert determining or estimating the amount of the Disputed Amount

Determination of Target Capital Distribution Amounts

106 5(a) If, in relation to any Proposed Distribution -

(i) no Objection Notice is served, and

- (ii) the sum of the Target Capital Distribution Amounts notified pursuant to paragraph (b) of article 106 3 equals the relevant Residual Amount,

those amounts shall be final and binding

- (b) If paragraph (a) above does not apply, the issue of the amount of Target Capital Distribution Amounts shall be referred to the Expert with a view to the Expert determining or estimating the relevant amounts

Expert determination

106 6 The following provisions shall apply in respect of any matter which is referred to the Expert

- (a) The R shareholder and the E shareholder shall co-operate fully with the Expert and shall promptly provide the Expert with such evidence and confirmations as he may reasonably require
- (b) The R shareholder, the E shareholder and the Liquidator shall be entitled to make such representations to the Expert, within such period, as the Expert shall determine
- (c) The Expert shall be entitled to obtain and rely on advice from such other persons (including without limitation lawyers, accountants, bankers, brokers and valuers) as the Expert shall consider appropriate having regard to the matter in dispute. If a matter shall previously have been referred to an Expert and either -
 - (i) that Expert shall have stated that he has determined a particular issue arising in the course of that reference in a particular way, or
 - (ii) it is implicit in that Expert's determination or estimate pursuant to this article 106 that he has done so,

then the Expert in relation to any subsequent reference pursuant to this article 106 (whether or not the same person) shall be entitled to regard that issue as having been finally determined and to rely on that determination in reaching his own determination or estimate of the matter referred to him

- (d) The R shareholder and the E shareholder shall use all reasonable endeavours to procure that the Expert determines or estimates the amount or amounts in question by notice to those shareholders and the company as soon as is reasonably practicable. The Expert shall not be obliged to give reasons for his decision

- (e) Subject to paragraph (f) below, the amount so determined or estimated shall be final and binding
- (f) If a manifest error exists in the Expert's determination or estimate and either the R shareholder or the E shareholder notifies the company of it within 15 Business Days of receipt of the notice referred to in paragraph (d) above, that determination or estimate shall be a nullity and the shareholders shall procure that the matter is referred back to the Expert
- (g) The Expert shall act as an expert and not as an arbitrator
- (h) The Expert's fees, costs and expenses shall be borne by the company as an expense of the liquidation. These fees, costs and expenses shall be notionally divided between the R shareholder and the E shareholder in such proportions as the Expert may determine within one month of notifying the company of his determination pursuant to paragraph (d) above (or, failing which, equally) and shall, accordingly, be deducted from the amounts which are to be distributed to those shareholders pursuant to this article 106

Distributions under article 106.2(b)

- 106 7(a) The Liquidator shall be entitled at any time to make an interim or final distribution pursuant to paragraph (b) of article 106 2 subject to -
- (i) the amount referred to in paragraph (a) of article 106 2 having been paid by the Liquidator to the holder or holders of the "G" shares,
 - (ii) the determination of Available Assets and the Permitted Liquidation Liabilities of the R shareholder and the E shareholder having become final and binding for the purposes of distributions to be made at the relevant time,
 - (iii) (unless the R shareholder and the E shareholder agree otherwise) the determination of at least one of the Available Assets, Permitted Liquidation Liabilities, Preference Capital Amount or Target Capital Distribution Amount of one of the shareholders having become final and binding for the purposes of distributions to be made at the relevant time within the preceding six months, and
 - (iv) either or both of the R shareholder and the E shareholder not having been paid in full the amount of its Excess Liabilities Requirement pursuant to paragraph (b) of article 106 2
- (b) Any amount to be distributed pursuant to paragraph (b) of article 106 2 (the "Available Amount") shall be divided between the

R shareholder and the E shareholder in such proportions as secure (as far as possible) that, having regard to any previous distributions pursuant to that paragraph but assuming that no further such distributions will be made, the aggregate of the amounts paid to the R shareholder and the E shareholder pursuant to that paragraph is divided between them in accordance with the requirements of that paragraph

- (c) If, by reason of any change in the amount of the Available Assets or the Permitted Liquidation Liabilities of either the R shareholder or the E shareholder, either shareholder shall already have been paid pursuant to paragraph (b) of article 106 2 more than the amount which it would have received had the aggregate amount referred to in paragraph (b) above been divided in accordance with the requirements of paragraph (b) of article 106 2 then the whole of the Available Amount shall be paid to the other shareholder

Distributions under article 106.2(c)

106 8(a) The Liquidator shall be entitled at any time to make an interim or final distribution pursuant to paragraph (c) of article 106 2 subject to -

- (i) the matters specified in sub-paragraphs (a)(i) to (a)(iii) of article 106 7,
 - (ii) payment of an amount equal to the R Excess Liabilities Amount (if any) having been made to the R shareholder and payment of an amount equal to the E Excess Liabilities Amount (if any) having been made to the E shareholder, in each case, pursuant to paragraph (b) of article 106 2, and
 - (iii) either or both of the R shareholder and the E shareholder not having been paid in full pursuant to paragraph (c) of article 106 2 the amount (if any) referred to in that paragraph as standing to the credit of an account in its name
- (b) Any amount to be distributed pursuant to paragraph (c) of article 106 2 (the **Available Amount**) shall be divided between the R shareholder and the E shareholder in such proportions as secure (so far as possible) that, having regard to any previous distributions made pursuant to that paragraph but assuming that no further such distributions will be made, the aggregate of the amounts paid to the R shareholder and the E shareholder pursuant to that paragraph is divided between them in accordance with the requirements of that paragraph, provided that, for the purpose of determining the amount to be paid under this article 106 8 (and article 106 9), if by reason of any change in amount of the Available Assets or the Permitted Liquidation Liabilities of either the R shareholder or the E shareholder, either shareholder shall have received more than its

Excess Liabilities Requirement pursuant to paragraph (b) of article 106 2, the amount of the excess shall be deemed to have been paid to the relevant shareholder pursuant to paragraph (c) of article 106 2

- (c) If, by reason of any change in the amount of the Available Assets or the Permitted Liquidation Liabilities of either the R shareholder or the E shareholder and having regard to the proviso to paragraph (b) above, either shareholder shall already have been paid pursuant to paragraph (c) of article 106 2 more than the amount which it would have received had the aggregate amount referred to in paragraph (b) above been divided in accordance with the requirements of paragraph (c) of article 106 2 then the whole of the Available Amount shall be paid to the other shareholder

Distributions under article 106.2(d)

- 106 9(a) The Liquidator shall be entitled to make an interim or final distribution pursuant to paragraph (d) of article 106 2 subject to -
- (i) the matters specified in sub-paragraphs (a)(i) and (a)(ii) of article 106 8,
 - (ii) the amounts referred to in paragraph (c) of article 106 2 having been paid by the Liquidator to the R shareholder and the E shareholder,
 - (iii) the Preference Capital Amounts of the R shareholder and the E shareholder having been conclusively determined for the purposes of distributions to be made at the relevant time, and
 - (iv) either or both of the R shareholder and the E shareholder not having been paid in full the amount of its Preference Capital Amount pursuant to paragraph (d) of article 106 2
- (b) Any amount to be distributed pursuant to paragraph (d) of article 106 2 (the "Available Amount") shall be divided between the R shareholder and the E shareholder in such proportions as secure (so far as possible) that, having regard to any previous distributions made pursuant to that paragraph but assuming that no further such distributions will be made, the aggregate of the amounts paid to the R shareholder and the E shareholder pursuant to that paragraph is divided between them in accordance with the requirements of that paragraph, provided that, for the purpose of determining the amount to be paid under this article 106 9 (and article 106 10), if by reason of any change in the amount of the Available Assets or the Permitted Liquidation Liabilities of either the R shareholder or the E shareholder and having regard to the proviso to paragraph (b) of article 106 8, either shareholder shall have received more pursuant to paragraph (c) of article 106 2 than the amount (if any) due to it

under that paragraph, the amount of the excess shall be deemed to have been paid to the relevant shareholder pursuant to paragraph (d) of article 106 2

- (c) If, by reason of any change in the amount of the Available Assets, the Permitted Liquidation Liabilities or the Preference Capital Amount of either the R shareholder or the E shareholder and having regard to the proviso to paragraph (b) above, either shareholder shall already have been paid pursuant to paragraph (d) of article 106 2 more than the amount which it would have received had the aggregate amount referred to in paragraph (b) above been divided in accordance with the requirements of paragraph (d) of article 106 2 then the whole of the Available Amount shall be paid to the other shareholder

Distributions under article 106.2(e)

106 10 The Liquidator shall be entitled at any time to make an interim or final distribution pursuant to paragraph (e) of article 106 2 subject to -

- (a) the matters specified in sub-paragraphs (a)(i) to (a)(iii) of article 106 9,
- (b) payment of an amount equal to the R Preference Capital Amount having been made to the R shareholder and payment of an amount equal to the E Preference Capital Amount having been made to the E shareholder, in each case, pursuant to paragraph (d) of article 106 2,
- (c) the Target Capital Distribution Amounts of the R shareholder and the E shareholder having been conclusively determined for the purposes of distributions made at the relevant time,
- (d) no previous distribution having been made pursuant to paragraph (e) of article 106 2 since the time when the last preceding notice was given pursuant to paragraph (a) of article 106 3,
- (e) the amount of the relevant distribution to each of the R shareholder and the E shareholder being equal to its Target Capital Distribution Amount

Repayment

106 11 For the avoidance of doubt, it is declared that in no event shall either the R shareholder or the E shareholder be obliged to repay any amount distributed to it pursuant to this article

Exchange rates

106 12(a) Amounts required to be calculated for the purposes of this article 106 (Capital Rights) shall be expressed in sterling. Save to the extent specified in paragraph 7 1 of Schedule 1 to the Governing Agreement, the rates of exchange used to determine such amounts shall be such rates as shall in all the circumstances be reasonable. In assessing what is reasonable, it shall be assumed that -

- (i) all assets of the R shareholder and the E shareholder are used to the extent necessary in the discharge of their respective Permitted Liquidation Liabilities or are distributed to their respective shareholders, and
- (ii) all amounts distributed to the R shareholder and the E shareholder pursuant to paragraph (b) of article 106 2 are used in the discharge of their respective Permitted Liquidation Liabilities and all amounts so distributed pursuant to paragraphs (c) to (e) of article 106 2 are distributed to their respective shareholders,

in each case, as soon as would be practicable if the Assumptions were correct, if neither shareholder had any liabilities other than Permitted Liquidation Liabilities and if the aggregate amount referred to in paragraph (d) of the definition of Available Assets in respect of each shareholder were nil

- (b) Amounts distributable under this article shall be expressed and distributed in sterling

Contingent liabilities

106 13 In calculating the Permitted Liquidation Liabilities there shall be disregarded any liability not otherwise specifically referred to in the definitions of that term if such liability is, at the time of the relevant notification pursuant to paragraph (b) of article 106 3, a contingent liability only and if, in accounts of the relevant shareholder drawn up as at that time in accordance either (a) with the accounting policies and practices of the relevant shareholder previously applied or (b) if any of these policies or practices are in breach of the Governing Agreement, policies and practices modified to the extent necessary to comply with that Agreement and, in either case, complying with applicable law and accounting standards, no provision would properly require to be made. If, in respect of such a contingent liability, a provision would properly require to be made on the basis described above, the proper amount of such provision shall be the amount of the relevant liability taken into account for the purpose of calculating the Permitted Liquidation Liabilities

Requirement to notify

106 14 Articles 105 6 and 105 10 shall apply to notifications under this article

DIVIDENDS

Declaration of dividends

107 Subject to the provisions of the Act, the company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors

Interim dividends

108 Subject to the provisions of the Act, the directors may declare and pay interim dividends (including interim dividends intended to be in lieu of a final dividend) if it appears to them that they are justified by the profits of the company available for distribution. If the share capital is divided into different classes, the directors may declare and pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be declared or paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears. The directors may also declare and pay at intervals settled by them any dividend payable at a fixed rate if it appears to them that the profits available for distribution justify the payment. Provided the directors act in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful declaration or payment of an interim dividend on any shares having deferred or non-preferred rights. An interim dividend shall become due and payable at such time as the directors declaring the same may determine.

Apportionment of dividends

109 Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but, if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Dividends in specie

110 A general meeting declaring a dividend may, upon the recommendation of the directors, direct that it shall be satisfied wholly or

partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the directors may settle the same and in particular may issue fractional certificates and fix the value for distribution of any assets and may determine that cash shall be paid to any member upon the footing of the value so fixed in order to adjust the rights of members and may vest any assets in trustees

Procedure for payment

111 Any dividend or other moneys payable in respect of a share may be paid in any manner approved by the holder of that share or may be paid by cheque sent by post to the registered address of the person entitled or, if two or more persons are the holders of the share or are jointly entitled to it by reason of the death or bankruptcy of the holder, to the registered address of that one of those persons who is first named in the register of members or to such person and to such address as the person or persons entitled may in writing direct. Every cheque shall be made payable to the order of the person or persons entitled or to such other person as the person or persons entitled may in writing direct and payment of the cheque shall be a good discharge to the company. Any joint holder or other person jointly entitled to a share as aforesaid may give receipts for any dividend or other moneys payable in respect of the share

Interest not payable

112 No dividend or other moneys payable in respect of a share shall bear interest against the company unless otherwise provided by the rights attached to the share

CAPITALISATION OF PROFITS

Power to capitalise

113 The directors may with the authority of an ordinary resolution of the company

- (a) subject as hereinafter provided, resolve to capitalise any undivided profits of the company not required for paying any preferential dividend (whether or not they are available for distribution) or any sum standing to the credit of the company's share premium account or capital redemption reserve,
- (b) appropriate the sum resolved to be capitalised to the members who would have been entitled to it if it were distributed by way of dividend and in the same proportions and apply such sum on their behalf either in or towards paying up the amounts, if any, for the time being unpaid on any shares held by them respectively, or in paying up in full unissued shares or debentures of the company of a nominal amount equal to that sum, and allot the shares or debentures credited as fully paid to those members, or as they may direct, in

those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserve, and any profits which are not available for distribution may, for the purposes of this article, only be applied in paying up unissued shares to be allotted to members credited as fully paid,

- (c) make such provision by the issue of fractional certificates or by payment in cash or otherwise as they determine in the case of shares or debentures becoming distributable under this article in fractions, and
- (d) authorise any person to enter on behalf of all the members concerned into an agreement with the company providing for the allotment to them respectively, credited as fully paid, of any shares or debentures to which they are entitled upon such capitalisation, any agreement made under such authority being binding on all such members

NOTICES

When notice required to be in writing

114 Any notice to be given to or by any person pursuant to the articles shall be in writing except that a notice calling a meeting of the directors need not be in writing

Method of giving notice

115 The company may serve or deliver any notice or other document on or to a member either personally or by sending it by post in a prepaid envelope addressed to the member at his registered address or by leaving it at that address or by sending it by facsimile transmission to the member at the last telephone number (if any) which the member has given the company for this purpose. In the case of joint holders of a share, all notices or other documents shall be served on or delivered to the joint holder whose name stands first in the register of members in respect of the joint holding. Any notice or other document so served or delivered shall be deemed for all purposes sufficient service on or delivery to all the joint holders

Proof of notice

116 Proof that an envelope containing a notice was properly addressed, prepaid and posted shall be conclusive evidence that the notice was given. A notice sent by post shall be deemed given

- (a) if sent by first class post from an address in the United Kingdom or another country to another address in the United Kingdom or, as the case may be, that other country, on the day following that on which the envelope containing it was posted,

- (b) if sent by airmail from an address in the United Kingdom to an address in The Netherlands or from an address in The Netherlands to an address in the United Kingdom, on the day following that on which the envelope containing it was posted, and
- (c) in any other case, on the fifth day following that on which the envelope containing it was posted

When other notices deemed given

117 A notice left at the registered address of a member or sent by facsimile transmission to a member at the last telephone number (if any) which the member has given the company for this purpose shall be deemed given at the time the notice is received

Deemed receipt of notice

118 A member present, either in person or by proxy, at any meeting of the company or of the holders of any class of shares in the company shall be deemed to have received notice of the meeting and, where requisite, of the purposes for which it was called

Transferees etc bound by prior notice

119 Every person who becomes entitled to a share shall be bound by any notice in respect of that share which, before his name is entered in the register of members, has been duly given to a person from whom he derives his title

Notice to persons entitled by transmission

120 A notice may be given by the company to the persons entitled to a share in consequence of the death or bankruptcy of a member by sending or delivering it, in any manner authorised by the articles for the giving of notice to a member, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt or by any like description at the address, if any, within the United Kingdom supplied for that purpose by the persons claiming to be so entitled. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the death or bankruptcy had not occurred

WINDING-UP

Liquidator may distribute in specie

121 If the company is wound up, the liquidator may, with the sanction of an extraordinary resolution of the company and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the company and may, for that purpose, value any assets and determine how the 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 the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

INDEMNITY

Indemnity to directors, officers, etc.

122 Subject to the provisions of the Act, but without prejudice to any indemnity to which a director may otherwise be entitled, every director or other officer of the company shall be indemnified out of the assets of the company against all costs, charges, losses, expenses and liabilities incurred by him in the execution or discharge of his duties or the exercise of his powers or otherwise in relation thereto, including (but without limitation) any liability incurred by him in defending any proceedings, whether civil or criminal, in which judgment is given in his favour (or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his part) or in which he is acquitted or in connection with any application in which relief is granted to him by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the company.

CONTENTS

PRELIMINARY	1
Interpretation	1
Delegation	3
SHARE CAPITAL	3
Issue of shares	3
Authorised share capital	3
Voting rights of "G" shares	3
Redeemable shares	3
Commissions	4
Trusts not recognised	4
SHARE CERTIFICATES	4
Members' rights to certificates	4
Replacement certificates	4
LIEN	4
Company to have lien on shares	4
Enforcement of lien by sale	5
Giving effect to sale	5
Application of proceeds	5
CALLS ON SHARES AND FORFEITURE	5
Power to make calls	5
Time when call made	6
Liability of joint holders	6
Interest payable	6
Deemed calls	6
Differentiation on calls	6
Notice requiring payment of call	6
Forfeiture for non-compliance	6
Sale of forfeited shares	7
Liability following forfeiture	7
Evidence of forfeiture	7
TRANSFER OF SHARES	7
Form and execution of transfer	7
Restrictions on transfer	8
Notice of refusal to register	8
Suspension of registration	8
No fee payable on registration	8
Retention of transfers	8
TRANSMISSION OF SHARES	9
Transmission	9
Election by person entitled	9
Rights of persons entitled by transfer	9
ALTERATION OF SHARE CAPITAL	9
Alterations permitted by ordinary resolution	9
Fractions arising on consolidation	10

GENERAL MEETINGS	10
Types of general meeting	10
Convening general meetings	10
NOTICE OF GENERAL MEETINGS	10
Period and contents of notice	10
Accidental omission to give notice	11
PROCEEDINGS AT GENERAL MEETINGS	11
Quorum	11
If quorum not present	11
Chairman	11
If chairman not present	12
Directors entitled to speak	12
Adjournments	12
Methods of voting	12
Declaration of result	12
Withdrawal of demand for poll	12
Conduct of poll	13
When poll to be taken	13
No casting vote for chairman	13
Notice of poll	13
Resolutions in writing	13
Effectiveness of special and extraordinary resolutions	13
VOTES OF MEMBERS	14
Votes on a show of hands or poll	14
Votes of joint holders	14
Member under incapacity	14
Calls in arrears	14
Objection to voting	14
Supplementary	15
Instruments of proxy	15
Validity of form of proxy	15
Delivery of form of proxy	15
Revocation of authority	15
NUMBER OF DIRECTORS	16
Limits on number of directors	16
ALTERNATE DIRECTORS	16
Power to appoint alternates	16
Alternates entitled to receive notice but no remuneration	16
Termination of appointment	16
Method of appointment and revocation	16
Alternate not an agent of appointor	17
POWERS OF DIRECTORS	17
Business to be managed by directors	17
Agents	17
COMMITTEES OF THE DIRECTORS	17
Committees of the directors	17

APPOINTMENT, REMOVAL AND RETIREMENT OF DIRECTORS	18
Appointment by board	18
Eligibility for appointment by board	18
Retirement of directors	18
Removal of directors	18
Notices of Suspension	19
DISQUALIFICATION OF DIRECTORS	20
Disqualification	20
REMUNERATION OF DIRECTORS	20
Ordinary remuneration of directors	20
DIRECTORS' EXPENSES	21
Directors may be paid expenses	21
DIRECTORS' APPOINTMENTS AND INTERESTS	21
Appointment to executive office	21
Directors may have contract with the company	21
Information belonging to the company	22
Exercise by company of voting rights	22
DIRECTORS' GRATUITIES, PENSIONS AND INSURANCE	22
Gratuities and pensions	22
Insurance	23
Section 719 of the Act.	23
PROCEEDINGS OF DIRECTORS	23
Notice and voting	23
Quorum	24
Powers of directors if number falls below quorum	24
Chairman	24
Validity of acts of directors	24
Written resolutions	24
Meetings by telephone, etc	25
Directors' power to vote on contracts in which they are interested	25
SECRETARY	26
Appointment and removal of secretary	26
MINUTES	26
Minutes required to be kept	26
THE SEAL	26
Authority required for use of seal	26
Official seal for use abroad	26
DEEDS	26
Execution by company under hand	26
Delivery of deeds	27
CERTIFICATION	27
Certified copies	27
INCOME RIGHTS	27

Interpretation	27
Distribution of profit	36
Exchange rates	39
Dates	39
Failure by a shareholder to notify	40
Shareholders to notify each other	40
Power to require supporting evidence	40
If Gross Dividend Amounts not agreed	41
Inability to pay Target Dividend in full	42
CAPITAL RIGHTS	44
Interpretation	44
Capital rights	50
Notifications	52
Determination of shareholders requirements	53
Determination of Target Capital Distribution Amounts	53
Expert determination	54
Distributions under article 106 2(b)	55
Distributions under article 106 2(c)	56
Distributions under article 106 2(d)	57
Distributions under article 106 2(e)	58
Repayment	58
Exchange rates	59
Contingent liabilities	59
Requirement to notify	60
DIVIDENDS	60
Declaration of dividends	60
Interim dividends	60
Apportionment of dividends	60
Dividends in specie	60
Procedure for payment	61
Interest not payable	61
CAPITALISATION OF PROFITS	61
Power to capitalise	61
NOTICES	62
When notice required to be in writing	62
Method of giving notice	62
Proof of notice	62
When other notices deemed given	63
Deemed receipt of notice	63
Transferees etc bound by prior notice	63
Notice to persons entitled by transmission	63
WINDING-UP	63
Liquidator may distribute in specie	63
INDEMNITY	64
Indemnity to directors, officers, etc	64