

Company Number: 2971215

THE COMPANIES ACT 1985
PRIVATE COMPANY LIMITED BY SHARES
RESOLUTION OF THE SOLE MEMBER
OF
PARAGON HOTELS LIMITED (the "Company")

The undersigned, being the sole member of the Company who at the date of this resolution is entitled to attend and vote at a general meeting of the Company convened for the purpose of considering the resolutions set out below **HEREBY RESOLVES:**

SPECIAL RESOLUTION

1. **THAT** the Articles of Association attached hereto be and are hereby adopted as the new articles of association of the Company in substitution for and to the exclusion of the existing articles of association of the Company.

ORDINARY RESOLUTION

2. **THAT** each of the "A" ordinary shares of £1 each, the "B" ordinary shares of £1 each, the "C" ordinary shares of £1 each and the "D" ordinary shares of £1 each in the capital of the Company, whether issued or unissued, be and are hereby redesignated as ordinary shares of £1 each in the capital of the Company, such shares ranking pari passu in all respects and having the rights and obligations set out in the new Articles of Association adopted pursuant to resolution 1 above.

Dated 30 August 2001

Angela
.....
for and on behalf of
Calgarth Limited





Company Number: 2971215

THE COMPANIES ACTS 1985 AND 1989
COMPANY LIMITED BY SHARES

NEW
ARTICLES OF ASSOCIATION
of
PARAGON HOTELS LIMITED

(as adopted by Special Resolution passed on 30 8 2001)

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Company Number: 2971215

THE COMPANIES ACTS 1985 AND 1989
COMPANY LIMITED BY SHARES
NEW ARTICLES OF ASSOCIATION OF
PARAGON HOTELS LIMITED

1 Preliminary

1.1 The Regulations contained in Table A as prescribed by the regulations made under the Act in force at the date of adoption of these Articles of Association (hereinafter referred to as "**Table A**") shall apply to the Company insofar as these Articles do not exclude or modify Table A. Any reference herein to any Regulation is to that Regulation as set out in Table A.

1.2 In these Articles the following expressions shall have the following meanings:-

"Act"

the Companies Act 1985 including every statutory modification or re-enactment thereof for the time being in force;

"Auditors"

the auditors for the time being of the Company;

"Directors"

the directors for the time being of the Company or a quorum of such directors present at a duly convened meeting of the directors and "**Director**" shall mean any one of them;

"Ordinary Shares"

the ordinary shares of £1 each in the capital of the Company;

"Preference Shares"

the redeemable preference shares of £1 each in the capital of the Company;

"Shares"

together the Ordinary Shares and the Preference Shares; and

"Shareholders"

the holders for the time being of Shares.

2 Share Capital

2.1 At the date of adoption of these Articles the share capital of the Company is £14,500,000 divided into 7,000,000 Ordinary Shares and 7,500,000 Preference Shares.

2.2 Without prejudice to the other provisions of these Articles the rights attaching to the Ordinary Shares and the Preference Shares respectively shall be as follows:

2.2.1 As regards Income:

- (a) The Company shall, in priority to the payment of any dividend to all other shareholders, pay to the holders of the Preference Shares a fixed cumulative preferential dividend (the "**Preference Dividend**") at the rate (net of any advance corporation tax payable by the Company) equal to 7.5% of the amount paid up or credited as paid up thereon, such dividend to accrue on a daily basis and to be payable annually in arrears on 1 March and 1 September in each year provided that the first payment of such dividend shall be on 1 March 2002 in respect of the period from 28 August 2001 to that date.
- (b) Unless the Company is prohibited from paying dividends by the Act, the Preference Dividend shall (notwithstanding regulations 102 to 108 inclusive of Table A or any other provision of these Articles and in particular notwithstanding that there has not been a recommendation of the Directors or resolution of the Company in general meeting) be paid immediately on the due date and if not then paid shall be a debt due by the Company and be payable in priority to any later Preference Dividend.
- (c) If any Preference Dividend (including any amount payable pursuant to this Article), is for whatever reason not paid in full on the date fixed for payment of such dividend ("**the Default Date**"), then the Company shall be liable to pay to the holders of Preference Shares (in proportion to the number of Preference Shares held by each of them) on the next date the Preference Dividend is due, in addition to the Preference Dividend then payable, an amount (net of any advance corporation tax payable by the Company) equal to the aggregate of the unpaid Preference Dividend on the Default Date and interest thereon at a rate equal to 2% per annum above the base rate of The Governor and Company of the Bank of Scotland for the time being, such interest to be calculated daily from the Default Date.
- (d) Where the Company is precluded by the Act from paying in full any Preference Dividend on any due date for payment, then in respect of any Preference Dividend which would otherwise require to be paid pursuant to these Articles:
 - (i) the Company shall pay, on that date, to the holders of the Preference Shares on account of the Preference Dividend the maximum sum (if any) which can then, consistently with the Act be paid by the Company; and
 - (ii) as soon as the Company is no longer precluded from doing so, the Company shall in respect of the Preference Shares pay on account of the balance of the Preference Dividend for the time being remaining outstanding, and until all arrears of the Preference Dividend have been paid in full, the maximum

amount of Preference Dividend which can, consistently with the Act properly be paid by the Company at that time.

2.2.2 As regards Capital:

On a return of assets on liquidation, reduction of capital or otherwise, the assets of the Company available for distribution to the members of the Company, after payment of all its liabilities, shall be distributed as follows:

- (a) Firstly, in paying to the holders of the Preference Shares (in proportion to the number of such shares held by each of them) and in priority to all other shareholders, an amount equal to the amount paid up or credited as paid up on such Preference Shares together with a sum equal to all arrears of the Preference Dividend calculated down to the date of the return of assets;
- (b) Secondly, in paying to the holders of the Ordinary Shares pro rata in proportion to the number of shares held by them respectively any surplus assets of the Company.

2.2.3 As regards Voting:

- (a) The holders of the Ordinary Shares shall be entitled to attend and vote at all general meetings of the Company and each such holder shall have, on a show of hands, one vote and, on a poll, one vote for each Share of which he or it is the holder.
- (b) The Preference Shares shall entitle the holders thereof to receive notice of and attend any general meeting of the Company but they shall not in respect of their holdings of such Preference Shares be entitled to vote upon any resolution unless:
 - (i) there are any arrears of the Preference Dividend outstanding at the date of the notice convening the general meeting;
 - (ii) the Company shall have failed to redeem any of the Preference Shares in accordance with the provisions of Article 2.2.4 below;
 - (iii) the resolution is one which directly or indirectly varies, modifies, alters or abrogates any of the rights, privileges, limitations or restrictions attaching to the Preference Shares; or
 - (iv) the resolution is one which is for the winding up of the Company or the reduction of share capital.

When entitled to vote pursuant to this Article 2.2.3(b), every holder of Preference Shares shall have, on a show of hands, one vote and,

on a poll, one vote for each Preference Share of which he or it is the holder.

2.2.4 As regards Redemption:

The Preference Shares shall, subject to the Act, be redeemed on and subject to the following terms and conditions:

- (a) Subject to the following provisions of this Article 2.2.4, the Preference Shares shall be redeemed by the Company pro rata to the number of Preference Shares held by each holder thereof on 28 August 2006 or, if earlier (at the option of each holder of Preference Shares and in respect of all of the Preference Shares held by such holder then unredeemed and outstanding), on (i) a Sale or Listing (as defined below) or (ii) the appointment of a receiver or manager or administrative receiver over all or any part of the assets of the Company or (iii) the appointment of a liquidator or administrative over the Company. In this paragraph (a) the following words shall have the following meanings:

“Listing”

either (a) a successful application being made to the UK Listing Authority for all or any of the Ordinary Shares of the Company to be admitted to the Official List of the UK Listing Authority, or (b) a successful application being made to the London Stock Exchange for all or any of the Ordinary Shares of the Company to be admitted to trading on the Alternative Investment Market of the London Stock Exchange, or (c) a successful application being made to JP Jenkins Limited for all or any of the Ordinary Shares of the Company to be admitted to trading through OFEX; and

“Sale”

the acquisition by any person, excluding a person who is a member of the Company on 28 August 2001 (or any person acting in concert with or connected with such a member) (a **“Third Party Purchaser”**) of acquiring interest in any shares if, upon completion of that acquisition, the Third Party Purchaser together with persons acting in concert or connected with him would hold more than 50 per cent. in nominal value of the Ordinary Shares in the capital of the Company.

- (b) Subject to the provisions of the Act the Company may, provided there are no arrears of the Preference Dividend then outstanding, redeem all or (in instalments of not less than 500,000 shares) some of the Preference Shares in advance of the due date for redemption upon giving not less than 14 days notice thereof to the holders of Preference Shares.
- (c) On each date for redemption of the Preference Shares, each registered holder of Preference Shares to be redeemed shall deliver

to the Company at its registered office the share certificates for such Preference Shares and thereupon the Company shall pay to such holder (or, in the case of joint holders, to the holder whose name stands first in the register of members in respect of such shares) the amount due to him in respect of such redemption and shall issue a new share certificate in respect of any unredeemed Preference Shares comprised in the certificate delivered by him.

- (d) As a condition of the redemption, there shall be paid on each Preference Share redeemed as a debt of the Company the Subscription Price for such share together with a sum equal to any arrears of the Preference Dividend in respect of such Preference Share calculated down to the relevant Redemption Date together with a premium per Preference Share of £0.05 if the redemption takes place before 28 August 2002 or £0.10 if the redemption takes place on or after such date.
- (e) In the case of a redemption of less than all the Preference Shares for the time being in issue, the Company shall redeem the same proportion (as nearly as practicable) of each member's registered holdings of Preference Shares.
- (f) If the Company is permitted by the Act to redeem only some of the Preference Shares which would otherwise fall to be redeemed at any time, the Company shall redeem that number of such shares that it can so redeem at that time. The Company shall redeem, as soon thereafter as it may do so, all the remaining Preference Shares which would otherwise have fallen to be redeemed, and pending such redemption shall not pay any dividend on any other class of shares.
- (g) If any member whose Preference Shares are liable to be redeemed under this Article 2.2.4 fails to deliver to the Company the documents referred to in paragraph (c) above, the Company may retain the redemption money on trust for that member (but without obligation to invest or earn or pay interest in respect of the same) until it receives those documents. The Company shall then pay the redemption money to the relevant member upon receipt of those documents.
- (h) The receipt of the registered holder (or, in the case of joint holders, the holder whose name stands first in the register of members) for the time being of any Preference Shares being redeemed for the monies payable on redemption of such shares shall constitute an absolute discharge to the Company in respect thereof.

2.3 Subject to the provisions of the Act, the Directors have general and unconditional authority to allot (with or without conferring rights of renunciation), grant options over, offer or otherwise deal with or dispose of any unissued Shares of the Company (whether forming part of the original or any increased share capital) to such persons,

at such times and on such terms and conditions as the Directors may decide but no Share may be issued at a discount. Unless the authority hereby given is previously renewed, revoked or varied by the Company in general meeting, the Directors may at any time and from time to time within the period of five years from the date of adoption of these Articles, in accordance with section 80 of the Act exercise generally and unconditionally the power of the Company to allot relevant securities (as defined in the said section) and to offer or agree to allot such securities (notwithstanding that such offer or agreement would or might require such securities to be allotted by the Company after the said period) provided that the maximum nominal value of the securities so allotted or offered or agreed to be allotted shall not exceed the authorised but unissued share capital of the Company at the date of adoption of these Articles.

- 2.4 Section 89(1) and sub-sections (1) to (6) of section 90 of the Act shall not apply to the Company.

3 Lien

- 3.1 In Regulation 8 of Table A the words "not being a fully paid share" shall be omitted. The Company shall have a first and paramount lien on all Shares (whether fully paid or not) standing registered in the name of any person indebted or under liability to the Company (whether he is the sole registered holder thereof or one of two or more joint holders) for all monies presently payable by him or his estate to the Company.
- 3.2 The liability of any member in default in respect of a call shall be increased by the addition of the words "and all expenses that may have been incurred by the Company by reason of such non-payment" at the end of the first sentence of Regulation 18 of Table A.

4 Transfer of shares

- 4.1 Shares may be transferred by transfer in writing in usual common form or in any other form approved by the Directors. The instrument of transfer shall be signed by or on behalf of the transferor and, when the Share is not fully paid, shall also be signed by the transferee.
- 4.2 The Directors may in their absolute discretion and without assigning any reason therefor refuse to register any transfer of Shares whether fully paid or not. Regulation 24 of Table A shall be modified accordingly.
- 4.3 The Directors may at any time give notice requiring any person entitled to a Share by reason of the death or bankruptcy of the holder thereof to elect to be registered himself in respect of the Share or to transfer the Share and if the notice is not complied with within sixty days the Directors may thereafter withhold payment of all dividends, bonuses or other moneys payable in respect of the Share until the requirements of the notice shall have been complied with. Regulation 31 of Table A shall be modified accordingly.

5 Proceedings at General Meetings

- 5.1 Subject to the Act, notice of any general meeting need not be given to any Director in that capacity. Regulation 38 of Table A shall be modified accordingly.
- 5.2 No business shall be transacted at any general meeting unless the requisite quorum is present at the commencement of the business and also when such business is voted upon. Subject to Article 9, two Shareholders present in person or by proxy shall be a quorum for all purposes. A corporation being a member shall be deemed to be personally present if represented in accordance with the provisions of section 375 of the Act.
- 5.3 A poll may be demanded at any general meeting by the chairman or by any Shareholder present in person or by proxy and entitled to vote. Regulation 46 of Table A shall be modified accordingly.
- 5.4 A resolution in writing executed or approved by telefax by or on behalf of the holders of all the issued Shares shall be as valid and effectual as if the same had been duly passed at a general meeting and may consist of several documents in the like form, each executed by or on behalf of one or more persons. In the case of a corporation, the resolution may be signed on its behalf by a Director or the Secretary thereof or by its duly appointed attorney or duly authorised representative. Regulation 53 of Table A shall be modified accordingly.
- 5.5 Regulation 41 of Table A shall be amended by the addition of the following words at the end of that regulation:
- “if within half an hour of the time appointed for the holding of an adjourned meeting a quorum is not present, the meeting shall be dissolved”.
- 5.6 The Chairman at any general meeting shall be entitled to a second or casting vote.
- 5.7 Regulation 37 of Table A shall be modified by the deletion of the words “eight weeks” and the substitution for them of the words “28 days”.

6 Directors

- 6.1 Unless and until determined otherwise by general meeting of the Company the number of Directors shall not be less than one. Whenever the number of Directors shall be one, the sole Director may exercise all the powers and authorities vested in the Directors by Table A and by these Articles. Regulation 64 of Table A shall not apply to the Company and Regulation 89 of Table A shall be modified accordingly.
- 6.2 The Directors shall not be subject to retirement by rotation. Regulations 73 to 77 and the last two sentences of Regulation 79 of Table A shall not apply to the Company and Regulations 67, 78, 80 and 84 of Table A shall be modified accordingly.
- 6.3 Without prejudice to the first sentence of Regulation 89 of Table A, a meeting of the Directors or of a committee of the Directors may consist of a conference between Directors who are not all in one place, but of whom each is able (directly or by telephonic communication) to speak to each of the others, and to be heard by each of the others simultaneously; and the word “meeting” in these Articles shall be construed

accordingly. Any such meeting shall be deemed to take place at the location of the Chairman or, if a Chairman has not been appointed, the location where the majority of Directors are present.

- 6.4 A resolution in writing signed (or approved by telefax) by all the Directors shall be as valid and effectual as if it had been passed at a meeting 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 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. Regulation 93 of Table A shall not apply.
- 6.5 A Director may vote at a meeting of Directors or of a committee of Directors on any resolution concerning a matter in which he has, directly or indirectly, an interest or duty which is material and which conflicts or may conflict with the interests of the Company, provided that he has disclosed to the Directors the nature and extent of any material interest or duty in accordance with section 317 of the Act and, if he votes, his vote shall be counted and he shall be counted in the quorum when that resolution or matter is considered. Regulation 94 of Table A shall be modified accordingly.
- 6.6 The Company may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director.
- 6.7 The holder or holders of more than half in nominal value of the shares giving the right to attend and vote at general meetings of the Company may remove a Director from office and appoint a person to be a Director, but only if the appointment does not cause the number of Directors to exceed a number fixed by or in accordance with the articles as the maximum number of Directors. The removal or appointment is effected by notice to the Company signed by or on behalf of the holder or holders. The notice may consist of several documents in similar form each signed by or on behalf of one or more holders and shall be left at or sent by post or facsimile transmission to the office or such other place designated by the Directors for the purpose. The removal or appointment takes effect immediately on deposit of the notice in accordance with these Articles or on such later date (if any) specified in the notice. Regulation 81 shall be modified accordingly.

7 Alternate Directors

An alternate Director who is himself a Director and/or who acts as an alternate director for more than one Director shall be entitled, in the absence of his appointor(s), to a separate vote or votes on behalf of his appointor(s) in addition (if he is himself a Director) to his own vote. Regulation 88 of Table A shall be modified accordingly.

8 Indemnity

- 8.1 Without prejudice to any indemnity to which such officer may otherwise be entitled, every Director, secretary and alternate Director of the Company shall be indemnified by the Company against all costs, charges, losses, expenses, and liabilities incurred by him in the execution and discharge of his duties or in relation thereto including any liability incurred by him in defending any proceedings, civil or criminal, which relate

to anything done or omitted or alleged to have been done or omitted by him as an officer or employee of the Company and 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 under any statute for relief from liability in respect of any such act or omission in which relief is granted to him by the Court. Regulation 118 of Table A shall not apply.

- 8.2 The Company may purchase and maintain for any Director, secretary or alternate Director of the Company insurance against any liability which by virtue of any rule of law would otherwise attach to him in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company.

9 Sole Member

- 9.1 If and for so long as the Company has only one member:

- 9.1.1 in relation to a general meeting, the sole member or a proxy for that member or (if the member is a corporation) a duly authorised representative of that member is a quorum and regulation 40 of Table A is modified accordingly;
- 9.1.2 a proxy for the sole member may vote on a show of hands and regulation 54 of Table A is modified accordingly;
- 9.1.3 the sole member may agree that any general meeting, other than a meeting called for the passing of an elective resolution, be called by shorter notice than that provided for by the articles; and
- 9.1.4 all other provisions of the articles apply with any necessary modification (unless the provision expressly provides otherwise).