

342270

DATED

5 September

1998

- (1) B.A.T RECONSTRUCTIONS LIMITED (IN LIQUIDATION)
- (2) ALLIED ZURICH P.L.C.
- (3) ALLIED ZURICH HOLDINGS LIMITED
- (4) BRITISH AMERICAN TOBACCO P.L.C.
- (5) BRITISH AMERICAN TOBACCO (1998) LIMITED
- (6) NIGEL STEVEN HILL AND CHRISTOPHER JOHN HUGHES

TRANSFER
AGREEMENT
pursuant to
SECTION 110 OF THE INSOLVENCY ACT 1986

WE HEREBY CERTIFY
THIS TO BE A TRUE AND
ACCURATE COPY OF
THE ORIGINAL

Herbert Smith

HERBERT SMITH

Exchange House

Primrose Street

London EC2A 2HS

Date *21st May 1999*

Herbert Smith

Exchange House

Primrose Street

London EC2A 2HS

Tel: 0171 374-8000

Fax: 0171 374-0888

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AGREEMENT dated 5 September 1998

BETWEEN:

- (1) **B.A.T RECONSTRUCTIONS LIMITED** (In Liquidation) a company incorporated in England with number 3418570 and whose registered office is at 50 Windsor House, 50 Victoria Street, London, SW1H 0NL (the "Company");
- (2) **ALLIED ZURICH p.l.c.** a company incorporated in England with number 3358040 and whose registered office is at 50 Windsor House, 50 Victoria Street, London, SW1H 0NL ("Allied Zurich");
- (3) **ALLIED ZURICH HOLDINGS LIMITED** a company incorporated in Jersey with number 71060 and whose registered office is at 22 Grenville Street, St Helier, Jersey JE4 8PX ("Allied Zurich Holdings");
- (4) **BRITISH AMERICAN TOBACCO p.l.c.** a company incorporated in England with number 3407696 and whose registered office is at Windsor House, 50 Victoria Street, London SW1H 0NL ("British American Tobacco");
- (5) **BRITISH AMERICAN TOBACCO (1998) LIMITED** a company incorporated in England with number 3422701 whose registered office is at Windsor House, 50 Victoria Street, London SW1H 0NL ("British American Tobacco (1998)");
- (6) **NIGEL STEVEN HILL AND CHRISTOPHER JOHN HUGHES** both of PricewaterhouseCoopers, Plumtree Court, London EC4A 4HT (jointly and severally the "Liquidators").

WHEREAS:

- (A) This Agreement is entered into in order to give effect to certain provisions under section 110 of the Insolvency Act 1986 as to the members' voluntary winding-up of the Company (the "**Liquidation**").
- (B) Proposals for the Liquidation were contained in a circular to shareholders of B.A.T Industries p.l.c. ("**B.A.T Industries**") dated 18th May 1998, which circular, inter alia, sought the requisite approvals of those shareholders for matters in connection with the reorganisation of B.A.T Industries involving a Scheme of Arrangement under section 425 of the Companies Act 1985 and the said members' voluntary winding up of the Company and the distribution of the Company's assets in accordance with the procedure under section 110 of the Insolvency Act 1986.
- (C) By a special resolution of the Company passed at an extraordinary general meeting held on 5 September 1998 the Company was placed in members' voluntary liquidation and the Liquidators appointed to act as joint liquidators for the purpose of such winding-up with power to act jointly or alone in such winding-up.

NOW IT IS AGREED as follows:

DEFINITIONS AND INTERPRETATION

- 1.1 In this agreement, the following words and expressions shall have the following meanings:
- | | |
|---|--|
| "Allied Zurich Holdings Ordinary Shares" | means 2 ordinary shares of 1p each in the capital of Allied Zurich Holdings; |
| "Allied Zurich Holdings Income Shares" | means 2 income shares of £1 each in the capital of Allied Zurich Holdings; |
| "BAFS Shares" | means the entire share capital of British American Financial Services (UK and International) Limited; |
| "British American Tobacco (1998) Ordinary Shares" | means 2 ordinary shares of 1p each issued in the capital of British American Tobacco (1998); |
| "B.A.T Industries Shares" | means the entire share capital of B.A.T Industries held by the Company; |
| "B.A.T Reconstructions "A" Ordinary Shares" | means the "A" Ordinary shares of 12 ½p each in the capital of the Company held by British American Tobacco; |
| "B.A.T Reconstructions "B" Ordinary Shares" | means the "B" Ordinary shares of 12 ½p each in the capital of the Company held by Allied Zurich; |
| "Completion" | means the completion of the Transfers, as described in Clause 5 hereof; |
| "Effective Date" | means the date of Completion; |
| "Farmers Income Shares" | means the Class B Common Stock, par value \$1 per share, of Farmers Group, Inc.; |
| "Farmers Ordinary Shares" | means the entire share capital of Farmers Group, Inc., other than the Farmers Income Shares; |
| "Indemnity" | means the Liquidators Indemnity in the form set out in Schedule 1 hereto; |
| "Loan Note" | means the loan note given by Allied Zurich Holdings to Allied Zurich in the form set out in Schedule 3 hereto; |
| "Resolution" | means the resolutions set out in Schedule 2 which provide for the voluntary winding-up of the Company and for the appointment of the Liquidators as liquidators of the Company for the purposes of such winding-up |

and authorising the Liquidators pursuant to section 110 of the Insolvency Act 1986 to carry the Liquidation into effect in accordance with the terms of this Agreement;

"Scheme of Arrangement" or "Scheme" means the scheme of arrangement for B.A.T Industries sanctioned by Order of the Court in the form set out in Schedule 4 hereto;

"Transfers" means the transfers of the B.A.T. Industries Shares, BAFS Shares, Farmers Income Shares and the Farmers Ordinary Shares as described in and for the consideration stated in Clause 3 hereof;

"ZFS" Zurich Financial Services, a company incorporated in Switzerland whose registered office is at Mythenquai 2, 8002, Zurich, Switzerland.

1.2 Reference to the Liquidators include either one of them and their personal representatives and successors in title.

1.3 Unless the context otherwise requires, words in the singular include the plural and vice versa, and a reference to a person includes a reference to a body corporate and to an unincorporated body of persons.

1.4 Clause and Schedule headings are for convenience only and have no legal effect.

2. INDEMNITY

This Agreement shall be conditional upon the execution and delivery of the Indemnity by British American Tobacco (1998), Allied Zurich Holdings, ZFS and the Liquidators.

3. TRANSFER

Forthwith upon the appointment of the Liquidators as the joint liquidators of the Company and satisfaction of the condition referred to in clause 2, the Company acting by the Liquidators undertakes, for the purposes of clauses 3.1, 3.2 and 3.3 to each of Allied Zurich and Allied Zurich Holdings and, for the purposes of clause 3.4, to each of British American Tobacco and British American Tobacco (1998) that it shall:

3.1 transfer all of its rights, title and interest in the Farmers Ordinary Shares to Allied Zurich Holdings and the Loan Note to be issued in consideration for such transfer shall be issued to Allied Zurich in accordance with the rights attaching to the B.A.T Reconstructions "B" Ordinary Shares;

3.2 transfer all of its rights, title and interest in the Farmers Income Shares to Allied Zurich Holdings and the Allied Zurich Holdings Income Shares credited as fully paid to be issued in consideration for such transfer shall be allotted and gissued to Allied Zurich in accordance with the rights attaching to the B.A.T Reconstructions "B" Ordinary Shares;

- 3.3 transfer all of its rights, title and interest in the BAFS Shares to Allied Zurich Holdings and the Allied Zurich Holdings Ordinary Shares credited as fully paid to be issued in consideration for such transfer shall be allotted and issued to Allied Zurich in accordance with the rights attaching to the B.A.T Reconstructions "B" Ordinary Shares;
- 3.4 transfer all of its rights, title and interest in the B.A.T Industries Shares to British American Tobacco (1998) and the British American Tobacco (1998) Ordinary Shares credited as fully paid to be issued in consideration for such transfer shall be allotted and issued to British American Tobacco in accordance with the rights attaching to the B.A.T Reconstructions "A" Ordinary Shares.

4. TITLE

- 4.1 The assets of the Company transferred under this Agreement shall be transferred free from all mortgages, charges, liens, encumbrances and other adverse interests, but subject to and with the benefit of all and any rights, restrictions, obligations, conditions and agreements affecting the same or any part thereof, including the right to all income, dividends, distributions, interest and other rights and benefits attaching thereto or accruing therefrom with effect from the Effective Date.
- 4.2 No representation, warranty, undertaking or condition is given, nor is any to be implied on the part of the Liquidators in their personal capacity as liquidators as to the title of the Company to the assets transferred pursuant to Clause 3 of this Agreement or that any such assets are free from mortgages, charges, liens, encumbrances or other adverse interests.

5. COMPLETION

- 5.1 Immediately following the passing of the Resolution completion of the Transfers shall take place at the offices of Herbert Smith of Exchange House, Primrose Street, London EC2A 2HS (save in respect of the matters referred to in Clause 5.2.1 of this Agreement which shall take place at such location outside the United Kingdom as shall have been previously nominated by Allied Zurich Holdings).
- 5.2 At Completion:
 - 5.2.1 the Company acting by the Liquidators shall execute and deliver to Allied Zurich Holdings a stock power form in respect of all the Farmers Ordinary Shares and the Farmers Income Shares in favour of Allied Zurich Holdings together with the relevant share certificates in respect of the same (or an indemnity in respect of the said share certificates in a form reasonably acceptable to Allied Zurich Holdings);
 - 5.2.2 the Company acting by the Liquidators shall execute and deliver to Allied Zurich Holdings a stock transfer form in respect of all the BAFS Shares in favour of Allied Zurich Holdings together with the relevant share certificate in respect of the same (or an indemnity in respect of the said share certificate in a form reasonably acceptable to Allied Zurich Holdings);

5.2.3 the Company acting by the Liquidators shall execute and deliver to British American Tobacco (1998) a stock transfer form in respect of all the B.A.T Industries Shares in favour of British American Tobacco (1998) together with the relevant share certificate in respect of the same (or an indemnity in respect of the said share certificate in a form reasonably acceptable to British American Tobacco (1998));

5.2.4 Allied Zurich Holdings shall issue and deliver the Loan Note to Allied Zurich;

5.2.5 Allied Zurich Holdings shall allot and issue the Allied Zurich Holdings Ordinary Shares and the Allied Zurich Holdings Income Shares to Allied Zurich or its nominee, shall make the appropriate entries in its books in respect of such allotments and shall issue and deliver the certificates in respect of such shares to Allied Zurich;

5.2.6 British American Tobacco (1998) shall allot and issue the British American Tobacco (1998) Ordinary Shares to British American Tobacco or its nominee, shall make the appropriate entries in its books in respect of such allotment and shall issue and deliver the certificates in respect of such shares to British American Tobacco.

6. FURTHER ASSURANCE

The Company acting by the Liquidators undertakes, for the purposes of the transfers referred to in clause 6.1, to each of Allied Zurich and Allied Zurich Holdings and, for the purposes of the transfers referred to in clause 6.2, to each of British American Tobacco and British American Tobacco (1998) to execute all such documents and do all such acts and things as may reasonably be required by Allied Zurich Holdings and British American Tobacco (1998) (as the case may be) to transfer:

6.1 the BAFS Shares, the Farmers Ordinary Shares and the Farmers Income Shares to Allied Zurich Holdings; and

6.2 the B.A.T Industries Shares to British American Tobacco (1998).

7. GENERAL

7.1 Nothing in this Agreement or in any document executed under or in connection with it or the Scheme shall impose any personal liability on the Liquidators or either of them save for any liability arising out of any negligence, breach of duty or wilful misconduct by the Liquidators.

7.2 This Agreement shall, in so far as it remains to be performed, continue in full force and effect notwithstanding completion.

7.3 This Agreement, the Schedules and the documents executed pursuant hereto represent the entire understanding, and constitute the whole agreement, in relation to their subject matter and supersede any previous agreement between the parties with respect thereto and, without prejudice to the generality of the foregoing, exclude any warranty, condition or other undertaking implied at law or by custom.

7.4 Each party confirms that, except as provided in this Agreement, the Schedules and the documents executed pursuant hereto, no party has relied on any representation or warranty or undertaking which is not contained in this Agreement, the Schedules and the documents executed pursuant hereto and, without prejudice to any liability for fraudulent misrepresentation, no party shall be under any liability or shall have any remedy in respect of misrepresentation or untrue statement unless and to the extent that a claim lies under this Agreement, the Schedules and the documents executed pursuant hereto.

7.5 No variation to this Agreement shall be effective unless it is in writing and signed on behalf of all the parties.

7.6 This Agreement shall be binding on the parties and their successors and assignees (as the case may be).

8. LAW AND JURISDICTION

8.1 This Agreement and the rights and obligations of the parties shall be governed by and construed in accordance with the law of England.

8.2 The parties hereby submit to the non-exclusive jurisdiction of the Courts of England in respect of any claim, dispute or difference arising out of or in connection with this Agreement.

9. NOTICES

9.1 Any notice, consent, agreement, request, demand, approval or other communications required or permitted to be given or served under this Agreement shall be in writing and shall be given or served either:

9.1.1 personally by giving it to the Liquidators or to any director or the secretary of any company which is a party; or

9.1.2 by leaving it at the Liquidators' address as stated in this Agreement or at the recipient's registered office for the time being or, if another address shall have been notified by the recipient to all the other parties for the purposes of this Clause 9.1 by notice given in accordance with this paragraph, then to the address of such party which shall have been so notified, for which purpose the latest notification shall supersede all previous notifications.

9.2 All such notices, consents, requests, demands, approvals and other communications shall be effective on the date of such leaving or giving.

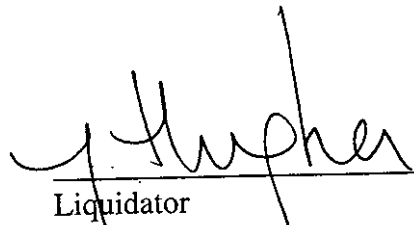
10. COUNTERPARTS

This Agreement may be executed in any number of counterparts and by the parties to it in separate counterparts, each of which when so executed and delivered shall be an original, but all counterpart shall together constitute one and the same instrument.

IN WITNESS whereof this Agreement has been executed as a Deed by the parties hereto and is intended to be and is hereby delivered on the date first above written.

**THE COMMON SEAL OF
B.A.T RECONSTRUCTIONS
LIMITED** was hereunto affixed
in the presence of

)
)
)
)




Liquidator




Liquidator

EXECUTED AS A DEED
by **ALLIED ZURICH p.l.c.**
acting by:

)
)
)



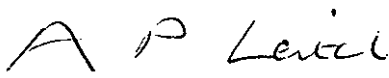
Director




Director/Secretary

EXECUTED AS A DEED
by **ALLIED ZURICH
HOLDINGS LIMITED**
acting by:

)
)
)




Director



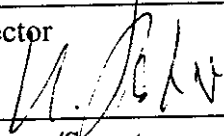
Director/Secretary

EXECUTED AS A DEED
by **BRITISH
AMERICAN TOBACCO p.l.c.**
acting by

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Director

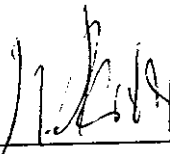


Director/Secretary

EXECUTED AS A DEED)
by **BRITISH**)
AMERICAN TOBACCO (1998))
LIMITED acting by)



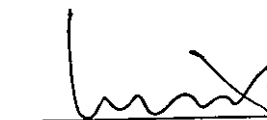
Director



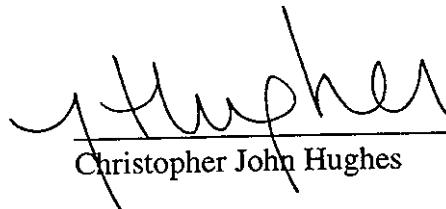
Director/Secretary

EXECUTED AS A DEED)
by **NIGEL STEVEN HILL**)
and **CHRISTOPHER JOHN HUGHES**)
in the presence of)

Dee Callaghan
Solicitor
1 Fleet Place
London EC4A 3DF



Nigel Steven Hill



Christopher John Hughes

SCHEDULE 1

LIQUIDATORS INDEMNITY

THIS INDEMNITY dated

BETWEEN

- (1) **ALLIED ZURICH HOLDINGS LIMITED** a company incorporated in Jersey with number 71060 and whose registered office is at 22 Grenville Street, St Helier, Jersey JE4 8PX ("Allied Zurich Holdings");
- (2) **BRITISH AMERICAN TOBACCO (1998) LIMITED** a company incorporated in England with number 3422701 whose registered office is at Windsor House, 50 Victoria Street, London SW1H 0NL ("British American Tobacco (1998)");
- (3) **NIGEL STEVEN HILL AND CHRISTOPHER JOHN HUGHES** both of PricewaterhouseCoopers, Plumtree Court, London EC4A 4HT (jointly and severally the "Liquidators"); and
- (4) **ZURICH FINANCIAL SERVICES** a company incorporated in Switzerland whose registered office is at Mythenquai 2, 8002 Zurich, Switzerland ("ZFS").

1. DEFINITIONS AND INTERPRETATION

- 1.1 In this Indemnity, the following words and expressions shall have the following meanings:

"BAFS Shares"	means the entire share capital of British American Financial Services (UK and International) Limited;
"B.A.T Industries Shares"	means the entire share capital of B.A.T Industries p.l.c. held by the Company;
"Company"	means B.A.T Reconstructions Limited, a company incorporated in England under number 3418570;
"Farmers Shares"	means the entire share capital of Farmers Group, Inc.;
"Fees Letter"	means letter from the Liquidators dated 1 September 1998 setting out their basis of charging;
"Financial Services Business"	means insurance business, investment services business, financial services business, asset management business, banking business and any similar or related business carried on (directly or indirectly) in any part of the world;
"Financial Services Parties"	means Allied Zurich Holdings and ZFS;

"Financial Services Shares"	means the BAFS Shares and the Farmers Shares;
"Indemnified Persons"	means the Liquidators and any employee of PricewaterhouseCoopers or of any company owned by PricewaterhouseCoopers who at the request or under the direction of the Liquidators has been or become engaged in the conduct of the Liquidation of the Company;
"Resolution"	means the resolution of the members of the Company resolving that the Company be wound-up and appointing the Liquidators as joint Liquidators;
"Retained Companies"	means B.A.T Industries p.l.c. and its subsidiaries from time to time (including any former subsidiaries but excluding the Transferred Companies);
"Retained Company Indemnified Claim"	<p>means a claim cost or expense of any kind which any Indemnified Person may incur or suffer or which may be alleged or brought against them:</p> <ul style="list-style-type: none"> (i) which arises directly or indirectly out of any business or former business of any of the Retained Companies or which would have been a Transferred Company Indemnified Claim were it not for the saving contained in the definition of that term but excluding for the avoidance of doubt any liability to taxation falling on the company or the Liquidators for which it or they are primarily liable; or (ii) which follows from an allegation that the transfer by the Liquidators of any assets of the Company to British American Tobacco (1998) was not lawfully made;
"Transferred Companies"	means British American Financial Services (UK and International) Limited, Farmers Group, Inc., and their respective subsidiaries;
"Transfers"	means the transfer of the Financial Services Shares and the BAT Industries Shares in accordance with the Resolution;
"Transferred Company Indemnified Claim"	means a claim cost or expense of any kind which any Indemnified Person may incur or suffer or which may be alleged or brought against them:

- (i) which arises directly or indirectly out of the Financial Services Business of any of the Transferred Companies save to the extent that it is attributable directly to the fact that the Transferred Companies have been subsidiaries of B.A.T Industries but excluding for the avoidance of doubt any liability to taxation falling on the Company or the Liquidators for which it or they are primarily liable; or
- (ii) which follows from an allegation that the transfer by the Liquidators of any assets of the Company to Allied Zurich Holdings was not lawfully made.

1.2 References to the Liquidators include either of them and their personal representatives and successors in title.

2. **CONSIDERATION**

In consideration of the undertakings by British American Tobacco (1998), Allied Zurich Holdings and ZFS contained in clauses 3 to 6, the Liquidators agree to accept appointment as the joint liquidators of the Company.

3. **UNDERTAKING**

3.1 Subject to Clause 6, British American Tobacco (1998) severally undertakes as to one half and the Financial Services Parties (severally with British American Tobacco (1998) but jointly and severally inter se) undertake as to one half to indemnify and keep indemnified and to save harmless the Indemnified Persons from and against all Shared Liabilities.

3.2 "Shared Liabilities" for the purposes of Clause 3.1. shall, save as provided in Clause 3.3, mean all claims, proceedings, demands, costs, expenses and liabilities whatsoever which the Indemnified Persons may in the course of the conduct of the liquidation suffer, incur or render themselves liable to or which may fall upon them as a result of having effected the Transfers before the creditors of the Company have been finally established and paid, including without limitation to the generality of the foregoing:

3.2.1 any liability, properly incurred by the Liquidators or either of them in connection with the winding-up by them of the Company (save for legal, accountancy and other fees, charges and disbursements which have been or may be incurred by them in the conduct of the liquidation and also such remuneration, fees, expenses or commission as the Liquidators or their firm may be or become entitled to all which shall be paid in accordance with the Fees Letter);

3.2.2 any liability to a creditor of the Company claiming to be secured or asserting reservation of title or to a purchaser of the subject matter of such a claim or assertion or to a creditor of the Company claiming any other interest in the assets of the Company;

- 3.2.3 any liability to any creditors of the Company entitled to be paid in priority to the members including, without limitation, any liability for corporation or income taxes of the Company;
- 3.3 Notwithstanding the provisions of Clauses 3.1 and 3.2, no claim, proceeding, demand, cost, expense or liability shall be a Shared Liability if it:
- 3.3.1 is a Retained Company Indemnified Claim or a Transferred Company Indemnified Claim; or
- 3.3.2 arises from any act or omission not specifically authorised by the Resolution which constitutes negligence or wilful misconduct of any Indemnified Person.

4. TRANSFERRED COMPANY INDEMNIFIED CLAIM

Subject to Clause 6, the Financial Services Parties hereby agree jointly and severally to indemnify each Indemnified Person against and hold each harmless from any Transferred Company Indemnified Claim provided that nothing herein contained shall create or incur any liability on the part of the Financial Services Parties or either of them which arises from any wrongful omission or negligence of any Indemnified Person but excluding from this proviso, for the avoidance of doubt, the transfer of assets of the Company to Allied Zurich Holdings pursuant to the authority of the Resolution (or any other authorisation to the Liquidators to transfer such assets).

5. RETAINED COMPANY INDEMNIFIED CLAIM

Subject to Clause 6, British American Tobacco (1998) hereby agrees to indemnify each Indemnified Person against and hold each harmless from any Retained Company Indemnified Claim provided that nothing herein contained shall create or incur any liability on the part of British American Tobacco (1998) which arises from any wrongful omission or negligence of any Indemnified Person but excluding from this proviso for the avoidance of doubt, the transfer of assets of the Company to British American Tobacco (1998) pursuant to the authority of the Resolution (or any other authorisation to the Liquidators to transfer such assets).

6. LIMITATION ON LIABILITY

Neither the Financial Services Parties nor British American Tobacco (1998) shall have any liability under paragraph (ii) of the definitions of Transferred Company Indemnified Claim and Retained Company Indemnified Claim (respectively) in excess of the value of any assets transferred to it by the Liquidators.

7. CONTROL OF PROCEEDINGS

Upon any Indemnified Person becoming aware of any assessment, claim, action or demand of a third party (a "**Third Party Claim**") against it which gives rise to any claim for indemnification under this Indemnity, the Indemnified Person shall:

- (a) as soon as practicable notify the person from whom Indemnification is sought (the "**Indemnifying Party**") by written notice as soon as it appears to the

Indemnified Person that any Third Party Claim received by or coming to the notice of the Indemnified Person may result in a claim for indemnification;

- (b) in consultation with the Indemnifying Party, take all reasonable steps to avoid or mitigate the liability of the Indemnifying Party in respect thereof; and
- (c) make no admission of liability, agreement, settlement or compromise with any third party in relation to any such claim or adjudication without the prior written consent of the Indemnifying Party.

8. PAYMENT

The payment of monies under this Deed shall be recoverable from and enforceable against the Financial Services Parties and/or British American Tobacco (1998) (as the case may be) notwithstanding the invalidity for any reason of or any defect in the appointment of the Liquidators.

9. SUCCESSORS, ETC.

This Indemnity shall inure for the benefit of the successors and personal representatives of the Liquidators and the Indemnified Persons.

10. LAW

English law applies to this Indemnity.

Signed by:

for and on behalf of ALLIED ZURICH HOLDINGS
LIMITED

.....
(Director)

Signed by:

for and on behalf of
BRITISH AMERICAN TOBACCO (1998) LIMITED)

.....
(Director)

Signed)
by the Liquidators as joint liquidators of)
B.A.T. Reconstructions Limited)

.....

(Liquidator)

.....

(Liquidator)

Signed by:)

)

.....

for and on behalf of ZURICH FINANCIAL SERVICES)

(authorised signatory)

SCHEDULE 2

RESOLUTION

Company number: 3418570

B.A.T RECONSTRUCTIONS LIMITED (the "Company")

RESOLUTIONS PASSED AT AN EXTRAORDINARY GENERAL MEETING

At an Extraordinary General Meeting of the Company held at on 5
September 1998 at a.m./p.m. the following Resolutions were passed:

SPECIAL RESOLUTION

1. That the Company be wound up voluntarily.

ORDINARY RESOLUTION

2. That Nigel Steven Hill and Christopher John Hughes of PricewaterhouseCoopers of Plumtree Court, London EC 4A 4HT be and are hereby appointed liquidators for the purposes of winding up the Company (the "**Liquidators**") and that any acts required or authorised under any enactment to be done by the Liquidators may be done by one or more of the persons for the time being holding the office of liquidator.
3. That the remuneration to be paid to the Liquidators, in addition to their out-of-pocket expenses, be fixed by reference to the time spent by the Liquidators and their staff thereof in attending to matters arising in the winding up including any matters outside the statutory duties of the Liquidators and undertaken at the request of the members or a majority of them.

SPECIAL RESOLUTION

4. That in accordance with certain provisions of section 110 of the Insolvency Act 1986 and pursuant to an agreement entered into between the Company, the Liquidators, Allied Zurich p.l.c. ("**AZ p.l.c.**"), Allied Zurich Holdings Limited ("**AZH**"), British American Tobacco p.l.c. ("**B.A.T p.l.c.**"), British American Tobacco (1998) Limited ("**B.A.T (1998)**") (the "**Section 110 Agreement**"), the following arrangement (the "**Section 110 Arrangement**") be and is hereby approved and sanctioned:

the Liquidators will:

- (a) transfer all the Company's rights, title and interest in the British American Financial Services (U.K. and International) Limited shares (the "**BAFS Shares**") to AZH and 2 ordinary shares of 1p each in the capital of AZH (the "**AZH Ordinary Shares**") credited as fully paid will be issued in consideration for such transfer to AZ p.l.c. in accordance with the rights attaching to the "B" Ordinary Shares of the Company (the "**B.A.T Reconstructions 'B' Ordinary Shares**");
- (b) transfer all the Company's rights, title and interest in the class B common stock of Farmers Group, Inc. (the "**Farmers Income Shares**") to AZH and 2 income shares of £1 each in the capital of AZH (the "**AZH Income Shares**") credited as fully paid will be issued in consideration for such transfer to AZ p.l.c. in accordance with the rights attaching to the B.A.T Reconstructions "B" Ordinary Shares;
- (c) transfer all the Company's rights, title and interest in the class A common stock of Farmers Group, Inc. (the "**Farmers Ordinary Shares**") to AZH and a loan note in the principal amount of £3.146 billion shall be issued by AZH to AZ p.l.c. in consideration for such transfer in accordance with the rights attaching to the B.A.T Reconstructions "B" Ordinary Shares;
- (d) transfer all the Company's rights, title and interest in the B.A.T Industries p.l.c. shares ("**B.A.T Industries**") to B.A.T (1998) and 2 ordinary shares of 1p each in the capital of B.A.T (1998) credited as fully paid will be issued in consideration of such transfer to B.A.T p.l.c in accordance with the rights attaching to the "A" Ordinary Shares of the Company.

EXTRAORDINARY RESOLUTION

5. That the Liquidators be authorised under the provisions of Section 165(2)(a) of the Insolvency Act 1986 to exercise all the powers specified in Schedule 4 of the Insolvency Act 1986.

.....
Chairman

Dated 5th September 1998

LOAN NOTE

Amount £3.146 billion

(Incorporated under the Companies (Jersey) Law 1991)
and Registered in
Jersey No. 71060

UNSECURED LOAN NOTE 1998

Loan Note for £3.146 billion

1. The company will pay to: Allied Zurich p.l.c.

of: 22 Arlington Street, London SW1A 1RW

2. This Note is issued subject to and with the benefit of the Conditions endorsed hereon which are deemed to be part of it.

IN WITNESS whereof this Note has been executed by Allied Zurich Holdings Limited under its seal.

Director

Director/Secretary

CONDITIONS

1. DEFINITIONS

In this Note (including these Conditions) the following expressions have the following meanings:

"Loan Note" means the amount for the time being issued and outstanding of the issue of the unsecured loan note 1998; and

"Noteholder" means each holder of the Loan Note whose name shall be entered in the Register; and

"Register" means the register of Noteholders to be kept at the Company's registered office (or at such other place within the United Kingdom or the Channel Islands as the Company may from time to time notify to the Noteholders).

2. INTEREST

2.1 In the event that the Loan Note shall not have been redeemed, repaid or repurchased by the Company by 6.00 p.m. on the second day following the date of issue of such Loan Note (the **"Interest Commencement Date"**), interest shall accrue on the principal amount of the Loan Note from time to time on a daily basis from the Interest Commencement Date and will be calculated on the basis of a 365 day year. Interest shall be payable monthly in arrears.

2.2 The rate of interest on the Loan Note will be the base lending rate from time to time of National Westminster Bank p.l.c.

3. REDEMPTION

3.1 Unless previously redeemed, repaid or purchased pursuant to this Condition 3, the Loan Note will be repaid in whole or in part at par together with accrued interest on 30 days' notice by the Noteholder to the Company.

3.2 A Noteholder shall be entitled to call for immediate repayment of his Loan Note at par if an order is made or an effective resolution is passed for the winding up of the Company.

3.3 The Company may at any time purchase or redeem the Loan Note in whole or in part at par together with accrued interest (whether for cash consideration or otherwise) for cash (or for any other consideration and on such other terms as may be agreed with any Noteholder).

3.4 If the Noteholder whose Note is due to be redeemed, purchased or repaid in whole or in part shall fail or refuse to deliver up the relevant certificate(s) or to accept payment of or give a receipt for such payment, the amount payable to such Noteholder shall be deposited in a separate bank account and subject to Condition 7, retained by the Company on trust for such Noteholder (but the Company shall not be responsible for its safe custody or the payment of any interest accrued thereon) pending the acceptance or the giving of a receipt as aforesaid, which deposit shall be deemed for all the purposes of these Conditions to be a payment to such Noteholder, and the

Company shall thereby be discharged from all further obligations in respect of this Note.

4. TRANSFER

- 4.1 This Note shall not be transferred by the Noteholder without the prior written consent of the Company which may not unreasonably be withheld.
- 4.2 The instrument of transfer of this Note may be in any usual form or any other form which the directors of the Company may approve and must be signed by the transferor who shall be deemed to remain the owner of the Note until the name of the transferee is entered in the Register in respect thereof. No transfer will be registered of this Note in respect of which a Noteholder has given notice requiring repayment pursuant to Condition 3.1 or 3.2 or the Company has given intention to purchase the Note pursuant to Condition 3.3.
- 4.3 Every instrument of transfer must be lodged for registration at the Company's registered office for the time being accompanied by the certificate for this Note to be transferred, together with such other evidence as the Directors may require to prove the title of the transferor or his right to transfer this Note, and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so. The transfer will then be registered and a note of such registration will be entered in the Register and a new certificate for this Note issued accordingly, provided that no transfer of this Note in favour of more than four transferees will be registered.

5. RECOGNITION OF NOTEHOLDERS

- 5.1 Except as required by law, no person shall be recognised by the Company as holding this Note upon any trust and (except as otherwise provided by these Conditions or by law) the Company shall not be bound by or recognise any interest in this Note except an absolute right to the entirety of it in the holder. The receipt by a Noteholder, or of any joint Noteholder, for any interest from time to time accruing due or for any other moneys payable in respect of this Note shall be a good discharge of the Company, notwithstanding any notice the Company may have, whether express or otherwise, of any right, title, interest or claim of any other person to or in this Note, interest or moneys.
- 5.2 The Noteholder will be recognised by the Company as entitled to this Note free from any equity, set-off or counter-claim on the part of the Company against the original or any Noteholder.

6. REPLACEMENT LOAN NOTE

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

7. METHOD OF PAYMENT AND UNCLAIMED MONEY

Any interest or other money payable in respect of this Note, including the principal amount of this Note, or any part thereof may be paid by cheque or warrant sent by post to the registered address of, and at the risk of, the Noteholder, or, in the case of joint holders or to persons jointly entitled to this Note by reason of the death or bankruptcy of the Noteholder, to the registered address of that one of them who is first named in the Register in respect of this Note or to such person and to such address as the person entitled may direct in writing. Every cheque or warrant shall be made payable to the order of or to the person entitled thereto or to such other person as the person entitled may direct in writing and payment of the cheque or warrant shall be a good discharge of the Company. Any such interest or other money may also be paid by any other method (including bank transfer) which the directors of the Company consider appropriate. Any joint holder or any other person jointly entitled to a Note as aforesaid may give receipts for any interest or other money payable in respect of this Note. Accrued interest on this Note which has remained unclaimed for a period of five years and the principal amount of this Note which has remained unclaimed for a period of ten years, in each case from the due date for payment of the same, shall if the directors of the Company so resolve be forfeited and cease to remain owing by the Company.

8. NOTICES

- 8.1 The Company may give any notice, or may send this Note or other document, to a Noteholder either personally or by sending it by post in a prepaid envelope addressed to the Noteholder at his address as shown in the Register or by leaving it at that address. In the case of joint holders of this Note, all notices shall be given to the joint holder whose name stands first in the register of Noteholders in respect of the joint holding and notice so given shall be sufficient notice to all the joint holders. A Noteholder whose registered address is not within the United Kingdom and who gives to the Company an address within the United Kingdom at which notices may be given to him shall be entitled to have notices given to him at that address, but otherwise no such Noteholder shall be entitled to receive any notice from the Company.
- 8.2 (A) Any notice to be given to a Noteholder may be given by reference to the Register as it stands at any time within the period of [fifteen] days before the notice is given and no change in the Register after that time shall invalidate the giving of the notice.
- (B) Every person who becomes entitled to this Note shall be bound by any notice in respect of this Note which, before his name is entered in the Register, has been given to the person from whom he derives his title
- 8.3 Where, by reason of the suspension or curtailment of postal services within the United Kingdom, the Company is unable effectively to convene a meeting of Noteholders by notice sent by post, notice of the meeting shall be sufficiently given if given by advertisement in two leading national daily newspapers published in the United Kingdom. The Company shall send a copy of the notice to Noteholders by post if, at least seven clear days before the meeting, the posting of notices to addresses throughout the United Kingdom again becomes practicable.

- 8.4 Any notice to be given by the Company to the Noteholders or any of them and not provided for by or pursuant to these Conditions shall be sufficiently given if given by advertisement in at least one leading national daily newspaper published in the United Kingdom.
- 8.5 Any notice required to be given to the Company in relation to this Note may be given either personally or by sending it by post to its registered office for the time being.
- 8.6 A notice sent by post shall be deemed to have been given on the day following that on which it was posted unless it was sent by second class post or there is only one class of post in which case it shall be deemed to have been given on the day next but one after it was posted. Proof that the envelope containing the notice was properly addressed, prepaid and posted shall be conclusive evidence that notice was given. A notice given by advertisement shall be deemed to have been served on the day on which the advertisement appears.

SCHEDULE 4

COURT ORDER

IN THE HIGH COURT OF JUSTICE

No. 001165 of 1998

CHANCERY DIVISION

COMPANIES COURT

MR. JUSTICE NEUBERGER

September 1998

IN THE MATTER of B.A.T INDUSTRIES P.L.C.

- and -

IN THE MATTER of THE COMPANIES ACT 1985

UPON THE PETITION of the above-named B.A.T Industries p.l.c. (the "Company") whose registered office is situate at Windsor House 50 Victoria Street, London SW1H 0NL on 2nd July 1998 preferred unto this Court

AND UPON HEARING Counsel for the Company and for B.A.T Reconstructions Limited, Allied Zurich p.l.c. and British American Tobacco p.l.c. referred to in the Scheme of Arrangement hereinafter mentioned

AND UPON READING the said Petition and the evidence

AND B.A.T Reconstructions Limited, Allied Zurich p.l.c., and British American Tobacco p.l.c., by Counsel submitting to be bound by the said Scheme of Arrangement hereinafter sanctioned under section 425 of the above Act and undertaking to execute all such documents and do all such acts and things as may be necessary or desirable to be executed and done by them respectively for the purpose of giving effect thereto

THIS COURT HEREBY SANCTIONS the Scheme of Arrangement as set forth in the Schedule hereto

AND IT IS ORDERED that the Company do deliver an Office Copy of this Order to the Registrar of Companies.

PART 6: B.A.T INDUSTRIES SCHEME OF ARRANGEMENT

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 01165 of 1998

In the Matter of B.A.T Industries p.l.c.

-and-

In the Matter of the Companies Act 1985

Scheme of Arrangement

-under-

Section 425 of the Companies Act 1985

BETWEEN:

(1) B.A.T Industries

(2) the holders of the Scheme Shares

-and-

(3) B.A.T Reconstructions (each as hereinafter defined)

PRELIMINARY:

A. In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

"Allied Zurich"	means Allied Zurich p.l.c., a public limited company incorporated in England with company number 3525388;
"Allied Zurich Holdings"	means Allied Zurich Holdings Limited, a private limited company incorporated in Jersey with company number 71060;
"Allied Zurich Ordinary Shares"	means ordinary shares of 25p each in the capital of Allied Zurich;
"BAFS"	means British American Financial Services (UK and International) Limited, a private limited company incorporated in England with company number 1860680;
"BAFS Shares"	means ordinary shares of £1 each in the capital of BAFS;
"B.A.T Industries"	means B.A.T Industries p.l.c., a public limited company incorporated in England with company number 233112;
"B.A.T Industries Ordinary Shares"	means ordinary shares of 25p each in the capital of B.A.T Industries;
"B.A.T New Ordinary Shares"	means ordinary shares of 25p each in the capital of B.A.T Industries created pursuant to paragraph 1.3 of the Special Resolution;
"B.A.T Reconstructions"	means B.A.T Reconstructions Limited, a private limited company incorporated in England with company number 3418570;
"B.A.T Reconstructions 'A' Ordinary Shares"	means "A" ordinary shares of 12½p each in the capital of B.A.T Reconstructions;
"B.A.T Reconstructions 'B' Ordinary Shares"	means "B" ordinary shares of 12½p each in the capital of B.A.T Reconstructions;
"British American Tobacco"	means British American Tobacco p.l.c., a public limited company incorporated in England with company number 3407696;

"British American Tobacco (1998)"	means British American Tobacco (1998) Limited, a private limited company incorporated in England with company number 3422701;
"British American Tobacco Ordinary Shares"	means ordinary shares of 25p each in the capital of British American Tobacco;
"Business Day"	means a day (excluding Saturdays) on which banks are open for business in the City of London;
"Court Meeting"	means the meeting of Shareholders convened by order of the Court pursuant to section 425 of the Companies Act 1985 to consider, and if thought fit, approve this Scheme;
"CREST"	means the system for paperless settlement of trades and the holding of uncertificated shares operated by CRESTCo Limited;
"Effective Date"	means the day on which this Scheme becomes effective in accordance with Clause 10 of this Scheme;
"Farmers"	means Farmers Group, Inc., a company incorporated in the state of Nevada;
"Farmers Shares"	means all the Common Stock, par value \$1 per share, of Farmers;
"Farmers Income Shares"	means the Class B Common Stock, par value \$1 per share, of Farmers;
"Farmers Ordinary Shares"	means the Class A Common Stock, par value \$1 per share, of Farmers;
"holder"	includes a person entitled by transmission;
"Option Schemes"	means together the Savings Related Share Option Scheme, the Employee Share D Option Scheme, and the Employee Share E Option Scheme operated by B.A.T Industries;
"Registrar of Companies"	means the registrar of companies of England and Wales;
"Relevant Holder"	means a Shareholder who appears in the register of members of B.A.T Industries at the Scheme Record Time;
"Scheme Record Time"	means 4.30 p.m. on the Effective Date;
"Scheme Shares"	means the B.A.T Industries Ordinary Shares in issue at the date of this Scheme together with: (i) such additional B.A.T Industries Ordinary Shares (if any) as may be in issue fully paid or credited as fully paid at 6.00 p.m. on the day prior to the day immediately before the date of the Court Meeting; and (ii) such further B.A.T Industries Ordinary Shares as may be issued fully paid or credited as fully paid after the passing of the Special Resolution and before the close of business on the Business Day immediately before the making by the Court of an Order to sanction this Scheme, and in respect of which the original or any subsequent holder shall be bound by this Scheme or has agreed in writing to be so bound before the close of business on the Business Day immediately before the making by the Court of an Order to sanction this Scheme, in each case excluding any B.A.T Industries Ordinary Shares held by B.A.T Reconstructions;
"Share Alternative Scheme"	means the scheme which allows eligible Shareholders to receive B.A.T Industries Ordinary Shares in lieu of dividends;
"Shareholder"	means a holder of B.A.T Industries Ordinary Shares;
"Special Resolution"	means the special resolution to be considered at the extraordinary general meeting of B.A.T Industries convened for Friday, 12th June 1998; and

"this Scheme" means this Scheme in its present form or with any modification thereof or addition or condition thereto, in each case approved by the Court.

- B. At the date of this Scheme the authorised share capital of B.A.T Industries is £1,000,000,000, divided into 4,000,000,000 ordinary shares of 25p each, of which 3,132,038,018 B.A.T Industries Ordinary Shares have been issued and are credited as fully paid and the remainder are unissued. As at the date of this Scheme, there were 23,580,203 options over unissued B.A.T Industries Ordinary Shares pursuant to the Option Schemes which, if exercised, would require that number of additional B.A.T Industries Ordinary Shares to be issued.
- C. At the date of this Scheme the authorised share capital of Allied Zurich is £500,000,000 divided into 1,999,800,008 ordinary shares of 25p each, of which 8 Allied Zurich Ordinary Shares have been issued and credited as fully paid and the remainder are unissued, and 49,998 redeemable preference shares of £1 each all of which have been issued and are credited as fully paid, which will be redeemed prior to the Effective Date.
- D. At the date of this Scheme the authorised share capital of British American Tobacco is £500,000,000 divided into 1,999,800,008 ordinary shares of 25p each, of which 8 British American Tobacco Ordinary Shares have been issued and are credited as fully paid and the remainder are unissued, and 49,998 redeemable preference shares of £1 each all of which have been issued and credited as fully paid, which will be redeemed prior to the Effective Date.
- E. At the date of this Scheme the authorised share capital of B.A.T Reconstructions is £100 divided into 100 ordinary shares of £1 each. Prior to the Effective Date, the share capital of B.A.T Reconstructions shall be increased to £1,000,000,000 divided into 4,000,000,000 "A" ordinary shares of 12½p each and 4,000,000,000 "B" ordinary shares of 12½p each.
- F. B.A.T Reconstructions holds one B.A.T Industries Ordinary Share.
- G. Each of Allied Zurich, B.A.T Reconstructions and British American Tobacco has agreed to appear by Counsel on the hearing of the Petition to sanction this Scheme and to consent thereto and to undertake to the Court to be bound thereby and to execute all such documents and do all such acts and things as may be necessary or desirable to be executed or done by them for the purpose of giving effect to this Scheme.

THE SCHEME

Cancellation of Scheme Shares

1. The capital of B.A.T Industries shall be reduced by the cancellation of all the Scheme Shares.
2. Forthwith upon the said reduction of capital taking effect:
 - (a) the capital of B.A.T Industries shall be increased to its former amount by the creation of such number of B.A.T New Ordinary Shares as shall equal the number of Scheme Shares cancelled; and
 - (b) the credit arising in the books of account of B.A.T Industries as a result of the cancellation of the Scheme Shares shall be capitalised and applied in paying up in full the B.A.T New Ordinary Shares created pursuant to paragraph (a) of this Clause 2, which shall be allotted and issued, credited as fully paid, to B.A.T Reconstructions or its nominees.

Consideration for cancellation of Scheme Shares

3.
 - (a) In consideration of the cancellation of the Scheme Shares and the issue to B.A.T Reconstructions of the B.A.T New Ordinary Shares, B.A.T Reconstructions shall allot and issue one B.A.T Reconstructions "A" Ordinary Shares, credited as fully paid, to British American Tobacco and one B.A.T Reconstructions "B" Ordinary Shares, credited as fully paid, to Allied Zurich in respect of each Scheme Share.
 - (b) Following the allotment and issue of B.A.T Reconstructions "A" Ordinary Shares and B.A.T Reconstructions "B" Ordinary Shares pursuant to paragraph (a) of this Clause 3, British American Tobacco shall hold all the B.A.T Reconstructions "A" Ordinary Shares in issue and Allied Zurich shall hold all the B.A.T Reconstructions "B" Ordinary Shares in issue. The B.A.T Reconstructions "A" Ordinary Shares and the B.A.T Reconstructions "B" Ordinary Shares shall have the following rights:

Voting

At extraordinary general meetings of the shareholders of B.A.T Reconstructions the holders of B.A.T Reconstructions "A" Ordinary Shares and B.A.T Reconstructions "B" Ordinary Shares shall, on a poll, have one vote per share;

Dividends

Of the profits in respect of any financial period of B.A.T Reconstructions which may be resolved to be distributed, the holders of the B.A.T Reconstructions "B" Ordinary Shares shall be entitled to receive such proportion thereof as represents the proportion which the aggregate of the amount distributed to B.A.T Reconstructions relating to such period in respect of the BAFS Shares and the Farmers Shares bears to the whole amount of the profits of B.A.T Reconstructions in respect of such financial period and the holders of the B.A.T Reconstructions "A" Ordinary Shares shall be entitled to the remainder;

Winding-up

- (i) in the event of the voluntary liquidation of B.A.T Reconstructions and the passing in accordance with section 110 of the Insolvency Act 1986 of a special resolution pursuant to which the liquidator of B.A.T Reconstructions is authorised to dispose of the BAFS Shares and the Farmers Shares to Allied Zurich Holdings, and the B.A.T New Ordinary Shares to British American Tobacco (1998), the holders of the B.A.T Reconstructions "A" Ordinary Shares shall be entitled to any shares in British American Tobacco (1998) to be allotted in consideration for the acquisition of the B.A.T New Ordinary Shares and the holders of the B.A.T Reconstructions "B" Ordinary Shares shall be entitled to any shares in Allied Zurich Holdings to be allotted in consideration for the acquisition of the BAFS Shares and the Farmers Income Shares and any loan note in Allied Zurich Holdings to be allotted in consideration for the acquisition of the Farmers Ordinary Shares; and
- (ii) without prejudice to the provisions of sub-paragraph (i) above, on a return of assets in any other manner on liquidation or otherwise, the holders of the B.A.T Reconstructions "A" Ordinary Shares shall be entitled to receive such of the surplus assets of B.A.T Reconstructions remaining after the payment of its liabilities as shall comprise all or part of the B.A.T New Ordinary Shares, whilst the holders of the B.A.T Reconstructions "B" Ordinary Shares shall be entitled to receive such of the surplus assets of B.A.T Reconstructions remaining after the payment of its liabilities as comprise all or part of the BAFS Shares and the Farmers Shares, and any balance remaining after the operation of such provisions shall be paid or transferred to the holders of B.A.T Reconstructions "A" Ordinary Shares;

Notwithstanding the rights described above, the holders of the B.A.T Reconstructions "B" Ordinary Shares shall neither as respects dividends nor as respects capital be entitled to participate in any distribution in respect of each such B.A.T Reconstructions "B" Ordinary Share beyond £50 or assets with a value of £50.

4. (a) Forthwith upon the issue of the B.A.T Reconstructions "B" Ordinary Shares pursuant to Clause 3(a) of this Scheme, and in consideration thereof and of the cancellation there referred to, Allied Zurich shall allot and issue to Relevant Holders one Allied Zurich Ordinary Share, credited as fully paid, for every two Scheme Shares held by such person at the Scheme Record Time.
- (b) Forthwith upon the issue of the B.A.T Reconstructions "A" Ordinary Shares pursuant to Clause 3(a) of this Scheme, and in consideration thereof and of the cancellation there referred to, British American Tobacco shall allot and issue to Relevant Holders one British American Tobacco Ordinary Share, credited as fully paid, for every two Scheme Shares held by such person at the Scheme Record Time.
- (c) No fraction of an Allied Zurich Ordinary Share or a British American Tobacco Ordinary Share shall be allotted or transferred as a result of the provisions of this Clause 4 but all Allied Zurich Ordinary Shares and British American Tobacco Ordinary Shares representing such fractions shall be aggregated and sold and the net proceeds of sale distributed amongst the persons who would otherwise be entitled thereto in due proportion.

Rights attaching to Allied Zurich Ordinary Shares and British American Tobacco Ordinary Shares

5. The Allied Zurich Ordinary Shares and British American Tobacco Ordinary Shares to be allotted pursuant to the provisions of this Scheme shall rank *pari passu* in all respects with, in each case, such Allied Zurich Ordinary Shares and British American Tobacco Ordinary Shares as are in issue on the Effective Date and shall rank for all dividends or distributions made, paid or declared thereon after the Effective Date.

Certificates

6. (a) In respect of Relevant Holders who hold their B.A.T Industries Ordinary Shares in certificated form, Allied Zurich and British American Tobacco shall, not later than 21 days after the Effective Date, deliver in accordance with this Scheme certificates in respect of Allied Zurich Ordinary Shares and British American Tobacco Ordinary Shares respectively by sending the same through the post in pre-paid envelopes addressed to the persons entitled thereto at their respective registered addresses appearing in the register of members of B.A.T Industries at the Scheme Record Time (or, in the case of joint holders, to the address of that one of the joint holders whose name stands first in the register in respect of such joint holding), or in accordance with any special instructions regarding communications and Allied Zurich and British American Tobacco shall not be responsible for any loss in transmission.
- (b) Not later than 21 days after the Effective Date, Relevant Holders who hold their B.A.T Industries Ordinary Shares in uncertificated form shall have the appropriate entries made in the appropriate CREST member account.

Cash dividend payment mandates

7. Each mandate in force at the Scheme Record Time relating to the payment of dividends in respect of B.A.T Industries Ordinary Shares shall, unless and until amended or revoked, be deemed as from the Effective Date to be a valid and effective mandate to Allied Zurich and British American Tobacco in relation to dividends in respect of the corresponding Allied Zurich Ordinary Shares and British American Tobacco Ordinary Shares to be issued pursuant to this Scheme.

Scrip dividend mandates

8. Each mandate in force at the Scheme Record Time relating to the payment of scrip dividends in respect of B.A.T Industries Ordinary Shares pursuant to the Share Alternative Scheme shall, unless and until amended or revoked, be deemed as from the Effective Date to be a valid and effective mandate to British American Tobacco in relation to dividends in respect of the corresponding British American Tobacco Ordinary Shares to be issued pursuant to this Scheme.

Certificates representing Scheme Shares

9. On and from the Effective Date all certificates representing holdings of Scheme Shares shall cease to have effect.

Effective Date

10. (a) This Scheme shall become effective as soon as an office copy of the Order of the Court sanctioning this Scheme under section 425 of the Companies Act 1985 shall have been delivered to the Registrar of Companies for registration, save that the reduction of capital in Clause 1 of the Scheme shall become effective only when an Order of the Court confirming under section 137(1) of the Companies Act 1985 the said reduction of capital shall have been duly registered by the Registrar of Companies.
- (b) Unless this Scheme shall have become effective on or before 30th April 1999 or such later date, if any, as the Court may allow, the same shall lapse.

Modification

11. Allied Zurich, B.A.T Industries, B.A.T Reconstructions and British American Tobacco may jointly consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may approve or impose.

DATED the 18th day of May 1998