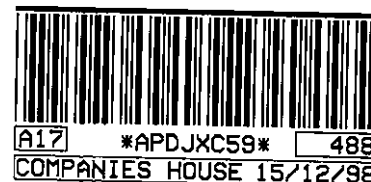


Company No:- 343283
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THE COMPANIES ACT 1985

COMPANY LIMITED BY SHARES

RESOLUTIONS

of

PEOPLES CHOICE INSURANCE SERVICES LIMITED

At an Extraordinary General Meeting of the holders of Ordinary Shares of £1 nominal value in the capital of the company duly convened and held at 125 London Wall, London EC2Y 5AE at 6.45 p.m. on 03 December 1998 the following Resolutions were duly passed.

SPECIAL RESOLUTIONS

1. That the attached Articles of Association of the Company be adopted in substitution for and to the exclusion of the existing Articles of Association.
2. That the two Ordinary Shares of the Company be redesignated as "B" Ordinary Shares of £0.01 each having the rights attaching to them as set out in the new Articles of Association referred to at Special Resolution 1 above.

ORDINARY RESOLUTIONS

3. The nominal capital of the Company be increased to £52,375 by the creation of 940,000 'A' Ordinary Shares of £0.01 each at a premium of £0.99 per share, 234,998 'B' Ordinary Shares of £0.01 each at a premium of £0.99 per share and 4,062,500 Preference Shares of £0.01 each at a premium of £0.99 per share.
4. That for the purposes of section 80 of the Companies Act 1985, the Directors be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (as defined in the said section) up to an aggregate nominal amount of £52,375 such authority to expire five years from the date of this resolution but to be capable of previous revocation or variation from time to time by the Company in General Meeting and of renewal from time to time by the Company in General Meeting for a further period not exceeding five years.
5. The company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the Directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired.
6. That for the purposes of maintaining and fostering the goodwill of Messrs David

Pearce, Philip da Silva, Tim Hudson, Stephen Leech and Stephen Stroud towards the Company, the Company may make available to the named persons a total sum of £50,000 as a signing on bonus, the whole or part of such sum, to be distributed between the named persons as and when both David Pearce and Philip da Silva may decide in their absolute discretion and any such payment shall be ratified and approved in all respects.

Dated 14th December 1998

CHAIRMAN

A handwritten signature in black ink, appearing to read 'D. Pearce', written over a dotted line. The signature is stylized with a large loop at the end.

THE COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

PEOPLES CHOICE INSURANCE SERVICES
LIMITED

Registered Number: 3434283

Incorporated: 15 September 1997

A handwritten signature in black ink, appearing to read 'J. Leano', is written over a large, stylized, sweeping line that forms a wide, shallow 'U' or 'C' shape.

SIMMONS & SIMMONS

21 Wilson Street London EC2M 2TX
Tel: 0171-628 2020 / 528 9292 Fax 0171-628 2070 DX Box No 12

CONTENTS

ARTICLES OF ASSOCIATION	3
1. Preliminary	3
2. Definitions and Interpretation	3
3. Share Capital	9
4. Share Rights	9
5. Modification of Rights	15
6. Issue of New Shares	16
7. Transfers of Shares - General	18
8. Permitted Transfers of Shares	19
9. Pre-Emption Rights on Transfer	22
10. Transfers by B Shareholders on ceasing to be a Director or Employee and Transfers on Death or Bankruptcy	26
11. Warehousing of Shares	28
12. Minority Share Sale	29
13. Proceedings at General Meetings	31
14. Alternate Directors	32
15. Directors	32
16. Borrowing Powers	34
17. Proceedings of Directors	34
18. Investor Directors	35
19. Indemnities	35
20. Restriction on Payment of Dividends/Redemption of Preferred Shares	36
APPENDIX: RATCHET CALCULATION	37

THE COMPANIES ACT 1985

PRIVATE COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

of

PEOPLES CHOICE INSURANCE SERVICES LIMITED

(adopted by Special Resolution of the Company passed on 03 December 1998)

1. Preliminary

- 1.1 These Articles together with the regulations contained in Table A in the Schedule to the Companies (Tables A to F) Regulations 1985 (as amended) ("Table A") shall apply to the Company save insofar as such regulations are excluded or varied hereby or are inconsistent herewith.

2. Definitions and Interpretation

- 2.1 In these Articles the following words and expressions shall (except where the context otherwise requires) have the following meanings:-

"A Share" means an "A" ordinary share of £0.01 in the capital of the Company;

"A Shareholder" means a registered holder of any A Shares;

"Accounting Group" means the Company and its subsidiary undertakings from time to time (other than a subsidiary undertaking which under the provisions of the Companies Act is not required to be included and which is not included in the consolidated group accounts prepared by the Company);

"Accounting Period" means an accounting reference period of the Company being a period commencing on 01 April and ending on the following 31 March or such other date as notified to Registrar of Companies from time to time;

"Accounts" means the audited consolidated accounts of the Accounting Group;

“Asset Sale” means the completion of any transaction or series of transactions whereby any person or group of persons purchases the whole or substantially the whole of the business and assets of the Group;

“Auditors” means the auditors from time to time of the Company;

“B Share” means a “B” Ordinary Share of £0.01 in the capital of the Company;

“B Shareholder” means a registered holder of any B Shares;

“Bad Leaver” shall have the meaning set out in Article 10.4(C);

“Beneficial Owner” shall have the meaning set out in Article 8.2(A);

“Board” means all the Directors of the Company from time to time;

“Cessation Date” shall have the meaning set out in Article 10.1;

“Commencement Date” means the date of the adoption of these Articles;

“the Companies Act” means the Companies Act 1985 (as amended);

“Compulsory Vendors” shall have the meaning set out in Article 10.1;

“Connected Person” shall have the meaning ascribed to it in Section 346 of the Companies Act;

“credited as paid up” means amounts paid up or credited as paid up on the relevant share including any premium;

“Deemed Notice Date” shall have the meaning set out in Article 10.2;

“Directors” means the directors from time to time of the Company;

“Emoluments” means emoluments of every description including, without limitation, salaries, fees, bonuses, commissions, profit shares under any incentive scheme, pension contributions payable, benefits in kind as quantified for income tax purposes and any amounts referred to in Schedule 6 Part 1 paragraph 1(1) of the Companies Act;

“Employee Priority Notice” shall have the meaning set out in Article 11.1;

“Employee Shares” shall have the meaning set out in Article 11.2;

“Equity Share” means an A Share and/or a B Share (as the case requires);

“Exit” means a Realisation or Liquidation whichever shall first occur;

“Exit Date” means a Listing Date, a Sale Date or a Liquidation Date, as appropriate;

“Exit Value”:

- (i) in the case of a Listing, the price per share at which Equity Shares are sold or offered in connection with the Listing (in the case of an offer for sale being the underwritten price or, if an offer for sale by tender, the striking price under such offer, or in the case of a placing, the price at which shares are sold under the placing) multiplied by the number of Equity Shares in issue at the time of such Listing, but excluding any shares issued for the purpose of raising money for the Company as part of the Listing arrangements (whether in order to finance the redemption of shares or the repayment of loans or for any other reason whatsoever);
- (ii) in the case of a Share Sale, the price per share offered in cash and shares to each holder of Equity Shares multiplied by the number of Equity Shares then in issue;
- (iii) in the case of a Liquidation the net dividend distributable in respect of each Equity Share multiplied by the number of Equity Shares then in issue;

“Family Trust” means a trust (whether arising under a settlement inter vivos or a testamentary disposition by whomsoever made or on an intestacy) under which the only persons being (or capable of being) beneficiaries are the individual Beneficial Owner and/or his Privileged Relations and no power of control over the voting powers conferred by such shares is for the time being exercisable by or subject to the consent of any person other than the trustees as trustees or the individual Beneficial Owner or his Privileged Relations;

“FSA” means The Financial Services Act 1986;

“Fund” means any bank, investment trust or investment company (within the meaning of Chapter 21 of Section 10 of the rules governing admission of securities to listing issued by the Stock Exchange), unit trust, building society, industrial provident or friendly society, any other collective investment scheme (as defined by the FSA), any business investor (as defined by the Financial Services (Glossary and Interpretation) Rules and Regulations 1990), partnership, limited partnership or partner in such partnership pension fund or insurance company or any person who is an authorised person under the FSA, any subsidiary undertaking of any of the foregoing and any co-investment scheme in relation to any of the foregoing other than where any such person shall be acting as nominee, trustee or agent for any Manager or other employee of the Company;

“Good Leaver” shall have the meaning set out in Article 10.4(B);

“Group” means the Company and its subsidiary undertakings from time to time and references to a “member of the Group” or a “Group member” shall be construed accordingly;

“Instrument” means the deed creating the £4,062,500 Secured Subordinated Loan Stock 2004 following the date of the Investment Agreement;

“Investment Agreement” means an agreement made on the Commencement Date between the Company, the Managers, Phoenix Equity Partners II “B”, Phoenix Equity Nominees Limited and others and DLJ Phoenix Private Equity Limited;

“Investor Director” means a Director appointed pursuant to Article 18;

“Investor Group” means (in relation to each Investor) the Investor or any partnership, subsidiary or holding company or subsidiary of a holding company of the Investor, or any person or firm, partnership, authority or organisation (whether or not incorporated) which is the successor in title to, or in whom is vested, or by whom responsibility is assumed for the whole or a substantial part of the functions, assets and liabilities of the Investor;

“Investors” means those persons referred to as Investors in the Investment Agreement and all persons to whom an Investor transfers shares under Articles 8.1, 8.2 or 8.5;

“Liquidation” means the passing of a resolution for the winding-up of the Company;

“Liquidation Date” means the date of a Liquidation;

“Listing” means the admission of all or any of the Equity Shares to the Official List of the Stock Exchange or the grant of permission to deal in the same on any recognised investment exchange (as that term is defined in the FSA) including, for the avoidance of doubt, EASDAQ or NASDAQ;

“Listing Date” means the date of admission by the Council of the Stock Exchange of all or any of the Equity Shares to the Official List (subject only to the posting of a notice under paragraph 8.1 of the Stock Exchange Rules) or the date on which permission is granted to deal in the same on any recognised investment exchange (as that term is defined in the FSA including) for the avoidance of doubt, EASDAQ or NASDAQ;

“Loan Stock” means the Secured Subordinated Loan Stock 2004 to be issued to the Investors, the rights and restrictions attached to which are set out in the Instrument;

“Managers” means David Pearce, Philip da Silva, Tim Hudson, Stephen Leech, Steve Stroud or any of them;

“Mandatory Transfer Notice” shall have the meaning set out in Article 9.1 (A);

“Member” means a holder of any share in the capital of the Company as stated in its Registered of Members from time to time;

“Minority Shareholder” shall have the meaning set out in Article 12.3;

“New Employee” shall have the meaning set out in Article 11.1;

“Ordinary Dividend” shall have the meaning set out in Article 4.1(A);

“Ordinary Share” means an A share and/or (as the case requires) a B share;

“Preference Share” means a cumulative redeemable Preference Share of 1p in the capital of the Company;

“Preference Shareholders” means a registered holder of any Preference Share;

“Privileged Relation” means in relation to a Member, a spouse of that Member and all lineal descendants of that Member (including for this purpose any step-child, adopted child or illegitimate child or any such Member or his lineal descendants);

“Proposed Transferee” shall have the meaning set out in Article 9.1(B);

“Proposing Transferor” shall have the meaning set out in Article 9.1(A);

“PRs” means the legal personal representatives of a deceased person;

“Purchasers” shall have the meaning set out in Article 9.1(I);

“Purchasing Group” shall have the meaning set out in Article 12.1;

“Realisation” means an Asset Sale, a Share Sale or a Listing whichever shall first occur;

“Redemption Date” shall have the meaning set out in Article 4.3(A);

“Redemption Monies” shall have the meaning set out in Article 4.3(B);

“Redemption Price” shall have the meaning set out in Article 4.3(A);

“Relevant Proportion” means, in the case of a Bad Leaver, 100% and, in the case of a Good Leaver, the percentage set out in Article 10.1;

“Remuneration Committee” means a committee of the Board made up as specified in the Investment Agreement;

“Sale Date” means the date of completion of a Share Sale or an Asset Sale;

“Sale Price” shall have the meaning set out in Article 9.1(B) or, as the case may be 9.1(C);

“Sale Shares” shall have the meaning set out in Article 9.1(A);

“Share” means a share in the capital of the Company;

“Share Sale” means the completion of any transaction or series of transactions whereby any person or Connected Persons or group of persons acting in concert purchases or otherwise acquires or obtains all of the Equity Shares;

“Stock” means

“the Stock Exchange” means London Stock Exchange Limited;

“Third Party Price” shall have the meaning set out in Article 12.2;

“Total Transfer Condition” shall have the meaning set out in Article 9.1(A);

“Transferee Undertaking” shall have the meaning set out in Article 8.1(A);

“Transfer Notice” shall have the meaning set out in Article 9.1(A); and

“Trustee in Bankruptcy” shall have the meaning set out in Article 10.5.

2.2 In these Articles, where the context admits:

- (A) words and phrases which are defined or referred to in or for the purposes of the Companies Act or Table A have the same meanings in these Articles unless the context otherwise requires;
- (B) sections 5, 6, 8 and 9 and Schedule 1 to the Interpretation Act 1978 apply in the same way as they do to statutes.
- (C) references to a statutory provision includes reference to:

- (1) any order, regulation, statutory instrument or other subsidiary legislation at any time made under it for the time being in force made prior to the date of this Agreement;
- (2) any modification, amendment, consolidation, re-enactment or replacement of it or provision of which it is a modification, amendment consolidation, re-enactment or replacement made prior to the date of this Agreement;
- (D) reference to a Regulation is to a regulation of Table A, and reference to an Article is to a provision of these Articles;
- (E) headings are for ease of reference only and shall not affect the construction or interpretation of these Articles.

3. Share Capital

3.1 The authorised share capital of the Company at the date of adoption of these Articles is £52,375 divided into:

- (A) 940,000 A Shares of £0.01 each;
- (B) 235,000 B Shares of £0.01 each;
- (C) 4,062,500 Preference Shares of £0.01 each.

4. Share Rights

Regulation 2 shall not apply to the Company. The rights and restrictions attaching to the Preference Shares, the A Shares and the B Shares shall be as follows:-

4.1 As regards income

The profits of the Company which are available for lawful distribution in respect of each Accounting Period shall be applied as follows:

- (A) first in paying to the Preference Shareholders as a class a fixed cumulative preferential cash dividend ("Preference Dividend") at the rate of 17.3 per cent. per annum until 31 December 2004 and thereafter at the rate of 25 per cent. per annum on the amounts from time to time credited as paid up on the Preference Shares (exclusive of any associated tax credit), such dividend to accrue on a daily basis and compounded annually and to be paid annually on 31 December in each year in respect of the twelve month period ending on such date, provided that the first such payment shall be

made on 31 December 1998 and shall be calculated in respect of the period from the Commencement Date to 31 December 1998;

- (B) The Company may elect that payment of the whole or any part of the dividend due under (A) above shall be deferred ("Deferred Dividend") (in which event none of such dividend is "due" or "payable" until 31 December 2004) provided that:
 - (i) if the whole or part of any deferred interest remains unpaid on 31 December 2004 interest shall accrue in accordance with (F) below; and
 - (ii) dividends shall be paid as they fall due in respect of years commencing 01 January 2004.
- (C) no dividend shall be declared or paid to the A Shareholders or the B Shareholders in respect of any Accounting Period unless and until:
 - (1) the Preference Dividend, together with all sums payable under Article 4.1(E) have been paid in full in respect of that Accounting Period and in respect of all previous Accounting Periods; and
 - (2) all Preference Shares which have fallen due for redemption have been redeemed;
- (D) subject to Article 4.1(C) any profits which the Company may determine to distribute (in any event not exceeding the amount recommended by the Directors) in respect of any Accounting Period shall be applied in paying to the A Shareholders or the B Shareholders a non-cumulative dividend ("Ordinary Dividend") on the amounts from time to time credited as paid up on the A Shares and the B Shares as though the same constituted a single class of shares;
- (E) if for any reason the Company is unable pursuant to the Companies Act or any other legislation, or the profits available for distribution are insufficient to pay any of the Preference Dividends in full on any date fixed for payment, then on such date the Company will pay to the relevant shareholders on account of the relevant dividends the maximum sum (if any) which can be lawfully paid by the Company, such payment on account to be made in the order of priority set out in the preceding paragraphs of this Article 4.1;
- (F) if the whole or any part of the Preference Dividend remains unpaid after 31 December 2004 for whatever reason then the Company shall pay, in addition to such dividend (or the unpaid part thereof), a sum calculated at

the rate of 25 per cent. per annum on the amount of such dividends (or the unpaid part thereof). Such interest shall accrue on a daily basis from the due date or dates for payment until the date or dates of actual payment;

- (G) notwithstanding anything contained in Regulations 102 to 108 (inclusive), it shall not be necessary for the Company to declare any dividend which in accordance with these Articles is payable on the Preference Shares, and such dividends, together with all sums payable under Articles 4.1(E) and 4.1(F) shall, to the extent lawfully permissible, constitute a debt due from the Company to the Preference Shareholders, on the due date or dates for payment without any requirement for a recommendation or declaration by the Company or the Directors and whether or not such dividends shall be in law capable of being paid by the Company;
- (H) any amount of the Preference Dividend or the Ordinary Dividend payable under these Articles shall belong to and be paid to the holders of the Preference Shares, or the A Shares and B Shares as the case may be, pro rata according to their holdings of such Shares.

4.2 As regards capital

- (A) On a return of assets whether in a winding-up or reduction of capital or otherwise (except in the case of the redemption of shares of any class or the purchase by the Company of its own shares) the assets and retained profits of the Company available for distribution among the members shall be applied as follows:-
 - (1) first in paying to the Preference Shareholders the Redemption Price per share together with all accruals and arrears of the Preference Dividend (whether earned or declared or not) and any sums payable under Articles 4.1(E) and 4.1(F) in respect thereof calculated up to and including the date on which the return of capital is made;
 - (2) secondly in paying to the A Shareholders and the B Shareholders the amounts credited as paid up on the A Shares and the B Shares (as though the same constituted a single class of shares) together with a sum equal to any arrears of declared but unpaid Ordinary Dividend thereon;
 - (3) thereafter in distributing the balance of such assets and retained profits amongst the A Shareholders and the B Shareholders in proportion to the amounts credited as paid up on the A Shares

and the B Shares (as though the same constituted a single class of shares) held by them respectively;

- (B) The Preference Shares shall not confer any further rights of participation in the profits or assets of the Company.

4.3 As regards redemption of the Preference Shares

- (A) The Company shall redeem for cash at a redemption price of £1 per share (the "Redemption Price") the following numbers of Preference Shares on the following dates (or as soon thereafter as the Company shall be able to comply with the provisions of the Companies Act or any other legislation relating to redemption of shares out of distributable profits) (each a "Redemption Date"):

<u>Redemption Date</u>	<u>Number of Preference Shares to be redeemed</u>
31 December 2003	2,000,000
31 December 2004	2,062,500

Provided that an equivalent amount of Loan Stock is simultaneously redeemed in accordance with the Investment Agreement and the Instrument.

- (B) On each Redemption Date the Redemption Price per share together with all arrears and accruals of the Preference Dividend (whether earned or declared or not) calculated up to and including the Redemption Date and any sums payable under Article 4.1(E) and 4.1(F) in respect thereof (the "Redemption Monies") shall become a debt due and payable by the Company to the Preference Shareholders and on each Redemption Date the Company shall, subject to receipt of the relevant share certificate or an indemnity in lieu thereof in a form reasonably satisfactory to the Company, pay the Redemption Monies to the relevant Preference Shareholders.
- (C) On each Redemption Date the Company shall have the right, subject to the provisions of the Companies Acts, to redeem the whole or any part of the Preference Shares for the time being in issue.
- (D) On each Redemption Date each of the Preference Shareholders whose shares are to be redeemed shall deliver to the Company the share certificate for such shares and the Company shall cancel the same. If any certificates so delivered to the Company includes any Preference Shares not

falling to be redeemed on the relevant Redemption Date the Company shall without charge issue a certificate for the balance of any unredeemed Preference Shares to the holder or holders thereof.

- (E) As from each Redemption Date the Preference Dividend shall cease to accrue in respect of any shares due to be redeemed on that date unless on presentation of the share certificate or an indemnity in lieu thereof the Company fails to make payment of the Redemption Monies, in which case the Preference Dividend shall continue to accrue until the date of payment.
- (F) A redemption of some but not all of the Preference Shares shall be made amongst the holders thereof pro rata as nearly as possible to their then holdings of Preference Shares.
- (G) If any holder of Preference Shares shall have the right to vote pursuant to Article 4.4(B) such Preference Shareholder shall be entitled so long as such right to vote is continuing by notice in writing to require the Company to redeem all of the Preference Shares held by it and the provisions of Articles 4.3(B) to 4.3(E) shall have effect mutatis mutandis to such redemption save that the Redemption Date shall be the date specified in the notice from the Preference Shareholder. If such notice is not given during the period during which the Preference Shareholder has the right to vote, the right to redemption shall be waived in respect of that event.
- (H) All of the Preference Shares not previously redeemed shall be redeemed immediately upon the occurrence of either one of the following events:
 - (1) the appointment of an administrative receiver or an administrator of the whole or any part of the property and assets of the Company or any of its subsidiaries; or
 - (2) the variation of rights attaching to the Preference Shares without the prior approval of the Preference Shareholders obtained in accordance with the provisions of these Articles

and the provisions of Articles 4.3(B) to 4.3(E) shall have effect mutatis mutandis to such redemption save that the Redemption Date shall be the occurrence of the specified event.

- (I) All of the Preference Shares not previously redeemed shall, subject as hereinafter provided, be redeemed immediately upon the occurrence of a Realisation and the provisions of Articles 4.3(B) to 4.3(E) shall have effect mutatis mutandis to such redemption (save that the Redemption Date shall be the Sale Date or Listing Date). Provided always that in the case of a Share Sale the Company shall not be obliged to redeem the Preference

Shares hereunder if at the time of such Share Sale an offer shall have been accepted by the holders of all the Preference Shares then in issue to purchase all of their Preference Shares at a price per share not less than the redemption monies which would otherwise have been payable on redemption at such time or if 75 per cent. in nominal value of the Preference Shareholders waive their right to redemption.

- (J) The Company may, with the prior consent of the holders of 75 per cent. in nominal value of the Preference Shares obtained in accordance with the provisions of these Articles and provided there are no arrears of dividend on the Preference Shares, at any time redeem all or any tranches of not less than 100,000 of the Preference Shares for the time being outstanding and credited as paid up, by serving notice on the Preference Shareholders specifying a date (being not less than 14 and not more than 30 days after the date of the notice) and the particular Preference Shares to be redeemed, and the provisions of Articles 4.3(B) to 4.3(E) shall have effect mutatis mutandis to such redemption save that the Redemption Date shall be the date specified in such notice. If any such redemption is a redemption in part only of the Preference Shares for the time being outstanding it will be treated as a redemption of the Preference Shares last falling due for redemption pursuant to Article 4.3(A).

4.4 As regards voting

- (A) Subject to Articles 4.4(B) to 4.4(C) (inclusive) on a show of hands every Member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a Member entitled to vote, shall have one vote, and on a poll every Member who is present in person or by proxy or (being a corporation) is present by a duly authorised representative shall have one vote for every Share of which he is a holder. Regulation 54 shall not apply to the Company.
- (B) Preference Shareholders shall have the right to receive notice of and to attend and speak at all general meetings of the Company. Preference Shareholders shall have no right to vote at general meetings of the Company unless:
- (1) at the date of the meeting more than seven days shall have elapsed since the due date for payment of any instalment of the Preference Dividend without payment having been made in full of such instalment whether or not such dividend shall have been declared or earned or otherwise be in law capable of being paid by the Company; or

- (2) at the date of the meeting the Company shall have failed or been unable to redeem the Preference Shares within seven days of the due date or dates for redemption whether or not sufficient profits or other funds are in law available for such redemption; or
 - (3) the business of the meeting includes the consideration of a voluntary arrangement with the creditors of any member of the Group or a resolution for the winding-up of any member of the Group or the presentation of a petition for the making of an administration order in respect of any member of the Group or a resolution for a reduction of the capital of any member of the Group; or
 - (4) at the date of the meeting there shall have occurred any act, omission or event which constitutes an Event of Default under the Investment Agreement (excluding paragraphs 1.1, 1.4, 1.10, 1.12, 1.13 and 1.14 of Schedule 6 of the Investment Agreement).
- (C) Upon the happening of an event specified in Article 4.4(B) and for so long as the circumstances comprising such event continue to subsist the Preference Shareholders shall be entitled to receive notice of and to attend and vote at any general meeting of the Company and, on a show of hands, every Preference Shareholder who is present in person or by proxy or (being a corporation) is present by a duly authorised representative not being himself a Member entitled to vote shall have one vote and, on a poll, every such holder shall have one vote for each Preference Share of which he is the holder.

4.5 As regards Ratchet Adjustments

- (A) On or immediately before an Exit there shall be redeemed such number of A Shares as shall thereafter leave the B Shareholders as a class with the percentage (the "Relevant Percentage") of Equity Shares all as determined by the operation of the provisions contained in the Appendix to these Articles.
- (B) There shall be paid on each of the A Shares redeemed a sum equal to the amount paid up thereon (including any premium).
- (C) Any redemption of any part of the A Shares shall be made to the holders thereof pro rata to their respective holdings of such shares.
- (D) To the extent that it shall not be lawful or practicable to redeem any A Shares as aforesaid then such number thereof shall at the relevant time

forthwith and without resolution of the Directors or the shareholders be converted into deferred shares, having no voting dividend or other entitlement whatsoever (including any right to receive notice or consent to short notice of any general meeting) save that the holders thereof shall be entitled to repayment on a winding up of £1 per share.

5. Modification of Rights

5.1 Class Rights of Preference Shares and Equity Shares

The special rights attached to the Preference Shares may be altered or abrogated (whether or not the Company is being wound up) with the written consent of the holders of not less than three-quarters of the issued shares of that class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply except that:-

- (A) the necessary quorum shall be one or more persons holding or representing by proxy not less than fifty per cent of the issued shares of the class;
- (B) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him;
- (C) any holder of shares of the class present in person or by proxy may demand a poll.

5.2 The special rights attached to the A Shares and the B Shares may be altered or abrogated (whether or not the Company is being wound up) with the written consent of the holders of not less than three quarters of the issued shares of the relevant class, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of such shares. To any such separate general meeting all the provisions of these Articles as to general meetings of the Company shall mutatis mutandis apply except that:-

- (A) the necessary quorum shall be two or more persons each holding or representing by proxy not less than one-third of the issued shares of the class (provided that where all the shares of a class are registered in the name of one holder that holder present in person or by proxy may constitute a meeting);
- (B) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and

- (C) any holder of shares of the class present in person or by proxy may demand a poll.

5.3 For the avoidance of doubt the approval of resolutions or the taking of any steps contemplated by clauses 9.1 and 9.2 (but subject always to clause 9.4) of the Investment Agreement shall not (per se) constitute the variation or abrogation of the rights of any class of shares.

6. Issue of New Shares

6.1 Subject to Articles 6.2 and 6.3 any Shares for the time being unissued and any new Shares from time to time created shall before they are issued be offered to the holders of the Equity Shares in proportion (as nearly as may be) to the nominal amount of their existing holdings of Equity Shares except that this requirement shall not apply to any issue which shall be effected in accordance with clause 4.8 of the Investment Agreement. The offer shall be made by notice specifying the number and class of shares offered and the price per share and stating a time (not being less than 20 days or greater than 30 days) within which the offer if not accepted will be deemed to be declined. After the expiration of such time, or on the receipt of an indication from the person(s) to whom the offer is made that he/they decline(s) to accept the Shares offered or any of them, the Directors shall offer the Shares declined in like manner (save that the minimum period for acceptance may be seven days) to the other holders of Equity Shares who have agreed to invest in all the Shares offered to them in proportion (as nearly as may be) to the nominal amount of their existing holdings of Equity Shares. If the Shares comprised in such further offer are declined or deemed to be declined the further offer shall be withdrawn.

6.2 If all or any of the Shares to which the Article 6.1 applies are not taken up in accordance with the provisions of Article 6.1 the Directors may offer such Shares to a third party (to be approved by a majority of the Board of Directors which majority shall include an Investor Director, such approval not to be unreasonably withheld or delayed) and subject to these Articles and the provisions of Section 80 of the Companies Act such Shares shall be at the disposal of the Directors who may allot, grant options over or otherwise dispose of them to such persons at such times and generally on such terms and conditions as they think proper, provided that:-

- (A) no Shares shall be issued at a discount;
- (B) no Shares to which Article 6.1 applies shall be issued more than three months after the expiry of the period for acceptance of the last offer of such Shares made under Article 6.1 unless the procedure set out in Article 6.1 is repeated in respect of such Shares;

- (C) no Shares shall be issued at a price less than that at which they were offered to the members of the Company in accordance with Article 6.1 and so that (if the Directors are proposing to issue such Shares wholly or partly for non-cash consideration) the cash value of such consideration for the purposes of this sub-paragraph shall be as reasonably determined by the Auditors whose determination shall be final and binding on the Company and each of its members.

- 6.3 The provisions of Articles 6.1 and 6.2 shall mutatis mutandis apply to all equity securities (as defined in Section 94(2) of the Companies Act) of the Company from time to time created.
- 6.4 The provisions of Sections 89(1) and 90(1) to (6) of the Companies Act shall not apply to the Company.

7. Transfers of Shares - General

- 7.1 The first sentence of Regulation 24 shall not apply to the Company. Without prejudice to the remaining provisions of Regulation 24 the Directors shall not register any transfer of Shares to any person who is a minor, or who for any other reason does not have legal capacity to transfer shares, or otherwise except pursuant to a transfer permitted by the following provisions of these Articles.
- 7.2 For the purposes of:
 - (A) ensuring that a transfer of Shares is permitted under these Articles; or
 - (B) ensuring that no circumstances have arisen whereby a shareholder may be bound or required to give or is deemed to have given a Transfer Notice; or
 - (C) ascertaining when a Transfer Notice should have been or is deemed to have been given hereunder

the Directors may from time to time require any member, the PRs of any deceased member, the trustee in bankruptcy of any member, the receiver, administrative receiver or liquidator of any corporate member, or any person named as transferee in any transfer lodged for registration to furnish to the Company such information and evidence as the Directors may think fit regarding any matter which they may deem relevant to such purpose. Failing such information or evidence being furnished to the satisfaction of the Directors within seven clear days after request the Directors shall be entitled to refuse to register the transfer in question or (in case no transfer is in question) may resolve to require by notice in writing that a Transfer Notice be given in respect of the shares concerned. If such information or evidence discloses to the satisfaction of the Directors that circumstances have arisen whereby a shareholder may be bound or required to give or be deemed to have

given a Transfer Notice. The Directors may resolve by notice in writing to require that a Transfer Notice be given in respect of the shares concerned. Any such resolution of the Directors shall be binding upon the shareholders concerned who shall be bound to give a Transfer Notice in respect of the shares concerned forthwith upon receipt of the said notice from the Directors.

- 7.3 A Transfer Notice shall be deemed to be given (if not actually given) at the expiry of 14 days after the Directors have required the same to be given pursuant to Article 7.2 and the provisions of these Articles relating to Transfer Notices shall take effect accordingly.
- 7.4 A Transfer Notice given or deemed to be given pursuant to this Article or Articles 8 or 10 shall not be capable of revocation except with the written approval of the Board. Subject as provided to the contrary in this Article or Article 8 and/or 10, the provisions of Article 8 shall apply to any Transfer Notice given or deemed to be given under or pursuant to this Article or Articles 8 or 10.
- 7.5 In any case where a shareholder (or his PRs) has or have been required to give or has or have been deemed to have given a Transfer Notice pursuant to the provisions of this Article or Article 8 or 10 and subsequently becomes the holder of (or is deemed pursuant to Article 10 to be the holder of) further Shares in the Company by virtue of the holding of any Shares comprised in such Transfer Notice (whether by way of rights or bonus issue transfer or otherwise howsoever) a majority of the Directors may at any time thereafter determine in their absolute discretion that he (or his PRs) as appropriate shall be deemed to have served a Transfer Notice pursuant to this Article or Articles 8 or 10 (as appropriate) in respect of such further Shares.

8. Permitted Transfers of Shares

8.1 Group Transfers

- (A) Any Shares held by an undertaking ("Original Undertaking") may be transferred to any other undertaking ("Transferee Undertaking") PROVIDED ALWAYS that each and any such Transferee Undertaking is a holding company or a subsidiary of that Original Undertaking or of its holding company ("a group undertaking").
- (B) If any Transferee Undertaking ceases to be a group undertaking in relation to the Original Undertaking then such Transferee Undertaking shall within seven days of such cessation transfer any Shares in the Company held by it to the Original Undertaking or to an undertaking which, in relation to the Original Undertaking, is a group undertaking.

8.2 Nominees

- (A) Any Shares may be transferred by their beneficial owner ("the Beneficial Owner") to a person shown to the reasonable satisfaction of the Investor Director to be a nominee for the Beneficial Owner only.
- (B) Where any Shares have been transferred to a nominee pursuant to Article 8.2 (A) any such nominee may transfer any Shares so transferred to the Beneficial Owner or to another person shown to the reasonable satisfaction of the Investor Director to be a nominee for the Beneficial Owner only.
- (C) Where a person to whom any Shares have been transferred as a nominee pursuant to this Article 8.2 ceases to hold such Shares as nominee for the Beneficial Owner only, he shall forthwith transfer such Shares to the Beneficial Owner or to another person shown to the reasonable satisfaction of the Investor Director to be a nominee for the Beneficial Owner only and in default thereof he shall be deemed to have given a Transfer Notice in respect thereof.

8.3 To Privileged Relations and Trustees

- (A) A maximum of 25 per cent. of the Shares held by a Beneficial Owner who is an individual may be transferred by him to either:
 - (1) trustees to be held upon Family Trusts; or
 - (2) a Privileged Relation of such Beneficial Owner provided always that prior to such transfer taking place the Beneficial Owner either procures that the Privileged Relation in question undertakes to the Investors and the Company that he/she will give any Warranties required in connection with a Share Sale or a Listing as though he/she were a Manager or undertakes to retain that responsibility himself in relation to such transferred Shares; or
 - (3) a combination of (1) and (2).
- (B) Where any Shares have been transferred to Privileged Relations or trustees pursuant to Article 8.3(A) the Privileged Relation or the trustees (as the case may be) may transfer any such Shares to a person or persons shown to the reasonable satisfaction of the Investor Director to be:-
 - (1) the trustees for the time being (on a change of trustee) of the Family Trusts in question; and/or

- (2) the Beneficial Owner or any Privileged Relation of the Beneficial Owner.

In any case where a Member proposing to transfer Shares under this Article 8.3 ("the Proposing Transferor") holds those Shares as a result of an earlier transfer authorised under this Article 8.3 from another Member ("the Original Member") the Proposing Transferor may only transfer those Shares to a person to whom the Original Member could have transferred such Shares under this Article 8.3.

- 8.4 Where Shares are held by trustees on a Family Trust and any such Shares cease to be held upon Family Trusts (otherwise than in consequence of a transfer authorised under Article 8.3(B)) the trustees shall forthwith transfer such Shares to a transferee permitted under Article 8.3(B)) and in default thereof the trustees shall be deemed to have given a Transfer Notice in respect of the Shares in question in which case the provision of Article 9 shall apply.

8.5 Funds

Any Share (and/or any interest therein) held by or on behalf of a Fund may be transferred:

- (A) to (or to a nominee or trustee for) the holders of units in, or any partner in, or members of or investors in (as the case may be) such Fund and any Share (and/or any interest therein) held by any nominee or trustee for such holders, partners, members or investors may be transferred to such holders, partners, members or investors or to another nominee or trustee for such holders, partners, members or investors;
- (B) to a nominee or trustee for such Fund and any Share (and/or any interest therein) held by a nominee or trustee for a Fund may be transferred to that Fund or to another nominee or trustee for such Fund;
- (C) to (or to a nominee or trustee for) another Fund which is managed or advised by the same manager or investment adviser as the transferor (or as the Fund on behalf of whom any such Share or interest is held by the transferor as nominee or trustee) or by a group undertaking of such manager or investment adviser.
- (D) to a co-investment scheme, being a scheme under which certain officers, employees, or partners of a Fund (or an investment advisor or manager of a Fund) are entitled (as individuals or through a body corporate or any other vehicle) to acquire Shares which the Fund would otherwise acquire.

8.6 Other Permitted Transfers

- (A) Any Ordinary Shares or any interests therein may be transferred at any time to any person with the written consent of the holders of not less than 90 per cent in nominal value of the issued Equity Shares for the time being or to any employee of the Company with the written consent of the Remuneration Committee.
- (B) Any Preference Shares and/or any interest therein may be transferred at any time as permitted under Clauses 8.1 to 8.5 above provided that an equivalent value of Loan Stock under the Instrument is transferred at the same time to the transferee.
- (C) The holders of the A Shares may sell or transfer such number not exceeding 25,000 in total at such price and on such terms as they shall think fit to a chairman or any non-executive director of the Company without the application of any pre-emption rights herein conferred.

9. Pre-Emption Rights on Transfer

9.1 Except in the case of a transfer permitted by Article 8, the right to transfer or otherwise dispose of a Share or any interest in or arising from a Share (or an option, warrant or other like right to acquire any Share (whether by subscription or otherwise) being deemed to be an interest in a Share for this purpose) shall be subject to the following restrictions and provisions, namely:

- (A) Before transferring or disposing of any Share or any interest in or arising from any Share or any rights attaching thereto, the person proposing to transfer or disposed of the same (a "Proposing Transferor") shall give a notice in writing (a "Transfer Notice") to the Company specifying the Shares, interest and/or rights of which the Proposing Transferor wishes to dispose. Notwithstanding that a Transfer Notice specifies that the Proposing Transferor wishes to dispose only of an interest in or arising from, and/or any right(s) attaching to, the Shares referred to therein, the Transfer Notice shall (regardless of any provisions in the Transfer Notice to the contrary) unconditionally constitute the Company, the agent of the Proposing Transferor for the sale of all the legal title to beneficial ownership of and all interests and rights attaching to the Shares referred to therein (the "Sale Shares") at the Sale Price in accordance with the provisions of this Article. Save in the case of a Transfer Notice which a member is bound to give or deemed to have given under these Articles (a "Mandatory Transfer Notice") which shall be deemed to include a Total Transfer Condition (as defined below) a Transfer Notice may include a condition (a "Total Transfer Condition") that if all the Sale Shares (of whatever class) are not sold to Members and/or such other persons as are

referred to in Article 9.1(D) and 9.1(E), then none shall be so sold. If a Total Transfer Condition is included then any offer of Sale Shares shall be made subject to Article 9.1(H).

(B) Except in the case of a Mandatory Transfer Notice, if the Proposing Transferor is proposing to transfer all his legal title to, beneficial ownership of and all other interests and rights attaching to the Sale Shares the Transfer Notice may state, in addition to details of the Sale Shares:

- (1) the name or names of a person or persons (such person or persons being hereinafter referred to as the "Proposing Transferee") to whom the Sale Shares (or an interest or right therein or arising therefrom) are proposed to be transferred if the Sale Shares are not acquired by Purchasers (as hereinafter defined); and
- (2) the entire consideration per Share for which any such transfer or transfers will be made (and, if any of the said consideration is not a cash price expressed in pounds sterling a cash price per share which is so expressed and which is reasonably commensurate with the entire consideration);

and in such event, subject to the Directors being satisfied (and to that end being provided with such evidence as they may reasonably require) that the price is a bona fide price (not inflated for particular reasons) agreed between the Proposing Transferor and the Proposing Transferee at arms length and in good faith, the said price shall be the Sale Price.

(C) In the case of a Mandatory Transfer Notice or a Transfer Notice which does not state the further details referred to in Article 9.1(B)(2) or in any case which does not fall within Article 9.1(A):

- (1) if not more than 15 days after the date on which the Transfer Notice was given or was deemed to be given, the Proposing Transferor and the Directors (with the approval of an Investor Director) have agreed a price per Share as representing the fair value of the Sale Shares or as being acceptable to the Proposing Transferor, then such price shall be the Sale Price (subject to the deduction therefrom of any net dividend or other distribution declared or made after such agreement and prior to the said date);
- (2) otherwise, upon the expiry of 15 days after the date on which the Transfer Notice was given (or the date on which the Company became aware that the same had been deemed or had become required to be given) the Directors shall request the Auditors (or if the Auditors will not or cannot do so, some other chartered

accountant nominated by the Remuneration Committee) to determine and report the sum per Share considered by them to be the fair value of the Sale Shares. The sum per Share so determined and reported shall be the Sale Price. The Auditors or the accountant shall act at the cost and expense of the Company as experts and not as arbitrators and their determination shall (in the absence of manifest error) be final. For the purposes of these Articles, the fair value of Sale Shares shall be the market value thereof as between a willing buyer and a willing seller (but disregarding, if such be the case, any discount that might attach to such Shares if they constitute a minority interest, any transfer restrictions which apply to such Shares pursuant to these Articles.

- (D) Within 14 days after the receipt by the Company of a Transfer Notice or, in a case falling within Article 9.1(C), the agreement or determination of the Sale Price, the Company shall procure that the Sale Shares are offered to the Company which shall have a period of 30 days during which the Directors (subject to the approval of the Investor Directors) may resolve that:
- (1) the Company shall make or keep the Sale Shares available for the persons referred to in Article 11; or
 - (2) the Company shall purchase the Sale Shares pursuant to the provisions of Part V of the Companies Act, in which case the Chairman of the Directors shall determine a timetable for such purchase and all parties and Members shall adhere thereto; or
 - (3) the Sale Shares are offered in writing by the Company to all Members (other than the Proposing Transferor) holding Shares of the same class as the Sale Shares pro rata to the existing holdings of Shares of that class in the Company and to the extent that such Shares are not accepted following such offer to those Members who accepted their pro rata proportion of the Sale Shares comprised in the Transfer Notice pro rata to their existing holdings of Shares of the same class in the Company to the Members who have accepted their pro rata proportion of Shares pro rata to their Shares as between such accepting Members. Each such offer will be made within 14 days after the last date for acceptances in respect of the preceding offer as specified in Article 9.1(G).
- (E) subject to Articles 9.1(D) and 9.1(F) Sale Shares shall thereafter be offered in writing by the Company to all Members (other than the Proposing Transferor and Members holding the same class of Shares as the Sale

Shares) pro rata to their existing holdings of Shares in the Company and to the extent that such Shares are not accepted following such offer to those Members who have accepted their pro rata proportion of the Shares comprised in the Transfer Notice pro rata their existing holdings of Shares in the Company to the Members who have accepted their pro rata proportion of Shares pro rata to their Shares as between such accepting Members and next (if and insofar as not accepted following such further offer) to such persons or persons (if any) as the Directors (with the approval of the Investor Director) think fit.

Each such offer shall be made within 14 days after the last date for acceptances in respect of the preceding offer, as specified in Article 9.1(G).

- (F) The Company shall not be required to, and shall not offer any Sale Shares to any person who remains a Member but who has been deemed to have given a Mandatory Transfer Notice on or prior to the date on which any such offer as is referred to in Articles 9.1(D) and 9.1(E) is made.
- (G) Any such offer as is required to be made by the Company pursuant to Article 9.1(D) or 9.1(E) shall state that the offer must be accepted within 14 days or in default will lapse. Following any such offer, if acceptances are received in respect of an aggregate number of Shares in excess of that offered, the number of Sale Shares shall be allocated amongst those who have accepted the same in proportion to the number of Shares held by each acceptor (or in the case of any such offer made to persons who are not already Members on such basis as the Directors shall determine) provided that no acceptor shall be obliged to acquire more Sale Shares than the number for which he has applied and so that the provisions of this Article shall continue to apply mutatis mutandis until all Shares which any such acceptor would but for this proviso have acquired on the proportionate basis specified above have been allocated accordingly.
- (H) if a Transfer Notice shall validly contain a Total Transfer Condition then any such offer as aforesaid shall be conditional upon such condition being satisfied and no acceptance of an offer of Sale Shares will become effective unless such condition is satisfied.
- (I) If the Company shall, pursuant to the foregoing Articles, find Members or other persons (hereinafter called "Purchasers") to purchase some or (if Article 9.1(H)) shall apply) all of the Sale Shares and shall give notice in writing thereof to the Proposing Transferor he shall be bound, upon payment of the Sale Price, to transfer such Shares to the respective Purchasers. Every such notice shall state the name and address of the Purchaser or Purchasers and the number of the Sale Shares agreed to be purchased by him or them and the purchase shall be completed at a place

and time to be appointed by the Directors not being less than 3 days nor more than 10 days after the date of such notice.

- (J) If a Proposing Transferor shall fail or refuse to transfer any Sale Shares to a Purchaser hereunder, the Directors shall authorise some person to execute and deliver on his behalf the necessary transfer and the Company may receive the purchase money in trust for the Proposing Transferor and cause the Purchaser to be registered as the holder of such Shares. The receipt of the Company for the purchase money shall be a good discharge to the Purchaser (who shall not be bound to see to the application thereof) and after the Purchaser has been registered in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.
- (K) If by the foregoing procedure the Company shall not find Purchasers willing to purchase some or (if Article 9.1(H) shall apply) all of the Sale Shares, the Company shall give notice in writing thereof to the Proposing Transferor within 7 days after the last date for acceptances pursuant to the preceding provisions of this Article 10. The Proposing Transferor, at any time thereafter up to the expiration of 30 days from the date of such notice, shall, subject as hereinafter provided, be at liberty to transfer those of the Sale Shares not purchased by Purchasers or all the Sale Shares (as the case may be) to the Proposing Transferee or, where the Transfer Notice is a Mandatory Transfer Notice or does not contain details of a Proposing Transferee, to any one person on a bona fide sale at any price not being less than the Sale Price. The Directors may require the Proposing Transferor to provide evidence to them (to their reasonable satisfaction) that such Shares are being transferred in pursuance of a bona fide sale for the consideration stated in the transfer without any deduction, rebate, allowance or indulgent terms whatsoever to the purchaser thereof and, if not so satisfied, may refuse to register the instrument of transfer.

10. Transfers by B Shareholders on ceasing to be a Director or Employee and Transfers on Death or Bankruptcy

10.1 If an employee or director or consultant of the Company or any of its subsidiary undertakings ("the relevant individual") ceases for any reason (including death or bankruptcy) to be an employee or director or consultant of the Company or any of its subsidiary undertakings and is not continuing as either a director or employee or consultant of the Company or any of its subsidiary undertakings and:

- (A) the relevant individual is a holder of B Shares (whether solely or jointly with any other person); and/or

- (B) the relevant individual has established a Family Trust which holds B Shares; and/or
- (C) any B Shareholder holds B Shares as the nominee of the relevant individual; and/or
- (D) B Shares are held by a Privileged Relation; and/or
- (E) B Shares are held by a company the majority of the issued share capital of which is beneficially owned by the relevant individual or a Privileged Relation, Family Trust or other permitted transferee of the relevant individual

then an Investor Director may within 30 days after the date on which the relevant individual ceases to be a director or employee as aforesaid ("the Cessation Date") determine in his absolute discretion that there shall be deemed to have been served a Transfer Notice by any of the holders of B Shares referred to in this Article (or their personal representatives in the case of their death) ("the Compulsory Vendors") in respect of the Relevant Proportion of their shares in the Company (howsoever acquired).

The Relevant Proportion for a Good Leaver shall be the following percentages where the Cessation Date shall occur on or before the following dates:-

30 November 1999	100%
30 November 2000	80%
30 November 2001	60%
30 November 2002	40%
30 November 2003; and	20%
thereafter	NIL

10.2 A Transfer Notice deemed to have been given under this Article 9 shall be deemed to have been given on the date of notification by the Investor Director to the Compulsory Vendors of his determination that a Transfer Notice is deemed to have been given ("the Deemed Notice Date").

10.3 The price for the Sale Shares shall be as follows:-

- (A) if the relevant individual is a "Bad Leaver", the price shall be the Market Value of the Sale Shares as at the Cessation Date, or, if less, the issue price (including any premium) of the Sale Shares; and
- (B) if the relevant individual is a "Good Leaver", the price shall be the Market Value of the Sale Shares.

10.4 For the purposes of Article 10.3:-

- (A) the "Market Value" shall be the price agreed between the Compulsory Vendors and the Investor Director or, if they fail to agree a price within 21 days of the Deemed Notice Date the price certified by the Auditors (or if the Auditors will not or cannot do so, some other chartered accountant nominated by the Remuneration Committee) acting as experts and not as arbitrators, to be the market value of the Sale Shares upon the Cessation Date, (calculated on the basis of a sale by a willing seller to a willing buyer (but disregarding, if such be the case, any discount that might attach to such Shares if they constitute a minority interest, any transfer restrictions which apply to such Shares pursuant to these Articles).

The costs of the Auditors shall be borne by the Company;

- (B) a "Good Leaver" is a relevant individual who ceases to be an employee and/or director and/or consultant because of death, retirement or permanent incapacity entitling the Company to dismiss him (including becoming of unsound mind) or because of the termination by the Company of his contract of employment or consultancy in circumstances that do not constitute the employee a Bad Leaver or who is otherwise categorised as a Good Leaver by an Investor Director;
- (C) a "Bad Leaver" is a relevant individual who ceases to be an employee and/or director and/or consultant by his own volition or is dismissed under the terms of his Service Agreement in circumstances justifying summary dismissal.

- 10.5 Without prejudice to Article 10.1 if a majority of the Directors (including one of the Investor Directors) so resolve they may at any time give notice to the PRs of a deceased member or the trustee in bankruptcy of a member ("Trustee in Bankruptcy") requiring such person to elect either to be registered himself or to give a Transfer Notice in respect of the Shares to which he/they become entitled in consequence of the death or bankruptcy of any member. If such notice is not complied with within 14 days from the date of such notice the Directors may authorise some person to execute and deliver a transfer of the Shares concerned to some person appointed by the Directors as a nominee for the PRs or Trustee in Bankruptcy and the Company may give a good receipt for the purchase price of such Shares, register the purchaser or purchasers as the holders thereof and issue to them certificates for the same whereupon the purchaser or purchasers shall become indefeasibly entitled thereto. In any such case the PRs or Trustee in Bankruptcy shall be bound to deliver up the certificates for the Shares concerned to the Company whereupon they shall become entitled to receive the purchase price which shall in the meantime be held by the Company on trust for such person or persons but without interest.

- 10.6 For the avoidance of doubt where an individual is employed by and/or serves as a director of a company which is a subsidiary undertaking of the Company Article 11 shall apply upon that company ceasing to be within the Group and the individual not continuing to be an employee or director of any member of the Group.

11. Warehousing of Shares

- 11.1 If a Transfer Notice is given or deemed to be given pursuant to Article 9.1 (A) then the Board may within the 30 days period set out in Article 9.1(D) give written notice to the Company (an "Employee Priority Notice") requiring that all or any of the shares to which such Transfer Notice relates should be made or kept available for a period not exceeding six months either for any person or persons who is or are (an) existing Director(s) and/or employee(s) of the Company or of any of its subsidiaries or a person or persons (whether or not then ascertained) who it is proposed should be appointed as Director(s) and/or employee(s) of the Company or a subsidiary whether or not in place of a person by whom the relevant Transfer Notice was given or deemed to be given ("a New Employee") and stating the proportions in which such shares are to be offered to each New Employee, and the provisions of Article 9.2 shall apply.
- 11.2 If an Employee Priority Notice is given then in relation to the shares the subject thereof ("the Employee Shares") the provisions of Article 9.1(D)(1) shall apply and the Employee Shares shall within 6 months thereafter:-
- (A) be offered to the person(s) (and in the case of more than one, the proportions) specified in the Employee Priority Notice (conditional, in the case of any prospective Director and/or employee upon the taking up of his proposed appointment with the Company or any of its subsidiaries (if not then taken up)); or
 - (B) if the relevant Employee Priority Notice so requires, be offered to not less than two persons designated by the Board to be held (in the event of their acquiring the Employee Shares) on trust for a New Employee as and when appointed (but so that payment for the Employee Shares shall only be made at the time when the same are transferred to a New Employee and not on transfer to the persons holding such Employee Shares on trust or (if earlier) within six months of the date of the Employee Priority Notice); or
 - (C) if the relevant Employee Priority Notice so requires, be offered to an employee benefit trust to be established by the Company on terms approved by the Directors (including the Investor Directors).
- 11.3 If on the expiry of 6 months after the date of the Employee Priority Notice any Employee Shares have not been transferred to a person or persons specified in Article 12.1 such Shares shall forthwith be offered by the Company to its Members

in accordance with the provisions of Article 9.1(E) which, together with Articles 9.1(F) to 9.1(K) shall apply mutatis mutandis.

- 11.4 In the event of a Realisation occurring before the Employee Shares have been transferred to a New Employee then the Employee Shares shall be offered pro rata (without restriction as to price or otherwise) to the existing holders of the Equity Shares pro rata immediately prior to the occurrence of such Realisation.

12. Minority Share Sale

- 12.1 No sale or transfer (other than a Permitted Transfer under Articles 9.1, 9.2 or 9.5) shall be made or registered if the same would result in a person or persons acting in concert who are not Members at the date of adoption of these Articles ("the Purchasing Group") holding or increasing their shareholding in the Company to 30% or more of the Equity Shares or 50% or more of any class of Equity Shares; unless:

- (A) before the sale is made or the transfer is lodged for registration, the Purchasing Group has made a written offer, which shall have remained open for at least 21 days, to purchase all the issued Equity Shares in issue immediately before such sale or transfer at the Third Party Price; and
- (B) the proposed sale or transfer is approved by a majority of the 'A' Ordinary Shareholders.

- 12.2 For the purposes of this Article 12 the expression "Third Party Price" shall mean the price per Share which has been offered for each Share whose proposed transfer has led to the offer plus a sum equal to any arrears or accruals of dividend in respect thereof grossed up at the rate of corporation tax then in force calculated down to the date of sale or transfer;

In the event of disagreement as to the Third Party Price the matter shall be referred to the Auditors (or if the Auditors will not or cannot do so, some other chartered accountant nominated by the Investor Director) (acting as experts and not as arbitrators) for determination. The costs of the Auditors or other accountant shall be borne by the Company.

- 12.3 If transfers under Article 12.1 result in members of the Purchasing Group holding or increasing their shareholding to 85% or more of the Equity Shares, the members of the Purchasing Group may by written notice to the Company served within 60 days of the last of such transfers require the Company as agent for the Purchasing Group to serve notices (each a "Compulsory Purchase Notice") on each of the other Shareholders holding Equity Shares ("the Minority Shareholders") requiring them to sell their Shares to one or more persons identified as members of the Purchasing Group at the Third Party Price (provided that if the Third Party Price is based on

consideration paid or agreed to be paid pursuant to a transaction between Connected Persons or between persons acting in concert the consideration payable shall, if higher, be the Market Value certified in accordance with Article 9.4). The Company shall serve the Compulsory Purchase Notices forthwith and for 28 days from the service of the Compulsory Purchase Notices the Minority Shareholders shall not be entitled to transfer their Shares to anyone except the Purchasing Group or persons identified by them.

- 12.4 The Purchasing Group shall complete the purchase of all the Shares in respect of which a Compulsory Purchase Notice has been given at the same time and, in any event, no later than 21 days after the date of the service of such Compulsory Purchase Notices. The consideration shall be payable in full without any set off. Any transfer pursuant to a Compulsory Purchase Notice shall not require the proposing transferor to give a Transfer Notice. The Directors shall not register any transfer, and no member of the Purchasing Group shall be entitled to exercise or direct the exercise of any rights in respect of any Shares to be transferred pursuant to this Article 12, until in each case the member of the Purchasing Group has fulfilled all his obligations pursuant to this Article 12.4.
- 12.5 If on the expiration of 28 days after the service of the Compulsory Purchase Notice a Minority Shareholder shall not have transferred his Shares to any member of the Purchasing Group against payment of the price therefor, the Investor Director may authorise some person to execute and deliver on his behalf any necessary transfer in favour of the relevant member of the Purchasing Group and the Directors shall receive the consideration in respect of such Shares and shall thereupon (subject to the transfer being duly stamped) cause the name of the member of the Purchasing Group to be entered into the register of members as the holder of the relevant Shares. The Company shall hold the consideration in trust for the Minority Shareholder but shall not be bound to earn or pay interest thereon. The receipt of the Company for the consideration shall be a good receipt for the price of the relevant Shares, but the Purchasing Group shall not be discharged from procuring that the Company applies the money in payment to the Minority Shareholder against delivery by the Minority Shareholder of the certificate in respect of the Shares or an indemnity in respect of the same. After the name of the member of the Purchasing Group has been entered in the Register of Members of the Company in purported exercise of the aforesaid powers the validity of the proceedings shall not be questioned by any person.
- 12.6 If any member or members ("the Vendors") propose to sell more than 30% of the Equity Shares or more than 50% of any class of Equity Shares in the capital of the Company to a person who is a bona fide purchaser at arm's length they shall notify the holders of all the other issued Shares of their proposal to sell such holdings of Shares and if so requested by a majority in value of the holders of such other issued shares shall use their reasonable endeavours to procure that an offer on substantially similar terms is made by the proposed transferee (or any person or

persons acting in concert with it) to the holders of such other issued Shares to acquire the same proportion of their holdings of Shares as the proportion of their holding of Shares being sold by the Vendors provided always that the inability of the Vendors to procure an offer for such other issued Shares shall not preclude the Vendors from selling their own shareholdings.

13. Proceedings at General Meetings

- 13.1 If under regulation 41 of Table A a meeting is adjourned because a quorum is not present and at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting the shareholders present shall form a quorum and Regulations 40 and 41 of Table 'A' shall be modified accordingly.
- 13.2 A poll may be demanded by the Chairman or by any member present in person or by proxy and entitled to vote at the meeting and Regulation 46 of Table A shall be modified accordingly.
- 13.3 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 which he may have.
- 13.4 Regulation 53 of Table A shall be modified by the addition at the end of the following sentence: "If such a resolution in writing is described as a special resolution or as an extraordinary resolution or as an elective resolution, it shall have effect accordingly."
- 13.5 Regulation 59 of Table A shall be modified by the addition at the end of the following sentence: "Deposit of an instrument of proxy shall not preclude a member from attending and voting at the meeting or at any adjournment thereof."
- 13.6 Regulation 62 of Table A shall be modified by the deletion in paragraph (a) of the words "deposited at" and by the substitution for them of the words "left at or sent by post or by facsimile transmission to" and by the insertion at the end of the regulation after the word "invalid" of the words "unless a majority of the Directors (the Investors Director(s) being part of that majority) resolve otherwise".

14. Alternate Directors

- 14.1 An alternate director's appointment will determine if he resigns by written notice left at or sent to the registered office of the Company.
- 14.2 An alternate director will be entitled to be reimbursed by the Company such expenses as might properly be reimbursed to him if he were a Director.

15. Directors

- 15.1 Unless and until otherwise determined by ordinary resolution of the Company the number of the Directors shall be not less than 2 nor more than 7.
- 15.2 No person shall be disqualified from being appointed a Director and no Director shall be required to vacate that office by reason only of the fact that he has attained the age of 70 years or any other age.
- 15.3 The office of a Director shall be vacated if:
- (A) he ceases to be a director by virtue of any provision of the Companies 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 deemed by any regulatory body having jurisdiction over the Company or any of its subsidiaries (each a "Regulatory Body") not to be a fit and proper person to be a director of the Company or a Subsidiary; or
 - (D) he is found by a Regulatory Body to be in material breach of its rules or guilty of any dishonest or inappropriate conduct for a director of the Company or a Subsidiary.
 - (E) he is, or may be, suffering from mental disorder and either:
 - (1) he is admitted to hospital in pursuance of any 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
 - (2) 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; or
 - (F) he resigns his office by notice to the Company; or
 - (G) he shall for more than six consecutive months have been absent without permission of the Directors from meetings of directors held during that period and the Directors resolved that his office be vacated; or

Regulation 81(e) shall not apply to the Company.

- 15.4 Regulation 68 shall be modified by the addition at the end of the following sentence: "Any such notice may be left at or sent by post or facsimile transmission to the office or such other place as may be designated for the purpose by the Directors."
- 15.5 A Director shall not retire by rotation and a Director appointed to fill a vacancy or as an addition to the board shall not retire from office at the Annual General meeting next following his appointment. Regulations 73 to 77 (inclusive) and 80 shall not apply to the Company, and Regulations 78 and 79 shall be modified accordingly.
- 15.6 The office of Director shall be vacated if the Director in the reasonable opinion of all his co-Directors becomes incapable by reason of mental disorder of discharging his duties as Director, and Regulation 81 shall be modified accordingly, provided that the provisions of this Article 15.6 shall not apply to the Investor Director.
- 15.7 Subject to the requirements of the Companies Act no Director or alternate director may as a director vote at any meeting of the Board in respect of any contract or arrangement in which he or any Member by whom he is nominated is interested unless such interest is previously disclosed to the Board. If it is so disclosed his vote will be counted and he will be reckoned in the quorum present at the meeting. Regulations 94 to 98 (inclusive) will not apply to the Company.
- 15.8 The holders of more than one half in nominal value of the Shares giving the right to attend and vote at general meetings of the Company may, at any time and from time to time, remove any Director from office or appoint any person to be a Director. Such removal or appointment shall be effected by notice to the Company signed by or on behalf of such holder or holders (which notice may consist of several documents in the like form each signed by or on behalf of one or more holders) and left at or sent by post or facsimile transmission to the office or such other place designated by the Directors for the purpose. Such removal or appointment shall take effect immediately upon receipt of the notice or on such later date (if any) as may be specified in the notice. The provisions of this Article 15.8 shall not apply to the appointment or removal of an Investor Director. This Article 15.8 is not to be taken as depriving a person removed under it of compensation or damages payable to him in respect of the termination of his appointment as Director or of any appointment terminating with that as Director.

16. Borrowing Powers

- 16.1 The Directors may exercise all the powers of the Company (whether expressly or implied) to borrow and/or secure the payment of money, to guarantee the payment of money, the fulfilment of obligations and the performance of contracts and to mortgage or charge the property, assets and uncalled capital of the Company, and (subject to Section 80 of the Companies Act) to issue debentures, debenture stock

and all other securities whether outright or as security for any debt, liability or obligations of the Company or of any third party.

17. Proceedings of Directors

- 17.1 In the case of an equality of votes, the Chairman shall not have a second or casting vote.
- 17.2 The quorum necessary for the transaction of business at any meeting of the Directors shall be two of which one shall be an Investor Director and Regulation 89 shall be modified accordingly. If any meeting of the Directors shall be inquorate then it shall be adjourned for the consideration of the same business until the same time and place the next following week when those Directors present shall constitute a quorum.
- 17.3 Any Director enabled to participate in the proceedings of a meeting by means of a communication device (including a telephone) which allows all the other Directors present at such meeting (whether in person or by his alternate or by means of such type of communication device) to hear at all times such Director and such Director to hear at all times all other Directors present at such meeting (whether in person or by proxy or by means of such type of communication device) shall be deemed to be present at such meeting and shall be counted when reckoning a quorum.

18. Investor Directors

- 18.1 So long as the Investors or any of them shall hold any shares in the capital of the Company they shall have the right at any time and from time to time to appoint two persons as non-executive Directors of the Company and the following provisions shall have effect:-
- (A) any such appointment shall be effected by notice in writing to the Company by the Investors who may in like manner at any time and from time to time remove from office any Investor Director appointed pursuant to this Article and appoint any person in place of any Investor Director so removed or dying or otherwise vacating office as Investor Director;
- (B) subject to Section 303 of the Companies Act on any resolution to remove an Investor Director the Ordinary Shares held by the Investors shall together carry one vote in excess of fifty per cent of all the other votes exercisable at the general meeting at which such resolution is to be proposed and if any such Investor Director is removed pursuant to Section 303 of the Companies Act or otherwise the Investor may reappoint him or any other person as an Investor Director.

- 18.2 The right of the appointment and removal of Investor Directors set out in Article 18.1 shall be exercised by DLJ Phoenix Private Equity Limited behalf of the Investors.

19. Indemnities

- 19.1 Subject to the provisions of the Companies Act but without prejudice to any indemnity to which he may otherwise be entitled every Director, alternate director, secretary and other officer (excluding for the avoidance of doubt, any auditor) or employee for the time being of the Company shall be indemnified out of the assets of the Company against any liability (other than any liability arising out of the Investment Agreement) sustained or incurred by him in defending any proceedings whether civil or criminal relating to his conduct as an officer or employee of the Company in which judgment is given in his favour or in which he is acquitted or in connection with any application under Section 144 or Section 727 of the Companies Act in which relief is granted to him by the Court. Regulation 118 shall not apply to the Company.

20. Restriction on Payment of Dividends/Redemption of Preferred Shares

- 20.1 No payment of dividend or redemption of Preference Shares shall be made or take place by the Company to the extent that such payment or redemption would result in a breach of the covenants contained in any facility agreement. If the payment of a dividend or the redemption of Preference Shares by the Company under these Articles cannot be made under the terms of such facility agreement, then such payment or redemption shall not be made or take place and default interest shall accrue on the amount(s) due for payment and remaining unpaid from the due date for payment or redemption as appropriate, in accordance with these Articles.

APPENDIX: RATCHET CALCULATION

1. The Relevant Percentage shall not be less than 20%.
 - 1.1 Provided that the total cash or Cash Equivalent received by the Investors up to and including the Exit Date but without taking account of fees or other expenses incurred in connection with such exit prior to the Exit Date by the Investor Group (the "Consideration") would be no less than three times the sum of the Institutional Investment (the "Minimum Investor Return") and the Institutional Investment's Internal Rate of Return ("IRR") would be greater than 35% then the Relevant Percentage referred to in Article 4.5(A) shall be increased such that the holders of the B Ordinary Shares would receive:
 - (A) 20% of that part of the Consideration which would result in the Investor Group achieving the greater of the Minimum Investor Return and an IRR of 35%; and
 - (B) 30% of that part of the Consideration in excess of the amount of Consideration referred to in 1.1(A) above up to the amount of the Consideration which would result in the Investor Group achieving an IRR of 45% after having adjusted for this clause 1.1(B); and
 - (C) 40% of any Consideration in excess of the amount of Consideration referred to in 1.1(B) above.
2. "Internal Rate of Return" shall be calculated as follows:
 - 2.1 In respect of each day from the Commencement Date to the Exit Date inclusive there shall be ascertained:
 - (A) the total amount of cash paid to the Company by way of subscription for shares and Loan Stock on that day by the Investors; and
 - (B) the total amount of all cash paid to the Investor Group by the Company (or by any other purchaser of any shares and Loan Stock subscribed by the Investor Group) in respect of the A Shares, Preference Shares and Loan Stock on that day including any interest, dividends, redemptions, repayments or purchases of share capital but excluding any fees payable at the Commencement Date.

The figure which results from deducting 2.1(A) from 2.1(B) above is referred to below as the "cashflow for that day".
 - 2.2 For the purpose of this Clause:

- (A) it shall be assumed that the Institutional Investment still remains save to the extent that any part of the original investment has been repaid or purchased by the Company;
- (B) in calculating the cash flow arising on the Exit Date, the Institutional Investment shall be deemed to have been received in cash on that day, and accordingly there shall be included in the figure to be ascertained under clause 2.1(B):
 - (1) that proportion of the Exit Value of the Company which is attributable to the A Shares held by the Investor Group after the exercise of this ratchet;
 - (2) the amount paid (including interest) upon redemption of Preference Shares and the Loan Stock.

2.3 The Internal Rate of Return of "r" where "r" is the percentage such that the sum of the amounts calculated in accordance with the following formula and ascertained pursuant to Clause 2.1 for each day from the Commencement Date to the Exit Date inclusive is zero:

$$\frac{\text{Cashflow for that day } t}{(1 + r)^{(t-1)/365}}$$

where t is 1 in respect of the Commencement Date, 2 in respect of the second day and so on (such that for the avoidance of doubt, t equals 366 for the first anniversary of the Commencement Date).

3. In this Clause:

3.1 "Institutional Investment" means all investment by the Investors in the Company whether in shares, Loan Stock or otherwise.

4. In these Articles "Cash Equivalent" shall mean:

4.1 where the consideration comprises listed securities, the average of the middle market prices at which transactions took place over the 5 dealing days prior to the Exit Date;

4.2 where the consideration comprises loan notes, loan stock or other debt instruments guaranteed unconditionally by an Authorised Bank (as defined by the Banking Act 1987) the face value thereof (where the rate of interest is at least equivalent to the three month London InterBank Bid Rate and if less it shall be discounted by reference to the discount rate implied in the flow of money from a gilt of equivalent maturity);

- 4.3 where the consideration comprises unlisted securities or other instruments not guaranteed as aforesaid, such amount as the members shall agree to be the value thereof;
- 4.4 where the consideration comprises future, fixed or contingent payments, such amount as the members shall agree to be the present value thereof.
5. If the members shall not be able to agree the value of the Cash Equivalent in accordance with paragraph 4 or any other matter set forth in Article 4.5 or this Appendix then the dispute shall be referred to the Auditors (of if the Auditors are unable or unwilling to act such other chartered accountant or firm of chartered accountants as shall be nominated by the Investor Director) who shall determine the matter acting as experts at the expense of the Company and whose decision shall be final and binding on the parties.

A handwritten signature in black ink, appearing to read "D. Deane", with a long, sweeping horizontal line underneath.

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