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SUBJECT: **TRANSFERS OF UNDERWRITING CAPACITY –
CAPACITY MARKET RULES FOR 2004**
SUBJECT AREA(S): **Rules relating to capacity offers and conversion
schemes and a change in the procedures for the
conduct of syndicate mergers**
ATTACHMENTS: Electronic copies only
ACTION POINTS: **For information**

Summary

The Capacity Offer Rules and the Conversion Rules for the 2004 capacity transfer season have now been finalised and are attached. Following consultation with the market, the rules remain substantially unchanged from those in force in 2003. Such changes as have been made, other than those of an administrative nature, are described below.

The rules are attached to this bulletin and will also be available on our website at <http://www.lloyds.com/index.asp?ItemId=4233>. The rules are only available in these electronic forms, but hard copy can be printed off by users as and when required. This arrangement for their distribution was introduced four years ago.

The Auction Rules and the Bilateral Arrangements Rules for 2004, together with the guide that accompanies them, will be published in June under cover of a separate bulletin, once the final details of the auction rules have been agreed. They will also then be posted on the above web page. The auction timetable for 2004 has already been agreed and details of it are set out in bulletin Y3312 on membership issues, dated 10 May 2004.

This bulletin also gives details of a change to the terms of reference of the Capacity Transfer Panel (CTP) approved by Council in April 2004, which gives the CTP a role in the conduct of future syndicate mergers.

Capacity Offer Rules

Two changes have been made to the Capacity Offer Rules following the consultation in bulletin Y3261, issued on 8 March 2004. The new rules have the following effect:

- Rule 1(7)(ca) - once an offeror has made an offer for a syndicate, it may not in the same year acquire further capacity in that syndicate at a higher price; and
- Rule 1(17)(c) - a managing agent seeking to effect a minority buy-out must close its capacity offer by 31 August 2004. This is to allow time for syndicate members to make representations to Lloyd's in connection with the proposed buy-out, for the minority buy-out application to be considered and determined by the CTP and for the CTP's decision to be communicated to the market before Auction 3.

Conversion Rules

No changes of substance have been made to the Conversion Rules, but paragraph 8 in its introduction has been updated for the provisions in the Finance Bill 2004 concerning conversion by individual members. It is possible that amendments will be required later this year to reflect the possible introduction of LLPs.

Contacts

Enquiries about any of the rules attached to this bulletin should be addressed to Richard Miller on extension 5897 (e-mail address richard.a.miller@lloyds.com) or Jonathan Rees on extension 6225 (e-mail address jonathan.rees@lloyds.com).

Syndicate mergers

In April 2004, the Council approved a change to the terms of reference of the Capacity Transfer Panel, giving it a possible role in the conduct of future syndicate mergers. Under the new arrangements, Lloyd's Executive (in this case, the Admissions Department, headed by Matthew Chandler) will continue to process and approve merger applications but, in future:

- such decisions may be referred for advice to the CTP at the request of either a members' agent or direct corporate participant on an affected syndicate, or the managing agent of the relevant syndicates or a member of the CTP; or
- at the discretion of the Executive, be referred to the CTP for a formal determination.

Thus the Executive will retain the authority to make final decisions on behalf of the Council on all merger applications but the views of the CTP may be sought on any application. Enquiries about syndicate mergers should be addressed to Matthew Chandler, Head of Admissions on extension 6177 (e-mail address matthew.chandler@lloyds.com).

Circulation

This bulletin is being sent to all underwriting agents, direct corporate members, market associations, the ALM and recognised accountants.

Richard Miller
Head of Capacity Markets

LLOYD'S

CAPACITY OFFER RULES 2004

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PRELIMINARY

INTRODUCTION

- 1 These conditions and requirements are made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and may be cited as the Capacity Offer Rules 2004.
- 2 The purpose of these **Rules** is to set out the method by which a **capacity offer** may be made (which may be a **surrender offer**, an **announced auction offer** or a **competing offer**). In respect of a **surrender offer**, a **cash offer** may have a **share alternative** but a **share offer** must have a **cash alternative**. A **competing offer** may only be for cash. The provisions relating to **limited offers**, **unlimited offers**, **increasing offers**, **reducing offers** and **stepped offers** are also set out in these **Rules**.
- 3 As a general principle, a **capacity offer** must be made to all persons entitled to participate in the arrangement which is the subject of that offer. However, it is possible for certain exclusions to be made.
- 4 When a **managing agent** wishes to effect a **minority buy-out** he must comply with these **Rules** as well as with the **Major Syndicate Transactions Byelaw**. A **mandatory offer** must be made by a **member** who has acquired the right to participate in a **syndicate** for the next following **year of account** with a **member's syndicate premium limit** not less than 75 per cent. of the **syndicate allocated capacity** for the next following **year of account**. A **mandatory offer** is also required to be made in other circumstances specified in the **Mandatory Offer Byelaw**. A **mandatory offer** must be made in accordance with these **Rules** and the **Mandatory Offer Byelaw**.
- 5 A **formal offer** may be subject to conditions but an **announced auction offer** must be made in an **auction** in accordance with the **Auction Byelaw** and **Auction Rules** and therefore cannot generally be subject to any conditions.
- 6 The **Council** has made these **Rules** to stipulate:-
 - (1) the requirements relating to the persons to whom a **capacity offer** may be made;
 - (2) the requirements relating to the different types of **capacity offer**;
 - (3) the conditions, requirements and procedures which must be complied with in connection with the promotion of a **capacity offer** and/or the issue of any documentation in connection with a **capacity offer** and/or the acceptance of a **capacity offer**;
 - (4) the qualifying criteria for a person who seeks to act as a sponsor and the responsibilities of such a person; and
 - (5) the qualifying criteria for a person who seeks to act as an offeror and the responsibilities of such a person.
- 7 All references in these **Rules** to the promotion of a **capacity offer** shall include:-
 - (1) issuing or causing to be issued any **advertisement** inviting a person to accept or participate in a **capacity offer** or containing information calculated to lead directly or indirectly to a person doing so; or

(2) advising or procuring a person to accept or participate in a **capacity offer**.

8 Appendix I sets out the **prescribed dates** for 2004.

9 In general, the **Conversion Official** no longer requires submission of a formal legal opinion concerning the making of a **capacity offer** in any jurisdiction. However, where an **offeror** proposes to offer securities to **US persons** (either by way of a **share offer** or a **share alternative**) a legal opinion will be required. An **offeror** is responsible for ensuring compliance with local laws (including securities laws) in all jurisdictions. **Lloyd's** accepts no responsibility or liability in this regard. **Offerors** are recommended to consult overseas lawyers who have appropriate experience. Appendix II contains a list of overseas law firms/lawyers from whom **Lloyd's** has taken advice from time to time and who may therefore be considered to be familiar with the issues involved. None of these law firms/lawyers is obliged to provide advice but **Lloyd's** has no objection to advice being given by them. By including these law firms/lawyers on the list, Lloyd's is not, however, recommending their services.

INTERPRETATION

The **Conversion Official** shall be entitled, in his absolute discretion, to determine all questions of interpretation relating to these **Rules** and any such decision of the **Conversion Official** shall be final. The **Conversion Official** shall also be entitled to dispense with (in whole or in part) or modify the application of these **Rules** (either unconditionally or subject to conditions) in such cases and by reference to such circumstances as he considers appropriate.

The **Conversion Official** shall be entitled, in his absolute discretion, to impose any condition on a **sponsor** or an **offeror** or in relation to any **capacity offer** which he considers appropriate in the interests of protecting **Lloyd's**.

These **Rules** shall include each of the Appendices and any document referred to in these **Rules** as being in the **prescribed form**. The **Conversion Official** shall be entitled to prescribe the form of documents or other additional documents or requirements referred to in these **Rules** and to amend such documents, additional documents or requirements from time to time. Any additions or amendments to any documents or requirements which are of general application and which are prescribed from time to time will be issued in, or referred to in, Lloyd's Market Bulletins.

SECTION 1

GENERAL PRINCIPLES

Scope of this section

This section sets out certain general principles which must be observed by any person undertaking any activity which is regulated by the **Rules**. It sets out the particular activities which are regulated by the **Rules** and certain provisions relating to the making of a **capacity offer** which may be a **surrender offer**, a **competing offer** or an **announced auction offer**. An offer may be a **limited offer** or an **unlimited offer** and/or may be an **increasing offer** or a **reducing offer** or a **stepped offer**. However, an **announced auction offer** cannot be a **reducing offer** or a **stepped offer**. A **formal offer** can be either a **surrender offer** or a **competing offer** but cannot be an **announced auction offer**. This section also sets out certain general principles relating to the issue of **capacity advertisements** as well as provisions relating to the submission of documents to the **Conversion Official**. The section sets out the charges which may be made by the **Council** and gives the **Conversion Official** power, in certain circumstances, to refuse an application made under the **Rules**.

1(1) Regulated activities

- (a) These **Rules** regulate the following activities:-
 - (i) promoting a **capacity offer**;
 - (ii) making or procuring the making of a **capacity offer**;
 - (iii) making arrangements with a view to any person accepting or participating in a **capacity offer**;
 - (iv) advising or offering to advise any person on the merits of accepting or participating in a **capacity offer**; and
 - (v) procuring a person to accept or participate in a **capacity offer**.
- (b) No person who is, or has agreed to be, subject to the **Rules** may undertake any of the activities referred to in paragraph 1(1) other than in accordance with the **Rules**.
- (c) Any activities regulated by the **Rules** which relate to **US persons** or persons resident in other jurisdictions (other than the United Kingdom) must be undertaken in accordance with any requirements issued by **Lloyd's** from time to time and in compliance with all relevant overseas securities laws and other relevant legislation.

1(2) Offerors

- (a) No person other than a **managing agent** (or a **connected company** of such **managing agent**) or such other person which has been approved by the **Conversion Official** to act as an **offeror** shall be permitted to make, or procure another person to make on its behalf, a **surrender offer**.
- (b) Any person who is subject to the **Rules** may make a **competing offer** provided that such **competing offer** is made in accordance with the **Rules** and, in particular, paragraph 1(4).

1(3) **Types of capacity arrangements**

The **Conversion Official** will only consider an application for approval under the **Rules** which relates to:-

- (a) a **surrender offer** which:-
 - (i) is a **cash offer** (which may have a **share alternative**); or
 - (ii) is a **share offer** (which must have a **cash alternative**);but which may be
 - (iii) a **stepped offer**; and/or
 - (iv) a **limited offer** or an **unlimited offer**; and
 - (v) if it is a **limited offer**, may be a **reducing offer** or an **increasing offer**;
- (b) an **announced auction offer** which may only be for cash but which may be:-
 - (i) a **limited offer** or an **unlimited offer**; and
 - (ii) if it is a **limited offer**, may be an **increasing offer**;
- (c) a **competing offer** which may only be for cash but which may be:-
 - (i) a **stepped offer**; and/or
 - (ii) a **limited offer** or an **unlimited offer**; and
 - (iii) if it is a **limited offer**, may be a **reducing offer** or an **increasing offer**.

1(4) **Competing offers**

- (a) Any **offeror** who makes a **competing offer** must make it:
 - (i) within 10 **US business days** of the date on which the **offer document** containing the relevant **surrender offer** was first issued;
 - (ii) to the same persons to whom that **surrender offer** was made;
 - (iii) on terms no less favourable than that **surrender offer**; and
 - (iv) in respect of the **prospective participations** which were the subject of that **surrender offer**.
- (b) A **managing agent** (or a **connected company** of such **managing agent**) which has made a **surrender offer** shall take such steps as are required to facilitate or implement any **competing offer** which becomes unconditional in all respects.

1(5) **Obligations of offerors**

(a) Any **offeror** who:-

(i) has made a **surrender offer** or a **competing offer**; and

(ii) during the time when such offer remains open for acceptance makes (or a **connected company** of that **offeror** makes) an offer for the **prospective participations** on the **syndicate** which are the subject of the **surrender offer** or the **competing offer** in an **auction** or pursuant to any other means permitted by **Lloyd's** from time to time

must increase the consideration payable under the **surrender offer** or the **competing offer** to the same level as the highest price which he has offered for those **prospective participations** during the period in which the **surrender offer** or the **competing offer** (as the case may be) has been open for acceptance.

(b) Any **offeror** who extends the **offer period** for a **formal offer** must forthwith make an announcement of the new closing date which must:-

(i) comply with paragraph 10(5); and

(ii) disclose the aggregate amount of the **prospective participations** on the **syndicate** which are the subject of the **formal offer** in respect of which acceptances at the date of such announcement have been received.

(c) Any **offeror** who extends the **announced auction offer** to additional **auctions** beyond those stated in the **circular** or any **revised circular** must forthwith make an announcement of the dates of the additional **auctions** which must:-

(i) comply with paragraph 10(5); and

(ii) disclose the aggregate amount of the **prospective participations** on the **syndicate** which are the subject of the **announced auction offer** which the **offeror** has acquired at the date of such announcement.

(d) Subject to paragraph 9(3)(h), an **offeror** may during an **offer period**, but in any event not less than 10 **US business days** before the final closing date of a **formal offer**, increase the consideration being offered under a **formal offer** provided that the **offeror**:-

(i) forthwith sends a notice in writing to each person to whom the **formal offer** has been made setting out the increase in consideration being offered; and

(ii) as soon as reasonably practicable, makes an announcement of the increase in the consideration being offered in accordance with paragraph 10(5).

(e) An **offeror** who makes a **cash offer** (whether **limited** or **unlimited**) (which is not a **reducing offer**) is permitted to make an **auction offer** for the **prospective participations** which are the subject of the **cash offer** for a consideration which is equal to, higher or lower than the consideration being offered under the **cash offer** provided that:-

(i) forthwith upon deciding to make such **auction offer**, the **offeror** makes an

announcement of such fact which complies with paragraph 10(5); and

- (ii) such announcement is made not less than 5 **business days** before the date on which the **cash offer** is due to close.

1(6) **Prospective participations**

- (a) A **capacity offer** may only be made to a person in respect of a particular **syndicate** in relation to that person's **prospective participation** for the next following **year of account**.
- (b) Subject to paragraph 1(6)(d), a person to whom a **capacity offer** is made may NOT transfer his **prospective participation**:-
 - (i) if, for any reason, he has ceased to be a member of the relevant **syndicate**; or
 - (ii) (subject to any conditions or requirements to the contrary imposed or made by the **Council** under paragraph 11B of the **Agency Agreements Byelaw**) if his membership of the relevant **syndicate** is to terminate at the end of the **year of account** during which the **capacity offer** is made pursuant to a notice given by the **managing agent** of the relevant **syndicate** under clause 11.6 of the **standard managing agent's agreement** unless he has also received an invitation to participate in that **syndicate** for the next following **year of account**; or
 - (iii) if his membership of the relevant **syndicate** is to terminate at the end of the **year of account** during which the **capacity offer** is made pursuant to a notice given by him pursuant to clause 11.5 of the **standard managing agent's agreement** unless the **managing agent** gives its written consent to the transfer of any such **prospective participation** after the **prescribed date** in any **year of account**.
- (c) For the purposes of paragraph 1(6)(b), a person:-
 - (i) who is a member of a **syndicate** for the **year of account** during which the **capacity offer** is made; and
 - (ii) whose participation in that **syndicate** is to terminate at the end of that **year of account** pursuant to a notice of the kind referred to in paragraph 1(6)(b)(ii); and
 - (iii) who has received an invitation from the **managing agent** of that **syndicate** to participate in another **syndicate** for the **year of account** following the **year of account** during which the **capacity offer** is made

shall be deemed to be a member of the latter **syndicate** for the **year of account** during which the **capacity offer** is made.

- (d) Notwithstanding paragraph 1(6)(b), a person to whom a **capacity offer** is made may make a **second nomination** in response to that offer to the extent he is entitled to do so under the **Second Nomination Byelaw**.

1(7) **Equal treatment**

- (a) No **sponsor** or **offeror** (or any **connected company** or **associate** of any such **sponsor** or **offeror**) shall furnish any material information to any person entitled to participate in a **capacity arrangement** concerning that **capacity arrangement** unless such information is furnished to all such persons to whom the **capacity offer** relating to such arrangement has been, or is proposed to be, made.
- (b) Save as provided in paragraphs 1(7)(c), (d), (e) and (f) and 1(8), no **sponsor** or **offeror** shall sponsor or make any **capacity offer** which relates to a particular **syndicate** unless such **capacity offer**:-
 - (i) is open for participation in or acceptance by all the persons entitled to participate in or accept such offer (other than any **connected company** of the **offeror**); and
 - (ii) is made in identical terms to all such persons.
- (c) Once an **offeror** (or a person acting on its behalf) has made a **capacity offer** in respect of any **prospective participations** on any particular **syndicate** in any particular **year of account**, no further **capacity offer** (other than a revision or extension of the original **capacity offer**) shall (unless the **Conversion Official** so consents in writing) be made by or on behalf of that **offeror** (or any **connected company** of that **offeror**) in respect of those **prospective participations** during the same **year of account**.
- (ca) Once an **offeror** (or a person acting on its behalf) has made a **capacity offer** in respect of any **prospective participations** on any particular **syndicate** in any particular **year of account**, neither the **offeror** (nor any **connected company** of the **offeror**, nor any associate of the **offeror** within the meaning of the **Mandatory Offer Byelaw**) may in that same **year of account**, unless the **Conversion Official** so consents in writing, make an offer for the **prospective participations** which are the subject of the **capacity offer** in an **auction** or pursuant to any other means permitted by Lloyd's from time to time on better terms than those available under the **capacity offer**.
- (d) An **offeror** need not make a **capacity offer** in a particular jurisdiction when the aggregate **prospective participations** of the persons entitled to participate in or accept such offer who are resident in that jurisdiction (who participate other than solely through a **MAPA**) is less than £200,000 (or the local currency equivalent).
- (e) Subject to paragraph 1(7)(f), an **offeror** shall not make a **surrender offer** comprising a **share offer** or having a **share alternative** to the persons entitled to participate in or accept such offer who are resident in any jurisdiction unless that **share offer** or **share alternative** is made to all such persons resident in the **approved jurisdictions**.
- (f) An **offeror** is not required to make a **surrender offer** comprising a **share offer** or having a **share alternative** to the persons entitled to participate in or accept such offer who are resident in a particular **approved jurisdiction** where:-
 - (i) the aggregate **prospective participations** of such persons resident in that particular **approved jurisdiction** (who participate other than solely through a **MAPA**) is less than £200,000 (or the local currency equivalent); or
 - (ii) the **offeror** demonstrates to the satisfaction of the **Conversion Official** that to make such an offer would require the **offeror** to comply with conditions with

which he is unable to comply or which are unduly onerous.

1(8) **Prohibited territories**

- (a) A person who is, or has agreed to be, subject to the **Rules** shall not make a **capacity offer** or issue any **capacity advertisement** in any of the **prohibited territories**.
- (b) The **Conversion Official** will give not less than 15 **business days** notice of any change in the list of the **prohibited territories**.

1(9) **Capacity offers to US persons**

Capacity offers which are made to **US persons** must comply with the following additional requirements:-

- (a) Part II of Appendix II;
- (b) the **offer document, revised offer document, circular or revised circular** must make proper disclosures which satisfy US anti-fraud standards;
- (c) the consideration for the **prospective participations** acquired pursuant to a **formal offer** must be paid promptly after the **formal offer** closes;
- (d) **sponsors** and **offerors** should not pay any transaction based compensation to persons other than US registered broker dealers in connection with their solicitation of acceptances of (or participation in) the **capacity offer** by **US persons**;
- (e) **offerors** should consult US counsel in connection with the extension of a **capacity offer** to **US persons**; and
- (f) where the **offeror** proposes to offer securities to **US persons**, either by way of a **share offer** or a **cash offer** having a **share alternative**, a legal opinion from US counsel in the form satisfactory to the **Conversion Official** and addressed to **Lloyd's** must be submitted to **Lloyd's** in accordance with section 8.

1(10) **Reducing Offers**

- (a) An **offeror** may reduce the amount of **prospective participations** sought pursuant to the terms of a **formal offer** during an **offer period**, if the **offeror** or a **connected company** of that **offeror** acquires the same **prospective participations** in an **auction** or pursuant to any other means permitted by **Lloyd's** from time to time provided that:-
 - (i) disclosure of the possibility of the reduction was made in the relevant **offer document**; and
 - (ii) forthwith upon deciding to make a reduction, the **offeror** makes an announcement which complies with paragraph 10(5).
- (b) An **offeror** who makes a **formal offer** which is a **reducing offer** is permitted to make an **auction offer** for the **prospective participations** which are the subject of the **formal offer** for a consideration which is not less than the consideration offered in the **formal offer**.

1(11) **Increasing Offers**

An **offeror** may increase the amount of **prospective participations** sought pursuant to the terms of a **capacity offer** during an **offer period** provided that:-

- (a) disclosure of the possibility of the increase was made in the relevant **offer document** or **circular**; and
- (b) forthwith upon deciding to make an increase, the **offeror** makes an announcement which complies with paragraph 10(5).

1(12) **Confidentiality**

- (a) A person who is, or who has agreed to be, subject to the **Rules** must not, subject to paragraph 1(12)(c), disclose any information (other than information of a general nature) concerning any proposed **capacity offer** to any person (other than to a professional adviser instructed to assist in the development or implementation of such proposed **capacity offer**) prior to the **Conversion Official** approving an **application in principle** to make such a **capacity offer** pursuant to section 5.
- (b) A person who is, or who has agreed to be, subject to the **Rules** must, subject to paragraph 1(12)(c), keep details of all dealings with **Lloyd's** and/or the **Conversion Official** in relation to matters covered by the **Rules** confidential unless the **Conversion Official** agrees in writing to the form and content of any disclosure.
- (c) Paragraphs 1(12)(a) and 1(12)(b) shall not apply to any information which is within the public domain and shall not prevent the disclosure of any information which any person is required to make by law or in accordance with the rules of any regulatory body (including any stock exchange).
- (d) **Lloyd's** is bound by paragraphs 3 and 4 of the Information and Confidentiality Byelaw (No. 21 of 1993) in respect of all information obtained pursuant to any provisions of the **Rules**.
- (e) The **sponsor** of a **surrender offer** or an **announced auction offer** (or, in the absence of a sponsor, the offeror itself) will be provided with the names and addresses of the persons entitled to participate in or accept such offer, subject to the **sponsor** having executed a confidentiality undertaking in favour of **Lloyd's**, in the form set out in Appendix III. The making of a **competing offer** will be facilitated in such manner as the **Conversion Official** shall determine.

1(13) **Issuing capacity advertisements**

- (a) This paragraph 1(13) shall apply to any **capacity advertisement**.
- (b) An **offeror** is responsible for ensuring that any person who issues a **capacity advertisement**:-
 - (i) applies appropriate expertise;
 - (ii) is satisfied that the relevant requirements of the **Rules** have been fully and properly complied with;

- (iii) is satisfied that any requirements relating to **advertisements** issued by **Lloyd's** from time to time, have been fully and properly complied with; and
 - (iv) is able to show that it believes on reasonable grounds that the **capacity advertisement** is fair and not misleading.
- (c) An **offeror** is responsible for ensuring that any **capacity advertisement** which is issued or circulated in the United Kingdom:-
- (i) complies with section 21 of **FSMA**;
 - (ii) states on its face who is the issuer and, if applicable, who has approved such **advertisement** for the purposes of section 21 of the **FSMA**;
 - (iii) identifies both the **sponsor** and the **offeror** of the **capacity offer** to which it relates;
 - (iv) *This paragraph has been deleted.*
 - (v) contains in clearly visible form the statements and risk warnings relating to **advertisements** which are prescribed by the **Rules** and that these are not obscured or disguised in any way by the content, design or format of the **advertisement**; and
 - (vi) does not disguise in any way the purpose of any promotional material included.
- (d) An **offeror** is responsible for ensuring that any **capacity advertisement** which is issued or circulated outside the United Kingdom:-
- (i) complies with paragraph 1(13)(c);
 - (ii) is issued in accordance with legal advice obtained from a lawyer of good standing qualified to practice in the jurisdiction in which the **advertisement** is issued or circulated;
 - (iii) does not breach any securities or other law or any order, regulation, restriction or prohibition applying in any jurisdiction in which the **advertisement** is issued or circulated;
 - (iv) contains appropriate statements about the taxation implications of accepting (or participating in) the **capacity offer** or a statement recommending the taking of tax advice; and
 - (v) if applicable, contains the prescribed wording set out in Appendix X.
- (e) **Offerors** may wish to take legal advice from the overseas law firms listed in Part I of Appendix II.
- (f) If so required by the **Conversion Official**, the **offeror** shall confirm in writing to the **Conversion Official** that in relation to any particular jurisdiction it has complied with this paragraph 1(13).

1(14) **Independent advice**

When a **members' agent** proposes to advise or make arrangements with a view to a person accepting (or participating in) a **capacity offer** (irrespective of whether that **members' agent** (or an **associate** or **connected company** of that **members' agent**) is the **offeror** of such **capacity offer** or whether that **members' agent** has been appointed by the relevant person under an agreement in the terms of the **standard members' agent agreement** or will be so appointed in the next following **year of account**) the **members' agent** must observe the Lloyd's Code for Members' Agents: Responsibilities to Members, as amended from time to time.

1(15) **MAPA operators**

- (a) A **MAPA operator** is entitled to accept (or participate in) a **capacity offer** on behalf of a member within that **MAPA** (other than a member to whom such **capacity offer** is not made by virtue of paragraphs 1(7)(d), (e) or 1(8)) provided that the **MAPA operator** has been properly authorised to act on that member's behalf with respect to such **capacity offer** whether under the terms of a **standard member's agents agreement** or otherwise.
- (b) A **MAPA operator** who receives an **offer document, revised offer document, circular** or **revised circular** must forward a copy of that document to each member of that **MAPA** unless the **MAPA operator** has been properly authorised to act on that member's behalf as referred to in paragraph 1(15)(a) or that member has indicated in writing to the **MAPA operator** that he does not wish to receive a copy of such document.

1(16) **Relevant information**

- (a) Any person who is, or has agreed to be, subject to the **Rules** must make himself aware of, and at all times comply with, any applicable rules relating to the disclosure of **relevant information**.
- (b) No person who is, or has agreed to be, subject to the **Rules** shall sponsor or make a **capacity offer** when he is in possession of **relevant information** which has not been made publicly available.
- (c) No person who is, or has agreed to be, subject to the **Rules** shall:
 - (i) make any statement, promise or forecast which he knows to be misleading, false or deceptive or dishonestly conceal any material facts; or
 - (ii) do any act or engage in any course of conduct which creates a false or misleading impression as to the market in or value of any particular **prospective participation**

with a view to any person making a **capacity offer** or refraining from doing so.

1(17) **Timing**

- (a) An **unlimited offer** may close after the last **auction** in the year provided that it closes no later than the **prescribed date**.
- (b) A **limited offer** must close on or before the **prescribed date**.

- (c) When a **managing agent** wishes to effect a **minority buy-out** of **prospective participations** on a **syndicate**, the **capacity offer** which precedes the **minority buy-out** must be completed and closed to further acceptances and the **minority buy-out** application must be submitted to Lloyd's by no later than 31 August 2004.

1(18) **Submission of documentation**

- (a) All documentation (whether in draft or final form) which is submitted to the **Conversion Official** for approval pursuant to the **Rules** must:-
 - (i) be clear, fair and readily comprehensible;
 - (ii) be annotated in the margin to indicate the particular paragraph in the **Rules** (or in any Appendix to the **Rules**) with which compliance is being made; and
 - (iii) be marked up to show the changes from the previous draft submitted which have been made to conform with comments from the **Conversion Official** together with any other changes from the previous draft submitted.
- (b) The **Conversion Official** may refuse to review any documentation which does not comply with paragraph 1(18)(a) or which he considers is not of a standard which is appropriate for review.

1(19) **Refusal to consider a capacity arrangement**

The **Conversion Official** may refuse, in his absolute discretion, an application under the **Rules** which relates to a **capacity arrangement**. In particular, no application will be considered if he is of the view that:-

- (a) the **capacity arrangement** or any documentation relating thereto does not comply with the **Rules** or with any particular condition imposed by him in relation thereto; or
- (b) any **sponsor** or **offeror** is not complying, or has not complied, with the **Rules** or with any particular condition imposed upon it by him; or
- (c) the terms of the **capacity arrangement** do not fall within the **Rules**; or
- (d) the terms of the **capacity arrangement** would be detrimental, in some respect, to the interests of **Lloyd's**.

1(20) **Costs and charges**

- (a) The **Council** may from time to time levy such charges as it shall determine in connection with the consideration of a **capacity arrangement**.
- (b) An **offeror** of a **capacity offer** must, if and to the extent requested by the **Conversion Official**, pay or reimburse such costs and disbursements (whether external or internal) as **Lloyd's** may incur relating to:-
 - (i) the provision of advice or guidance to the **offeror** about, or any documentation relating to, the **capacity offer**; and/or
 - (ii) the review or approval (whether in principle or otherwise) of any

documentation relating to the **capacity offer**; and/or

(iii) any ongoing administration relating to the **capacity offer**.

1(21) **Value added tax**

- (a) Where any amount payable to **Lloyd's** under the **Rules** constitutes the (or part of the) consideration for a supply which is subject to value added tax, an amount equal to the amount of such tax shall be paid in addition.
- (b) Reference to costs and disbursements incurred by **Lloyd's** and to be paid or reimbursed by any person are to such costs and disbursements net of such amount as **Lloyd's** shall determine it can recover or obtain credit for under the value added tax rules for crediting input tax against output tax.

SECTION 2

COMPLIANCE AND ENFORCEMENT

Scope of this section

This section contains rules regarding compliance with, and enforcement of, the **Rules**. It also sets out the sanctions which may be imposed against a person who is in breach of the **Rules**.

2(1) Compliance with the Rules

- (a) All **underwriting agents, connected companies or associates** of any **underwriting agent**, and **members** must comply with the **Rules**. **Sponsors** and **offerors** must comply with, and ensure that any **capacity offer** which they either sponsor or make complies with, and is promoted in accordance with, the **Rules**.
- (b) **Sponsors** and **offerors** must provide to the **Conversion Official** without delay:
 - (i) all information, documentation and explanations as the **Conversion Official** may require for the purpose of deciding whether or not to approve any application (whether in principle or otherwise) for, or any documentation relating to, a **capacity offer**;
 - (ii) all information, documentation and explanations as the **Conversion Official** may require for the purpose of verifying whether the **Rules** are being or have been complied with; and
 - (iii) all other information, documentation and explanations relating to a **capacity arrangement** as the **Conversion Official** considers appropriate in order to protect the interests of **Lloyd's**.
- (c) **Sponsors** and **offerors** must liaise with the **Conversion Official** in relation to all aspects of any **capacity arrangement** which they are proposing to sponsor or make.

2(2) Enforcement

- (a) The **Conversion Official** may, at any time, require a **sponsor** and/or an **offeror** or any other person who is subject to the **Rules**, to issue such information in connection with matters regulated by the **Rules**, in such form and to such persons and within such time limits as he considers appropriate for the purpose of protecting the interests of **Lloyd's**.
- (b) If a **sponsor** and/or an **offeror** and/or any other person who is subject to the **Rules** fails to comply with any requirement of the **Conversion Official** under paragraph 2(2)(a), the **Conversion Official** may decide, in his absolute discretion, to issue such information in such form and manner as he may think fit at the cost of the **sponsor** and/or the **offeror** and/or any other person who is subject to the **Rules**.

2(3) **Sanctions**

- (a) Any breach of the **Rules** not remedied to the satisfaction of the **Conversion Official** or incapable of remedy will constitute **misconduct** for the purposes of the Misconduct and Penalties Byelaw (No. 30 of 1996) and will be subject to the penalties set out in that byelaw.
- (b) If the **Conversion Official** considers that a **sponsor** and/or an **offeror** has contravened any of the **Rules** he shall notify the **sponsor** and/or the **offeror** accordingly and shall be entitled to refer the matter to the **Lloyd's Compliance Officer** who may:-
 - (i) in the case of an **offeror**, take such regulatory action as may be appropriate; and
 - (ii) in the case of a **sponsor**:-
 - (aa) report the matter to the regulating organisation of which the **sponsor** is a member; and/or
 - (bb) direct the **Conversion Official** to remove the name of any defaulting **sponsor** from the **Register of Sponsors**.

2(4) **Disciplinary procedures**

Any disciplinary procedures undertaken for the purposes of the **Rules** will be undertaken in accordance with the Disciplinary Committees Byelaw (No. 31 of 1996).

SECTION 3

SPONSORS

Scope of this section

This section sets out the requirements relating to **sponsors**. A **capacity offer** may only be promoted or made if a person has agreed to act as the sponsor of such **capacity offer**, unless the **Conversion Official** has given his permission for the offer to be made without there being a **sponsor**. The guidelines which the **Conversion Official** will take into account in determining whether to give such permission are set out in regulatory bulletin Y936 dated 24 July 1997 entitled “Mandatory Offer Requirements: Need for a Sponsor”. **Sponsors** will normally be corporate brokers or investment banks but may also be other professional advisers. A **sponsor** must undertake to **Lloyd’s** to accept certain responsibilities and agree to be bound by the **Rules**. If the **sponsor** fails to carry out these responsibilities the **Conversion Official** may seek to impose any of the sanctions, applicable to **sponsors**, referred to in paragraph 2(3)(b)(ii). **Lloyd’s** will expect **sponsors** and/or their professional advisers to be persons who have experience of the Lloyd’s market.

3(1) Qualifications

A **sponsor** must:

- (a) be a person who is:-
 - (i) an **authorised person**; or
 - (ii) resident in a jurisdiction other than the United Kingdom, who the **Conversion Official** may approve as being appropriately qualified to act as a **sponsor** in that jurisdiction;
- (b) satisfy the **Conversion Official** that it is competent and sufficiently experienced to discharge the responsibilities of a sponsor;
- (c) undertake in writing to **Lloyd’s** on Form SP1 (set out in Appendix IV) to:-
 - (i) accept the responsibilities of a sponsor and to discharge those responsibilities at all times with due skill and care and to the reasonable satisfaction of **Lloyd’s**;
 - (ii) comply at all times with the **Rules**;
 - (iii) ensure that any **capacity offer** which he sponsors complies at all times with the **Rules**;
 - (iv) use reasonable endeavours to ensure that the **offeror** and any other person concerned with the promotion or making of a **capacity offer** is properly guided and advised as to their respective obligations under the **Rules**; and
 - (v) notify the **Conversion Official** in writing forthwith upon its ceasing to be a sponsor of any **capacity offer**; and
- (d) be entered on the **Register of Sponsors**, having completed all necessary application forms prescribed by the **Council**.

3(2) Appointment

- (a) A person shall not become a sponsor until its name has been entered into the **Register of Sponsors** and it has received notification in writing from the **Conversion Official** to that effect.
- (b) A person who has previously executed a Lloyd's sponsor questionnaire and undertaking shall, unless the **Conversion Official** otherwise determines, in his absolute discretion, remain in the **Register of Sponsors**.
- (c) The **Conversion Official** will use reasonable endeavours to approve a person as a **sponsor** not more than 3 **business days** after receipt of a completed Form SP1 duly executed by such person.
- (d) A **sponsor** who wishes to sponsor a particular **capacity offer** will not be approved as the sponsor of that **capacity offer** until an **application in principle** in respect of that **capacity offer** has been approved by the **Conversion Official** in accordance with section 5.

3(3) **Prohibition**

Subject to paragraph 3(5), no **capacity offer** may be promoted or made unless a person who has been registered as a sponsor for the purposes of paragraph 3(2) has received the written approval of the **Conversion Official** to act as the sponsor of that particular **capacity offer**.

3(4) **Responsibilities**

- (a) The responsibilities of the **sponsor**, which are owed to **Lloyd's**, are set out in this section 3 and in any undertakings or other documents which the **sponsor** is required to execute pursuant to the provisions of this section 3. Failure to carry out these responsibilities may result in the **Conversion Official** taking any of the steps, applicable to a sponsor, referred to in paragraph 2(3)(b)(ii).
- (b) A **sponsor** (jointly with the **offeror** of a **capacity offer**) must:-
 - i) in relation to any proposed **capacity offer**, submit an **application in principle** in accordance with section 5;
 - ii) satisfy itself that any **capacity advertisement** complies, to the best of its knowledge and belief, having made due and careful enquiry, with all relevant requirements of the **Rules**;
 - iii) in relation to any proposed **capacity offer**, submit an application for approval in accordance with section 8; and
 - iv) confirm to **Lloyd's** in writing on Form AP2 (Capacity Offer Rules) (set out in Appendix XII) that it is satisfied (having taken all reasonable steps to ensure that such is the case), that sufficient resources are, or will be, available to the **offeror** to satisfy full acceptance of (or participation in) such **capacity offer**.
- (c) A **sponsor** of an **announced auction offer** must use its reasonable endeavours to ensure that the **offeror** of an **announced auction offer** is properly guided and advised as to its obligations under the **Auction Rules**.

3(5) **Dispensation for mandatory offers being made through announced auction offers**

- (a) The **Conversion Official** may, in his absolute discretion, permit a **mandatory offer** proposed to be made by means of an **announced auction offer** to be promoted or made without any person having agreed to act as the sponsor of such offer.
- (b) In giving such permission, the **Conversion Official** may impose any condition on the proposed **offeror** of the proposed **announced auction offer** and/or in relation to the proposed **announced auction offer** which he considers appropriate.

SECTION 4

OFFERORS

Scope of this section

This section sets out the requirements relating to **offerors**. A **capacity offer** may only be promoted or made if a person has agreed to act as the offeror of such **capacity offer**. Only **managing agents** (or a **connected company** of such **managing agent** which is a **corporate member** or a **corporate candidate**) or such other persons as the **Conversion Official** may approve may act as an offeror. An **offeror** must undertake to **Lloyd's** to accept certain responsibilities. If the **offeror** fails to carry out these responsibilities the **Conversion Official** may seek to invoke any of the sanctions, applicable to **offerors**, referred to in paragraph 2(3)(b)(i).

4(1) Qualifications

An **offeror** must:-

- (a) be a **managing agent** (or a **connected company** of a **managing agent** which is a **corporate member** or a **corporate candidate**) or such other person as the **Conversion Official** may approve;
- (b) undertake in writing to **Lloyd's** on Form P1 (Capacity Offer Rules) (set out in Appendix V) to:-
 - (i) accept the responsibilities of an offeror and to discharge those responsibilities at all times with due skill and care and to the reasonable satisfaction of **Lloyd's**;
 - (ii) comply at all times with the **Rules**;
 - (iii) ensure that the promotion or making of any **capacity offer** of which it is the offeror complies at all times with the **Rules**;
 - (iv) use reasonable endeavours to ensure that any other person concerned with the promotion or making of such **capacity offer** is properly guided and advised as to its obligations under the **Rules**; and
 - (v) notify the **Conversion Official** in writing forthwith upon its ceasing to be an offeror of any **capacity offer**.

4(2) Appointment

A person who wishes to make a **capacity offer** will not be approved as the offeror of that **capacity offer** until an **application in principle** in respect of that **capacity offer** has been approved by the **Conversion Official** in accordance with section 5.

4(3) Prohibition

No **capacity offer** may be promoted or made unless a person who has applied to become an offeror for the purposes of paragraph 4(2) has received the written approval of the **Conversion Official** to act as the offeror of that **capacity offer**.

4(4) Responsibilities

- (a) The responsibilities of an **offeror**, which are owed to **Lloyd's**, are set out in this section 4 and in any undertaking or other documents which the **offeror** is required to execute pursuant to the provisions of this section 4. Failure to carry out these responsibilities may result in the **Conversion Official** taking any of the steps, applicable to an offeror, referred to in paragraph 2(3)(b)(i).
- (b) An **offeror** (jointly with the **sponsor** of a **capacity offer**) must:-
- (i) in relation to any proposed **capacity offer**, submit an **application in principle** in accordance with section 5;
 - (ii) satisfy itself that any **capacity advertisement** complies, to the best of its knowledge and belief, having made due and careful enquiry, with all relevant requirements of the **Rules**;
 - (iii) in relation to any proposed **capacity offer**, submit an application for approval in accordance with section 8; and
 - (iv) confirm to **Lloyd's** in writing on Form AP2 (Capacity Offer Rules) (set out in Appendix XII) that it has, or will have, sufficient resources available to satisfy full acceptance of (or participation in) the **capacity offer** and, in the case of an **announced auction offer**, that it will also comply with its obligations under the **Auction Rules**.
- (c) An **offeror**:-
- (i) must confirm to **Lloyd's** in writing in Form AP2 (Capacity Offer Rules) (set out in Appendix XII) that, to the best of its knowledge, information and belief (having made due and careful enquiry), and, after having consulted with the **sponsor** (if any), all material facts relating to the **capacity offer** which it is making have been properly disclosed to the **Conversion Official** and in the **offer document** or the **circular** (as the case may be) and there are no matters (other than those disclosed in the **offer document** or the **circular** (as the case may be)) which are or could be material to a person proposing to accept (or participate in) that particular **capacity offer**;
 - (ii) must provide details to **Lloyd's** of any commission payable to it or similar arrangements agreed by it in relation to the **capacity offer**;
 - (iii) must, in relation to any **offer document** or any **circular** (as the case may be), provide, or cause to be provided, a **derogation letter** (substantially in the form set out in Appendix VI) setting out details of any part of section 7 or Appendix VII or VIII (as the case may be) or other paragraph of the **Rules** which has not been fully complied with and explaining the reason for such omission, signed by a director or other duly authorised signatory of the **offeror**;
 - (iv) must, if so required by the **Conversion Official**, confirm to the **Conversion Official** in writing that any **capacity advertisement** which it is proposed should be issued or circulated outside the United Kingdom, fully and properly complies with paragraph 1(13)(d);
 - (v) must at all times observe the principles set out in any applicable code of

practice issued by **Lloyd's** from time to time; and

- (vi) is responsible for submitting draft documentation to the **Conversion Official** and must at all times communicate and liaise with the **Conversion Official** in relation to the making of a **capacity offer**.

SECTION 5

APPLICATION IN PRINCIPLE

Scope of this section

This section sets out the requirements relating to making an **application in principle** for approval of a **capacity offer**. There is no requirement to submit draft documentation with an **application in principle** although an **offeror** may wish to do so. No **capacity offer** will be approved by the **Conversion Official** and no **offer document** or **circular** may be issued unless an **application in principle** is made to the **Conversion Official**. Approval for the making of a **capacity offer** in accordance with section 8 will not be given by the **Conversion Official** unless **approval in principle** has already been given.

5(1) Procedure

- (a) An **application in principle** for approval of a **capacity offer** shall be made to the **Conversion Official** on Form API (Capacity Offer Rules) (set out in Appendix IX) and must be signed by a director or other duly authorised signatory of each of the **sponsor** (if any) and the **offeror**.
- (b) No **application in principle** will be considered by the **Conversion Official** unless it is submitted prior to the **prescribed date** in a particular year.
- (c) The **Conversion Official** will use reasonable endeavours to grant an **approval in principle** no more than 3 **business days** after the **application in principle** has been made to him.

5(2) Approval

An **application in principle** will be approved by the **Conversion Official** only when he notifies the **sponsor** (if any) and **offeror** of the **capacity offer** of such **approval in principle** in writing.

SECTION 6

INITIAL ADVERTISEMENTS

Scope of this section

This section sets out the requirements relating to the contents and issue of an **initial advertisement**.

6(1) Conditions to issue

An **initial advertisement** must not be issued to any person unless:-

- (a) an **application in principle** in respect of the proposed **capacity offer** which is the subject of the **initial advertisement** has been approved by the **Conversion Official** in accordance with paragraph 5(2);
- (b) the **initial advertisement** has been prepared in accordance with paragraph 6(2);
- (c) the **offeror** has complied with its obligations under paragraph 1(13) in relation to the **initial advertisement**;
- (d) the **initial advertisement** has been approved in writing by both the **sponsor** (if any) and the **offeror** of the proposed **capacity offer**;
- (e) both the **sponsor** (if any) and the **offeror** are satisfied that a **capacity offer** will be made on substantially the same terms as those set out in the **initial advertisement**; and
- (f) both the **sponsor** (if any) and the **offeror** believe, on reasonable grounds, that the **capacity offer** being advertised will be implemented in substantially the form set out in the **initial advertisement**.

6(2) Form and content

An **initial advertisement** must:-

- (a) clearly identify the consideration proposed to be offered under the **capacity offer** (including in the case of a **share offer** or a **share alternative** the nature of any securities proposed to be issued);
- (b) state whether the **offeror** intends to reserve the right to make the proposed **capacity offer**, an **increasing offer** or, in the case of a **surrender offer** and **competing offer** only, a **reducing offer**;
- (c) state clearly that it relates to proposals only, that it does not contain or constitute a **capacity offer** and that any **formal offer** will only be made in an **offer document** which will be issued in accordance with provisions of the **Rules** and that any **announced auction offer** will only be made in accordance with the **Rules** and the **Auction Rules**; and
- (d) contain the statements and risk warnings set out in Appendix X.

6(3) **Submission to Conversion Official**

Immediately following the issue of any **initial advertisement**, the **offeror** of any proposed **capacity offer** to which the **initial advertisement** relates must submit, or cause to be submitted, to the **Conversion Official**, 2 copies of the **initial advertisement** together with a letter in the form set out in Appendix XI.

SECTION 7

REQUIREMENTS FOR CAPACITY OFFERS

Scope of this section

This section sets out the requirements relating to the making of **capacity offers**. No **offeror** may make a **formal offer** unless **approval in principle** has been given and an **offer document** is issued. No **offeror** may make an **announced auction offer** unless **approval in principle** has been given, a **circular** has been issued and the relevant **syndicate business forecast** is available. An **offer document** must contain the information required by this section 7 and Appendix VII and must be issued in accordance with the provisions of section 9. A **circular** must contain the information required by this section 7 and Appendix VIII and must be issued in accordance with the provisions of section 9. If any information required by the **Rules** is not to be included, details of the omission and the reasons for it must be set out in a **derogation letter**. Any **offeror** who makes or promotes a **capacity arrangement** or issues, or causes the issue of, an **offer document**, a **revised offer document**, a **circular** or a **revised circular**, as the case may be, otherwise than in accordance with the **Rules**, will be guilty of **misconduct**.

7(1) Requirements for capacity offers

Notwithstanding that **approval in principle** to the making of a **capacity offer** has been granted by the **Conversion Official**, no **offeror** may make a **capacity offer** unless:-

- (a) in the case of a **formal offer**, compliance is made with paragraph 7(2); and
- (b) in the case of an **announced auction offer**, compliance is made with paragraph 7(3).

7(2) Requirements for formal offers

The **offeror** of a **formal offer** must:-

- (a) prepare an **offer document** which complies with this section 7 and Appendix VII;
- (b) not issue an **offer document** unless it has been stamped by the **Conversion Official**;
- (c) issue the **offer document** in accordance with section 9; and
- (d) as soon as reasonably practicable after the issue of the **offer document**, make an **offer announcement** in accordance with section 10.

7(3) Requirements for announced auction offers

The **offeror** of an **announced auction offer** must:-

- (a) prepare a **circular** which complies with this section 7 and Appendix VIII;
- (b) not issue the **circular** unless it has been stamped by the **Conversion Official**;
- (c) issue the **circular** in accordance with section 9;
- (d) issue the circular not less than 20 **US business days** before the first day of the first, or only, **auction** in which the **announced auction offer** will be made;

- (e) as soon as reasonably practicable after the issue of the **circular**, make a **circular announcement** in accordance with section 10;
- (f) ensure that all **relevant information** concerning the proposed **announced auction offer** is properly disclosed to all persons entitled to participate in or accept that offer by:-
 - (i) sending each of them a copy of the **circular**;
 - (ii) making available to each of them, free of charge on request, the **syndicate business forecast** of each **syndicate** in respect of which it is proposed to make the **announced auction offer**; and
- (g) make the **announced auction offer** in an **auction** in compliance with the **Auction Byelaw** and the **Auction Rules**.

7(4) **Responsibility for offer documents and circulars**

An **offer document** or a **circular** must include a responsibility statement in the form set out in paragraph 2 of Appendix VII or paragraph 2 of Appendix VIII, as applicable. If responsibility is to be accepted by any other person(s) or responsibility is to be shared, the **Conversion Official** should be consulted at an early stage and the statement amended accordingly. The **Conversion Official** may require responsibility to be extended to additional persons in which case the statement must be amended to reflect such extension.

7(5) **Form and content of offer documents and circulars**

- (a) An **offer document** or a **circular** must:-
 - (i) be in the format set out in Appendix VII or Appendix VIII, as applicable, and include the statements which are prescribed therein;
 - (ii) in relation to each **syndicate** in respect of which the **capacity offer** is being made, contain as at the latest practicable date prior to the printing of the **offer document** or the **circular**, as the case may be:-
 - (aa) all **relevant information** in relation to the next following **year of account**; and
 - (bb) a fair summary of the key information set out in the **syndicate business forecast** for the next **year of account**, or if a **syndicate business forecast** has been published at the date of issue of the **offer document** or **circular**, as the case may be, a reference to where the **syndicate business forecast** can be inspected and obtained free of charge;
 - (iii) in the case of a **formal offer**, contain such other information as persons to whom the **formal offer** is made and their professional advisers would reasonably require and reasonably expect to find there for the purpose of making an informed assessment of:-
 - (aa) the terms and conditions of the **formal offer**;

- (bb) the rights and obligations attaching to any securities proposed to be issued or transferred to any person in exchange for or in consideration of the **prospective participation** to be acquired;
 - (cc) the assets and liabilities and financial position of the issuer of the securities referred to in paragraph (bb) above; and
 - (dd) the UK taxation implications of accepting a **formal offer**;
- (iv) in the case of an **announced auction offer**, contain such other information as persons to whom the **announced auction offer** is proposed to be made and their professional advisers would reasonably require and reasonably expect to find there for the purpose of making an informed assessment of:-
- (aa) the terms and conditions of the proposed **announced auction offer**; and
 - (bb) the UK taxation implications of participating in an **announced auction offer**;
- (v) contain such additional information as the **Conversion Official** may from time to time prescribe or require, in his absolute discretion; and
- (vi) contain such additional or other risk warnings as may be prescribed or approved by the **Conversion Official** from time to time together with such other warnings as to risks which the **sponsor** (if any) and the **offeror** consider should reasonably be brought to the attention of any person to whom the **formal offer** is, or the **announced auction offer** is to be, made.
- (b) Irrespective of whether a prospectus is required to be published pursuant to the **POS Regulations**, where a **surrender offer** comprises a **share offer** or has a **share alternative** which involves the offer of **unlisted securities**, the **offer document** shall, in addition to containing the information required by the **Rules**, also contain the information which would be required by the **POS Regulations** if such a prospectus were so required.
- (c) The **Conversion Official** may require that prominence be given in an **offer document** or a **circular** to important information in such manner as he considers appropriate.
- (d) **Offerors** should discuss with the **Conversion Official** as early as possible the conditions, if any, to which the **formal offer** or **announced auction offer** is proposed to be subject.
- (e) The information to be included in an **offer document** or a **circular** by virtue of paragraph 7(5)(a)(iii) or (iv), as the case may be, shall be such information as is required by such paragraphs which is within the knowledge of any person responsible for the **offer document** or the **circular**, as the case may be, or which would be reasonable for him to obtain by making enquiries.
- (f) In determining what information is required to be included in an **offer document** or a **circular** by virtue of paragraph 7(5)(a)(iii) or (iv), as the case may be, regard shall be had:-
- (i) to the nature of any securities and the issuer of those securities;

- (ii) to the nature of the persons likely to consider the acquisition of such securities;
- (iii) to the fact that certain matters may reasonably be expected to be within the knowledge of professional advisers of any kind which those persons may reasonably be expected to consult; and
- (iv) to any information available to those persons or their professional advisers by virtue of requirements imposed by the **FSMA** or by or under any other enactment or by virtue of requirements imposed by any stock exchange.

7(6) Illustrations and covers

- (a) No graphs, charts or other illustrations may be included in an **offer document** or a **circular** unless the **Conversion Official** is satisfied that they are a reasonable way in which relevant factual information can be clearly and fairly presented.
- (b) Apart from the illustrations referred to in paragraph 7(6)(c), the cover of any **offer document** or **circular** may only contain:-
 - (i) the names of the **sponsor** (if any) and the **offeror**; and
 - (ii) an accurate description of the **capacity offer**.
- (c) Any illustrations on the cover must not be likely, in the opinion of the **Conversion Official**, to influence the judgment of any person to whom the **capacity offer** is, or is proposed to be, made.

7(7) Derogation

- (a) If any information required by this section 7 or Appendix VII or VIII, as the case may be, or elsewhere in the **Rules** is not applicable, and no equivalent information is available, it need not be included in the **offer document** or **circular** (as the case may be) provided the **Conversion Official** is informed in writing (by a **derogation letter**) and the **Conversion Official** approves the contents of such **derogation letter**.
- (b) Information which is relevant to a person in connection with a **capacity offer** which has:-
 - (i) been published in Auction News; or
 - (ii) has been sent to the persons or **MAPA operators** (on behalf of the members of a **MAPA**) to whom the **capacity offer** is addressed

need not be included in the **offer document** or **circular** provided that details of how and when it has previously been published or issued is set out in the **derogation letter** and the **Conversion Official** approves the omission proposed in such **derogation letter**.

7(8) Delay in issuing an offer document or circular

- (a) If an **offer document** or a **circular** relating to a particular **capacity offer** has not been issued before the 42nd **business day** following the issue of the first **initial advertisement** relating to that **capacity offer**, or, if earlier, before the 25th **business**

day before the first day of the last **auction** in which persons could tender their **prospective participations**, the **offeror** shall give written notice to each of the persons to whom the **offer document** or **circular** should otherwise have been sent:-

- (i) as to whether, in its reasonable opinion, the **capacity offer** is likely to be implemented; and
 - (ii) giving details of the dates of any remaining **auctions**.
- (b) Where an **advertisement** relating to a particular **capacity offer** has been issued and the **offeror** believes that there is no reasonable prospect of that **capacity offer** being implemented in substantially the form advertised, the **offeror** shall forthwith:-
- (i) notify the **Conversion Official** in writing thereof;
 - (ii) notify each of the persons to whom the **advertisement** was sent in writing thereof; and
 - (iii) make an announcement to such effect, in such terms and in such manner as may be approved by the **Conversion Official**.

7(9) **Approval process**

- (a) The first draft of any **offer document** or **circular** (together with a **derogation letter** (if applicable)) must be submitted to the **Conversion Official** no later than the **prescribed date**.
- (b) The **Conversion Official** will use reasonable endeavours to provide preliminary comments on the first draft of an **offer document** or **circular** (and any related **derogation letter**) not more than 5 **business days** after the documentation has been submitted to him.
- (c) If so requested by the **Conversion Official**, the **sponsor** (if any) and **offeror** of a **capacity offer** shall attend meetings at Lloyd's to discuss any requirements or conditions which the **Conversion Official** may:-
 - (i) wish to impose in respect of the **capacity offer**; or
 - (ii) require to be included in the **offer document** or **circular**, as the case may be.

SECTION 8

APPROVAL PROCEDURE

Scope of this section

This section sets out the procedure which must be followed before the **Conversion Official** will give consent to the making of a **capacity offer**.

8(1) General

- (a) An application for approval to make a **capacity offer** will only be approved by the **Conversion Official** when the relevant **offer document** or **circular**, as the case may be, has been stamped by the **Conversion Official**.
- (b) The **Conversion Official** will not grant approval for the making of a **capacity offer** until each of the documents referred to in paragraph 8(2) has been lodged with him.

8(2) Approval documents

The following documents must be submitted in final form to the **Conversion Official** no later than 2 **business days** prior to the date on which it is proposed to issue the **offer document** or **circular**.

(a) Application for approval

An application for approval to make a **capacity offer** on Form AP2 (Capacity Offer Rules) (set out in Appendix XII) signed by a director or other duly authorised signatory of each of the **sponsor** (if any) and the **offeror**.

(b) Offer document/circular

3 copies of the **offer document** or **circular**, as appropriate, satisfying all relevant requirements for the contents of such document.

(c) Form of acceptance

3 copies of the form of acceptance relating to the **formal offer**.

(d) Derogation letter

If applicable, a derogation letter.

(e) Payment

A cheque payable to the Corporation of Lloyd's for the **prescribed fee**.

(f) Legal opinion

If applicable, pursuant to paragraph 1(9)(f), an appropriate legal opinion signed by US counsel.

SECTION 9

ISSUE OF OFFER DOCUMENTS AND CIRCULARS

Scope of section

This section sets out the requirements which must be satisfied before an **offer document** or a **circular** can be issued. In certain circumstances, an obligation to issue a **revised offer document** or a **revised circular** setting out additional or amended information may arise.

9(1) Conditions to issue

An **offer document** or a **circular** must not be issued to any person unless:-

- (a) such document has been stamped by the **Conversion Official**;
- (b) the **offer document** or the **circular** (as the case may be) has been prepared in accordance with section 7 and either Appendix VII or Appendix VIII (as the case may be); and
- (c) such document is issued to:-
 - (i) all persons entitled to participate in or accept the **capacity offer** referred to in the **offer document** or **circular**; or
 - (ii) to the **MAPA operator** on behalf of any members of the **syndicate** who currently hold their **prospective participations** through the **MAPA**.

9(2) Issue of an offer document and circular

An **offer document**, a **revised offer document**, a **circular** or a **revised circular** will be issued if it is delivered by hand or posted by first class post or airmail to such persons or **MAPA operators** as are referred to in paragraph 9(1)(c).

9(3) Revised offer documents and revised circulars

- (a) The **sponsor** (if any) and the **offeror** shall notify the **Conversion Official** forthwith in writing if, at any time before the **formal offer** contained in an **offer document** closes or lapses or an **announced auction offer** referred to in a **circular** is made, either of them:-
 - (i) becomes aware that there has been a significant change affecting any matter set out in the **offer document** or the **circular**, as the case may be; or
 - (ii) becomes aware that a significant new matter has arisen, the inclusion of information in respect of which would have been required to be mentioned had it been known at the time of preparation of the **offer document** or the **circular**, as the case may be; or
 - (iii) wishes to amend any of the terms of the **capacity offer** set out in the **offer document** or referred to in the **circular**, as the case may be, or otherwise wishes to amend the amount of any fee to be paid to a US registered broker

dealer in connection with its solicitation of acceptances or participations by **US persons** in the **formal offer** or **announced auction offer**, as the case may be.

- (b) For the purpose of paragraph 9(3)(a), “significant” in relation to a **capacity offer** means significant for the purpose of making an informed assessment of the matters referred to in paragraph 7(5)(a).
- (c) If the **sponsor** (if any) and/or the **offeror** notifies the **Conversion Official** pursuant to paragraph 9(3)(a) then, subject to paragraph 9(4), the **offeror** shall, as soon as reasonably practicable following such notification, issue or procure the issue of a **revised offer document** or a **revised circular**, as the case may be, which complies with this paragraph 9(3).
- (d) Paragraphs 9(3)(a) and (c) apply also as respects matters contained in any **revised offer document** or **revised circular** previously issued in relation to any **capacity offer**.
- (e) The **sponsor** (if any) and the **offeror** shall submit or procure the submission of an application for approval to issue a **revised offer document** or **revised circular**, together with that document in final form, to the **Conversion Official** not less than 3 **business days** prior to the date on which it is proposed to issue such document.
- (f) A **revised offer document** or **revised circular** must:-
 - (i) give details of any change, new matter or amendment;
 - (ii) contain any amendments to any **relevant information**;
 - (iii) contain the responsibility statement set out in paragraph 2 of Appendix VII or paragraph 2 of Appendix VIII, as applicable;
 - (iv) contain a statement that, save as disclosed, there has been no significant change and no amendment to the terms of the **capacity offer** contained in the **offer document** or referred to in the **circular**, as the case may be, and no significant new matter has arisen since the issue of the previous **offer document, revised offer document, circular** or **revised circular**, (as the case may be); and
 - (v) be issued to each of the persons to whom the **offer document** or **circular**, as the case may be, was sent in accordance with paragraph 9(2).
- (g) A **revised offer document** or **revised circular**, as the case may be, must not be issued to any person unless it complies with paragraph 9(3)(f) and has been stamped by the **Conversion Official**.
- (h) Where an **offer document** or **circular** contains a statement that the terms of the **capacity offer** contained in it will not be extended or revised, the **Conversion Official** will not approve any extension or revision to the terms of the **capacity offer** other than in wholly exceptional circumstances and where he considers, in his absolute discretion, that such extension or revision is in the interests of the persons to whom the **offer document** or **circular** was directed.
- (i) Any **revised circular** must be issued not less than 10 **US business days** before the

first day of the next, or only, **auction** in which the relevant **announced auction offer** is to be made, and if it is not possible to issue the **revised circular** by then, the relevant **announced auction offer** must be withdrawn from that **auction**.

- (j) Paragraph 11(1)(b)(ii) sets out the period for which a **formal offer** is to remain open for acceptance following the issue of a **revised offer document**.

9(4) **Extension alone**

If the **sponsor** (if any) and/or the **offeror** notifies the **Conversion Official** pursuant to paragraph 9(3)(a)(iii) that the **offeror** wishes either to extend the **offer period** for a **formal offer** or to extend the **announced auction offer** to additional **auctions** beyond those stated in the **circular** or any **revised circular** then, provided a **revised offer document** or a **revised circular**, as the case may be, would not have to be issued for any other purpose or reason and a statement of the kind referred to in paragraph 9(3)(h) had not been made by or on behalf of the **offeror**, the **offeror** may make an announcement pursuant to paragraph 1(5)(b) or (c), as the case may be, instead of issuing or procuring the issue of a **revised offer document** or **revised circular**.

SECTION 10

OFFER, CIRCULAR AND OTHER ANNOUNCEMENTS

Scope of this section

This section sets out the requirements relating to the contents and issue of **offer announcements** and **circular announcements**. It also sets out the requirements for certain other announcements which may have to be issued. All announcements must be made in Auction News or published in such other manner as the **Conversion Official** may approve and in such other publications as the **offeror** may select. Reminders of when an offer is due to close or lapse may be made in Auction News or in such other manner as the **Conversion Official** may approve – where a particular manner is approved by the **Conversion Official** he will outline any conditions relating to his approval which could be of general application in a Lloyd's Market Bulletin.

10(1) Conditions to issue

An **offer announcement** or a **circular announcement**, as the case may be, must not be issued to any person unless:-

- (a) in the case of a **formal offer**, an **offer document** in respect of that offer has been stamped by the **Conversion Official**;
- (b) in the case of an **announced auction offer**, a **circular** in respect of that proposed offer has been stamped by the **Conversion Official**;
- (c) the **offer announcement** or the **circular announcement**, as the case may be, has been prepared in accordance with paragraph 10(2);
- (d) the **offeror** has complied with its obligations under paragraph 1(13) in relation to the **offer announcement** or the **circular announcement**, as the case may be; and
- (e) the **offer announcement** or the **circular announcement**, as the case may be, has been approved in writing by both the **sponsor** (if any) and the **offeror** of the **capacity offer**.

10(2) Form and content

An **offer announcement** or a **circular announcement**, as the case may be, must:-

- (a) in the case of a **surrender offer** comprising a **share offer** or having a **share alternative**, clearly identify the nature of any securities proposed to be issued to a person participating in or accepting the **surrender offer**;
- (b) in the case of a **formal offer**, state whether the **offeror** has reserved the right to make that offer a **reducing offer** or an **increasing offer**;
- (c) in the case of an **announced auction offer**, state whether the **offeror** has reserved the right to make that offer an **increasing offer**;
- (d) in the case of a **formal offer**, state that a **capacity offer** has been made in an **offer document** which has been issued in accordance with the **Rules**;
- (e) in the case of an **announced auction offer**, state that details of the proposed

announced auction offer have been set out in a **circular** which has been issued in accordance with the **Rules**;

- (f) state where copies of, in the case of a **formal offer**, the **offer document** (and any **revised offer document**) or, in the case of an **announced auction offer**, the **circular** (and any **revised circular**) (together with the relevant **syndicate business forecasts**) can be obtained; and
- (g) contain the statements and risk warnings set out in Appendix X.

10(3) **Submission to Conversion Official**

Immediately following the issue of any **offer announcement** or **circular announcement**, as the case may be, the **offeror** of the **capacity offer** to which that announcement relates must submit, or cause to be submitted, to the **Conversion Official** 2 copies of that announcement together with a letter in the form set out in Appendix XI.

10(4) **Requirement to issue offer announcement and circular announcement**

The **offeror** of a **capacity offer** must issue, or cause to be issued, an **offer announcement** or a **circular announcement**, as applicable, in Auction News or in such other manner as the **Conversion Official** may approve and in such other publications as the **offeror** may select, as soon as reasonably practicable following the date on which the **offer document**, **revised offer document**, **circular** or **revised circular**, as the case may be, was first issued.

10(5) **Requirements to make further announcements**

- (a) The **offeror** of a **capacity offer** must issue, or cause to be issued, an announcement in Auction News or in such other manner as the **Conversion Official** may approve and in such other publications as the **offeror** may select:-
 - (i) in the case of a **formal offer**, at least once a month after the issue of an **offer document** until (and including) the date on which that offer is declared or becomes unconditional as to acceptances, closes or lapses; and/or
 - (ii) forthwith (but in any event by no later than 2.00pm on the day after that on which the **capacity offer** was extended or varied) upon an extension or variation of any **capacity offer**; and/or
 - (iii) forthwith upon a **formal offer** being declared to be an **increasing offer** and at least once a week thereafter until the date on which that offer becomes unconditional as to acceptances, closes or lapses; and/or
 - (iv) forthwith upon an **announced auction offer** being declared to be an **increasing offer** and at least once a week thereafter until the final day of the last **auction** in which the **announced auction offer** will be made; and/or
 - (v) forthwith upon a **formal offer** being declared to be a **reducing offer** and at least once a week thereafter until the date on which that offer becomes unconditional as to acceptances, closes or lapses.
- (b) Any announcement required to be made pursuant to this paragraph 10(5) or made pursuant to paragraph 10(6) shall:

- (i) in the case of a **formal offer**, set out the level of acceptances received in respect of that **formal offer** and, in the case of an **announced auction offer**, disclose the aggregate amount of the **prospective participations** on the **syndicate** which are the subject of the **announced auction offer** which the **offeror** has acquired at the date of such announcement;
- (ii) set out any material changes to the terms and conditions of the **capacity offer**; and
- (iii) comply with the provisions of the following paragraphs as if the references therein to an **offer announcement** were to the **announcement** being made pursuant to the provisions of paragraph 10(5) or paragraph 10(6):-
 - (aa) paragraph 10(1)(d);
 - (bb) paragraph 10(1)(e);
 - (cc) paragraph 10(2); and
 - (dd) paragraph 10(3).

10(6) **Reminders**

The **offeror** of a **capacity offer** may issue, or cause to be issued, an announcement in Auction News or in such other manner as the **Conversion Official** may approve and in such other publications as the **offeror** may select reminding those to whom the offer has been made of the date on which the offer is due to close or lapse.

SECTION 11

CONDITIONS FOR ACCEPTANCES OF FORMAL OFFERS

Scope of this section

This section sets out the requirements relating to acceptances and the announcements which must be made in respect of acceptances.

11(1) Acceptance periods

- (a) A **formal offer** must be stated to be open for acceptance for at least 20 **US business days** following the date on which the **offer document** was first issued.
- (b) A **formal offer** must be stated to be open for acceptance for at least 10 **US business days**:-
 - (i) following the date on which it has been declared unconditional as to acceptances; and/or
 - (ii) following the date on which any **revised offer document** in relation to that offer is issued.
- (c) A **formal offer** shall lapse if it has not become or been declared unconditional as to acceptances not later than 10 **US business days** before the final closing date of the **formal offer**.

11(2) Announcement of acceptances

- (a) Following the issue of an **offer document**, if the **formal offer** fails to become unconditional or otherwise lapses, the **offeror** shall, as soon as reasonably practicable, write to any person thereby affected stating this fact.
- (b) Following the issue of an **offer document**, if the **formal offer** is declared or becomes unconditional as to acceptances, the **offeror** shall forthwith make an announcement which complies with paragraph 11(2)(c) and 11(4).
- (c) Any announcement made under paragraph 11(2)(b) must:-
 - (i) not be issued to any person unless, in the case of a **formal offer** in respect of which an obligation under paragraph 9(3) to issue a **revised offer document** arises, such **revised offer document** has been stamped by the **Conversion Official**;
 - (ii) clearly identify the **formal offer** to which the announcement relates and, in the case of a **surrender offer** containing a **share offer** or having a **share alternative**, the nature of any securities proposed to be issued to any person;
 - (iii) state that the **formal offer** has been made in an **offer document** which has been issued in accordance with the **Rules**;
 - (iv) state where copies of the **offer document** and any **revised offer document** can be obtained;

- (v) be approved in writing by both the **sponsor** (if any) and the **offeror** of the **formal offer**; and
- (vi) contain the statements and risk warnings set out in Appendix X.

11(3) **Submission to Conversion Official**

Immediately following the issue of any announcement pursuant to this section 11, the **offeror** of the **capacity offer** to which the announcement relates must submit, or cause to be submitted, to the **Conversion Official** 2 copies of the announcement together with a letter in the form set out in Appendix XI.

11(4) **Requirement to issue announcement**

An **offeror** of a **formal offer** must issue, or cause to be issued, any announcement required by this section 11 as soon as reasonably practicable following any of the events referred to in paragraph 11(2)(a) or (b) in Auction News or in such other manner as the **Conversion Official** may approve and in such other publications as the **offeror** may select.

SECTION 12

VALIDATION PROCEDURES

Scope of this section

This section sets out the conditions, requirements and procedures relating to the validation process following the implementation of a **formal offer**.

12(1) Validation arrangements

- (a) **MSU** will, in relation to any **syndicate** which is the subject of a **formal offer**:-
 - (i) prior to the first closing date of the **formal offer**, provide the **sponsor** or the **offeror** with an electronic spread sheet file (in either CSV or Excel) together with the opening stamp positions of the relevant **syndicate**; and
 - (ii) prior to each **auction**, pass on details of any acceptances of the **formal offer** and any problems to the relevant **members' agents**.
- (b) A **sponsor** (if any) or an **offeror** must:-
 - (i) nominate a person within their organisation who will assume responsibility for the validation process of a **formal offer** and notify the auction operation manager at **MSU** in writing of the details of the name, address, telephone, fax numbers and, where applicable, the e-mail address, of such person;
 - (ii) use their respective reasonable endeavours to complete all arrangements and documents relating to or required to implement the **formal offer**;
 - (iii) comply with all reasonable requests and directions made by the **Conversion Official** in relation to completing such matters;
 - (iv) fill in and return to **MSU** an electronic spreadsheet in a form acceptable to **MSU** not later than 12 noon on the third business day prior to each **auction** with details of all persons who have accepted the **formal offer** since the last submission made to **MSU** under this sub-paragraph; and
 - (v) supply such information as is required by the **Conversion Official** from time to time.

12(2) Information

All information supplied to **Lloyd's** for the purposes of the validation process must:-

- (a) be in such electronic form as the **Conversion Official** may prescribe from time to time;
- (b) be submitted by such time and date as the **Conversion Official** may prescribe from time to time; and
- (c) be in a processable format.

DEFINITIONS

1 In these **Rules**, unless the context otherwise requires:-

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| active underwriter | has the meaning given in the Definitions Byelaw (No. 3 of 2004); |
| advertisement | means a financial promotion in accordance with section 21(1) of FSMA; |
| Agency Agreements Byelaw | means the Agency Agreements Byelaw (No. 8 of 1988); |
| announced auction offer | means an offer to be submitted in an auction to acquire certain prospective participations for cash consideration, which offer has been announced in accordance with paragraph 7(3); |
| application in principle | means an application for approval in principle of a capacity offer made in accordance with section 5; |
| approval in principle | means the grant by the Conversion Official of approval in principle of a capacity offer ; |
| approved jurisdictions | means such jurisdictions as may be prescribed as approved jurisdictions by the Conversion Official from time to time; |
| associate | means in relation to any person: <ul style="list-style-type: none">(a) that person's close relative; or(b) if that person is a body corporate, any director or employee of that person or any connected company of that person; or(c) any body corporate of which that person is a director or an employee; or(d) any person who is an employee or partner of that person; or(e) any connected company of that person; |
| auction | means an auction within the meaning of paragraph 1 of the Auction Byelaw ; |
| Auction Byelaw | means the Auction Byelaw (No. 14 of 1997); |
| auction offer | means an offer to buy certain prospective participations submitted in an auction in accordance with the Auction Byelaw and the Auction Rules ; |
| Auction Rules | means the rules governing the conduct of auctions |

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| | made by the Council under the Auction Byelaw from time to time; |
| authorised person | means a person who is an authorised person for the purposes of FSMA (which for the avoidance of doubt shall include a member of a designated professional body); |
| body corporate | has the meaning given in the Companies Act 1985; |
| business day | means a day on which the banks in the City of London are open for the conduct of ordinary business; |
| capacity advertisement | means an initial advertisement , an offer document , a revised offer document , a circular , a revised circular , an offer announcement , a circular announcement or any other advertisement of any nature whatsoever which relates to a capacity offer ; |
| capacity arrangement | means an arrangement whereby a person entitled to participate in or accept that arrangement is invited to: <ul style="list-style-type: none"> (a) accept a surrender offer; or (b) participate in an announced auction offer by tendering his prospective participation in response to that offer; or (c) accept a competing offer; |
| capacity offer | means any offer to a person entitled to participate in or accept a capacity arrangement to participate in or accept that arrangement; |
| cash alternative | means an alternative form of consideration comprising cash; |
| cash offer | means a formal offer for a consideration comprising exclusively cash; |
| circular | means a document containing details of an announced auction offer in accordance with the Rules and, in particular, section 7 and Appendix VIII; |
| circular announcement | means an announcement issued by the offeror outlining the terms of any announced auction offer referred to in a circular in accordance with paragraph 10(2); |
| close relative | means a person's spouse, his children and step-children, his parents and step-parents, his brothers, sisters and his step-brothers and step-sisters; |

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| competing offer | means an offer to enter into an arrangement in relation to a particular syndicate under which a person entitled to participate in or accept that arrangement makes a participation nomination and/or a second nomination in respect of the whole or any part of his prospective participation for a consideration comprising exclusively cash, which prospective participation is the subject of a surrender offer ; |
| connected company | means in relation to a person (“first person”) any person who is controlled by, or is under common control with, the first person; |
| control | has the meaning given in the Definitions Byelaw (No. 3 of 2004) and “ controlled ” shall be construed accordingly; |
| Conversion Official | means the person appointed pursuant to paragraph 5A(1) of the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and includes, in respect of and to the extent of the powers and duties so delegated, any person to whom the Conversion Official shall have delegated any of his powers or duties for the time being pursuant to paragraph 5A(3) of that byelaw; |
| corporate candidate | means a candidate within the meaning of paragraph 3(2)(c) of the Membership Byelaw (No. 17 of 1993) which is a body corporate or an SLP ; |
| corporate member | means a member of Lloyd’s which is a body corporate or a Scottish limited partnership ; |
| Council | means the Council of Lloyd’s constituted by Section 3 of Lloyd’s Act 1982 and includes its delegates and persons by whom it acts; |
| derogation letter | means the letter (substantially in the form set out in Appendix VI) referred to in paragraph 4(4)(c); |
| designated professional body | means a body designated by the Treasury under section 326 of FSMA for the purposes of Part XX of FSMA ; |
| formal offer | means a surrender offer or a competing offer ; |
| FSMA | means the Financial Services and Markets Act 2000 ; |
| increasing offer | means a capacity offer under which the amount of prospective participations sought pursuant to that offer is increased; |

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| individual member | means a member of Lloyd's who is an individual; |
| initial advertisement | means any advertisement (other than an offer document , a revised offer document , a circular , a revised circular , an offer announcement or a circular announcement) inviting any person to accept or participate in a capacity offer or containing information calculated to lead directly or indirectly to any person doing so; |
| limited offer | means a capacity offer for a specified amount of the aggregate prospective participations of the persons entitled to participate in the arrangement which is the subject of the capacity offer ; |
| Lloyd's | means the Society incorporated by Lloyd's Act 1871 by the name of Lloyd's; |
| Major Syndicate Transactions Byelaw | means the Major Syndicate Transactions Byelaw (No. 18 of 1997); |
| managing agent | has the meaning given in the Definitions Byelaw (No. 3 of 2004); |
| mandatory offer | means an offer pursuant to the Mandatory Offer Byelaw ; |
| Mandatory Offer Byelaw | means the Mandatory Offer Byelaw (No. 5 of 1999); |
| MAPA | means a members' agents pooling arrangement within paragraph 10(2) of the Agency Agreements Byelaw ; |
| MAPA operator | means, in relation to a MAPA , a members' agent which operates a MAPA within the meaning of paragraph 1(2) of the Agency Agreements Byelaw ; |
| member | means as the context requires, an individual member or a corporate member ; |
| members' agent | has the meaning given in the Definitions Byelaw (No. 3 of 2004); |
| member's syndicate premium limit | has the meaning given in the Definitions Byelaw (No. 3 of 2004); |
| minority buy-out | means a minority buy-out made pursuant to the Major Syndicate Transactions Byelaw ; |
| misconduct | has the meaning given in the Misconduct and Penalties Byelaw (No. 30 of 1996); |
| MSU | means Lloyd's Members' Services Unit; |

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| offer announcement | means an announcement issued by the offeror outlining the terms of any formal offer contained in an offer document in accordance with paragraph 10(2); |
| offer document | means a document containing a formal offer in accordance with the Rules and, in particular, section 7 and Appendix VII; |
| offer period | means the period during which a formal offer remains open for acceptance; |
| offeror | means a managing agent (or a connected company of such managing agent) or such other person which has been approved by the Conversion Official to act as an offeror in accordance with section 4; |
| participation nomination | means a nomination such as is referred to in clause 11A.2 of an agreement in the terms of the standard managing agent's agreement ; |
| POS Regulations | means the Public Offers of Securities Regulations 1995; |
| prescribed date | means, in relation to a paragraph of the Rules , the date in each year prescribed by the Conversion Official for the purposes of that paragraph of the Rules ; |
| prescribed fee | means a fee prescribed by the Conversion Official for the purposes of a particular paragraph of the Rules ; |
| prescribed form | means in a form prescribed by the Conversion Official from time to time; |
| prohibited territory | means Singapore and such other territories as may be prescribed as prohibited territories by the Conversion Official from time to time; |
| prospective participation | means, in relation to a syndicate and a particular person, the amount of the member's syndicate premium limit with which that person will be entitled to participate as a member of that syndicate for the next following year of account ; |
| reducing offer | means a formal offer under which the amount of prospective participations sought pursuant to that offer is reduced by virtue of the offeror of that formal offer (or a connected company of that offeror) acquiring the same prospective participations in an auction or pursuant to any other means permitted by Lloyd's from time to time; |

Register of Sponsors

means the register held by **Lloyd's** which lists all persons who are approved by the **Conversion Official** to act as **sponsors**;

relevant information

means in relation to a **syndicate**, information which could reasonably be expected to influence the decision of any person whether to become or remain a member of that **syndicate**, or to increase or reduce his **prospective participation** in that **syndicate** and shall include any information relating to:

- (a) any change of **active underwriter** or the deputy of the **active underwriter** or other personnel responsible for key roles in the business of the **syndicate**, including but not limited to the purchase and vetting of reinsurance and cash and investment management; or
- (b) any sale of the goodwill of the business of acting as managing agent of that **syndicate**, any sale of the benefit or burden of the contracts relating to the management of that **syndicate**, any cessation of acceptance of new or renewal business on behalf of that **syndicate** by the **managing agent** of that **syndicate** or any syndicate merger (within the meaning of paragraph 1(2) of the Major Syndicate Transactions Byelaw) in which the **syndicate** is either a ceasing syndicate (within the meaning of that paragraph) or the successor syndicate (within the meaning of that paragraph); or
- (c) any proposal to effect a transaction, arrangement or matter described in (b) above, where a firm intention to effect such transaction, arrangement or matter has been formed; or
- (d) any material change in the nature or scope of the underwriting or reinsurance accepted or effected on behalf of the **syndicate**; or
- (e) any material change in the geographical split of syndicate business being written; or
- (f) any material change in the **prospective participation** in the **syndicate** of the **active underwriter** or in any shareholding or interest the **active underwriter** may have in any **corporate member** which is a member of that **syndicate**; or

| | |
|--|---|
| | (g) the identity of any person which the managing agent of the syndicate is aware is proposing to acquire control of that managing agent ; or |
| | (h) any material change in the risk-based capital ratio applicable to the syndicate ; |
| revised circular | means a document which amends and/or supplements and/or revises the information contained in a circular ; |
| revised offer document | means a document which amends and/or supplements and/or revises the information contained in an offer document ; |
| Rules | means these conditions and requirements; |
| Scottish limited partnership or SLP | means a limited partnership formed in Scotland under the Limited Partnerships Act 1907; |
| second nomination | means a nomination under paragraph 2 of the Second Nomination Byelaw ; |
| Second Nomination Byelaw | means the Assignment of Syndicate Participations (Second Nomination) Byelaw (No. 6 of 2000); |
| share alternative | means an alternative form of consideration comprising securities; |
| share offer | means a surrender offer for a consideration comprising exclusively securities; |
| sponsor | means a person who has been approved by the Conversion Official to act as a sponsor in accordance with section 3; |
| standard managing agent's agreement | means the form of agreement between a member and a managing agent prescribed by the Agency Agreements Byelaw and set out in Schedule 3 or 4 thereof (as appropriate); |
| standard members' agent's agreement | means the form of agreement between a member and a members' agent prescribed by the Agency Agreements Byelaw and set out in Schedule 1 thereof; |
| stepped offer | means a formal offer where the consideration payable to all those who accept such offer is increased in accordance with the amount of the prospective participations to be acquired by the offeror ; |
| surrender arrangement | means an arrangement in relation to a particular |

syndicate under which a person entitled to participate in or accept that arrangement surrenders the whole or any part of his **prospective participation** for cash or other consideration in circumstances in which no **participation nomination** or **second nomination** is made and either:-

- (i) the arrangement is entered into with the **managing agent** of that **syndicate**; or
- (ii) that **managing agent** agrees to permit another **member** to underwrite in succession to that person without the requirement for a **participation nomination** or a **second nomination** to be made;

surrender offer

means an offer to enter into a **surrender arrangement**;

syndicate

means a group of **members** or a single **corporate member** underwriting insurance business at Lloyd's through the agency of a **managing agent** to which a particular syndicate number is assigned by or under the authority of the **Council**;

syndicate allocated capacity

has the meaning given in the Definitions Byelaw (No. 3 of 2004);

syndicate business forecast

means a business forecast prepared by the **managing agent** of a **syndicate** in respect of the following **year of account** for circulation to members of the syndicate and supporting **members' agents**;

underwriting agent

means a **managing agent** or a **members' agent**;

United States

means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

unlimited offer

means a **capacity offer** for the aggregate **prospective participations** of all the persons entitled to participate in or accept the arrangement which is the subject of the **capacity offer**;

unlisted security

means an investment which

- (a) is not admitted to official listing nor the subject of an application for listing in accordance with Part VI of **FSMA**; and
- (b) falls within paragraph 1, 2, 4 or 5 of Schedule 2 Part II to **FSMA**;

US business day

means any day other than a Saturday, a Sunday or a

United States federal holiday;

US person

means a person who is resident in, or incorporated under the laws of, the **United States**; and

year of account

means an accounting year at **Lloyd's**, currently the calendar year.

2 Any reference to any statute, statutory provision, byelaw or regulation shall include any modification, re-enactment or extension of that statute, statutory provision, byelaw or regulation from time to time.

3 Unless the context otherwise requires, expressions defined in Lloyd's Acts 1871 to 1982 or in the Conversion and Related Arrangements Byelaw (No. 22 of 1996) shall have the same meanings in the **Rules**.

4 In the **Rules**:

(a) use of the singular includes the plural and vice versa;

(b) use of any gender includes the other genders; and

(c) reference to a "person" includes an individual, body corporate or Scottish limited partnership.

5 For the purposes of the **Rules**, a person is entitled to participate in or accept a **capacity offer** or **capacity arrangement** if that person is entitled to make a **participation nomination** and/or **second nomination** in respect of the **syndicate** to which that offer or arrangement relates.

APPENDIX I

TABLE OF PRESCRIBED DATES FOR 2004

Key

CORs Capacity Offer Rules
CO Conversion Official

PART I

FORMAL OFFERS

Authority/Form

Earliest date to apply to become a sponsor

1 June

Form SP1

CO will use reasonable endeavours to approve sponsor not more than 3 **business days** after receipt of Form SP1

CORs 3(2)(c)

Earliest date to submit an application in principle (“AIP”)

1 June

Form AP1 (Capacity Offer Rules)

CO will use reasonable endeavours to approve the AIP not more than 3 **business days** after receipt of Form AP1 (Capacity Offer Rules)

CORs 5(1)(c)

Earliest date to submit an initial draft offer document and related documents

1 June

CO will use reasonable endeavours to provide preliminary comments on the first draft not more than 5 **business days** after receipt

CORs 7(9)(b)

Earliest date to issue an initial advertisement

The day on which the AIP has been approved by the CO

CORs 6(1)(a)

Latest date to submit an application for approval (together with a final draft offer document, related documents and cheque for the prescribed fee)

2 **business days** before the proposed date of issue of the **offer document**

Form AP2 (Capacity Offer Rules)
CORs 8(2)

Latest date to make a competing offer

Within 10 **US business days** of the date on which the **offer**

CORs 1(4)(a)(i)

| | Authority/Form |
|--|-----------------------|
| document containing the relevant surrender offer was first issued | |
| Earliest date for formal offer to close | |
| 20 US business days after the offer document was first issued | CORs 11(1)(a) |
| Latest date to apply to become a sponsor of (or to submit an AIP for) a limited offer | |
| 2 August | CORs 5(1)(b) |
| Latest date to submit an initial draft offer document and related documents for a limited offer | |
| 2 August | CORs 7(9)(a) |
| CO will use reasonable endeavours to provide preliminary comments on the first draft not more than 5 business days after receipt | CORs 7(9)(b) |
| Latest date to apply to become a sponsor of (or to submit an AIP for) an unlimited offer | |
| 31 August | CORs 5(1)(b) |
| Latest date to submit an initial draft offer document and related documents for an unlimited offer | |
| 31 August | CORs 7(9)(a) |
| CO will use reasonable endeavours to provide preliminary comments on the first draft not more than 5 business days after receipt | |
| Latest date for an offer to close when a minority buy-out application is intended to be made | |
| 31 August | CORs 1(17)(c) |
| Latest date by which an announcement has to be made if no offer document has been issued | |
| 42 business days after the initial advertisement was issued or, if earlier, 2 September (being 25 business days before the first day of the last auction) | CORs 7(8)(a) |

| | Authority/Form |
|--|-----------------------|
| Latest date to issue a revised offer document | |
| 10 US business days before the final closing date of the formal offer | CORs 11(1)(b)(ii) |
| Latest date to increase the consideration being offered under a formal offer | |
| 10 US business days before the final closing date of the formal offer | CORs 1(5)(d) |
| Latest date to declare a conditional formal offer to be unconditional as to acceptances | |
| 10 US business days before the final closing date of the formal offer | CORs 11(1)(c) |
| Final date to close a limited offer | |
| 17 September | CORs 1(17)(b) |
| Date of last auction | |
| 28/29 September | |
| Final date to close an unlimited offer | |
| 14 October | CORs 1(17)(a) |
| If notice has been given under clause 11.5 of the standard managing agent's agreement, date after which no prospective participations can be transferred without the managing agent's consent | |
| 15 October | CORs 1(6)(b)(iii) |

PART II

ANNOUNCED AUCTION OFFERS

| | Authority/Form |
|--|--|
| Earliest date to apply to become a sponsor | |
| 1 June | Form SP1 |
| CO will use reasonable endeavours to approve sponsor not more than 3 business days after receipt of Form SP1 | CORs 3(2)(c) |
| Earliest date to submit an application in principle (“AIP”) | |
| 1 June | Form AP1 (Capacity Offer Rules) |
| CO will use reasonable endeavours to approve the AIP not more than 3 business days after receipt of Form AP1 (Capacity Offer Rules) | CORs 5(1)(c) |
| Earliest date to submit an initial draft circular and related documents | |
| 1 June | |
| CO will use reasonable endeavours to provide preliminary comments on the first draft not more than 5 business days after receipt | CORs 7(9)(b) |
| Earliest date to issue an initial advertisement | |
| The day on which the AIP has been approved by the CO | CORs 6(1)(a) |
| Latest date to submit an application for approval (together with a final draft circular, related documents and a cheque for the prescribed fee) | |
| 2 business days before the proposed date of issue of the circular | Form AP2 (Capacity Offer Rules) CORs 8(2) |
| Latest date to issue a circular | |
| 20 US business days before the first day of the first, or only, auction in which the announced auction offer will be made | CORs 7(3)(d) |
| Latest date to apply to become a sponsor of (or to submit an AIP for) a limited offer | |
| 2 August | CORs 5(1)(b) |

| | Authority/Form |
|--|-----------------------|
| Latest date to submit an initial draft circular and related documents for a limited offer | |
| 2 August | CORs 7(9)(a) |
| CO will use reasonable endeavours to provide preliminary comments on the first draft not more than 5 business days after receipt | CORs 7(9)(b) |
| Latest date to apply to become a sponsor of (or to submit an AIP for) an unlimited offer | |
| 13 August | CORs 5(1)(b) |
| Latest date to submit an initial draft circular and related documents for an unlimited offer | |
| 13 August | CORs 7(9)(a) |
| CO will use reasonable endeavours to provide preliminary comments on the first draft not more than 5 business days after receipt | CORs 7(9)(b) |
| Latest date by which an announcement has to be made if no circular has been issued | |
| 42 business days after the initial advertisement was issued or, if earlier, 2 September (being 25 business days before the first date of the last auction) | CORs 7(8)(a) |
| Latest date to issue a revised circular | |
| 10 US business days before the first day of the first, or only, auction in which the announced auction offer will be made | CORs 9(3)(i) |
| Date of last auction | |
| 28/29 September | CORs 9(3)(i) |
| If notice has been given under clause 11.5 of the standard managing agent's agreement, date after which no prospective participations can be transferred without the managing agent's consent | |
| 15 October | CORs 1(6)(b)(iii) |

APPENDIX II

LIST OF FOREIGN LAWYERS AND ADDITIONAL US REQUIREMENTS

PART I

LIST OF FOREIGN LAWYERS

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|------------------------|--------------------------------|---|------------------------------|
| Australia | Freehill Hollingdale & Page | Level 30, MLC Centre 19 Martin Place Sydney NSW 2000 Australia Tel: 00612 9225 5000 Fax: 00612 9322 4000 | Don Harding |
| Belgium | Freshfields Bruckhaus Deringer | Tel: 00322 230 0820 Fax: 00322 230 1730 | Guy Schrans |
| Bermuda | Appleby Spurling & Kempe | Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda Tel: 001441 295 2244 Fax: 001441 292 6999 | Warren Cabral/ Tim Ferris |
| British Virgin Islands | Harney, Westwood & Riegels | Craigmuir Chambers P O Box 71 Road Town Tortola BVI Tel: 001 809 494 2233 Fax: 001 809 494 3547 | Richard Parsons |
| Canada | Stikeman, Elliott | Suite 5300 Commerce Court West P O Box 85 Toronto, Ontario Canada M5L 1B9 Tel: 001 416 869 5500 Fax: 001 416 947 0866 | Michael Rumball |
| | Stikeman, Elliott (London) | Cottons Centre Cottons Lane London SE1 2QL Tel: 0207 378 0880 Fax: 0207 378 0344/ 0207 865 0226 | Michele J Buchignani |
| | M J Oppenheim CA | 1155 Rue University | Vincent Gallo |

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|------------------------|-------------------------------------|--|---|
| | | 1400 Montreal Quebec Tel: 001 514 393 5327 Fax: 001 514 861 0470 | |
| | McMaster Meighen | 630 Rene Levesque Blvd West, 77th Floor Montreal Quebec Tel: 001 514 879 1212 Fax: 001 514 878 0605 | |
| Denmark | Plesner & Lunoe | Esplanaden 34 DK1283 Copenhagen Cop. K Denmark Tel: 0045 3312 1133 Fax: 0045 3312 0014 | Carsten Tvede-Moller |
| France (Paris) | Freshfields Bruckhaus Deringer | Tel: 00331 4456 4456 Fax: 00331 4456 4400 | Veronique Collin/ Jacques Bertan de Balanda |
| Germany (Frankfurt) | Freshfields Bruckhaus Deringer | Tel: 0049 6997 570 107 Fax: 0049 6974 8917 | Joachim Kaffanke/ Matthias Fenner |
| Greece | Kyriakides & Partners | 6 Queen Sophia Avenue 106 74 Athens Greece Tel: 00301 724 3072 Fax: 00301 725 0607 | Leonidas C Georgopoulos |
| Guernsey | Ozanne Van Leuven Perrot & Evans | P O Box 186 Le Marchant Street St Peter Port Guernsey Tel: 01481 723446 Fax: 01481 714653 | P A Harwood |
| Hong Kong | Freshfields Bruckhaus Deringer | Tel: 00852 2846 3400 Fax: 00852 2810 6192 | Martin Taylor/ David Aughey |
| Ireland | A & L Goodbody | 1 Earlsfort Centre Hatch Street Dublin 2 Ireland Tel: 3531 661 3311 Fax: 3531 661 3278 | J A O'Farrell |
| Italy | Studio Legale Ughi E Nunziante | Via Sant'Andrea 19-20121 Milan | Michael Kirkham/ Maurizio Fraschini |

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|---|--|---|----------------------------------|
| | | Italy Tel: 00392 7601 3368 Fax: 00392 7600 9535 | |
| Isle of Man | Simcocks | Ridgeway House Ridgeway Street Douglas IM99 1PY Tel: 01624 620 821 Fax: 01624 620 994 | |
| | L J Weatherill | Top Floor Central Chambers 6 Victoria Street Douglas Isle of Man IM1 2LH Tel: 01624 674 994 Fax: 01624 674 995 | Lawrence Weatherill |
| Japan | Mitsuhiro, Yasuda, Wanu & Maeda | Akasaka 2 Plaza Building 7 14-32 Akasaka 2-Chome Minato-ku Tokyo 107 Tel: 00813 3224 0020 Fax: 00813 3224 0030 | Mitsuhiro Yasuda Akihiro Wani |
| Jersey | Bedell & Cristin | P O Box 75 Normandy House Grenville Street St Helier Jersey JE4 8PP Tel: 01534 72949 | Simon Howard J W L L Jenkin |
| Luxembourg | Loesch & Wolter | 11 Rue Goethe Boite Postale 1107 L-1011 Luxembourg Tel: 352 481 1481 Fax: 352 494 944 | Jacques Loesch |
| The Netherlands/ Netherlands Antilles | Stibbe Simont Monahan Duhot | Strawinskylaan 2001 P O Box 75640 1070 Tel: 00312 0546 0606 Fax: 00312 0546 0123 | Jaap Willeumier |
| | Stibbe Simont Monahan Duhot (London) | Tel: 600 4411 Fax: 600 4400 | Rein Kronenberg |

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|----------------|--|--|---|
| New Zealand | Rudd Watts & Stone | Trust Bank Centre 125 Terrace Wellington Tel: 0064 4472 4899 Fax: 0064 4473 8232 | Scott Galloway |
| | Chapman, Tripp, Sheffield, Young | Level 35 Coopers & Lybrand Tower 23-9 Albert Street P O Box 2206 Auckland, NZ Tel: 00649 357 9000 Fax: 00649 358 0280 | Mr A W Young |
| Portugal | AM Pereira, Saragga Leal, Livira Martins, Judice, Torres E Associados | Rue Silva Carvalho No. 234-70 1296 Lisbon Codox Tel: 003511 383 2981 Fax: 003511 383 3651 | Fernando Campos Ferreira |
| Singapore | Wong Partnership | 80 Raffles Place # 58-01 UOB Plaza 1 Singapore 048624 Tel: 0065 532 7488 Fax: 0065 532 5711 | Mrs Lee Suet Fern/ Mr Mark Buchanan/ Ms Phua Aik Siew |
| South Africa | Webber Wentzel Bowen | 60 Main Street Johannesburg South Africa Tel: 002711 240 5244 Fax: 002711 834 6701 | Jack Jarvis Murray Thompson |
| Spain (Madrid) | Freshfields Bruckhaus Deringer | Tel: 00341 319102 Fax: 00341 3084636 | Javier Gomez Acebo |
| Switzerland | Lenz & Staehelin | Bleicherweg 58 CH-8027 Zurich Tel: 0041 1204 1212 Fax: 0041 1204 1200 | Matthias Oertle |
| USA | Cleary, Gottlieb, Steen & Hamilton | City House 55 Basinghall Street London EC2V 5EH | Ed Greene |

COUNTRY

COMPANY NAME

ADDRESS

CONTACT

Tel: 0207 614 2200
Fax: 02-7 600 1698

PART II

ADDITIONAL US REQUIREMENTS

Capacity offers must be extended to **US persons** and the following requirements apply:-

- (a) an **offeror** should ensure that documentation is reviewed by US counsel;
- (b) persons who are not US registered broker dealers should not be paid any transaction based compensation in connection with their solicitation of acceptances of (or participations in) the **capacity offer** by **US persons**.

Although Lloyd's denies that a **prospective participation** constitutes a security, **offerors**, by extending **capacity offers** to **US persons**, are utilising US jurisdictional means. **Offerors** should therefore consult with US counsel as to the legal ramifications.

APPENDIX III

Form CU

CONFIDENTIALITY UNDERTAKING

[ON LETTERHEAD OF SPONSOR]

To: The Society of Lloyd's incorporated by Lloyd's Act 1871("Lloyd's")
One Lime Street
London
EC3M 7HA

For the attention of the Conversion Official

[Date]

Dear Sir

- 1 We refer to the capacity offer to be made by [insert name of promoter of the relevant capacity arrangement] to [insert a description of those persons to whom the offer will be made eg: those persons who underwrite on syndicates [] for the current year of account/those persons who participate on MAPA [] etc] ("the target persons"). We act as sponsor in relation to the capacity offer and, in order to facilitate the posting of a document containing the offer ("the [offer document/circular]") to the target persons, we require Lloyd's to provide us with the names and addresses of the target persons ("the information").
- 2 In consideration of Lloyd's making the information available to us, we unconditionally and irrevocably undertake to Lloyd's as follows:-
 - (a) We will keep the information confidential and ensure that it is not disclosed without the prior written consent of Lloyd's to any person other than to those of our employees to whom the information is required to be disclosed for the purpose of posting the [offer document/circular]. We may, however, disclose any of the information which we are required to disclose by law, judicial order or by any self regulating or similar organisation to whose rules we are subject.
 - (b) We will procure that each person to whom the information or any of it is disclosed is made aware of the terms of this undertaking and complies with its terms as if they were party to it.
 - (c) We will not copy or use all or any part of the information for any purpose other than to facilitate the posting of the [offer document/circular] and we acknowledge that neither we, nor any third party on whose behalf we act, shall be entitled to any right or licence in respect of the information. Accordingly, we will, upon demand at any time and, in any event, within three working days after the date on which the [offer document/circular] is posted:
 - (i) return or procure the return to Lloyd's of all copies, extracts or other reproductions (in whole or in part) of documents containing or reflecting the information without keeping copies thereof;
 - (ii) erase and destroy all data from any computer, word processor or other device

in our possession, custody or control containing or reflecting any of the information; and

- (iii) confirm to Lloyd's in writing that we have fully complied with our obligations under paragraphs 2(c)(i) and 2(c)(ii).
 - (d) We will indemnify Lloyd's against any loss, damage or expense incurred by it as a result of any breach of the terms of this undertaking.
 - (e) For the avoidance of doubt, we shall not disclose the information (or any part thereof) to [*insert name of managing agent*] or any director or employee of [*insert name of managing agent*] or any of its associates. For this purpose "associate" shall mean any person which controls, is controlled by or is under common control with [*insert name of managing agent*] and any director or employee of any such person where "control" has the meaning given in the Definitions Byelaw (No.3 of 2004).
- 3 This letter, when signed by us, shall constitute a legally binding undertaking. If any provision of this undertaking shall for any reason be unenforceable, the remainder of this undertaking shall nevertheless remain in full force and effect. This undertaking shall be governed by and construed in accordance with English law and we hereby irrevocably submit to the non-exclusive jurisdiction of the English Courts.

Yours faithfully

.....
Director
for and on behalf of [*insert name of sponsor*]

Note

In cases where the Conversion Official has agreed to an offer being made without a sponsor being appointed (see Section 3), a confidentiality undertaking will be required from the offeror which should take the form of a suitably modified version of the letter set out above. In cases of doubt, any proposed modifications should be agreed in advance with the Conversion Official.

LLOYD’S SPONSOR QUESTIONNAIRE AND UNDERTAKING

Name of Sponsor
(the “Sponsor”)

Registered number:

Any business name used:

Registered/principal address:
.....
.....

THE FOLLOWING QUESTIONS APPLY TO EVENTS WITHIN THE LAST TEN YEARS BOTH IN THE UNITED KINGDOM AND ELSEWHERE. If the answer to any question is "Yes", give details on a separate sheet of paper and attach copies of any relevant documents.

Note: If the Sponsor is a partnership, reference to "the Sponsor" in the following questions is to the partnership and to each partner (but only in their capacity as a partner in the partnership).

1. Has the Sponsor at any time been convicted of any criminal offence by any court either civil or military or been subject to penalties for deliberate tax evasion?

YES/NO*

2. Has the Sponsor been censured, disciplined, warned as to future conduct, or publicly criticised by, or made the subject of a court order at the instigation of, or been refused authorisation, registration or admittance by, or withdrawn any application for authorisation, registration or admittance to, any regulatory authority (including but not limited to Lloyd's, FSA (and any predecessor organisation), the Secretary of State for Trade and Industry and the Panel on Takeovers and Mergers) or any professional body?

YES/NO*

3. Has the Sponsor been a party to a deed of arrangement or made any other form of composition with its creditors?

YES/NO*

4. Has a petition for the bankruptcy or compulsory winding up of the Sponsor been served at any time or is such a petition pending?

YES/NO*

* Delete as appropriate
* Delete as appropriate

5. Has the Sponsor at any time failed to satisfy any debt adjudged due and payable by it as a judgement-debtor under an order of court?
- YES/NO*
6. Has any body corporate or partnership with which the Sponsor was associated as a controller been compulsorily wound up or made any compromise or arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims, either whilst the Sponsor was associated with it or within one year after the Sponsor ceased to be associated with it?
- YES/NO*
7. Has the Sponsor been adjudged civilly liable for any fraud, misfeasance or other misconduct?
- YES/NO*
8. Has the Sponsor been the subject of an investigation by or at the instigation of a government department or agency, professional association or other regulatory body which has resulted in materially adverse or materially negative findings?
- YES/NO*
9. Has any application by the Sponsor for a licence, recognition or equivalent authorisation to carry on any business activity in the United Kingdom or elsewhere been refused or withdrawn after it was made or any authorisation revoked?
- YES/NO*
10. Have the Sponsor's affairs ever been investigated by any regulatory body of which it is, or was at the time, a member or by any other regulatory body, but excluding inspections conducted in the course of normal monitoring and surveillance procedures which did not result in materially adverse or materially negative findings?
- YES/NO*
11. Has the Sponsor ever been the subject of formal investigation under any legislation?
- YES/NO*
12. Have the Sponsor's books and records been requisitioned or seized by any regulatory body or other authority in exercise of its powers?
- YES/NO*
13. How many directors, officers or employees of the Sponsor have experience of acting as a sponsor, or otherwise as a corporate finance or professional adviser, in relation to transactions related to the Lloyd's market and other appropriate major transactions involving listed or other public companies, including without limitation, initial public offers, demergers, or other issues of securities involving listing particulars, AIM particulars, a Companies Act prospectus or equivalent documents within the last three years?

* Delete as appropriate

If the number of such persons is less than 6, please supply details of such experience.

UNDERTAKING in favour of the Society of Lloyd's incorporated by Lloyd's Act 1871 ("**Lloyd's**").

1. **The Sponsor warrants and undertakes** that:

- (a) it reasonably believes that it has the competence and experience to discharge its responsibilities as a Lloyd's sponsor as set out herein and where relevant in the conditions and requirements prescribed by the Council of Lloyd's made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) ("**the Rules**");
- (b) having made all reasonable enquiries, the information supplied to Lloyd's in response to the attached questionnaire is, to the best of its knowledge and belief, accurate in all material respects and does not omit any information relating to itself which might reasonably be considered relevant to the application of the Sponsor for approval to act as a sponsor for one or more corporate candidates or Scottish limited partnerships ("**SLPs**") applying for membership of Lloyd's, a sponsor of a conversion scheme (as defined in the Rules) and/or a sponsor of a capacity offer (likewise as defined in the Rules);
- (c) it will notify Lloyd's in writing of any material change in the information either provided in response to the attached questionnaire or otherwise provided to Lloyd's in relation to its application for approval to act as a sponsor (as referred to in (b) above) which occurs pending approval and during the period in which the Sponsor remains so approved; and
- (d) it will, where applicable, comply with the applicable requirements of the Rules.

2. **The Sponsor authorises Lloyd's** to make such enquiries as it may consider necessary in connection with the attached questionnaire.

3. **The Sponsor undertakes** in relation to each corporate candidate or SLP applying for membership of Lloyd's, each promoter of a conversion scheme and each offeror of a capacity offer, in each case whose application the Sponsor from time to time supports (in each case the "**Candidate**") that the Sponsor will be responsible until (i) the date any offer in connection with a conversion scheme or capacity offer closes or, (ii) the date of the Candidate's admission to membership or, (iii) if admission is refused, the date of such refusal or, (iv) the date of the grant of permission to underwrite or, (v) if permission to underwrite is refused, the date of such refusal, whichever is the latest, for:

- (a) ensuring that the Candidate has been or will be properly advised as regards its formation and the distribution and marketing of its shares or, in the case of an SLP, partnership interests in it;
- (b) ensuring that all information relevant to the Candidate's application has been disclosed to the Candidate and to Lloyd's;
- (c) reviewing the Candidate's application and supporting documentation and other information which might be considered relevant to the application and satisfying itself that the application has been properly prepared after due and careful enquiry;
- (d) ensuring that the Candidate and its directors (or, in the case of an SLP, its partners, including its general partner(s)) are aware of their obligations under the membership agreement in the form prescribed by the Council of Lloyd's and to be entered into between Lloyd's and the Candidate and the other agreements and instruments to which the Candidate is required to become a party in connection with admission to membership and the grant of permission to underwrite and, if applicable, of their rights and obligations under the approved arrangement (as defined in the Conversion and Related Arrangements Byelaw (No. 22 of 1996)) and any other agreements and documents into which they are proposing to enter;

- (e) where applicable, ensuring that all relevant requirements of the Rules have been or will be complied with;
- (f) where applicable, ensuring that the promoter of a conversion scheme and the offeror of a capacity offer and, in each case, their respective directors (or, in the case of an SLP, its partners, including its general partner(s)) or any other person concerned with the promotion or making of a conversion invitation or a capacity offer has been properly guided and advised as to their respective obligations under the Rules and, in respect of any documents, proposed to be issued, that they are prepared in accordance with the Rules and any applicable securities laws.

4. **The Sponsor will provide to Lloyd's** such further details regarding its standing, experience and understanding of Lloyd's as Lloyd's may from time to time require.

5. **The Sponsor will notify Lloyd's** in writing of its resignation as sponsor of a Candidate or of any dismissal as such and of any relevant facts or circumstances.

6. **The Sponsor acknowledges and agrees** that Lloyd's may remove the Sponsor's approval to act as a sponsor for one or more Candidates applying for membership of Lloyd's, promoters of a conversion scheme or offerors of a capacity offer if Lloyd's considers that the Sponsor is in breach of its responsibilities as set out in this undertaking and that Lloyd's may report the fact that it has done so and the reasons for its action to the Sponsor's principal regulator.

7. **The Sponsor acknowledges and agrees** that this undertaking is subject to English law and hereby submits to the exclusive jurisdiction of the English courts.

Dated this _____ day of _____ 20_____

EXECUTED as a DEED

APPENDIX V

LLOYD'S OFFEROR UNDERTAKING [To be typed on offeror's letterhead]

Form P1 (Capacity Offer Rules)

UNDERTAKING in favour of the Society of Lloyd's incorporated by Lloyd's Act 1871 ("Lloyd's").

1 [insert name of offeror](the "offeror") warrants and undertakes that it:

- (a) accepts the responsibilities of an offeror set out in the Capacity Offer Rules made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the "Rules") and will discharge those responsibilities at all times with due skill and care and to the reasonable satisfaction of Lloyd's;
- (b) will comply at all times with the Rules;
- (c) will ensure that any capacity offer which it promotes or makes complies at all times with the Rules;
- (d) will use all reasonable endeavours to ensure that any other person concerned with the promotion or making of such capacity offer is properly guided and advised as to its obligations under the Rules;
- (e) will notify the Conversion Official in writing forthwith upon it ceasing to be an offeror of any capacity offer;
- (f) reasonably believes that it has the competence and experience to discharge its responsibilities as an offeror as set out herein and where relevant in the Rules;
- (g) will notify Lloyd's in writing of any material change to its circumstances or to the information provided to Lloyd's in relation to it acting as an offeror in relation to a capacity offer;
- (h) provide details to Lloyd's of any commission payable to it or similar arrangements agreed by it in relation to the capacity offer; and
- (i) at all times observe any applicable principles prescribed by the Council of Lloyd's from time to time.

2 Words and expressions used herein shall have the meaning ascribed thereto in the Rules.

3 The offeror acknowledges and agrees that this undertaking is subject to English law and hereby submits to the exclusive jurisdiction of the English courts.

Dated this day of [insert month and year]

EXECUTED as a Deed

APPENDIX VI

DEROGATION LETTER

Strictly Private and Confidential

The Conversion Official
 Lloyd's
 One Lime Street
 London
 EC3M 7HA

[date]

Dear Sir

[insert brief details of capacity offer] (“the capacity offer”)

- (a) We (being the offeror of the capacity offer) refer to the [offer document/circular,] a final draft of which, dated [insert date], is attached and signed on our behalf by [insert name of director or other authorised signatory] (the “[offer document/circular]”).
- (b) We confirm that the information required by the following paragraphs of the Capacity Offer Rules is not applicable and no equivalent information is available:

| No. | Paragraph | Reason for Omission |
|-----|-----------|---------------------|
| 1 | | |
| 2 | | |

- (c) We are writing as required by paragraph 4(4)(c)(iii) of the Capacity Offer Rules to request permission to omit the information required by the above paragraphs of the Capacity Offer Rules from the [offer document/circular] on the grounds set out above.

Yours faithfully
 []
 For and on behalf of
 [insert name of offeror]

APPENDIX VII
FORMAT FOR OFFER DOCUMENT

[Name of sponsor]

[Name of offeror]

[Description of the formal offer]

1 **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the contents of this document or as to the action you should take, you should consult your members' agent, or where appropriate, your MAPA operator. [You should also consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.][†]

This document contains risk warnings and you are referred to section [insert number of section in which the risk warnings appear].

2 The directors of [insert name of offeror] whose names appear on page [insert page number] of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

3 [The securities which may be issued to you pursuant to the terms of this [formal offer] may be illiquid and there may not be a market for them.][‡]

4 ^{††} [If you are resident or domiciled in [South Africa or Israel] and wish to accept [the formal offer(s)], you must comply with all applicable [South African and Israeli] exchange control requirements. If you are in any doubt you should take professional advice from a person properly qualified to advise you].

5 Neither this document nor the accompanying [acceptance form] are being mailed or otherwise distributed in or into [list the prohibited territories] (collectively known as the "Prohibited Territories") or [list the excluded territories where the de minimis exemption set out in paragraph 1(7)(d) of the Capacity Offer Rules applies] (collectively known as the "Excluded Territories").

6 [‡] [This share offer/share alternative] is not being made in [list the jurisdictions in which the share offer/share alternative is not being made] (collectively known as the "Excluded Share [Offer or Alternative] Territories"). Accordingly, neither this [offer document] nor the accompanying [acceptance form] are being mailed or otherwise distributed in or into any such territory. The [securities] have not been, and will not be, registered under the United States Securities Act of 1933, as amended, nor under any relevant securities laws of the [Prohibited Territories, the Excluded Territories or any Excluded Share Offer/Alternative Territory]. The [securities] may not be offered, sold or delivered, directly or indirectly in or into the [Prohibited Territories, the Excluded Territories or any Excluded Share Offer/Alternative Territory].^{†††}

7 Under its powers set out in the Conversion and Related Arrangements Byelaw (No. 22 of 1996) Lloyd's has prescribed certain conditions and requirements in relation to capacity arrangements (the "Capacity Offer Rules"). Both [insert name of sponsor] and [insert name of offeror] have confirmed to Lloyd's in writing that this document complies with the Capacity Offer Rules. Lloyd's has consented to the making of [the formal offer(s)] set out in this document within the terms of the Capacity Offer Rules. However, it must be understood that in giving its consent for the making of such [offer(s)], Lloyd's takes no responsibility for [the formal offer(s)] or for the correctness of any statements made or opinions expressed in relation thereto.

[FORMAL OFFER]

BY

[INSERT NAME OF OFFEROR]

to acquire [and accept the surrender of]^{††††}
[insert details of prospective participations being sought] at a price of [insert details]

7A The content of this document and the [insert name of acceptance form / letter of authority as necessary] has been approved by [insert details] for the purposes of section 21 of the Financial Services and Markets Act 2000.

8 This document is being sent to all persons entitled to make a participation nomination and/or a second nomination in respect of [insert details of syndicate(s)] (other than those in the [Prohibited Territories, Excluded Territories or any Excluded Share Offer/Alternative Territory]), to all MAPA operators with participations on [insert details of

[†] to be included where there is a share offer or a share alternative is offered.

^{††} to be included where the formal offer is made to persons resident in South Africa and/or Israel.

^{†††} if the formal offer is to be issued to US persons full compliance must be made with Part II of Appendix II of the Capacity Offer Rules.

^{††††} to be appropriately amended where the formal offer is a competing offer.

syndicate(s)] and to all supporting members' agents and Lloyd's advisers.

9 THE PROCEDURE FOR ACCEPTING THE OFFER IS SET OUT ON PAGE [*INSERT PAGE NUMBER*] [*AND IN THE ACCEPTANCE FORM.*] ACCEPTANCES SHOULD BE SENT TO [*INSERT DETAILS*].

10 THE LATEST TIME FOR RECEIPT (BY HAND OR BY POST) OF ACCEPTANCES IS [*INSERT TIME*] ON [*INSERT DATE*].

11 **Contents page**

[*Insert contents page*]

12 **Definitions**

Include a statement that:-

Any expression not otherwise defined in this offer document shall have the meaning given to it in the Capacity Offer Rules.

Include a definitions section using, where possible, the definitions set out in the Capacity Offer Rules.

13 **Acceptance procedure**

Set out details of the acceptance procedure including that relating to members participating through MAPAs.

14 **Key features**

Set out in summary the following information or indicate where in the offer document such information appears:-

- (a) the names of the sponsor, the offeror (and, if the offeror is a connected company of a managing agent, the name of that managing agent) and, if different, the name of the person liable to pay the consideration or provide the share offer or share alternative;
- (b) details of the formal offer being made (including details of any conditions to which it is subject);
- (c) if the formal offer is a limited offer or an unlimited offer, this fact must be stated and the implications summarised;
- (d) if the formal offer may be a reducing offer or an increasing offer, this fact must be stated and the implications summarised;
- (e) if the formal offer is a stepped offer, details of how the consideration is calculated must be given and the implications summarised;

- (f) † details of any securities which it is proposed any person accepting the formal offer will receive under a share offer or a share alternative;
- (g) † details of how any person accepting the formal offer will be able to dispose of any securities which he may receive upon accepting a share offer or a share alternative;
- (h) the taxation effects of surrendering or otherwise disposing of prospective participations for cash and/or accepting a share offer or a share alternative;
- (i) details of a helpline (if any) for enquiries on the procedure for acceptance;
- (j) details of how to accept the formal offer;
- (k) the date on which the formal offer will close;
- (l) the date on which the consideration will be paid and payment method/securities issued;
- (m) whether the offeror intends to participate in the auctions, including the details of such intentions and giving an indication of price and frequency; and
- (n) any other information that is material to any person to whom the formal offer is being made in determining whether or not to accept the formal offer;

Include a statement that:-

Although this document contains information about the position of [*insert details of syndicate(s)*], persons to whom [*the formal offer*] is being made should be aware that further information, including the relevant syndicate business forecasts, which may affect their decision as to whether to accept [*the formal offer*], may become available after the date of this document and before the final closing date of [*the formal offer*]. Such persons are advised to contact their members' agent to ensure that they receive all such further information before accepting [*the formal offer*].

15 **Timetable**

Provide an expected timetable setting out the key dates affecting the formal offer and including details of the auction timetable.

16 **Terms and conditions**

The offer document must clearly set out:-

- (a) the terms and any conditions of the formal offer (including the circumstances in which a second nomination may be made in response to the formal offer);
- (b) † the rights and obligations attaching to any securities which it is proposed a person accepting the formal offer will receive under a share offer or share alternative; and
- (c) any conditions to which acceptance of the formal offer is subject.

† to be included where there is a share offer or a share alternative is offered.

17 † Listing

Provide a statement from the directors of the offeror as to whether or not it is intended that any of the securities which it is proposed should be issued are to be listed or dealt in on any exchange or recognised market and, if so, when it is anticipated that such facility will commence.

18 Risk and other factors

The following statements must, where applicable, be included. Reference must be made in the derogation letter to any statements which are not included together with an explanation as to their omission.

(a) There is no obligation on [*the offeror*] to provide a formal valuation or justification of the consideration being offered under [*the formal offer*].

(b) In the case of a limited offer:-

If [*the formal offer*] is over subscribed, [*the offeror*] will deal with it as follows: [*set out the method opted for from the options listed in 21(a) below*]. This may result in a person who has accepted the offer [*only being successful in respect of part of the prospective participation tendered/being unsuccessful in a ballot.*]

(c) In the case of a cash offer (whether limited or unlimited) (which is not a reducing offer):-

[*The offeror*] may decide to participate in the auctions to be held after the date of this offer document for the prospective participations which are the subject of [*the formal offer*] for a consideration which is equal to or lower than the consideration being offered under [*the formal offer*].

(d) In the case of a mandatory offer:-

[*The offeror*] is required to make [*the formal offer*] at not less than the higher of the highest price paid by it (or the highest price paid by any associate (within the meaning of the Mandatory Offer Byelaw) of it) for prospective participations which are the subject of [*the formal offer*] in the period beginning on [*specify*] and ending on [*specify*].

(e) [*The formal offer*] is being made for prospective participations on [*the syndicate(s)*] (which are subject to any pre-emptions or de-emptions for the following year of account). If a person to whom [*the formal offer*] is being made does not accept [*the formal offer*] and does not take up any pre-emption right, then the amount of such increase will drop back to [*the offeror/managing agent*] for nil value.

(f) If a person to whom [*the formal offer*] is being made accepts [*the formal offer*], he will dispose of his prospective participation on [*the syndicate(s)*] at the offer price. Such persons should be aware that there may be an opportunity to dispose of such participation in an auction [or in any other way permitted by Lloyd's from time to time] at a price which is higher than the offer price.

19 Extensions and variations

State whether the capacity offer can be extended or varied.

† to be included where there is a share offer or a share alternative is offered.

20 **Taxation**

- (a) State the UK tax implications of accepting the formal offer or any share offer or share alternative.
- (b) Include in respect of each jurisdiction (other than the UK) into which the offer document is to be mailed or otherwise distributed, either details of the tax implications of accepting the formal offer or any share offer or share alternative or a statement that persons to whom the formal offer is being made are recommended to take their own advice.

21 **Acceptances**

- (a) The offer document must state how an over-subscription will be dealt with and must provide that:
 - (i) acceptances will be scaled down pro rata; or
 - (ii) acceptances will be balloted;or shall specify another manner of dealing with any over-subscription which has been approved by the Conversion Official.
- (b) State any conditions or other provisions relating to acceptances of the formal offer including:-
 - (i) whether or not the formal offer is conditional upon acceptances in respect of a specified proportion of prospective participations on the [*syndicate(s)*] or from a specified proportion of the persons to whom the formal offer has been made being received and, if it is, what the specified proportions are;
 - (ii) where the formal offer is conditional upon acceptances:
 - (aa) the date which is the latest date on which the formal offer can become unconditional as to acceptances; and
 - (bb) that, if the formal offer becomes or is declared unconditional as to acceptances, at least 10 US business days' notice will be given before it is closed;
 - (iii) whether any application has been made to Lloyd's pursuant to the Major Syndicate Transactions Byelaw for permission to make a compulsory minority buy-out and, if such an application has been made, the consequences if such permission is given; and
 - (iv) that the formal offer shall lapse if it has not become or been declared unconditional as to acceptances by not later than [*insert date*] in that year (or such later date as the Conversion Official may in any particular case so agree in writing).

22 **Required statements and information**

Include:-

- (a) a statement, qualified as necessary if permission to make a compulsory minority buy-out is

to be or has been sought, to the effect that:

- (i) any person who is entitled to make either a participation nomination and a second nomination in respect of [*the syndicate(s)*] or only a participation nomination in respect of [*the syndicate(s)*] may:-
 - (aa) save where that person is acting for the benefit of the estate of someone who has died, do nothing and, subject to the Council not directing otherwise, participate on [*the syndicate(s)*] for the next following year of account; or
 - (ab) transfer the whole or part of the prospective participation through the auction process; or
 - (ac) otherwise dispose of the whole or part of the prospective participation by any other means permitted by Lloyd's from time to time;
- (ii) any person who is only entitled to make a second nomination in respect of [*the syndicate(s)*] may:
 - (aa) save where that person is acting for the benefit of the estate of someone who has died, either do nothing and, subject to the Council not directing otherwise, participate on [*the syndicate(s)*] for the next following year of account or be able to dispose of the whole or part of the prospective participation in response to a mandatory offer or under an approved conversion arrangement; or
 - (ab) only where that person is acting for the benefit of the estate of someone who has died, be able to dispose of the whole or part of the prospective participation by any other means permitted by Lloyd's from time to time;
- (b) in the case of a capacity offer to acquire a specified proportion of prospective participations, the percentage of the prospective participations on [*that/those syndicate(s)*] for the next following year of account which the prospective participations which are the subject of [*the formal offer*] will represent;
- (c) the result (as a percentage of syndicate allocated capacity) of [*the syndicate(s)*] for the last three completed years of account for which results are available, forecasts for any other completed years of account in respect of which final results are not yet available and if any profit forecast in respect of any particular year of account is given in connection with [*the formal offer*], a statement as to the assumptions on which the forecast is based;
- (d) where any valuation is given in connection with [*the formal offer*], a statement as to the basis on which the valuation was made (other than by reference to previous auctions) and the name and address of the valuer and particulars of any relevant qualifications;
- (e) details of the weighted average premium and highest premium subscribed in the auctions held in the last year of account for prospective participations in respect of each syndicate in respect of which [*the formal offer*] is made and, if available, details (on the latest practicable date prior to printing the document) in respect of each auction held in the current year of account;
- (f) a prominent statement to the effect that, unless the MAPA operator has accepted [*the formal offer*] on behalf of all members of the MAPA, a member who accepts [*the formal*

offer] in respect of his participation on [*insert* syndicate] through the MAPA may be required by the MAPA operator to terminate his participation in the MAPA with effect from the end of the current year of account, that his ability to continue to participate in that syndicate for the next following year of account will be subject to his member's syndicate premium limit not being less than the minimum prescribed by the Council but that the MAPA operator may however facilitate continued participation through a MAPA;

- (g) the amount of prospective participations on [*the syndicate(s)*] in respect of which [*the formal offer*] is being made for the current year of account allocated to the offeror or any connected company or associate of the offeror;
- (h) a statement as to price at which the offeror [*has/reserves*] the right to participate in at the auction;
- (i) amended as appropriate, a statement to the effect that the managing agent(s) of the syndicate(s) in respect of which the formal offer is being made is not acting in any capacity as agent for any person in relation to that offer, whether under the standard managing agent's agreement or otherwise;
- (j) if the offer document contains the summary referred to in paragraph 7(5)(a)(ii)(bb) of the Capacity Offer Rules, a statement that the directors of the offeror are satisfied that the offer document contains a fair summary of the key information set out in the syndicate business forecast;
- (k) details of the highest price paid since the beginning of the last year of account by the offeror and any associate of the offeror for the surrender of (or making of a participation nomination or a second nomination in respect of) the whole or part of a person's prospective participation on the syndicate(s) in respect of which the formal offer is being made.
- (l) a statement as to the circumstances in which a second nomination may be made in response to the formal offer.

23 **Representations from members' agents, MAPA operators and persons to whom the formal offer is being made**

Set out details of any undertakings, representations, warranties and agreements given or made to and with the offeror by each members' agent, MAPA operator and persons to whom the formal offer is being made by whom or on whose behalf an acceptance form is executed.

24 **Provisions relating to overseas members**

Explain how it is proposed the formal offer should be made to overseas persons and include details of any particular terms, conditions, requirements or procedures relating to them.

25 **Disclosures**

Provide:-

- (a) details of the sponsor, the offeror, the person liable to pay the consideration or provide the share offer or share alternative and, if the offeror is a connected company of a managing agent, details of the managing agent and any conflict of interest any of them have (including prospective participations and interests in the share capital of the offeror, managing agent or of their respective associates) together with details of any fees or

commissions which any of them (or any of their respective connected companies or associates) will receive if the capacity arrangement is implemented;

- (b) details of all commissions payable to any members' agents who procure acceptance of the formal offer;
- (c) a statement as to the interest of each of the directors of the managing agent and the active underwriter of [*the syndicate(s)*] in the securities of the offeror or any corporate member (or connected company of any such corporate member) which is to participate in [*the syndicate(s)*] for the next following year of account;
- (d) a statement as to the prospective participation of each director and the active underwriter of [*the syndicates(s)*] and as to whether any of those persons intends to accept the formal offer in respect of any part of his prospective participation on [*the syndicate(s)*] and, if so, as to what amount;
- (e) a statement as to the percentage which any new securities being issued bear to the enlarged issued securities of that class and the share capital as a whole; and
- (f) details of any application that has been made to Lloyd's pursuant to the Major Syndicate Transactions Byelaw for permission to effect a minority buy-out and the consequences if such permission is given.

26 Documents for inspection

- (a) Set out details of all the material documents (being documents which the offeror reasonably believes are material to a person to whom this offer document is being addressed).
- (b) State where in London such material documents and the relevant syndicate business forecast(s) are to be available for inspection by persons to whom the offer document is issued.
- (c) State that a copy of all relevant syndicate business forecasts are available on request and from where they can be obtained, free of charge.

27 Statement from sponsor

Include:-

- (a) a statement that the sponsor is acting as an adviser to the offeror;
- (b) a statement by the sponsor to the persons to whom the offer document is addressed that the capacity arrangement has been prepared in accordance with the Capacity Offer Rules and the terms proposed to participants have been clearly presented; and
- (c) a statement that:-

[*Insert name of sponsor*] is satisfied that [*insert name of offeror*] has the necessary financial resources to implement [*the formal offer*] in full. Full acceptance of [*the formal offer*] would involve the payment of £[*insert payment figure*] by the [*insert name of offeror*] excluding expenses associated with making [*the capacity offer*].

28 **Procedure for acceptance**

Set out details of the acceptance procedure.

29 **Acceptance forms**

Include the following statements in any acceptance form:-

- (a) [I/we] hereby confirm that [I/we] have not agreed and will not in future agree to transfer [my/our] prospective participations which are the subject of [*the formal offer*] until [I/we] have been informed in writing that such prospective participations have not been accepted under [*the formal offer*].
- (b) Anyone giving the above confirmation should be aware that if it is incorrect [*the offeror*] may suffer loss and accordingly may bring legal proceedings against them.

30 **Sponsor, offeror and advisers**

Provide:-

- (a) the name and business address of each of the directors of the offeror and of any entity on behalf of which the offer is made;
- (b) the names and business addresses of the offeror, sponsor and any expert to whom a statement or report included in the offer document has been attributed; and
- (c) a statement that any person to whom a statement or report included in the offer document has been attributed has consented to the inclusion of that statement and report and the references to him in the form and context in which they are included.

31 **Date of offer document**

APPENDIX VIII
FORMAT FOR CIRCULAR

[Name of sponsor]

[Name of offeror]

[Description of the announced auction offer]

1 **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the contents of this document or as to the action you should take, you should consult your members' agent, or where appropriate, your MAPA operator.

This document contains risk warnings and you are referred to section [insert number of section in which the risk warnings appear].

2 The directors of [insert name of offeror] whose names appear on page [insert page number] of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

3 †[If you are resident or domiciled in [South Africa or Israel] and successfully tender a prospective participation in response to the announced auction offer proposed to be made, you must comply with all applicable [South African and Israeli] exchange control requirements. If you are in any doubt you should take professional advice from a person properly qualified to advise you.]

4 This document is not being mailed or otherwise distributed in or into [list the prohibited territories] (collectively known as the "Prohibited Territories") or [list the excluded territories where the de minimis exemption set out in paragraph 1(7)(d) of the Capacity Offer Rules applies] (collectively known as the "Excluded Territories").

5 This document is being sent to all persons entitled to make a participation nomination and/or a second nomination in respect of [insert details of syndicate(s)] (other than those in the Prohibited Territories or Excluded Territories), to all MAPA operators with participations on [insert details of syndicate(s)] and to all supporting members' agents.

6 Under its powers set out in the Conversion and Related Arrangements Byelaw (No. 22 of 1996) Lloyd's has prescribed certain conditions and requirements in relation to, amongst other things, announced auction offers (the "Capacity Offer Rules"). Both [insert name of sponsor] and [insert name of offeror] have confirmed to Lloyd's in writing that this document complies with the Capacity Offer Rules. Lloyd's has consented to the proposed making of the announced auction offer(s) referred to in this document within the terms of the Capacity Offer Rules. However, it must be understood that in giving its consent for the proposed making of such announced auction offer(s), Lloyd's takes no responsibility for this document (or any part of it), the proposed announced auction offer(s) or for the correctness of any statements made or opinions expressed in relation thereto.

ANNOUNCED AUCTION OFFER

PROPOSED TO BE MADE BY

[INSERT NAME OF OFFEROR]

to acquire [and accept the surrender of]
[insert details of prospective participations being sought] at a price of [insert details]
in auction[s] [insert numbers] on [insert date(s)]

6A The content of this document and the [insert name of acceptance form / letter of authority as necessary] has been approved by [insert details] for the purposes of section 21 of the Financial Services and Markets Act 2000.

7 **Contents page**

[Insert contents page]

† to be included where the offer is made to members resident in South Africa and/or Israel.

8 Definitions

Include a statement that:-

Any expression not otherwise defined in this document shall have the meaning given to it in the Capacity Offer Rules.

Include a definitions section using, where possible, the definitions set out in the Capacity Offer Rules.

9 Acceptances

(a) Include the following statement:-

The announced auction offer[s] will be made in auction[s] [*insert numbers*] on [*insert date(s)*]. The Auction Rules prescribe certain conditions and requirements in relation to the subscribing and tendering of prospective participations in an auction. YOU SHOULD CONSULT YOUR MEMBERS' AGENT AS TO THE ACTION YOU SHOULD TAKE IF YOU INTEND TO TENDER YOUR PROSPECTIVE PARTICIPATION IN RESPONSE TO THE ANNOUNCED AUCTION OFFER[S].

(b) Include a statement that this document should be read in conjunction with:-

- (i) the syndicate business forecast [*of each syndicate*], which can be obtained free of charge from your members' agent; and
 - (ii) the Auction Rules.
-

10 Key features

Set out in summary the following information or indicate where in the document such information appears:-

- (a) the names of the sponsor, the offeror (and, if the offeror is a connected company of a managing agent, the name of that managing agent) and, if different, the name of the person liable to pay the consideration;
- (b) details of the announced auction offer proposed to be made (including the auction(s) in which the proposed announced auction offer will be made);
- (c) if the announced auction offer is to be a limited offer or an unlimited offer, this fact must be stated and the implications summarised;
- (d) if the announced auction offer may be an increasing offer, this fact must be stated and the implications summarised;
- (e) the taxation effects of surrendering or otherwise disposing of prospective participations for cash;
- (f) details of a helpline (if any) for enquiries about the proposed announced auction offer;

- (g) any other information that is material to any person receiving this document in determining whether or not to tender their prospective participation in response to the announced auction offer.

Include a statement that:

Although this document contains information about the position of [*insert details of syndicate(s)*], persons receiving this document should be aware that further information including the relevant syndicate business forecasts, which may affect their decision to tender their prospective participation in response to the announced auction offer, may become available after the date of this document and before the [*relevant auction (include auction number and date)*]. Such persons are advised to contact their members' agent to ensure that they receive all such further information before tendering their prospective participation in response to the announced auction offer.

11 **Timetable**

Provide an expected timetable setting out the key dates affecting the proposed announced auction offer and including details of the auction timetable.

12 **Risk and other factors**

The following statements must, where applicable, be included. Reference must be made in the derogation letter to any statements which are not included together with an explanation as to their omission.

- (a) There is no obligation on [*the offeror*] to provide a formal valuation or justification of the consideration being offered under the proposed announced auction offer.
- (b) The announced auction offer proposed to be made will be for prospective participations on [*syndicate*] (which are subject to any pre-emptions or de-emptions for the following year of account). If a person entitled to tender a prospective participation does not successfully tender it in response to the announced auction offer or otherwise transfer it and does not take up any pre-emption right, then the amount of such increase will drop back to the [*offeror/managing agent*] for nil value.
- (c) It is open to anyone who is a member of the syndicate or otherwise entitled to make a second nomination to enter the auction in which it is proposed to make the announced auction offer, even if the announced auction offer cannot be made to them as a result of the operation of their local securities laws. As a result it is possible that the announced auction offer (where it is for less than 100 per cent. of syndicate allocated capacity) may be fully satisfied without you having transferred any prospective participation.
- (d) If you transfer any prospective participation through an auction in response to the announced auction offer, you may receive more than the offer price under the announced auction offer for it - you can ensure you do not receive less by inserting the offer price under the announced auction offer as the minimum you want to receive when you tender any prospective participation (this is referred to in the Auction Rules as the "floor limit").
- (e) You should be aware that auction fees of £[*insert figure*] per cent. will be levied on any prospective participation you transfer through the auction. This will reduce the proceeds you receive as will any charge your members' agent may impose.

(f) You should be aware that any proceeds due to you under the announced auction offer will become assets of the premiums trust fund. As such, they can generally only be released to you in accordance with the release mechanisms in the premiums trust deed. For practical purposes, you will, therefore, only receive these proceeds if you have assets at Lloyd's sufficient in value under the relevant release of funds requirements to enable the auction proceeds to be released to you.

(g) In the case of a mandatory offer:-

[*The offeror*] is required to make [*the announced auction offer*] at not less than the higher of the highest price paid by it (or the highest price paid by any associate (within the meaning of the Mandatory Offer Byelaw) of it) for prospective participations which are the subject of [*the announced auction offer*] in the period beginning on [*specify date*] and ending on [*specify date*].

13 **Extensions and variations**

State whether the announced auction offer can be extended or varied.

14 **Taxation**

(a) State the UK tax implications of surrendering or otherwise disposing of prospective participations in response to an announced auction offer.

(b) Include in respect of each jurisdiction (other than the UK) into which the document is to be mailed or otherwise distributed, either details of the tax implications of surrendering or otherwise disposing of prospective participations in response to an announced auction offer or a statement that persons entitled to tender prospective participations in response to the announced auction offer are recommended to take their own advice.

15 **Required statements and information**

Include:-

(a) a statement that the auction procedure to which an announced auction offer is subject is set out in the Auction Rules.

(b) a statement, qualified as necessary particularly if permission to make a compulsory minority buy-out is to be or has been sought, to the effect that:

(i) any person who is entitled to make either a participation nomination and a second nomination in respect of [*the syndicate(s)*] or only a participation nomination in respect of [*the syndicate(s)*] may:-

(aa) save where that person is acting for the benefit of the estate of someone who has died, do nothing and, subject to the Council not directing otherwise, participate on [*the syndicate(s)*]; or

(ab) transfer the whole or part of the prospective participation through the auction process (including in response to an announced auction offer); or

(ac) otherwise dispose of the whole or part of the prospective participation by any other means permitted by Lloyd's from time to time;

- (ii) any person who is only entitled to make a second nomination in respect of [*the syndicate(s)*] may:
 - (aa) save where that person is acting for the benefit of the estate of someone who has died, either do nothing and, subject to the Council not directing otherwise, participate on [*the syndicate(s)*] for the next following year of account or be able to dispose of the whole or part of the prospective participation in response to a mandatory offer or under an approved conversion arrangement; or
 - (ab) only where that person is acting for the benefit of the estate of someone who has died, be able to dispose of the whole or part of the prospective participation by any other means permitted by Lloyd's from time to time;
- (c) a statement of the period within which payment will be made and the method of payment (using the auction method of settlement).
- (d) in the case of an announced auction offer to acquire a specified proportion of prospective participations, the percentage of the prospective participations on [*that syndicate*] for the next following year of account which the prospective participations which are the subject of the announced auction offer will represent.
- (e) where any valuation is given in connection with the announced auction offer proposed to be made, a statement as to the basis on which the valuation was made (other than by reference to previous auctions) and the name and address of the valuer and particulars of any relevant qualifications.
- (f) a prominent statement to the effect that, unless the MAPA operator successfully tenders prospective participations in the announced auction offer on behalf of all members of the MAPA, a member who successfully tenders his prospective participation in response to the announced auction offer in respect of his participation on [*insert syndicate*] through the MAPA may be required by the MAPA operator to terminate his participation in the MAPA with effect from the end of the current year of account, that his ability to continue to participate in that syndicate for the next following year of account will be subject to his member's syndicate premium limit not being less than the minimum prescribed by the Council, but that the MAPA operator may however facilitate continued participation through a MAPA.
- (g) details of the weighted average premium and highest premium subscribed in the auctions held in the last year of account for prospective participations in respect of each syndicate in respect of which the announced auction offer is proposed to be made and, if available, details in respect of each auction held in the current year of account but only to the latest practicable date prior to printing the document.
- (h) the amount of prospective participations on [*the syndicate(s)*] in respect of which any announced auction offer is proposed to be made for the current year of account allocated to the offeror or any connected company or associate of the offeror.
- (i) amended as appropriate, a statement to the effect that the managing agent(s) of the syndicate(s) in respect of which any announced auction offer is proposed to be made is not acting in any capacity as agent for any person in relation to [*the announced auction offer*], whether under the standard managing agent's agreement or otherwise.

- (j) if the circular contains the summary referred to in paragraph 7(5)(a)(ii)(bb) of the Capacity Offer Rules, a statement that the directors of the offeror are satisfied that the circular contains a fair summary of the key information set out in the syndicate business forecast.
- (k) details of the highest price paid since the beginning of the last year of account by the offeror and any associate of the offeror for the surrender of (or making of a participation nomination or a second nomination in respect of) the whole or part of a person's prospective participation on the syndicate(s) in respect of which the announced auction offer is proposed to be made.
- (l) a statement as to the circumstances in which a second nomination may be made in response to the announced auction offer proposed to be made.
- (m) the result (as a percentage of syndicate allocated capacity) of [the syndicate(s)] for the last three completed years of account for which results are available, forecasts for any other completed years of account in respect of which final results are not yet available and if any profit forecast in respect of any particular year of account is given in connection with [the formal offer], a statement as to the assumptions on which the forecast is based.

16 Representations from members' agents, MAPA operators and persons to whom the document is addressed

Set out details of any undertakings, representations, warranties and agreements given or made to and with the offeror by each members' agent, MAPA operator and persons to whom the document is addressed.

17 Provisions relating to overseas members

Explain how it is proposed the proposed announced auction offer should be made to overseas persons and include details of any particular terms, conditions, requirements or procedures relating to them.

18 Disclosures

Provide:-

- (a) details of the sponsor, the offeror, the person liable to pay the consideration and, if the offeror is a connected company of a managing agent, details of the managing agent and any conflict of interest any of them have (including prospective participations and interests in the share capital of the offeror, managing agent or any of their respective associates) together with details of any fees or commissions which any of them (or any of their respective connected companies or associates) will receive if the announced auction offer is implemented.
- (b) details of all commissions payable to any members' agents who procure successful or other tenders of prospective participations in response to the proposed announced auction offer.
- (c) a statement as to the interest of each of the directors of the managing agent and the active underwriter of [*the syndicate(s)*] in the securities of the offeror or any corporate member (or connected company of any such corporate member) which is to participate in [*the syndicate(s)*] for the next following year of account.

- (d) a statement as to the prospective participation of each director and the active underwriter of [*the syndicate(s)*] and as to whether any of those persons intends to tender his prospective participation in an auction in response to the proposed announced auction offer and if so, as to what amount.
- (e) details of any application that has been made to Lloyd's pursuant to the Major Syndicate Transactions Byelaw for permission to effect a minority buy-out and the consequences if such permission is given.

19 Documents for inspection

- (a) Set out details of all the material documents (being documents which the offeror reasonably believes are material to a person to whom this document is being addressed).
- (b) State where in London such material documents, and the relevant syndicate business forecast(s) are to be available for inspection by persons to whom the document is issued.
- (c) State that a copy of the relevant syndicate business forecast(s) are available on request and from where they can be obtained, free of charge.

20 Statement from sponsor

Include:-

- (a) a statement that the sponsor is acting as an adviser to the offeror.
- (b) a statement by the sponsor to the persons to whom the document is addressed that the proposed announced auction offer has been prepared in accordance with the Capacity Offer Rules and the proposed terms have been clearly presented.
- (c) A statement that:-

[*Insert name of sponsor*] is satisfied that [*insert name of offeror*] has the necessary financial resources to implement the [*announced auction offer*] in full. The successful tender of prospective participations in response to the [*announced auction offer*] would involve the payment of £[*insert payment figure*] by the [*insert name of offeror*] excluding expenses associated with making the [*announced auction offer*].

21 Sponsor, offeror and advisers

Provide:-

- (a) the name and business address of each of the directors of the offeror and of any entity on behalf of which the announced auction offer is proposed to be made;
- (b) the names and business addresses of the offeror, sponsor and any other expert to whom a statement or report included in the document has been attributed; and
- (c) a statement that any person to whom a statement or report included in the document has been attributed has consented to the inclusion of that statement and report and the references to him in the form and context in which they are included.

22 Date of document

APPENDIX IX

Form AP1 (Capacity Offer Rules)

**APPLICATION FOR APPROVAL IN PRINCIPLE OF A
CAPACITY OFFER**

NAME OF SPONSOR:

NAME OF OFFEROR:

DATE:

NAME OF CAPACITY ARRANGEMENT:.....

NOTES

- (1) **This application for approval in principle of a capacity offer must be submitted to the Conversion Official, Capacity Markets, Lloyd's, before the prescribed date in each year.**
- (2) **No capacity advertisement or offer document/circular may be issued by any sponsor, offeror or other person until the Conversion Official has given notification in writing that an application for approval in principle of the capacity offer (to which that advertisement, document or circular relates) has been approved.**

QUESTIONNAIRE

1. Sponsor's details:

(a) Name:

(b) Address:

(c) Contact Name:

Contact name:

Email address:

(d) Telephone Number:

(e) Fax Number:

(f) Date on which sponsor approved by the Conversion Official:

(g) Date on which offeror approved by the Conversion Official:

(h) Please provide details of any other capacity offers which have been sponsored by the sponsor.

2. Offeror's details:

(a) Name:

(b) Address:

(c) Contact Name and email address:

Contact name:

Email address:

(d) Telephone Number:

(e) Fax Number:

- (f) Please provide details of any other capacity offers which have been made by the offeror.

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3. Type of capacity offer

- (a) Surrender offer: cash offer/share alternative/share offer/cash alternative/limited offer/unlimited offer/reducing offer/increasing offer/stepped offer (*delete as appropriate*).
- (b) Announced auction offer: limited offer/unlimited offer/increasing offer (*delete as appropriate*).
- (c) Competing offer: limited offer/unlimited offer/reducing offer/increasing offer/stepped offer (*delete as appropriate*).
- (d) Please provide a brief summary of the capacity offer (*using a continuation sheet if necessary*).

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4. Participants

- (a) Which syndicate(s) will the capacity offer relate to?

- (b) Will any of the intended participants be overseas? If so, give details of the jurisdictions involved.

Note : An offer document and/or circular may not be issued or circulated outside the United Kingdom unless compliance has been made with paragraphs 1(7), 1(9) and 1(13) of the Capacity Offer Rules.

- (c) If it is proposed that the offer document and/or circular is to be issued overseas please provide (on a separate continuation sheet if necessary) the names and addresses of the local lawyers who will be asked to advise.

5. Offer document/circular

- (a) When is the first draft expected to be submitted to Lloyd's?

- (b) What is the proposed date of issue?

- (c) Give details of any conditions of the capacity offer proposed to be contained in the offer document.

7. Confirmation of resources

[Delete where not applicable]

- (a) The offeror confirms that it has sufficient resources available to satisfy full acceptance of (or participation in) the capacity offer and, in the case of an announced auction offer, that it will comply with its obligations under the Auction Rules.
- (b) The sponsor confirms that it is satisfied (having taken all reasonable steps to ensure that such is the case) that resources are available to the offeror which are sufficient to satisfy full acceptance of the surrender offer or competing offer (as the case may be).

8. Other information

Please provide contact details for any other professional advisers (e.g. solicitors, auditors etc.).

9. Confirmation

We confirm that the information contained in this application is true, accurate and not misleading.

For and on behalf of *[insert name of sponsor]*

For and on behalf of *[insert name of offeror]*

APPENDIX X

PRESCRIBED STATEMENTS FOR CAPACITY ADVERTISEMENTS AND ANNOUNCEMENTS

1. The following prescribed statements must be set out in any capacity advertisement and certain other announcements:-
 - (i) This [*advertisement/announcement*] has been prepared in accordance with Lloyd's requirements. [*Insert name of offeror*] has confirmed to Lloyd's that this document complies with the Capacity Offer Rules. This [*advertisement/announcement*] has not been approved by Lloyd's.
 - (ii) This [*advertisement/announcement*] is issued by [*insert name of issuer*] which is regulated by [*insert name of regulator*] and has been approved by [*insert name*] for the purposes of section 21 of the Financial Services and Markets Act 2000.*
 - (iii) This [*advertisement/announcement*] relates to a [*capacity offer*] which is being sponsored by [*insert name of sponsor*] and is being made by [*insert name of offeror*].
 - (iv) [*Insert name of offeror or, if offeror is a connected company of the managing agent, insert the name of the managing agent*] is interested in this [*capacity offer*].
 - (v) [Any person who is considering accepting this [*capacity offer*] should read carefully the [*offer document*] relating to such [*capacity offer*] and the risk factors set out therein / Any person who is considering participating in this [*capacity offer*] should read carefully the [*circular*] relating to such [*capacity offer*] (and the syndicate business forecast(s) which will be available, free of charge at [*insert address in London*]) and the risk factors set out in the [*circular*]].*
 - (vi) ⁺ The [*offer document/circular*] is expected to be issued on [*insert date*].
 - (vii) [†][The securities which may be issued pursuant to the terms of the [*capacity offer*] may be illiquid and there may not be a market for them. The value of securities may go down as well as up.]
2. If the capacity advertisement is to be issued in a jurisdiction where the solicitation or offer may be contrary to law contain the following statement:-

This [*advertisement*] does not constitute a solicitation, invitation or offer to persons in [*state particular jurisdictions*] or any other jurisdiction where a solicitation, invitation or offer could be contrary to law.
3. If the advertisement/announcement is to be issued or circulated in the United States compliance must be made with Part II of Appendix II.
4. If the advertisement/announcement is made orally appropriate reference should be made to the matters referred to in paragraph 1 of this Appendix X and a hard copy of such statements should be handed to all persons to whom the verbal advertisement/announcement is made.

* *delete as appropriate.*

+ *to be included in capacity advertisements but not announcements.*

† *to be included where a share offer or a share alternative is offered.*

APPENDIX XI

LETTER RE SUBMISSION OF CAPACITY ADVERTISEMENTS
AND ANNOUNCEMENTS

The Conversion Official
Lloyd's
One Lime Street
London
EC3M 7HA

For the attention of the Conversion Official

[Date]

Dear Sir

Submission of [Advertisement/Announcement]*

We refer to [insert details of capacity offer] of which we are the offeror. In accordance with paragraph [6(3)/10(3)/10(5)]* of the Capacity Offer Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the "Rules") we now enclose 2 copies of an [advertisement/announcement]* which was issued [insert time of issue] in [insert name of publications] and confirm that:-

- (a) the [advertisement/announcement]* fully and properly complies with section [6/10]* of the Rules;
- (b) [If applicable:] the [advertisement/announcement]* [has been/will be]* issued in the United Kingdom and [insert details of any other jurisdictions other than the UK]; and
- (c) we have complied with our obligations under paragraph 1(13) of the Rules in relation to the [advertisement/announcement]*.

[.....]
for and on behalf of
[insert name of offeror]

* delete as appropriate.

APPENDIX XII

Form AP2 (Capacity Offer Rules)

APPLICATION FOR APPROVAL FOR MAKING A CAPACITY OFFER

The Council of Lloyd's
Lloyd's
One Lime Street
London
EC3M 7HA

For the attention of the Conversion Official

[Date]

Dear Sir

Application for approval to make a capacity offer

We [*insert name of sponsor*] and [*insert name of offeror*] hereby apply for approval to make a capacity offer under the Capacity Offer Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the "Rules"). All terms used in this letter shall have the meaning ascribed thereto in the Rules.

1 We enclose:-

1.1 3 copies of the final draft [*offer document/circular*] and confirm that this document satisfies all relevant requirements of the Rules for the contents of such document.

1.2 [*In the case of a formal offer only*] 3 copies of the form of acceptance.

1.3 [A derogation letter.]

1.4 A cheque payable to the Corporation of Lloyd's for [*the prescribed fee*].

[1.5 US legal opinion re share offer/share alternative].

2 The capacity offer is [*insert type of capacity offer*] to the persons entitled to make participation nominations and/or second nominations in respect of [*insert syndicate details*] by [*insert name of offeror*]. The pricing of the offer has been set at [*insert details of pricing*]. The current intention of [*insert name of offeror*] is that the capacity offer [*state whether or not offer is to be an increasing offer or a reducing offer*]. The capacity offer will be made in respect of [*state details of prospective participations sought and whether offer will be limited or unlimited*].

3 We confirm our support for the capacity arrangement.

4 We undertake to discharge our respective responsibilities as sponsor and offeror as set out in, and in accordance with, the Rules.

5 We confirm that in respect of US persons, with the exception of US registered broker-dealers, no "transaction based compensation" has been received by or will be received by any members' agent, the offeror or sponsor (or any personnel of such persons) in connection with

the transfer of prospective participations.

6 As sponsor we hereby confirm to Lloyd's that:-

6.1 as at the date of this application the information provided in the Lloyd's Sponsor's Questionnaire and Undertaking - SP1 submitted on *[insert date]* remains true and accurate in all material respects and does not omit any information which might reasonably be considered relevant to this application; *[If there are material changes details must be submitted to the Conversion Official]*;

6.2 we are satisfied (having taken all reasonable steps to ensure that such is the case) that sufficient resources are, or will be, available to *[insert name of offeror]* to satisfy full acceptance of (or participation in) the capacity offer;

6.3 *[in the case of an announced auction offer]* we will use our reasonable endeavours to ensure that *[insert name of offeror]* of the *[announced auction offer]* is properly guided and advised as to its obligations under the Auction Rules;

6.4 our fees in respect of the capacity offer will be £*[insert details of fees]* payable by *[insert name of payer]* and our out of pocket expenses and the costs of our legal advice relating to the capacity arrangement will be met by *[insert name of payer]*;

6.5 [save as disclosed below] we have not received nor are we entitled to receive, directly or indirectly, any remuneration, commission or benefit payable by a person other than the offeror *[insert particulars of any other remuneration, commission or benefit]*; and

6.6 we have appointed *[insert name of (UK) law firm]* to act as our solicitors in relation to our obligations as sponsor to the capacity arrangement.

7 As offeror we hereby confirm to Lloyd's that:-

7.1 (after having consulted with the sponsor) to the best of our knowledge, information and belief (having made due and careful enquiry), all material facts relating to the capacity offer which we are making have been properly disclosed to the Conversion Official and in the *[offer document/circular]* and there are no matters (other than those disclosed in the *[offer document/circular]*) which are or could be material to a person proposing to accept (or participate in) this particular capacity offer;

7.2 [save as disclosed below] we have not received nor are we entitled to receive, directly or indirectly, any remuneration, commission or benefit. *[Insert particulars of any remuneration, commission or benefit]*;

7.3 we have appointed *[insert name of (UK) law firm]* to act as our solicitors in relation to the capacity arrangement;

7.4 *[if any capacity advertisement is proposed to be issued or circulated outside the United Kingdom:-]* the provisions of paragraph 1(13)(d) of the Rules have been fully and properly complied with;

7.5 we have, or will at the time of settlement have, sufficient resources available to satisfy full acceptance of the capacity offer; and

7.6 *[in the case of an announced auction offer]* we will comply with our obligations under the Auction Rules.

We acknowledge that the confirmations and undertakings given in this application shall be deemed to be repeated on the date that any capacity offer in respect of which we are making this application closes.

Yours faithfully

.....
for and on behalf of
[*print name of sponsor*]

.....
for and on behalf of
[*print name of offeror*]

LLOYD'S

CONVERSION RULES 2004

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PRELIMINARY

INTRODUCTION

- 1 These conditions and requirements are made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and shall be cited as the Conversion Rules 2004.
- 2 The purpose of these **Rules** is to set out the method by which an **individual member** of **Lloyd's** who is currently undertaking underwriting business at **Lloyd's** may transfer that underwriting business to a **corporate member**. The requirements for membership applicable to a **corporate member** are set out in the **Membership and Underwriting Requirements**. An **individual member** who transfers his underwriting business to a **corporate member** will, as part of the conversion process, be required to resign from **Lloyd's**. It is therefore expected that any **prospective participation** which he may have on any **syndicate** which is not accepted by the **successor vehicle(s)** may be sold in an **auction**, surrendered or transferred by any other means permitted by **Lloyd's** from time to time or will drop back to the relevant **managing agent** for nil value. A **conversion scheme** which offers partial conversion of an **individual member's prospective participations**, may only be made if the **Conversion Official** is satisfied that the **conversion scheme** will allow significant additional benefits to accrue to the **participants**.
- 3 The **Council** has made these **Rules** to stipulate:-
 - (1) the requirements relating to **individual members** who may wish to, or be invited to, participate in a **conversion scheme** or a **private arrangement**;
 - (2) the conditions, requirements and procedures which must be complied with in connection with the promotion of a **conversion scheme** to **individual members** and/or the issue of any documentation in connection with a **conversion invitation** to **individual members** and/or the acceptance of such **conversion invitation** by **individual members**;
 - (3) the qualifying criteria for a person who seeks to act as a **sponsor** of a **conversion scheme** or **private arrangement** and the responsibilities of such a person; and
 - (4) the qualifying criteria for a person who seeks to act as a **promoter** of a **conversion scheme** and the responsibilities of such a person.
- 4 The provisions contained in sections 1 to 13 of these **Rules** apply to a **conversion scheme** which is promoted to two or more **individual members** to participate in an arrangement with the same or different **successor vehicle(s)** in substantially similar terms. Section 14 sets out the particular provisions which apply in respect of a **private arrangement** and a **promoted private arrangement**.
- 5 All references in these **Rules** to the promotion of a **conversion scheme** shall include:-
 - (1) issuing or causing to be issued any **advertisement** inviting an **individual member** to participate in a **conversion scheme** or containing information calculated to lead directly or indirectly to any **individual member** doing so; or
 - (2) advising or procuring an **individual member** to participate in a **conversion scheme**.

- 6 Appendix I sets out the **prescribed dates** for 2004.
- 7 In general, the **Conversion Official** no longer requires submission of a formal legal opinion concerning the making of a **conversion invitation** in any jurisdiction. However, where it is proposed that **US individual members** be invited to accept securities, a legal opinion will be required. A **promoter** is responsible for ensuring compliance with local laws (including securities laws) in all jurisdictions. **Lloyd's** accepts no responsibility or liability in this regard. **Promoters** are recommended to consult overseas lawyers who have appropriate experience. Appendix II contains a list of overseas law firms/lawyers from whom **Lloyd's** has taken advice from time to time and who may therefore be considered to be familiar with the issues involved. None of these law firms/lawyers is obliged to provide advice but **Lloyd's** has no objection to advice being given by them. By including these law firms/lawyers on the list Lloyd's is not, however, recommending their services. Appendix II also contains a summary of certain issues which may be relevant to a **promoter** proposing to make a **conversion invitation** to **members** resident or domiciled outside the United Kingdom.
- 8 (1) Finance Bill 2004 contains provisions (in clause 134 and Schedule 25) that will allow certain loss carry forward and capital gains tax reliefs to individual members of Lloyd's who convert to limited liability underwriting through a conversion arrangement, provided certain further conditions are met. This legislation is currently being considered by Parliament and is intended to come into force with effect from 6 April 2004. The following general summary of the proposals contained in the Finance Bill will need to be checked against any amendments that may be made during the course of the Parliamentary process.
- (2) The proposed legislation will allow individual members to carry forward unused tax losses from individual underwriting when they convert to underwriting through a limited liability company in which they hold more than 50% of the shares. Certain conditions need to be met, including a requirement for the individual to give notice of resignation as an underwriting member, and a requirement that they transfer capacity to the corporate member in exchange for the issue of shares in the corporate member. If all conditions are met the individual member will be able to set carried forward tax losses from their individual underwriting against income that they subsequently derive from the limited liability company, including salary or dividends. This will apply to conversions on or after 6 April 2004.
- (3) The proposed legislation will also allow individual members who convert to underwriting through a limited liability company in this way to elect to defer capital gains on the transfer of capacity to the corporate member. Again, certain conditions have to be met, including conditions regarding resignation, control of the corporate member and the capacity transfer taking place in consideration for the issue of shares. The capital gains tax relief will be effected by rolling over the aggregate gain on the capacity transfers against the tax cost of the shares that are issued, so that the gains are deferred until the shares are disposed of for tax purposes. This will apply to transfers of capacity on or after 6 April 2004.
- (4) A further proposed capital gains relief on conversion to underwriting through a limited liability company will allow individual members to elect to defer capital gains on the transfer of assets that formed part of their Funds at Lloyd's to the corporate member that they control. This is also subject to specific conditions. The relief will be effected by rolling over the aggregate gains on the transferred assets against the tax cost of the shares that are issued in return for them, so that

the gains are deferred until the shares are disposed of for tax purposes. This will apply to qualifying transfers of assets on or after 6 April 2004.

- (5) The proposed legislation will also allow an individual member who converts to underwriting through a Scottish limited partnership to set carried forward tax losses from their individual underwriting against profits derived from the Scottish limited partnership. Again, certain conditions need to be met, including for the individual to give notice of resignation as an underwriting member, to transfer capacity to the Scottish limited partnership, and to be entitled to more than 50% of the profits of the Scottish limited partnership. This will apply to conversions on or after 6 April 2004.
- (6) Members and their advisers should be aware of this proposed legislation. The foregoing is only a broad and general summary, and qualification for and the operation of the reliefs will depend on meeting the detailed conditions that are set out in the legislation. They will also depend on personal circumstances, and members are strongly advised to take their own tax advice on the financial consequences of any conversion.

INTERPRETATION

The **Conversion Official** shall be entitled, in his absolute discretion, to determine all questions of interpretation relating to these **Rules** and any such decision of the **Conversion Official** shall be final. The **Conversion Official** shall also be entitled to dispense with (in whole or in part) or modify the application of these **Rules** (either unconditionally or subject to conditions) in such cases and by reference to such circumstances as he considers appropriate.

The **Conversion Official** shall be entitled, in his absolute discretion, to impose any condition on a **sponsor** or a **promoter** or in relation to any **conversion scheme** or **private arrangement** which he considers appropriate in the interests of protecting **Lloyd's**.

These **Rules** shall include each of the Appendices and any other document referred to in these **Rules** as being in the **prescribed form**. The **Conversion Official** shall be entitled to prescribe the form of documents or other additional documents or requirements referred to in these **Rules** and to amend such documents, additional documents or requirements from time to time. Any additions or amendments to any documents or requirements which are of general application and which are prescribed from time to time will be issued in, or referred to in, **Lloyd's Market Bulletins**.

SECTION 1

GENERAL PRINCIPLES

Scope of this section

This section sets out certain general principles which must be observed by any person undertaking any activity which is regulated by the **Rules**. It sets out the particular activities which are regulated by the **Rules**, the types of **conversion schemes** which may be promoted and the **individual members** to whom a **conversion invitation** may be made. This section also sets out certain general principles relating to the issue of **conversion advertisements** as well as provisions relating to the submission of documents to the **Conversion Official**. This section sets out the charges which may be made by the **Council** and gives the **Conversion Official** power, in certain circumstances, to refuse an application made under the **Rules**.

1(1) Regulated activities

(a) These **Rules** regulate the following activities:-

- (i) promoting a **conversion scheme**;
- (ii) making or procuring the issue of a **conversion invitation** and a **PPA document**;
- (iii) making arrangements with a view to any **individual member** participating in a **conversion scheme** or a **private arrangement**;
- (iv) advising or offering to advise any **individual member** on the merits of participating in a **conversion scheme** or a **private arrangement**; and
- (v) procuring an **individual member** to participate in a **conversion scheme** or a **private arrangement**.

(b) No person who is, or has agreed to be, subject to the **Rules** may undertake any of the activities referred to in paragraph 1(1) other than in accordance with the **Rules**.

(c) Any activities regulated by the **Rules** which relate to **US individual members** or **individual members** resident in other jurisdictions (other than the United Kingdom) must be undertaken in accordance with the requirements contained in Appendix II and any additional requirements issued by **Lloyd's** from time to time.

1(2) Types of conversion schemes

The **Conversion Official** will, subject to paragraph 1(3)(b), only consider an application for approval under the **Rules** which relates to a **conversion scheme**:-

- (a) under which it is proposed that an **individual member** will (subject to acceptance of his application to participate in such **conversion scheme**):-
 - (i) cease to carry on any underwriting business at **Lloyd's**; and
 - (ii) resign from **Lloyd's**; and

- (b) which comprises:-
- (i) an **interavailability arrangement**, which utilises the appropriate prescribed trust deeds referred to in Appendix III; or
 - (ii) a **reverse interavailability arrangement** which utilises such prescribed documents and which satisfies such requirements as may be prescribed by the **Conversion Official** from time to time; or
 - (iii) a **transition arrangement** which utilises such prescribed documents and which satisfies such requirements as may be prescribed by the **Conversion Official** from time to time; or
 - (iv) a **swap arrangement** which is linked with an arrangement of the type referred to in paragraph 1(2)(b)(i), (ii) or (iii).

1(3) **Prospective participations**

- (a) An **individual member** may only participate in a **conversion scheme** or **private arrangement** in respect of that **individual member's prospective participation**.
- (b) A **conversion invitation** or **private arrangement** in respect of part only of that **individual member's prospective participations** may only be made if the **Conversion Official** is satisfied that the **conversion scheme** or **private arrangement** will allow significant additional benefits to accrue to the **participant(s)**.
- (c) An **individual member** to whom a **conversion invitation** is made (or who participates in a **private arrangement**) may (save as referred to in paragraph 1(3)(d) below) following his acceptance of such **conversion invitation** (or upon implementation of the **private arrangement**) make a **participation nomination** and/or **second nomination** in respect of the whole or part of his aggregate **prospective participations**.
- (d) An **individual member** to whom a **conversion invitation** is made (or who participates in a **private arrangement**) may NOT transfer his **prospective participation**:-
 - (i) if, for any reason, he has ceased to be a **member** of the relevant **syndicate**; or
 - (ii) (subject to any conditions or requirements to the contrary imposed or made by the **Council** under paragraph 11B of the **Agency Agreements Byelaw**) if his membership of the relevant **syndicate** is to terminate at the end of the **year of account** during which the **conversion invitation** is made (or the **private arrangement** is implemented) pursuant to a notice given by the **managing agent** of the relevant **syndicate** under clause 11.6 of the **standard managing agent's agreement** unless he has also received an invitation to participate in that **syndicate** for the next following **year of account**; or
 - (iii) if his membership of the relevant **syndicate** is to terminate at the end of the relevant **year of account** pursuant to a notice given by the **member**

pursuant to clause 11.5 of the **standard managing agent's agreement** unless the **managing agent** gives its written consent to the transfer of any such **prospective participation** after the **prescribed date** in any **year of account**.

- (e) For the purposes of paragraph 1(3)(d), an **individual member**:-
- (i) of a **syndicate** for the **year of account** during which the **conversion invitation** is made (or a **private arrangement** implemented); and
 - (ii) whose participation in that **syndicate** is to terminate at the end of that **year of account** pursuant to a notice of the kind referred to in paragraph 1(3)(d)(ii); and
 - (iii) who has received an invitation from the **managing agent** to participate in another **syndicate** for the **year of account** following the **year of account** during which the **conversion invitation** is made (or a **private arrangement** implemented)

shall be deemed to be a **member** of the latter **syndicate** for the **year of account** during which the **conversion invitation** is made (or a **private arrangement** implemented).

1(4) **Equal treatment of members**

No **sponsor** or **promoter** (or any **connected company** or **associate** of any such **sponsor** or **promoter**) shall furnish any material information to any **individual member** concerning a **conversion scheme** which it is sponsoring or promoting unless such information is furnished to all **individual members** to whom such **conversion scheme** has been, or is proposed to be, made available.

1(5) **Confidentiality**

- (a) A person who is, or who has agreed to be, subject to the **Rules** must not, subject to paragraph 1(5)(c), disclose any information (other than information of a general nature) concerning any proposed **conversion scheme** to any person (other than to a professional adviser instructed to assist in the development and implementation of such **conversion scheme**) prior to the **Conversion Official** approving an **application in principle** in relation to such **conversion scheme** pursuant to section 5.
- (b) A person who is, or who has agreed to be, subject to the **Rules** must, subject to paragraph 1(5)(c), keep details of all dealings with **Lloyd's** and/or the **Conversion Official** in relation to matters covered by the **Rules** confidential unless the **Conversion Official** agrees in writing to the form and content of any disclosure.
- (c) Paragraphs 1(5)(a) and (b) shall not apply to any information which is within the public domain and shall not prevent the disclosure of any information which any person is required to make by law or in accordance with the rules of any regulatory body (including any stock exchange).
- (d) **Lloyd's** is bound by the provisions of paragraphs 3 and 4 of the Information and Confidentiality Byelaw (No. 21 of 1993) in respect of all information obtained

pursuant to any provisions of the **Rules**.

1(6) **Issuing conversion advertisements**

- (a) This paragraph 1(6) shall apply to any **conversion advertisement**.
- (b) A **promoter** is responsible for ensuring that any person who issues a **conversion advertisement**:-
 - (i) applies appropriate expertise;
 - (ii) is satisfied that the relevant requirements of the **Rules** have been fully and properly complied with;
 - (iii) is satisfied that any requirements relating to **advertisements** issued by **Lloyd's** from time to time, have been fully and properly complied with; and
 - (iv) is able to show that it believes on reasonable grounds that the **conversion advertisement** is fair and not misleading.
- (c) A **promoter** is responsible for ensuring that any **conversion advertisement** which is issued or circulated in the United Kingdom:-
 - (i) complies with section 21 of **FSMA**;
 - (ii) states on its face who is the issuer and, if applicable, who has approved such **advertisement** for the purposes of section 21 of **FSMA**;
 - (iii) identifies both the **sponsor** and the **promoter** of the **conversion scheme** to which it relates;
 - (iv) *This paragraph has been deleted.*
 - (v) contains in clearly visible form the statements and risk warnings relating to **advertisements** which are prescribed by the **Rules** and that these are not obscured or disguised in any way by the content, design or format of the **advertisement**; and
 - (vi) does not disguise in any way the purpose of any promotional material included.
- (d) A **promoter** is responsible for ensuring that any **conversion advertisement** which is issued or circulated outside the United Kingdom:-
 - (i) complies with paragraph 1(6)(c);
 - (ii) is issued in accordance with legal advice obtained from a lawyer of good standing qualified to practice in the jurisdiction in which the **advertisement** is issued or circulated;
 - (iii) does not breach any securities or other law or any order, regulation, restriction or prohibition applying in any jurisdiction in which the **advertisement** is issued or circulated;

- (iv) contains appropriate statements about the taxation implications of participating in the **conversion scheme** or a statement that the **individual member** is recommended to take his own tax advice; and
 - (v) if applicable, contains the prescribed wording set out in Appendix II.
- (e) **Promoters** may wish to take legal advice from the overseas law firms listed in Part I of Appendix II.
- (f) If so required by the **Conversion Official**, the **promoter** shall confirm in writing to the **Conversion Official** that in relation to any particular jurisdiction it has complied with this paragraph 1(6).

1(7) **Conversion invitations which are made to US individual members**

Conversion invitations which are made to **US individual members** must comply with the following additional requirements:-

- (a) Part III of Appendix II;
- (b) **promoters** should consult US counsel about the legal implications of making a **conversion invitation to US individual members**; and
- (c) where the **promoter** proposes to invite **US individual members** to accept securities, a legal opinion from US counsel in the form satisfactory to the **Conversion Official** and addressed to **Lloyd's** must be submitted to **Lloyd's** in accordance with section 8.

1(8) **Independent advice**

When a **members' agent** proposes to advise or make arrangements with a view to an **individual member** participating in a **conversion scheme** (irrespective of whether that **member's agent** is the **promoter** of such **conversion scheme** or whether that **members' agent** has been appointed by the **individual member** under an agreement in the terms of the **standard members' agent's agreement** (or will be so appointed in the following **year of account** if the **conversion scheme** is implemented)) the **members' agent** must observe the Lloyd's Code for Members' Agents: Responsibilities to Members, as amended from time to time.

1(9) **Submission of documentation**

- (a) All documentation (whether in draft or final form) which is submitted to the **Conversion Official** for approval pursuant to the **Rules** must:-
 - (i) be clear, fair and readily comprehensible;
 - (ii) be annotated in the margin to indicate the particular paragraph in the **Rules** (or in any Appendix to the **Rules**) with which compliance is being made; and
 - (iii) be marked up to show the changes from the previous draft submitted which have been made to conform with comments from the **Conversion Official** together with any other changes from the previous draft

submitted.

- (b) The **Conversion Official** may refuse to review any documentation which does not comply with paragraph 1(9)(a) or which he considers is not of a standard which is appropriate for review.

1(10) **Refusal to consider a conversion scheme**

The **Conversion Official** may refuse, in his absolute discretion, an application under the **Rules** which relates to a **conversion scheme**. In particular, no application will be considered if he is of the view that:-

- (a) the **conversion scheme** or any documentation relating thereto does not comply with the **Rules** or with any particular condition imposed by the **Conversion Official** in relation thereto; or
- (b) any **sponsor** or **promoter** is not complying, or has not complied, with the **Rules** or with any particular condition imposed upon it by the **Conversion Official**; or
- (c) the terms of the **conversion scheme** do not utilise the applicable prescribed documents as set out in Appendix III or such other documents as the **Conversion Official** may prescribe from time to time; or
- (d) the terms of the **conversion scheme** would be detrimental, in some respect, to the interests of **Lloyd's**.

1(11) **Costs and charges**

- (a) The **Council** may from time to time levy such charges as it shall determine in connection with the consideration of a **conversion scheme**.
- (b) A **promoter** of a **conversion scheme** must, if and to the extent requested by the **Conversion Official**, pay or reimburse such costs and disbursements (whether external or internal) as **Lloyd's** may incur relating to:-
 - (i) the provision of advice or guidance to the **promoter** about, or any documentation relating to, the **conversion scheme**; and/or
 - (ii) the review or approval (whether in principle or otherwise) of any documentation relating to the **conversion scheme**; and/or
 - (iii) any ongoing administration relating to the **conversion scheme**.

1(12) **Value added tax**

- (a) Where any amount payable to **Lloyd's** under the **Rules** constitutes the (or part of) the consideration for a supply which is subject to value added tax, an amount equal to the amount of such tax shall be paid in addition.
- (b) References to costs and disbursements incurred by **Lloyd's** and to be paid or reimbursed by any person are to such costs and disbursements net of such amount as **Lloyd's** shall determine it can recover or obtain credit for under the value added tax rules for crediting input tax against output tax.

SECTION 2

COMPLIANCE AND ENFORCEMENT

Scope of this section

This section contains rules regarding compliance with, and enforcement of, the **Rules**. It also sets out the sanctions which may be imposed against a person who is in breach of the **Rules**.

2(1) Compliance with the Rules

- (a) All underwriting agents, connected companies or associates of any underwriting agent and members must comply with the Rules. Sponsors and promoters must comply with, and ensure that any conversion scheme which they either sponsor or promote complies with, and is promoted in accordance with, the Rules.
- (b) **Sponsors** and **promoters** must provide to the **Conversion Official** without delay:
 - (i) all information, documentation and explanations as the **Conversion Official** may require, for the purpose of deciding whether or not to approve any application (whether in principle or otherwise) for, or any documentation relating to, a **conversion scheme**;
 - (ii) all information, documentation and explanations as the **Conversion Official** may require, for the purpose of verifying whether the **Rules** are being or have been complied with; and
 - (iii) all other information, documentation and explanations relating to a **conversion scheme**, as the **Conversion Official** considers appropriate in order to protect the interests of **Lloyd's**.
- (c) **Sponsors** and **promoters** must liaise with the **Conversion Official** in relation to all aspects of any **conversion scheme** which they are proposing to sponsor or promote.

2(2) Enforcement

- (a) The **Conversion Official** may, at any time, require a **sponsor** and/or a **promoter** or any other person who is subject to the **Rules**, to issue such information in connection with matters regulated by the **Rules**, in such form and to such persons and within such time limits as he considers appropriate for the purpose of protecting the interests of **Lloyd's**.
- (b) If a **sponsor** and/or a **promoter** and/or any other person who is subject to the **Rules** fails to comply with any requirement of the **Conversion Official** under paragraph 2(2)(a) the **Conversion Official** may decide, in his absolute discretion, to issue such information in such form and manner as he may think fit at the cost of the **sponsor** and/or the **promoter** and/or any other person who is subject to the **Rules**.

2(3) Sanctions

- (a) Any breach of the **Rules** not remedied (to the extent that it is capable of remedy) to the satisfaction of the **Conversion Official** will constitute **misconduct** for the

purposes of the Misconduct and Penalties Byelaw (No. 30 of 1996) and will be subject to the penalties set out in that Byelaw.

- (b) If the **Conversion Official** considers that a **sponsor** and/or a **promoter** has contravened any of the **Rules** he shall notify the **sponsor** and/or the **promoter** accordingly and shall be entitled to refer the matter to the Lloyd's Compliance Officer who may:-
 - (i) in the case of a **promoter**, take such regulatory action as may be appropriate; and
 - (ii) in the case of a **sponsor**:-
 - (aa) report the matter to the regulating organisation of which the **sponsor** is a member; and/or
 - (bb) direct the **Conversion Official** to remove the name of any defaulting **sponsor** from the **Register of Sponsors**.

2(4) **Disciplinary procedures**

Any disciplinary procedures undertaken for the purposes of the **Rules** will be undertaken in accordance with the Disciplinary Committees Byelaw (No. 31 of 1996).

SECTION 3

SPONSORS

Scope of this section

This section sets out the requirements relating to **sponsors**. A **conversion scheme** (which includes a **promoted private arrangement**) may only be promoted to an **individual member** if a person has agreed to act as the **sponsor** of such **conversion scheme**. A **private arrangement** may only be implemented if a **sponsor** of such **private arrangement** who has been approved by the **Conversion Official** (see section 14) has been appointed. **Sponsors** will normally be corporate brokers or investment banks but may also be other professional advisers. A **sponsor** must undertake to **Lloyd's** to accept certain responsibilities and agree to be bound by the **Rules**. If the **sponsor** fails to carry out these responsibilities the **Conversion Official** may seek to impose any of the sanctions, applicable to **sponsors**, referred to in paragraph 2(3)(b)(ii). **Lloyd's** will expect **sponsors** and/or their professional advisers to be persons who have experience of the Lloyd's market.

3(1) Qualifications

A **sponsor** must:

- (a) be a person who is:-
 - (i) an **authorised person**; or
 - (ii) resident in a jurisdiction other than the United Kingdom, who the **Conversion Official** may approve as being appropriately qualified to act as a **sponsor** in that jurisdiction;
- (b) satisfy the **Conversion Official** that it is competent and sufficiently experienced to discharge the responsibilities of a **sponsor**;
- (c) undertake in writing to **Lloyd's** on Form SP1 (set out in Appendix IV) to:-
 - (i) accept the responsibilities of a **sponsor** and to discharge those responsibilities at all times with due skill and care and to the reasonable satisfaction of **Lloyd's**;
 - (ii) comply at all times with the **Rules**;
 - (iii) ensure that any **conversion scheme** which he sponsors complies at all times with the **Rules**;
 - (iv) use reasonable endeavours to ensure that the **promoter** and any other person concerned with the promotion of such **conversion scheme** is properly guided and advised as to their respective obligations under the **Rules**; and
 - (v) notify the **Conversion Official** in writing forthwith upon its ceasing to be a **sponsor** of any **conversion scheme**; and
- (d) be entered on the **Register of Sponsors**, having completed all necessary application forms prescribed by the **Council**.

3(2) **Appointment**

- (a) A person shall not become a **sponsor** until its name has been entered into the **Register of Sponsors** and it has received notification in writing from the **Conversion Official** to that effect.
- (b) A person who has previously executed a Lloyd's sponsor questionnaire and undertaking shall, unless the **Conversion Official** otherwise determines, in his absolute discretion, remain in the **Register of Sponsors**.
- (c) The **Conversion Official** will use reasonable endeavours to approve a person as a **sponsor** not more than 3 **business days** after receipt of a completed Form SP1 duly executed by such person.
- (d) A **sponsor** who wishes to sponsor a particular **conversion scheme** will not be approved as the **sponsor** of that **conversion scheme** until an **application in principle** in respect of that **conversion scheme** has been approved by the **Conversion Official** in accordance with section 5.

3(3) **Prohibition**

No **conversion scheme** may be promoted unless a person who has been registered as a **sponsor** for the purposes of paragraph 3(2) has received the written approval of the **Conversion Official** to act as the **sponsor** of that particular **conversion scheme**.

3(4) **Responsibilities**

- (a) The responsibilities of the **sponsor**, which are owed to **Lloyd's**, are set out in this section 3 and in any undertakings or other documents which the **sponsor** is required to execute pursuant to the provisions of this section 3. Failure to carry out these responsibilities may result in the **Conversion Official** taking any of the steps, applicable to sponsors, referred to in paragraph 2(3)(b)(ii).
- (b) A **sponsor** (jointly with the **promoter** of a **conversion scheme**) must:-
 - (i) in relation to any proposed **conversion scheme**, submit an **application in principle** in accordance with section 5;
 - (ii) satisfy itself that any **conversion advertisement** complies, to the best of its knowledge and belief, having made due and careful enquiry, with all relevant requirements of the **Rules**;
 - (iii) in relation to any proposed **conversion invitation** or **PPA document**, submit an application for approval in accordance with section 8; and
 - (iv) if third party funds are required to implement fully a **conversion scheme**, confirm to **Lloyd's** in writing on Form AP2 (Conversion Rules) (set out in Appendix V) that it is satisfied (having taken all reasonable steps to ensure that such is the case), that such funds are or will, on completion of the **conversion scheme**, be available.

SECTION 4

PROMOTERS

Scope of this section

This section sets out the requirements relating to **promoters**. A **conversion scheme** (which includes a **promoted private arrangement**) may only be promoted to an **individual member** if a person has agreed to act as the **promoter** of such **conversion scheme**. Only **members' agents** or such other persons (who are subject to the provisions of the **Rules**) as the **Conversion Official** may approve may act as a **promoter**. A **promoter** must undertake to **Lloyd's** to accept certain responsibilities. If the **promoter** fails to carry out these responsibilities the **Conversion Official** may seek to invoke any of the sanctions, applicable to **promoters**, referred to in paragraph 2(3)(b)(i).

4(1) Qualifications

A **promoter** must:

- (a) be a **members' agent** or such other person (who is subject to the provisions of the **Rules**) as the **Conversion Official** may approve as being competent and sufficiently experienced to discharge the responsibilities of a **promoter**;
- (b) undertake in writing to **Lloyd's** on Form P1 (Conversion Rules) (set out in Appendix VI) to:-
 - (i) accept the responsibilities of a **promoter** and to discharge those responsibilities at all times with due skill and care and to the reasonable satisfaction of **Lloyd's**;
 - (ii) comply at all times with the **Rules**;
 - (iii) ensure that any **conversion scheme** which it promotes complies at all times with the **Rules**;
 - (iv) use reasonable endeavours to ensure that any other person concerned with the promotion of such **conversion scheme** is properly guided and advised as to its obligations under the **Rules**; and
 - (v) notify the **Conversion Official** in writing forthwith upon its ceasing to be a **promoter** of any **conversion scheme**.

4(2) Appointment

A person who wishes to promote a **conversion scheme** will not be approved as the **promoter** of that **conversion scheme** until an **application in principle** in respect of that **conversion scheme** has been approved by the **Conversion Official** in accordance with section 5.

4(3) Prohibition

No **conversion scheme** may be promoted unless a person who has applied to become a **promoter** for the purposes of paragraph 4(2) has received the written approval of the **Conversion Official** to act as the **promoter** of that **conversion scheme**.

4(4) Responsibilities

- (a) The responsibilities of a **promoter**, which are owed to **Lloyd's**, are set out in this section 4 and in any undertaking or other documents which the **promoter** is required to execute pursuant to the provisions of this section 4. Failure to carry out these responsibilities may result in the **Conversion Official** taking any of the steps, applicable to promoters, referred to in paragraph 2(3)(b)(i).
- (b) A **promoter** (jointly with the **sponsor** of a **conversion scheme**) must:-
- (i) in relation to any proposed **conversion scheme**, submit an **application in principle** in accordance with section 5;
 - (ii) satisfy itself that any **conversion advertisement** complies, to the best of its knowledge and belief, having made due and careful enquiry, with all relevant requirements of the **Rules**;
 - (iii) in relation to any proposed **conversion invitation** or **PPA document**, submit an application for approval in accordance with section 8; and
 - (iv) if third party funds are required to implement fully a **conversion scheme**, confirm to **Lloyd's** in writing on Form AP2 (Conversion Rules) (set out in Appendix V) that it is satisfied (having taken all reasonable steps to ensure that it is the case) that such funds are or will, on completion of the **conversion scheme**, be available.
- (c) A **promoter** must:-
- (i) confirm to **Lloyd's** in writing on Form AP2 (Conversion Rules) (set out in Appendix V) that, to the best of its knowledge, information and belief (having made due and careful enquiry), and after having consulted with the **sponsor**, all material facts relating to the **conversion scheme** which it is promoting have been properly disclosed to the **Conversion Official** and in the **invitation document** or in the **PPA document** (as the case may be) and there are no matters (other than those disclosed in the **invitation document** or in the **PPA document** (as the case may be)) which are or could be material to an **individual member** proposing to participate in that particular **conversion scheme**;
 - (ii) provide details to **Lloyd's** of any commission payable to it or similar arrangements agreed by it in relation to a **conversion scheme**;
 - (iii) in relation to any **invitation document** or **PPA document** (as the case may be), provide, or cause to be provided, a **derogation letter** (substantially in the form set out in Appendix VII) setting out details of any part of section 7, Appendix VIII or section 14 or other paragraph of the **Rules** which has not been fully complied with and explaining the reason for such omission, signed by a director or other duly authorised signatory of the **promoter**;
 - (iv) if so required by the **Conversion Official**, confirm to the **Conversion Official** in writing that any **conversion advertisement** which it is proposed should be issued or circulated outside the United Kingdom,

fully and properly complies with paragraph 1(6)(d);

- (v) at all times observe the principles set out in any applicable code of practice issued by **Lloyd's** from time to time; and
- (vi) be responsible for submitting draft documentation to the **Conversion Official** and at all times communicate and liaise with the **Conversion Official** in relation to the issue of a **conversion invitation** or a **PPA document**.

SECTION 5

APPLICATION IN PRINCIPLE

Scope of this section

This section sets out the requirements relating to making an **application in principle** for approval of a **conversion scheme** (which includes a **promoted private arrangement**). There is no requirement to submit draft documentation with an **application in principle** although a **promoter** may wish to do so. No **conversion scheme** (which includes a **promoted private arrangement**) will be approved by the **Conversion Official** and no **conversion invitation** or **PPA document** may be issued unless an **application in principle** is made to the **Conversion Official**. Approval for the issue of a **conversion invitation** (or a **PPA document**) in accordance with section 8 will not be given by the **Conversion Official** unless **approval in principle** has already been given.

5(1) Procedure

- (a) An **application in principle** for approval of a **conversion scheme** shall be made to the **Conversion Official** on Form AP1 (Conversion Rules) (set out in Appendix VIII) and must be signed by a director or other duly authorised signatory of each of the **sponsor** and the **promoter**.
- (b) No **application in principle** will be considered by the **Conversion Official** unless it is submitted prior to the **prescribed date** in a particular year.
- (c) The **Conversion Official** will use reasonable endeavours to provide an **approval in principle** no more than 3 **business days** after the **application in principle** has been made to him.

5(2) Approval

An **application in principle** will be approved by the **Conversion Official** only when he notifies the **sponsor** and **promoter** of the **conversion scheme** of such **approval in principle** in writing.

SECTION 6

INITIAL ADVERTISEMENTS

Scope of this section

This section sets out the requirements relating to the contents and issue of an **initial advertisement** which may relate to a **conversion scheme** (or a **PPA document** - see section 14).

6(1) Conditions to issue

An **initial advertisement** must not be issued to any person unless:-

- (a) an **application in principle** in respect of the proposed **conversion scheme** which is the subject of the **initial advertisement** has been approved by the **Conversion Official** in accordance with paragraph 5(2);
- (b) the **initial advertisement** has been prepared in accordance with paragraph 6(2);
- (c) the **promoter** has complied with its obligations under paragraph 1(6) in relation to that **initial advertisement**;
- (d) the **initial advertisement** has been approved in writing by both the **sponsor** and the **promoter** of the proposed **conversion scheme**;
- (e) both the **sponsor** and the **promoter** are satisfied that a **conversion invitation** will be issued on substantially the same terms as those set out in the **initial advertisement**; and
- (f) both the **sponsor** and the **promoter** believe, on reasonable grounds, that the **conversion scheme** being advertised will be implemented in substantially the form set out in the **initial advertisement**.

6(2) Form and content

An **initial advertisement** must:-

- (a) clearly identify the name of and the type of **conversion scheme** to which the **initial advertisement** relates and the nature of any securities proposed to be issued to a **participant**;
- (b) state clearly that it relates to proposals only, that it does not contain or constitute an invitation or an offer and that any invitation or offer will only be made in an **invitation document** which will be issued in accordance with the **Rules**;
- (c) contain the statements and risk warnings set out in Appendix IX; and
- (d) state the date on which it is expected that the **invitation document** will be issued.

6(3) Submission to Conversion Official

Immediately following the issue of any **initial advertisement**, the **promoter** of any proposed **conversion scheme** to which the **initial advertisement** relates must submit, or

cause to be submitted, to the **Conversion Official**, 2 copies of the **initial advertisement** together with a letter in the form set out in Appendix X.

SECTION 7

REQUIREMENTS FOR CONVERSION INVITATIONS

Scope of this section

This section sets out the requirements relating to **invitation documents** and **PPA documents**. No **conversion invitation** may be made (or a **PPA document** issued) unless **approval in principle** has been given and an **invitation document** or a **PPA document**, as the case may be, is issued. An **invitation document** must contain the information set out in this section 7 and Appendix XI and must be issued in accordance with the provisions of section 9. A **PPA document** must, as provided in section 14, contain certain of the information required in this section 7. If any information required by the **Rules** is not to be included, details of the omission and the reasons for it must be set out in a **derogation letter**. Any **promoter** who promotes a **conversion scheme** or issues, or causes the issue of, an **invitation document**, a **revised invitation document** or a **PPA document**, as the case may be, otherwise than in accordance with the **Rules**, will be guilty of **misconduct**.

7(1) Requirements for conversion invitation

Notwithstanding that **approval in principle** of a **conversion scheme** has been granted by the **Conversion Official**, no **conversion invitation** may be issued unless:-

- (a) an **invitation document** which complies with the provisions of this section 7 and Appendix XI is submitted to the **Conversion Official**;
- (b) the **invitation document** relating to that **conversion invitation** has been stamped by the **Conversion Official**;
- (c) the **invitation document** is issued in accordance with section 9; and
- (d) as soon as reasonably practicable after the issue of the **invitation document**, a **conversion announcement** is made in accordance with section 10.

7(2) Responsibility for invitation documents

The **invitation document** must include a responsibility statement in the form set out in paragraph 2 of Appendix XI. If responsibility is to be accepted by other person(s) or responsibility is to be shared, the **Conversion Official** should be consulted at an early stage and the statement amended accordingly. The **Conversion Official** may require responsibility to be extended to additional persons in which case the statement must be amended to reflect such extension.

7(3) Form and content of invitation documents

- (a) An **invitation document** must:-
 - (i) be in the format set out in Appendix XI and include the statements which are prescribed therein;
 - (ii) contain such other information as **individual members** to whom the **conversion invitation** is directed and their professional advisers would reasonably require and reasonably expect to find there for the purpose of

making an informed assessment of:-

- (aa) the terms and conditions of the **conversion invitation**;
 - (bb) the assets, liabilities and financial position of the **successor vehicle(s)** and the issuer of any securities to be issued to **participants**;
 - (cc) the rights and obligations attaching to any securities proposed to be issued to any participants in the **conversion scheme**; and
 - (dd) the UK taxation implications of entering into the **conversion scheme**;
- (iii) contain such additional information as the **Conversion Official** may from time to time prescribe or require, in his absolute discretion; and
 - (iv) contain such additional or other risk warnings as may be prescribed or approved by the **Conversion Official** from time to time together with such other warnings as to risks which the **sponsor** and the **promoter** consider should reasonably be brought to the attention of any **individual member** to whom the **conversion invitation** is directed.
- (b) Irrespective of whether a prospectus is required to be published pursuant to the **POS Regulations**, where a **conversion scheme** involves the issue of **unlisted securities** to an **individual member**, the **invitation document** shall, in addition to containing the information required by the **Rules**, also contain the information which would be required by the **POS Regulations**, if such a prospectus were so required.
 - (c) The **Conversion Official** may require that prominence be given in the **invitation document** to important information in such manner as he considers appropriate.
 - (d) **Promoters** should discuss with the **Conversion Official** as early as possible the conditions, if any, to which the **conversion invitation** is proposed to be subject.
 - (e) The information to be included in an **invitation document** by virtue of paragraph 7(3)(a)(ii) shall be such information as is required by such paragraph which is within the knowledge of any person responsible for the **invitation document** or which it would be reasonable for him to obtain by making enquiries.
 - (f) In determining what information is required to be included in an **invitation document** by virtue of paragraph 7(3)(a)(ii) regard shall be had:-
 - (i) to the nature of any securities and the issuer of those securities; and
 - (ii) to the nature of the **individual members** likely to consider the acquisition of such securities; and
 - (iii) to the fact that certain matters may reasonably be expected to be within the knowledge of professional advisers of any kind which those **individual members** may reasonably be expected to consult; and

- (iv) to any information available to **individual members** or their professional advisers by virtue of requirements imposed by the **FSA** or by or under any other enactment or by virtue of requirements imposed by any stock exchange.

7(4) **Illustrations and covers**

- (a) No graphs, charts or other illustrations may be included in an **invitation document** unless the **Conversion Official** is satisfied that they are a reasonable way in which relevant factual information can be clearly and fairly presented.
- (b) Apart from the illustrations referred to in paragraph 7(4)(c), the cover of any **invitation document** may only contain:-
 - (i) the names of the **sponsor** and the **promoter**;
 - (ii) the name of the **conversion scheme** and/or of the **successor vehicle(s)**;
 - (iii) the name of the issuer of any securities; and
 - (iv) an accurate description of the **conversion invitation**.
- (c) Any illustrations on the cover must not be likely, in the opinion of the **Conversion Official**, to influence the judgment of any **individual member** to whom the **conversion invitation** is directed.

7(5) **Derogation**

If any information required by this section 7 or Appendix XI or elsewhere in the **Rules** is not applicable and no equivalent information is available, it need not be included in the **invitation document** provided the **Conversion Official** is informed in writing (by a **derogation letter**) and the **Conversion Official** approves the contents of such **derogation letter**.

7(6) **Delay in issuing an invitation document**

- (a) If an **invitation document** relating to a particular **conversion scheme** is not issued before the 42nd **business day** following the issue of the first **initial advertisement** relating to that **conversion scheme**, or, if earlier, before the 25th **business day** before the first day of the last **auction** in which **individual members** could tender their **prospective participations**, the **promoter** shall give written notice to each of the **individual members** to whom the **invitation document** would otherwise have been sent:-
 - (i) as to whether, in its reasonable opinion, the **conversion scheme** is likely to be implemented; and
 - (ii) giving details of the dates of any remaining **auctions**.
- (b) Where an **advertisement** relating to a particular **conversion scheme** has been issued and the **promoter** believes that there is no reasonable prospect of that **conversion scheme** being implemented in substantially the form advertised, the **promoter** shall forthwith:-

- (i) notify the **Conversion Official** in writing thereof;
- (ii) notify each of the **individual members** to whom the **advertisement** was sent in writing thereof; and
- (iii) make an announcement to such effect, in such terms and in such manner as may be approved by the **Conversion Official**.

7(7) **Approval process**

- (a) The first draft of any **invitation document** (together with a **derogation letter** (if applicable)) must be submitted to the **Conversion Official** no later than the **prescribed date**.
- (b) The **Conversion Official** will use reasonable endeavours to provide preliminary comments on the first draft of an **invitation document** (and any related **derogation letter**) not more than 7 **business days** after the documentation has been submitted to him. The **Conversion Official** will use reasonable endeavours to provide comments on any subsequent draft document not more than 5 **business days** after submission.
- (c) If so requested by the **Conversion Official**, the **sponsor** and **promoter** shall attend meetings at Lloyd's to discuss any requirements or conditions which the **Conversion Official** may:-
 - (i) wish to impose in respect of the **conversion scheme**; or
 - (ii) require to be included in the **invitation document**.

SECTION 8

APPROVAL PROCEDURE

Scope of this section

This section sets out the procedure which must be followed before the **Conversion Official** will give consent to the issue of a **conversion invitation** (or of a **PPA document** - see section 14).

8(1) General

- (a) An application for approval to issue a **conversion invitation** will only be approved by the **Conversion Official** when the **invitation document** relating to that **conversion invitation** has been stamped by the **Conversion Official**.
- (b) The **Conversion Official** will not grant approval for the issuing of a **conversion invitation** until each of the documents referred to in paragraph 8(2) has been lodged with the **Conversion Official**.

8(2) Approval documents

The following documents (other than those referred to in paragraph 8(2)(g) which may be in draft form) must be submitted in final form to the **Conversion Official** no later than 3 **business days** prior to the date on which it is proposed to issue the **conversion invitation**:-

(a) Application for approval

An application for approval to issue a **conversion invitation** on Form AP2 (Conversion Rules) (set out in Appendix V) signed by a director or other duly authorised signatory of each of the **sponsor** and the **promoter**.

(b) Invitation document

3 copies of the **invitation document** satisfying all relevant requirements for the contents of such document.

(c) Application form

3 copies of the application form relating to the **conversion invitation**.

(d) Derogation letter

A **derogation letter**.

(e) Payment

A cheque payable to the Corporation of Lloyd's for the **prescribed fee**.

(f) Legal opinion

If applicable, pursuant to paragraph 1(7), an appropriate legal opinion signed by US counsel.

(g) **Transition arrangements**

In the case of a **conversion scheme** which is a **transition arrangement**, such additional documents as may be prescribed by the **Conversion Official** from time to time.

(h) **Reverse interavailability arrangements**

In the case of a **conversion scheme** which is a **reverse interavailability arrangement**, drafts of such documents as may be prescribed by the **Conversion Official** from time to time.

SECTION 9

ISSUE OF INVITATION DOCUMENTS

Scope of section

This section sets out the requirements which must be satisfied before an **invitation document** (or a **PPA document** - see section 14) can be issued to **individual members**. In certain circumstances, an obligation to issue a **revised invitation document** (or a **revised PPA document**) setting out additional or amended information may arise.

9(1) Conditions to issue

An **invitation document** must not be issued to any person unless:-

- (a) such document has been stamped by the **Conversion Official**;
- (b) the **invitation document** has been prepared in accordance with section 7 and Appendix XI; and
- (c) each **individual member** to whom the **invitation document** is issued:
 - (i) has an agreement in the form of the **standard members' agent's agreement** with the **promoter**; or
 - (ii) has indicated in writing to the **promoter** that he wishes to receive a copy of the **invitation document**.

9(2) Issue of an invitation document

An **invitation document** or a **revised invitation document** will be issued if it is delivered by hand or posted by first class post or airmail to such **individual members** as are referred to in paragraph 9(1)(c).

9(3) Revised invitation documents

- (a) The **sponsor** and the **promoter** shall notify the **Conversion Official** forthwith in writing if, at any time before the **conversion invitation** contained in an **invitation document** closes or lapses, either of them:-
 - (i) becomes aware that there has been a significant change affecting any matter set out in the **invitation document**; or
 - (ii) becomes aware that a significant new matter has arisen, the inclusion of information in respect of which would have been required to be mentioned had it been known at the time of preparation of the **invitation document**; or
 - (iii) wishes to amend any of the terms of the **conversion invitation** set out in the **invitation document**.
- (b) For the purpose of paragraph 9(3)(a) "significant" means significant for the purpose of making an informed assessment of the matters referred to in paragraph 7(3)(a)(ii).

- (bb) An extension of the date on which a **conversion scheme** closes is not to be regarded as a matter falling within paragraph 9(3)(a).
- (c) If the **sponsor** and/or **promoter** notifies the **Conversion Official** pursuant to paragraph 9(3)(a), the **promoter** shall, as soon as reasonably practicable following such notification, issue or procure the issue of a **revised invitation document** which complies with this paragraph 9(3).
- (d) Paragraph 9(3)(a) and (c) apply also as respects matters contained in any **revised invitation document** previously issued in relation to any **conversion scheme**.
- (e) The **sponsor** and the **promoter** shall submit or procure the submission of an application for approval to issue a **revised invitation document**, together with a final draft of that document to the **Conversion Official** no less than 3 **business days** prior to the date on which it is proposed to issue such **revised invitation document**.
- (f) A **revised invitation document** must:-
 - (i) give details of any change, new matter or amendment;
 - (ii) contain the responsibility statement set out in paragraph 2 of Appendix XI;
 - (iii) contain a statement that, save as disclosed, there has been no significant change and no amendment to the terms of the **conversion invitation** contained in the **invitation document** and no significant new matter has arisen since the issue of the previous **invitation document** or **revised invitation document** (as the case may be); and
 - (iv) be issued to each of the **individual members** to whom the original **invitation document** was sent in accordance with paragraph 9(2).
- (g) A **revised invitation document** must not be issued to any person unless it complies with the applicable provisions of paragraphs 9(3)(f) and has been stamped by the **Conversion Official**.
- (h) Where an **invitation document** contains a statement that the terms of the **conversion invitation** contained in it will not be extended or revised, the **Conversion Official** will not approve any extension or revision to the terms of the **conversion invitation** unless he considers, in his absolute discretion, that any such extension or revision is in the interests of the **individual members** to whom the **invitation document** was directed.
- (i) If, following the date on which an **invitation document** has been issued, a **conversion invitation** is extended to any overseas **individual members** then irrespective of whether the **invitation document** referred to the possibility of such extension, such extension will be deemed to be a significant change for the purposes of paragraph 9(3)(a) and the **conversion invitation** must be held open for the further periods referred to in paragraph 12(1)(b).
- (j) If a **conversion invitation** is extended in accordance with paragraph 9(3)(i), the **promoter** must forthwith confirm to the **Conversion Official** that it has complied

with paragraph 1(6)(d).

SECTION 10

CONVERSION AND OTHER ANNOUNCEMENTS

Scope of this section

This section sets out the requirements relating to the contents and issue of a **conversion announcement** (and the issue of an announcement following the issue of a **PPA document** - see section 14). All **conversion announcements** must be made in Auction News or published in such other manner as the **Conversion Official** may approve and in such other publications as the **promoter** may select.

10(1) Conditions to issue

A **conversion announcement** must not be issued to any person unless:-

- (a) an **invitation document** in respect of the **conversion scheme** which is the subject of the **conversion announcement** has been stamped by the **Conversion Official**;
- (b) the **conversion announcement** has been prepared in accordance with paragraph 10(2);
- (c) the **promoter** has complied with his obligations under paragraph 1(6) in relation to the **conversion announcement**; and
- (d) the **conversion announcement** has been approved in writing by both the **sponsor** and the **promoter** of the proposed **conversion scheme**.

10(2) Form and content

A **conversion announcement** must:-

- (a) clearly identify the name and type of **conversion scheme** and the **successor vehicle(s)** to which the **conversion announcement** relates and the nature of any securities proposed to be issued to a **participant**;
- (b) state that a **conversion invitation** has been made in an **invitation document** which has been issued in accordance with the **Rules**;
- (c) state where copies of the **invitation document** can be obtained; and
- (d) contain the statements and risk warnings set out in Appendix IX.

10(3) Submission to Conversion Official

Immediately following the issue of any **conversion announcement**, the **promoter** of the **conversion scheme** to which the **conversion announcement** relates must submit, or cause to be submitted, to the **Conversion Official**, 2 copies of the **conversion announcement** together with a letter in the form set out in Appendix X.

10(4) Requirement to issue conversion announcement

A **promoter** of a **conversion scheme** must issue, or cause to be issued, a **conversion**

announcement in Auction News or in such other manner as the **Conversion Official** may approve and in such other publications as the **promoter** may select, as soon as reasonably practicable, following the date on which an **invitation document** or **revised invitation document**, as the case may be, was first issued.

SECTION 11

CONDITIONS FOR CONVERSION SCHEMES

Scope of this section

This section sets out the conditions to which any **conversion scheme** and the acceptance by any **participant** must be expressed to be subject. It also covers the conditions relating to **promoted private arrangements** - see section 14.

11(1) Conditions for conversion schemes

- (a) A **conversion scheme** (and any contract created by the acceptance of an application form) must be stated to be conditional upon:-
- (i) the **successor vehicle(s)** being admitted as a **corporate member** and being granted permission to underwrite with effect from 1 January in the **year of account** immediately following the **year of account** in which the **conversion invitation** relating to such **conversion scheme** is made;
 - (ii) the **successor vehicle(s)** not having underwritten any business with an inception date earlier than 1 January in the **year of account** immediately following the **year of account** in which the **conversion invitation** relating to such **conversion** scheme is made; and
 - (iii) in the case of a **transition arrangement**, the satisfaction of such other conditions, which may be prescribed by the **Conversion Official** from time to time.

11(2) Condition for successor vehicle(s)

A **successor vehicle** must not have engaged in any previous business or commercial activity except for the purposes of applying to become a **corporate member** or raising any funds required to enable it to do so.

11(3) Conditions for accepting members

- (a) The acceptance of any **participant** must be conditional upon such **participant** confirming that he:-
- (i) has met each and every **request for funds** duly made;
 - (ii) is in compliance with all applicable requirements of **Lloyd's** relating to solvency;
 - (iii) has, subject to his application being accepted, resigned his membership of **Lloyd's**; and
 - (iv) (in the case of a **conversion scheme** relating to an **interavailability arrangement** or a **reverse interavailability arrangement**), subject to his application being accepted, will deliver to **Lloyd's** each of the prescribed documents referred to in paragraph 13(2) (as applicable) duly executed by him or on his behalf.

- (b) Any **individual member** who wishes to participate in a **conversion scheme** relating to a **transition arrangement**, must give the additional confirmations prescribed by the **Conversion Official** from time to time.

SECTION 12

CONDITIONS FOR ACCEPTANCES

Scope of this section

This section sets out the requirements relating to acceptances and the announcements which must be made in respect of acceptances.

12(1) Acceptance periods

- (a) Any **conversion invitation** contained in an **invitation document** must be stated to be open for acceptance for at least 15 **business days** following the date on which the **invitation document** was first issued (or, if the **conversion invitation** is directed to **US individual members**, for at least 20 **US business days** following the date on which the **invitation document** was first issued in the **United States** (or if such date of issue was not a **US business day**, the next following **US business day**)).
- (b) Any **conversion invitation** contained in a **revised invitation document** must be stated to be open for acceptance for at least 10 **business days** following the date on which the **revised invitation document** was first issued (or, if the **conversion invitation** is directed to **US individual members**, for at least 10 **US business days** following the date on which the **revised invitation document** was first issued in the **United States** (or if such date of issue was not a **US business day** the next following **US business day**)).
- (c) A **conversion invitation** must either close or lapse by the **prescribed date** in each year (or such later date as the **Conversion Official** may in any particular case so agree).

12(2) Announcement of acceptances

- (a) Following the issue of an **invitation document** if:
 - (i) the **conversion invitation** lapses; or
 - (ii) an **individual member's** application is rejected or his **prospective participations** (or any part thereof) are not accepted by the **successor vehicle(s)**

the **promoter** shall as soon as reasonably practicable write to any affected **individual member** stating such fact.

- (b) Following the issue of an **invitation document**, if:
 - (i) the **conversion invitation** is declared or becomes unconditional as to acceptances; and/or
 - (ii) the **conversion invitation** is revised or extended; and/or
 - (iii) the amount of **prospective participations** sought is changed; and/or

- (iv) the consideration is changed; and/or
- (v) the amount of any fee to be paid to a US registered broker dealer in connection with its solicitation of applications by **US individual members** for the **conversion invitation** is changed

the **conversion invitation** must remain open for a further 10 **business days** following the date on which such change was first announced (or, if the **conversion invitation** is directed to **US individual members**, for a further 10 **US business days** following the date on which such change was first announced in the **United States**) and the **promoter** shall comply with paragraph 9(3) and shall, as soon as reasonably practicable, issue, or cause to be issued, an announcement which complies with paragraph 12(2)(c).

- (c) Any announcement made under paragraph 12(2)(b) must:-
 - (i) not be issued to any person unless, in the case of a **conversion invitation** in respect of which an obligation under paragraph 9(3) to issue a **revised invitation document** arises, a **revised invitation document** in respect of the **conversion scheme** which is the subject of the announcement has been stamped by the **Conversion Official**;
 - (ii) clearly identify the name and type of **conversion scheme** and the **successor vehicle(s)** to which the announcement relates and the nature of any securities proposed to be issued to a **participant**;
 - (iii) indicate the aggregate amount of **prospective participations** which are the subject of the **conversion invitation** in respect of which, at the date of the announcement, applications have been received;
 - (iv) state that a **conversion invitation** has been made in an **invitation document** which has been issued in accordance with provisions of the **Rules**;
 - (v) state where copies of the **invitation document** and any **revised invitation document** can be obtained;
 - (vi) comply with paragraph 1(6);
 - (vii) be approved in writing by both the **sponsor** and the **promoter** of the **conversion scheme**; and
 - (viii) contain the statements and risk warnings set out in Appendix IX.

12(3) **Submission to Conversion Official**

Immediately following the issue of any announcement pursuant to this section 12, the **promoter** of the **conversion scheme** to which the announcement relates must submit, or cause to be submitted, to the **Conversion Official**, 2 copies of the announcement together with a letter in the form set out in Appendix X.

12(4) **Requirement to issue announcement**

A **promoter** of a **conversion scheme** must issue, or cause to be issued, any

announcement required by this section 12 as soon as reasonably practicable following any of the events referred to in paragraph 12(2)(b), in Auction News or in such other manner as the **Conversion Official** may approve and in such other publications as the **promoter** may select.

SECTION 13

COMPLETION REQUIREMENTS

Scope of this section

This section sets out the conditions, requirements and procedures relating to completing the arrangements for implementation of a **conversion scheme** or a **private arrangement**.

13(1) Completion documents

No later than the **prescribed date** in each year, the **completion documents** referred to in paragraph 13(2) must be furnished to the **Conversion Official** or as he shall direct.

13(2) Completion arrangements

A **promoter** must:-

- (a) as soon as practicable after the **conversion scheme** is closed or the **private arrangement** is finalised and no later than the **prescribed date** in each year, supply to **Lloyd's**:-
 - (i) details of all **individual members** who have applied to participate in the **conversion scheme** or **private arrangement**;
 - (ii) in the case of an **interavailability arrangement**, a schedule (in the format provided by the Members' Services Unit) for each **individual member**, detailing the **Lloyd's deposit** to be made interavailable;
 - (iii) in relation to a **reverse interavailability arrangement**, such information in respect of each **individual member** and details of the **Lloyd's deposit** to be released, as may be prescribed by the **Conversion Official** from time to time;
- (b) use its reasonable endeavours to complete all arrangements and documents relating to or required to implement the **conversion scheme** including completed interavailability deeds as soon as possible but by no later than the **prescribed date**;
- (c) comply with all reasonable requests and directions made by the **Conversion Official** in relation to completing such matters;
- (d) if so requested by the **Conversion Official**, attend a completion meeting at Lloyd's in either London or Chatham to sign off, where applicable, the relevant interavailable trust deeds;
- (e) if applicable, in relation to an **interavailability arrangement** and a **reverse interavailability arrangement**, forward to **Lloyd's** a written form of consent to the transfer of personal reserve fund duly executed by the **members' agent**;
- (f) in relation to a **reverse interavailability arrangement**, forward to **Lloyd's**:
 - (i) a letter from the **successor vehicle(s)** requesting **Lloyd's** to make its **Lloyd's deposit** interavailable; and

- (ii) such deeds as may be prescribed by the **Conversion Official** from time to time; and
- (g) in relation to a **transition arrangement**, forward to **Lloyd's** such deeds as may be prescribed by the **Conversion Official** from time to time.

SECTION 14

PRIVATE ARRANGEMENTS AND PROMOTED PRIVATE ARRANGEMENTS

Scope of this section

This section sets out the requirements of the **Rules** which apply to **private arrangements** and **promoted private arrangements**.

A **private arrangement** is an arrangement where an **individual member**, either on his own or together with other **individual members** who are members of his family transfers his, or they each transfer their, unlimited liability underwriting business to a specially formed **corporate member** or **SLP**. A **private arrangement** may also involve the members of an **employee group** who wish to convert to a **corporate member** or **SLP**. It is not anticipated that any form of public advertising or other promotion relating to a **private arrangement** will take place. However, a **members' agent** will be permitted to make **individual members**, for whom it acts as a **members' agent**, aware of the availability of this type of arrangement. No **application in principle** in relation to a **private arrangement** need be made and only limited documentation need be submitted to the **Conversion Official**.

Promoted private arrangements are arrangements which are substantially similar in nature which are offered to a number of **individual members** allowing them each to transfer their unlimited liability underwriting business to separate specially formed **corporate members** or **SLPs**. Although the **Rules** relating to issuing **advertisements** apply to the promotion of a **promoted private arrangement** it is not anticipated that any **invitation document** will be issued in relation to such an arrangement since the implementation of such an arrangement will take place on a case by case basis. It is however anticipated that the **sponsors/promoters** of a **promoted private arrangement** will wish to issue a **PPA document**. Approval to the implementation of a **promoted private arrangement** must also be obtained from the **Conversion Official** before a **PPA document** may be issued.

14(1) General requirements

The general principles set out in section 1 and the provisions regarding compliance with, and enforcement of, the **Rules** set out in section 2 apply to any activities relating to a **private arrangement** or a **promoted private arrangement**.

14(2) Private arrangement

- (a) A **members' agent** may act as **sponsor** of a **private arrangement** subject to it receiving notification in writing from the **Conversion Official** to the effect that the **Conversion Official** is satisfied that that **members' agent** is competent and sufficiently experienced to discharge the responsibilities of a **sponsor** in relation to the **private arrangement** intended to be sponsored.
- (b) No **private arrangement** shall be implemented by someone other than a **members' agent** unless a person whose name appears in the **Register of Sponsors** has been approved in writing by the **Conversion Official** to act as **sponsor** of that **private arrangement**.
- (c) The **sponsor** of a **private arrangement** (who is not a **members' agent**) must comply with paragraphs 3(1), 3(2) and 3(4)(a).

- (d) A **members' agent** who proposes to implement a **private arrangement** must comply with paragraph 4(1).
- (e) A **members' agent** who is implementing a **private arrangement** must submit to the **Conversion Official** by the **prescribed date** a letter of confirmation from the **members' agent** in the **prescribed form** set out in Appendix XII.
- (f) a **participant** in a **private arrangement** must provide a letter in the **prescribed form** (set out in Appendix XV) to the **Conversion Official** by the **prescribed date**.

14(3) **Promoted private arrangements**

- (a) No **promoted private arrangement** shall be promoted unless:-
 - (i) a person whose name appears in the **Register of Sponsors** and has been approved in writing by the **Conversion Official** to act as **sponsor** of that **promoted private arrangement**; and
 - (ii) a **members' agent** or another person, has been approved in writing by the **Conversion Official**, to act as **promoter** of that **promoted private arrangement**.
- (b) The **sponsor** of a **promoted private arrangement** must comply with section 3.
- (c) The **promoter** of a **promoted private arrangement** must comply with section 4.

14(4) **Application in principle**

No **promoted private arrangement** may be promoted to any **individual member** unless an **application in principle** in respect of such **promoted private arrangement** has been made to, and approved in writing by, the **Conversion Official** in accordance with section 5.

14(5) **Advertisements**

No **advertisement** relating to a **promoted private arrangement** may be issued unless:-

- (a) compliance is made with the relevant paragraphs set out in section 1; and
- (b) compliance is made with section 6.

14(6) **Requirements for PPA documents**

Notwithstanding that **approval in principle** to a **promoted private arrangement** has been granted by the **Conversion Official**, no **PPA document** may be issued to any **individual member** unless:-

- (a) a **PPA document** which complies with the provisions of this section 14 and the applicable paragraphs of Appendix XI is submitted to the **Conversion Official**;
- (b) the **PPA document** has been stamped by the **Conversion Official**;
- (c) the **PPA document** is issued in accordance with section 9; and

- (d) as soon as reasonably practicable after the issue of a **PPA document**, an announcement is made in accordance with section 10.

14(7) **Responsibility**

The **PPA document** must include a responsibility statement in the form set out in paragraph 2 of Appendix XI. If responsibility is to be accepted by other person(s) or responsibility is to be shared, the **Conversion Official** should be consulted at an early stage and the statement amended accordingly. The **Conversion Official** may require responsibility to be extended to additional persons in which case the statement must be amended to reflect such extension.

14(8) **Form and content**

- (a) A **PPA document** must:-

- (i) be in the format set out in Appendix XI and include the statements which are prescribed therein which are applicable to a **promoted private arrangement**;
- (ii) contain such other information as **individual members** to whom the **PPA document** is sent and their professional advisers would reasonably require and reasonably expect to find there for the purpose of making an informed assessment of:-
 - (aa) the terms and conditions of the **promoted private arrangement**;
 - (bb) the assets, liabilities and financial position of the **successor vehicle(s)** and the issuer of any securities to be issued to **individual members**;
 - (cc) the rights and obligations attaching to any securities proposed to be issued to any participants in the **promoted private arrangement**; and
 - (dd) the UK taxation implications of entering into the **promoted private arrangement**;
- (iii) contain such additional information as the **Conversion Official** may from time to time prescribe or require, in his absolute discretion;
- (iv) contain such additional or other risk warnings as may be prescribed or approved by the **Conversion Official** from time to time together with such other warnings as to risks which the **sponsor** and the **promoter** consider should reasonably be brought to the attention of any **individual members** to whom the **PPA document** is sent; and
- (v) comply with the provisions of paragraphs 7(3)(b) and (c), 7(4), 7(5), 7(6) and 7(7).

- (b) The information to be included in a **PPA document** by virtue of paragraph 14(8)(a)(ii) shall be such information as is required by such paragraph which is within the knowledge of any person responsible for the **PPA document** or which

it would be reasonable for him to obtain by making enquiries.

- (c) In determining what information is required to be included in a **PPA document** by virtue of paragraph 14(8)(a)(ii) regard shall be had:-
- (i) to the nature of any securities and the issuer of those securities; and
 - (ii) to the nature of the **members** likely to consider the acquisition of such securities; and
 - (iii) to the fact that certain matters may reasonably be expected to be within the knowledge of professional advisers of any kind which those **members** may reasonably be expected to consult; and
 - (iv) to any information available to **individual members** or their professional advisers by virtue of requirements imposed by the **FSA** or by or under any other enactment or by virtue of requirements imposed by any stock exchange.

14(9) Issue of PPA documents

No person may issue a **PPA document** unless compliance is made with sections 8, 9, 10, 11 and 13.

14(10) Interpretation

For the purposes of this section 14, all references in the previous sections of the **Rules** shall be read as if

- (a) all references in such paragraphs to a **conversion scheme** are references to a **private arrangement** or a **promoted private arrangement** (as the case may be);
- (b) all references in such paragraphs to an **invitation document** are to a **PPA document**; and
- (c) all references in such paragraphs to a **conversion invitation** are to a **promoted private arrangement** or a **PPA document** (as the context requires).

DEFINITIONS

1 In these **Rules**, unless the context otherwise requires, the following terms shall have the meanings given below:-

| | |
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| advertisement | means a financial promotion in accordance with section 21(1) of FSMA; |
| Agency Agreements Byelaw | means the Agency Agreements Byelaw (No. 8 of 1988); |
| application in principle | means an application for approval in principle of a conversion scheme made in accordance with section 5; |
| approval in principle | means the grant by the Conversion Official of approval in principle of a conversion scheme ; |
| associate | means in relation to any person: <ul style="list-style-type: none">(a) that person's close relative; or(b) if that person is a body corporate, any director or employee of that person or any connected company of that person; or(c) any body corporate of which that person is a director or an employee; or(d) any person who is an employee or partner of that person; or(e) any connected company of that person; |
| auction | means an auction within the meaning of paragraph 1 of the Auction Byelaw (No. 14 of 1997); |
| authorised person | means a person who is an authorised person for the purposes of the FSMA , (which, for the avoidance of doubt, shall include a member of a designated professional body); |
| body corporate | shall have the meaning ascribed thereto in the Companies Act 1985; |
| business day | means a day on which the banks in the City of London are open for the conduct of ordinary business; |
| cash alternative | means an alternative form of consideration |

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| | comprising cash, available to an individual member who enters into a swap arrangement ; |
| close relative | means a person's spouse, his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters; |
| closed years | means any years of account of a syndicate on which a member has participated which have been closed by reinsurance to close ; |
| completion documents | means the documents referred to in paragraph 13(2); |
| connected company | means in relation to any person:- <ul style="list-style-type: none"> (a) a body corporate which is controlled by that person; (b) if that person is a body corporate, any other body corporate which is controlled by that person or any body corporate which controls that person or any body corporate which is controlled by the same body corporate which controls that person; |
| connected individuals | means persons each of whom is or is to be:- <ul style="list-style-type: none"> (a) a director or manager of a successor vehicle; or (b) a director or manager of the holding company of a successor vehicle; or (c) in the case of an SLP, a director or manager of the operator of the SLP; or (d) a close relative of any person falling within sub-paragraphs (a) to (c) above; or (e) in the case of an SLP, in relation to any limited partner each of the other limited partners who are close relatives of that limited partner. |
| control | has the meaning given thereto in the Definitions Byelaw (No. 3 of 2004) and " controlled " shall be construed accordingly; |

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| conversion advertisement | means an initial advertisement , an invitation document , a revised invitation document , a PPA document , a conversion announcement or any other advertisement of any nature whatsoever which relates to a conversion scheme ; |
| conversion announcement | means an announcement issued by the promoter outlining the terms of any conversion invitation contained in an invitation document or a revised invitation document in accordance with section 10; |
| conversion invitation | means any invitation to an individual member to participate in a conversion scheme ; |
| Conversion Official | means the person appointed pursuant to paragraph 5A(1) of the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and shall include, in respect of and to the extent of the powers and duties so delegated, any person to whom the Conversion Official shall have delegated any of his powers or duties for the time being pursuant to paragraph 5A(3) of that byelaw; |
| conversion scheme | means an interavailability arrangement , a reverse interavailability arrangement , a transition arrangement or a swap arrangement which is promoted to two or more individual members who participate in such arrangement with the same or a different successor vehicle(s) or issuer(s) in substantially similar terms and with the same sponsor and promoter (and which for the avoidance of doubt, includes a promoted private arrangement); |
| corporate member | means a member of Lloyd's which is a body corporate or a Scottish limited partnership ; |
| Council | means the Council of Lloyd's as constituted by Section 3 of Lloyd's Act 1982 and includes its delegates and persons by whom it acts; |
| derogation letter | means the letter (substantially in the form of that set out in Appendix VII) referred to in paragraph 4(4)(c); |
| designated professional body | means a body designated by the Treasury under section 326 of FSMA for the purpose of Part XX of FSMA ; |
| employee group | two or more individual members who are |

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| | connected with an underwriting agent by reason of their current employment; |
| FAL | means funds at Lloyd's; |
| FSMA | means the Financial Services and Markets Act 2000; |
| holding company | has the meaning ascribed thereto in section 736 of the Companies Act 1985; |
| individual member | means a member of Lloyd's who is an individual; |
| initial advertisement | means any advertisement (other than an invitation document , a revised invitation document , a PPA document , or a conversion announcement) inviting an individual member to participate in a conversion scheme or a promoted private arrangement or containing information calculated to lead directly or indirectly to any individual member doing so and for the avoidance of doubt shall not include any advertisement relating to the conversion process generally which does not refer to a particular conversion scheme or promoted private arrangement ; |
| interavailability arrangement | means any arrangement whereby an individual member's Lloyd's deposit is held so as to provide security both for his past underwriting business at Lloyd's and the future underwriting business of any successor vehicle whether by way of variation or modification of the trusts, powers, terms, conditions and other arrangements under which his Lloyd's deposit is held; |
| invitation document | means a document containing a conversion invitation ; |
| issuer | means a successor vehicle or a connected company of a successor vehicle which issues securities to individual members pursuant to a swap arrangement ; |
| Lloyd's | means the Society incorporated by Lloyd's Act 1871; |
| Lloyd's deposit | means in relation to an individual member , any part of that member's FAL which is held under the terms of a standard Lloyd's Deposit Trust |

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| | Deed or a standard Lloyd's Security and Trust Deed each in a form prescribed by the Council from time to time; |
| managing agent | has the meaning given in the Definitions Byelaw (No. 3 of 2004); |
| member | means as the context requires, an individual member or a corporate member ; |
| members' agent | has the meaning given in the Definitions Byelaw (No. 3 of 2004); |
| member's syndicate premium limit | has the meaning given to it in the Definitions Byelaw (No. 3 of 2004); |
| Membership and Underwriting Requirements | means the Membership & Underwriting Requirements (Corporate Member) and the Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Individual/Corporate Member) made under the Membership Byelaw (No. 17 of 1993); |
| misconduct | has the meaning ascribed thereto in the Misconduct and Penalties Byelaw (No. 30 of 1996); |
| open years | means any years of account of a syndicate on which a member has participated which have not been closed by reinsurance to close ; |
| participant | means an individual member who takes part in a conversion scheme or a private arrangement ; |
| participation nomination | means a nomination such as is referred to in clause 11A.2 of an agreement in the terms of the standard managing agent's agreement ; |
| POS Regulations | means the Public Offers of Securities Regulations 1995; |
| PPA announcement | means an announcement issued by the promoter announcing the terms of any promoted private arrangement contained in a PPA document or revised PPA document in accordance with section 10; |
| PPA document | means a document which sets out full details of a promoted private arrangement but which does not contain a conversion invitation ; |
| prescribed date | means in relation to a paragraph of the Rules , the date in each year prescribed by the Conversion |

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| | Official for the purposes of that paragraph of the Rules ; |
| prescribed fee | means a fee prescribed by the Conversion Official for the purposes of a particular paragraph of the Rules ; |
| prescribed form | means in a form prescribed by the Conversion Official from time to time; |
| private arrangement | means an interavailability arrangement , a reverse interavailability arrangement or a transition arrangement which is not promoted and in which there is only one participant or two or more participants who are either connected individuals or an employee group , each of whom will participate in the same successor vehicle ; |
| promoted private arrangement | means an interavailability arrangement , a reverse interavailability arrangement or a transition arrangement which is promoted to: <ul style="list-style-type: none"> (a) individual members each of whom will participate in different successor vehicles; and/or (b) individual members who are connected individuals or an employee group and who will participate in the same successor vehicle; |
| promoter | means a members' agent or such other person, who is subject to the provisions of the Rules , who has been approved by the Conversion Official to act as a promoter in accordance with section 4; |
| prospective participation | means, in relation to a syndicate , the amount of the member's syndicate premium limit with which an individual member will be entitled to participate as a member of that syndicate for the next following year of account ; |
| Register of Sponsors | means the register held by Lloyd's which lists all persons who are approved by the Conversion Official to act as sponsors ; |
| reinsurance to close | has the meaning given in paragraph 1 Schedule 1 to the Syndicate Accounting Byelaw (No. 18 of 1994); |
| request for funds | means a request for funds made under clause 9.1 of an agreement in the terms of the standard |

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| | members' agent's agreement or clause 7.1 of the standard managing agent's agreement ; |
| reverse interavailability arrangement | means any arrangement whereby all or any part of a successor vehicle's Lloyd's deposit is to be held so as to provide security both for its future underwriting business at Lloyd's and for the past underwriting business at Lloyd's of any individual member or individual members in relation to which it is a successor vehicle whether by way of variation or modification of the trusts, powers, terms, conditions and other arrangements under which its Lloyd's deposit is held; |
| revised invitation document | means a document which amends and/or supplements and/or revises the information contained in an invitation document ; |
| revised PPA document | means a document which amends and/or supplements and/or revises the information contained in a PPA document ; |
| Rules | means these conditions and requirements; |
| Scottish limited partnership or SLP | means a limited partnership formed in Scotland under the Limited Partnerships Act 1907; |
| second nomination | means a nomination under paragraph 2 of the Assignment of Syndicate Participations (Second Nomination) Byelaw (No. 6 of 2000); |
| sponsor | means a person who has been approved by the Conversion Official to act as a sponsor in accordance with section 3; |
| standard managing agent's agreement | means the form of agreement between a member and a managing agent prescribed by the Agency Agreements Byelaw and set out in Schedule 3 or 4 thereof (as appropriate); |
| standard members' agent's agreement | means the form of agreement between a member and a members' agent prescribed by the Agency Agreements Byelaw and set out in Schedule 1 thereof; |
| successor vehicle | means in relation to any conversion scheme or private arrangement , one or more body corporates or SLPs in whose favour a participation nomination and/or second nomination is made by one or more individual members and/or to which the Lloyd's deposit of one or more individual members is made interavailable or which reinsures the open years |

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| | of an individual member or which issues its Lloyd's deposit interavailable to one or more individual members ; |
| swap arrangement | means any arrangement whereby an individual member exchanges all or part of his prospective participations for a consideration comprising exclusively securities or with a cash alternative or exclusively cash; |
| syndicate | means a group of members or a single corporate member underwriting insurance business at Lloyd's through the agency of a managing agent to which a particular syndicate number is assigned by or under the authority of the Council ; |
| syndicate allocated capacity | has the meaning given in the Definitions Byelaw (No. 3 of 2004); |
| transfer agreement | means an agreement in the form prescribed by the Council by which an individual member agrees to transfer his underwriting liabilities at Lloyd's (other than that relating to any closed years) to a successor vehicle ; |
| transition arrangement | means an arrangement whereby a successor vehicle is to reinsure by means of the transfer agreement , one or more individual member(s) in respect of open years of syndicates on which that/those member(s) participate(s); |
| underwriting agent | means a managing agent or a members' agent ; |
| United States | means the United States of America, its territories and possessions, any State of the United States and the District of Columbia; |
| unlisted security | an investment which: <ul style="list-style-type: none"> (a) is not admitted to official listing nor the subject of an application for listing in accordance with Part VI of the FSMA; and (b) falls within paragraph 11, 12, 14 or 15 of Schedule 2 Part II to the FSMA; |
| US business day | means any day other than a Saturday, Sunday or a United States federal holiday; |
| US individual member | means an individual member who is resident or domiciled in the United States ; and |

year of account

means an accounting year at **Lloyd's**, currently the calendar year.

- 2 Any reference to any statute, a statutory provision, byelaw or regulation shall include any modification, re-enactment or extension of that statute, statutory provision, byelaw or regulation from time to time.
- 3 Unless the context otherwise requires, expressions defined in Lloyd's Acts 1871 to 1982 or in the Conversion and Related Arrangements Byelaw (No. 22 of 1996) shall have the same meanings in the **Rules**.

APPENDIX I

TABLE OF PRESCRIBED DATES FOR 2004

Key

CRs Conversion Rules
CO Conversion Official

Authority/Form

Earliest date to apply to become a sponsor

1 June

Form SP1

CO will use reasonable endeavours to approve sponsor not more than 3 business days after receipt of Form SP1

CRs 3(2)(c)

Earliest date to submit an application in principle ("AIP")

1 June

CO will use reasonable endeavours to approve the AIP not more than 3 business days after receipt of Form AP1 (Conversion Rules)

CRs 5(1)(c)

Earliest date to submit an initial draft offer document and related documents

1 June

CO will use reasonable endeavours to provide:

CRs 7(7)(b)

(i) preliminary comments on the first draft not more than 7 business days after receipt; and

(ii) comments on any subsequent draft not more than 5 business days after receipt.

Earliest date to issue an initial advertisement

The day on which the AIP is approved by the CO

CRs 6(1)(a)

Latest date to submit an application for approval (together with a final draft offer document, related documents and cheque for the prescribed fee)

3 business days before the proposed date of issue of the conversion invitation

Form AP2
(Conversion Rules)

CRs 8(2)

Earliest date for conversion invitation to close

15 business days (or, if the conversion invitation is to US individual members, 20 US business days) after the invitation document was first issued

CRs 12(1)(a)

Latest date to apply to become a sponsor or to submit an AIP

1 September

CRs 5(1)(b)

CO will use reasonable endeavours to approve the AIP not more than 3 business days after receipt of Form AP1 (Conversion Rules)

CRs 5(1)(c)

Latest date to submit an initial draft invitation document and related documents

1 September

CRs 7(7)(a)

CO will use reasonable endeavours to provide preliminary comments on the first draft not more than 7 business days after receipt

CRs 7(7)(b)

Latest date by which an announcement has to be made if no invitation document has been issued

42 business days after an initial advertisement was issued

CRs 7(6)(a)

Latest date to issue a revised invitation document or to declare a conditional conversion invitation to be unconditional

10 business days (or, if the conversion invitation is to US individual members, 10 US business days) before the final closing date of conversion invitation

CRs 12(1)(b)/
12(2)(b)

Latest date by which a conversion invitation can be extended to overseas individual members

10 business days (or, if the conversion invitation is to US individual members, 10 US business days) before the final closing date of a conversion invitation

CRs 9(3)(i)

Final date for applications for corporate membership, including successor vehicles, as prescribed in the Membership and Underwriting Requirements (Corporate Member)

30 September

M&URs
paragraph 5(2)

Latest date for submission of the members' agent confirmation (Appendix XII) and Confirmation and Request to Lloyd's (Appendix XV) in connection with a private arrangement

30 September

CRs 14(2)(e)/
14(2)(f)

Final date by which the conversion invitation must close or lapse

14 October

CRs 12(1)(c)

Date of last auction

28/29 September

If notice has been given under clause 11.5 of the standard managing agent's agreement, date after which no prospective participations can be transferred without managing agent's consent

15 October

CRs 1(3)(d)(iii)

Latest date by which completion documents must be submitted

26 November

CRs 13(1)/13(2)(a)

Latest date by which all interavailability deeds and documents must be submitted

26 November

CRs 13(2)(b)

APPENDIX II

LIST OF FOREIGN LAWYERS, CERTAIN ISSUES WHICH MAY BE RELEVANT AND ADDITIONAL US REQUIREMENTS

PART I

LIST OF FOREIGN LAWYERS

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|------------------------|--------------------------------|---|------------------------------|
| Australia | Freehill Hollingdale & Page | Level 30, MLC Centre 19 Martin Place Sydney NSW 2000 Australia Tel: 00612 9225 5000 Fax: 00612 9322 4000 | Don Harding |
| Belgium | Freshfields Bruckhaus Deringer | Tel: 00322 230 0820 Fax: 00322 230 1730 | Guy Schrans |
| Bermuda | Appleby Spurling & Kempe | Cedar House 41 Cedar Avenue Hamilton HM12 Bermuda Tel: 001441 295 2244 Fax: 001441 292 6999 | Warren Cabral/ Tim Ferris |
| British Virgin Islands | Harney, Westwood & Riegels | Craigmuir Chambers P O Box 71 Road Town Tortola BVI Tel: 001 809 494 2233 Fax: 001 809 494 3547 | Richard Parsons |
| Canada | Stikeman, Elliott | Suite 5300 Commerce Court West P O Box 85 Toronto, Ontario Canada M5L 1B9 Tel: 001 416 869 5500 Fax: 001 416 947 0866 | Michael Rumball |
| | Stikeman, Elliott (London) | Cottons Centre Cottons Lane London SE1 2QL Tel: 020 7378 0880 Fax: 020 7378 0344/ 020 7865 0226 | Michele J Buchignani |
| | M J Oppenheim CA | 1155 Rue University | Vincent Gallo |

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|------------------------|-------------------------------------|--|---|
| | | 1400 Montreal Quebec Tel: 001 514 393 5327 Fax: 001 514 861 0470 | |
| | McMaster Meighen | 630 Rene Levesque Blvd West, 77th Floor Montreal Quebec Tel: 001 514 879 1212 Fax: 001 514 878 0605 | |
| Denmark | Plesner & Lunoe | Esplanaden 34 DK1283 Copenhagen Cop. K Denmark Tel: 0045 3312 1133 Fax: 0045 3312 0014 | Carsten Tvede-Moller |
| France (Paris) | Freshfields Bruckhaus Deringer | Tel: 00331 4456 4456 Fax: 00331 4456 4400 | Veronique Collin/ Jacques Bertan de Balanda |
| Germany (Frankfurt) | Freshfields Bruckhaus Deringer | Tel: 0049 6997 570 107 Fax: 0049 6974 8917 | Joachim Kaffanke/ Matthias Fenner |
| Greece | Kyriakides & Partners | 6 Queen Sophia Avenue 106 74 Athens Greece Tel: 00301 724 3072 Fax: 00301 725 0607 | Leonidas C Georgopoulos |
| Guernsey | Ozanne Van Leuven Perrot & Evans | P O Box 186 Le Marchant Street St Peter Port Guernsey Tel: 01481 723446 Fax: 01481 714653 | P A Harwood |
| Hong Kong | Freshfields Bruckhaus Deringer | Tel: 00852 2846 3400 Fax: 00852 2810 6192 | Martin Taylor/ David Aughey |
| Ireland | A & L Goodbody | 1 Earlsfort Centre Hatch Street Dublin 2 Ireland Tel: 3531 661 3311 Fax: 3531 661 3278 | J A O'Farrell |
| Italy | Studio Legale Ughi E Nunziante | Via Sant'Andrea 19-20121 Milan | Michael Kirkham/ Maurizio Fraschini |

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|---|--|---|----------------------------------|
| | | Italy Tel: 00392 7601 3368 Fax: 00392 7600 9535 | |
| Isle of Man | Simcocks | Ridgeway House Ridgeway Street Douglas IM99 1PY Tel: 01624 620 821 Fax: 01624 620 994 | |
| | L J Weatherill | Top Floor Central Chambers 6 Victoria Street Douglas Isle of Man IM1 2LH Tel: 01624 674 994 Fax: 01624 674 995 | Lawrence Weatherill |
| Japan | Mitsuhiro, Yasuda, Wanu & Maeda | Akasaka 2 Plaza Building 7 14-32 Akasaka 2-Chome Minato-ku Tokyo 107 Tel: 00813 3224 0020 Fax: 00813 3224 0030 | Mitsuhiro Yasuda Akihiro Wani |
| Jersey | Bedell & Cristin | P O Box 75 Normandy House Grenville Street St Helier Jersey JE4 8PP Tel: 01534 72949 | Simon Howard J W L L Jenkin |
| Luxembourg | Loesch & Wolter | 11 Rue Goethe Boite Postale 1107 L-1011 Luxembourg Tel: 352 481 1481 Fax: 352 494 944 | Jacques Loesch |
| The Netherlands/ Netherlands Antilles | Stibbe Simont Monahan Duhot | Strawinskylaan 2001 P O Box 75640 1070 Tel: 00312 0546 0606 Fax: 00312 0546 0123 | Jaap Willeumier |
| | Stibbe Simont Monahan Duhot (London) | Tel: 600 4411 Fax: 600 4400 | Rein Kronenberg |

| COUNTRY | COMPANY NAME | ADDRESS | CONTACT |
|----------------|--|--|--|
| New Zealand | Rudd Watts & Stone | Trust Bank Centre 125 Terrace Wellington Tel: 0064 4472 4899 Fax: 0064 4473 8232 | Scott Galloway |
| | Chapman, Tripp, Sheffield, Young | Level 35 Coopers & Lybrand Tower 23-9 Albert Street P O Box 2206 Auckland, NZ Tel: 00649 357 9000 Fax: 00649 358 0280 | Mr A W Young |
| Portugal | AM Pereira, Saragga Leal, Livira Martins, Judice, Torres E Associados | Rue Silva Carvalho No. 234-70 1296 Lisbon Codox Tel: 003511 383 2981 Fax: 003511 383 3651 | Fernando Campos Ferreira |
| Singapore | Wong Partnership | 80 Raffles Place # 58-01 UOB Plaza 1 Singapore 048624 Tel: 0065 532 7488 Fax: 0065 532 5711 | Mrs Lee Suet-Fern/ Mr Mark Buchanan Ms Phua Aik Siew |
| South Africa | Webber Wentzel Bowen | 60 Main Street Johannesburg South Africa Tel: 002711 240 5244 Fax: 002711 834 6701 | Jack Jarvis Murray Thompson |
| Spain (Madrid) | Freshfields Bruckhaus Deringer | Tel: 00341 319102 Fax: 00341 3084636 | Javier Gomez Acebo |
| Switzerland | Lenz & Staehelin | Bleicherweg 58 CH-8027 Zurich Tel: 0041 1204 1212 Fax: 0041 1204 1200 | Matthias Oertle |
| USA | Cleary, Gottlieb, Steen & Hamilton | City House 55 Basinghall Street London EC2V 5EH | Ed Greene |

COUNTRY

COMPANY NAME

ADDRESS

CONTACT

Tel: 020 7614 2200

Fax: 020 7600 1698

PART II

CERTAIN ISSUES WHICH MAY BE RELEVANT

Below is a summary of certain issues in relation to conversion invitations in certain overseas jurisdictions.

The information set out below is not intended to summarise comprehensively the position in the relevant jurisdiction or to constitute definitive legal advice. It is the primary responsibility of the promoter and its advisers to ensure compliance with overseas securities laws and all other relevant legislation in the jurisdiction concerned. Therefore, Lloyd's accepts no responsibility or liability in this regard.

- 1** There appear to be no additional securities law requirements in the following jurisdictions:

Brunei
France
Greece
Sweden
United Arab Emirates

2 Guernsey

The document will be deemed to be a “prospectus” under Guernsey law. Therefore, under normal circumstances, regulatory consent will be required prior to circulation. An exemption from such a requirement is available if the documents are in the same terms and in the same class as the documents circulated in the UK in accordance with the Companies Act 1985 and the Financial Services and Markets Act 2000. If it is possible to obtain such an exemption, there will be no requirement to (i) file/register the documents with any regulatory authority, or (ii) comply with any contents/disclosure/approval requirements.

3 South Africa

The issue of the invitation document should not infringe any local securities law and there should be filing/registration requirements provided the conversion invitation cannot be construed as an offer to the public. However, certain exchange controls exist.

A South African member will need to obtain the prior approval of the South African Exchange Control Authority (“ECA”) before accepting the conversion invitation. At the time the member was admitted as an individual member of Lloyd’s, he may also have had certain conditions imposed on him by the ECA which relate to his ability to act as an individual member and these special conditions (if any) would also need to be considered on a case-by-case basis.

4 New Zealand

There should be no additional securities law issues provided the conversion invitation falls within the Securities Act (Lloyd’s of London) Exemption Notice 1997. The requirements of this legislation should be relatively easy to satisfy.

5 Israel

The issue of the invitation document should not infringe any securities law and there should be no filing/registration requirements. There are, however, certain exchange control requirements.

6 Jersey

If the conversion invitation is made in Jersey on identical terms to the conversion invitation made in the UK and the promoter or successor vehicle has no “relevant connection” with Jersey, there should be no additional securities law requirements.

7 Isle of Man

Legal advice as to whether a conversion invitation complies with Isle of Man laws should

be sought in each case.

8 Norway

Subject to certain exchange control reporting requirements, there should be no problem with a conversion invitation involving securities if it is made to fewer than 50 members, but prospectus requirements will apply if it is made to more than 50 members.

9 Hong Kong

There appear to be no securities law problems if a conversion invitation is addressed to sufficiently few members (the number is unclear: a conversion invitation to five members has in the past been permissible). However, once the conversion invitation is open to more than a limited number of members, additional securities law requirements will apply.

10 Bangladesh

It is understood that local securities laws do apply but that these are relatively easy to satisfy.

11 Ireland

It is likely that a conversion invitation which satisfies UK requirements will comply with the Irish regime. However, additional requirements etc. may be relevant and legal advice should be sought.

12 Australia

The promotion of any conversion scheme in Australia and the promotion in Australia of any other type of scheme which involves offers of (or invitations to make offers for) "securities" which are shares or debentures is an activity which is heavily regulated and, subject to certain exclusions, requires a prospectus. For more information, please refer to the Market Bulletin headed "Conversion - Australian Names" which Lloyd's issued in April 1998.

13 Canada

A member may convert via a private arrangement which involves transferring his underwriting capacity to his own limited liability company without any additional Canadian securities law requirements. If the scheme does not involve a distribution of securities other than the issue of shares in a private company to the Canadian member it should be exempt from the prospectus and dealer registration requirements of provincial securities laws by virtue of the "private company exemption".

An offer to Canadian members to enter into a collective conversion scheme involving the issue of securities would be subject to Canadian securities law and the prospectus and dealer registration requirements. Certain exemptions may be available and therefore legal advice should be sought.

PART III

ADDITIONAL US REQUIREMENTS

Conversion schemes raise a number of complex issues under the US federal and state securities law. The marketing of conversion schemes to US individual members is summarised below although this analysis is subject to change.

- Conversion schemes can only be offered to US individual members who are “accredited investors”.
- Any marketing or promotion of conversion schemes in the United States must be conducted on a basis consistent with a “private placement”. This means that it must not involve use of generalised advertising, “cold-calling” or other methods of solicitation inconsistent with a private placement. No “general solicitation” is permitted. Information regarding conversion schemes cannot be placed on an unrestricted website – appropriate steps must be taken to restrict access by US persons to those who have “prequalified”.
- Advertisements relating to conversion schemes in publications such as *One Lime Street* which circulate in the United States must carry a statement approved by Lloyd’s indicating that the scheme is not being publicly offered in the United States or to US persons.
- The marketing or promotion of conversion schemes by members’ agents and other promoters to US individual members with whom they (and the broker-dealers whom they employ) have no prior relationship raises special issues. While Lloyd’s may determine to permit such marketing and promotion on the basis that the solicitation of existing US individual members should not be deemed to constitute a “general solicitation”, such permission must be sought. In any case, members’ agents and other promoters involved in such solicitation should obtain legal advice from US counsel on the issues raised.
- Invitation documents relating to conversion schemes circulated in the United States or to US individual members will need to be prepared with United States disclosures standards in mind. This will mean that, in particular, risk factors will need to be described prominently (near the front of the document) clearly and in great detail.
- The offer and sale to US individual members, or in the United States, of securities to be issued pursuant to a conversion scheme must be made through broker-dealers registered with the United States Securities and Exchange Commission and in the appropriate states.
- Securities issued to US individual members will need to be legended to indicate that they have not been registered under the United States Securities Act of 1933, as amended, or applicable state law, and to bar transfers in the United States or to US persons (except for “regular way” transactions on the London Stock Exchange). Invitation documents will also need to bear an appropriate legend.
- Neither the “offerors” of securities to be issued pursuant to a conversion scheme - an expression which in this context should be deemed to include the promoters, sponsors, members’ agents and others encouraging US individual members to consider conversion schemes - nor their employees are permitted to receive transaction-based compensation in respect of offers or sales of securities to US individual members or made in the United States. Receipt of such compensation could raise issues under both broker-dealer and investment adviser legislation in the United States.

- Lloyd's reserves the right not to approve certain types of conversion schemes for offer in the United States or to US individual members if it appears to Lloyd's that they will or may prejudice Lloyd's position in the United States.
- Promoters of conversion schemes will be required to obtain United States legal advice as to whether such schemes and marketing plans raise issues under other federal and state securities laws, such as the US Williams Act (regulating tender offers), the US Investment Company Act of 1940 and the US Investment Advisers Act of 1940. They will need to consult with Lloyd's concerning their plans for compliance with these laws.
- The promoters of a conversion scheme will be required to obtain a legal opinion from US counsel, acceptable to Lloyd's, that the offering of the conversion scheme in the United States in accordance with the invitation document complies with all applicable federal and state securities (including insurance securities) laws.

Those interested in developing conversion schemes either for US individual members or to be offered in the United States should note that Lloyd's is still reviewing the position and may extend its requirements. These could include, for example, the provision of a representation and warranty or indemnity and a further (post-completion) legal opinion.

APPENDIX III

TABLE OF PRESCRIBED DOCUMENTS FOR CONVERSION SCHEMES

TABLE OF INTERAVAILABLE FUNDS/DEEDS

(A Word version of the tables in this Appendix are available from MSU)

Re: Limited Liability Company (Non-Life)

| LIMITED LIABILITY CO. | Deed Ref. | EXISTING FUNDS AT LLOYD'S | | | | | Executing Parties | Purpose of Document |
|--|-------------|--|--|--|--|--|--|--|
| | | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | | |
| Deed of Release Advance and Resettlement | CM400 | X | | | | | (i) Individual member; (ii) Lloyd's | Transfers Lloyd's Deposit Trust Deed assets to new Lloyd's Deposit Trust Deed (General Interavailability) to make cash/securities interavailable. |
| Individual Name's Lloyd's Deposit Trust Deed (General Interavailability) | CM401 | X | | | | | (i) Individual member; (ii) Lloyd's | Establishes new trust fund to be used for cash/securities to be used as interavailable FAL (transferred to it under CM400). |
| Deed of Application | CM402 | | X | X | | | (i) Lloyd's (ii) Individual member; | Amends converting individual member's (new style) Security and Trust Deed so funds can be made interavailable. |
| Deed of Adherence | CM403 (DTD) | X | | | | | (i) Individual member; (ii) Limited Liability company; (iii) Lloyd's | This Deed nominates those assets (being cash and/or securities) to be transferred so as to be held pursuant to the Lloyd's Deposit Trust Deed (General Interavailability) in the 'Specified Fund' (ie. available to both the individual member's Lloyd's creditors and those of the relevant Limited Liability company). |

| LIMITED LIABILITY CO. | | EXISTING FUNDS AT LLOYD'S | | | | | | |
|--|------------------|--|--|--|--|--|--|---|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Deed of Adherence | CM405 (STD) | | X | X | | | (i) Individual member; (ii) Limited Liability company; (iii) Lloyd's | This Deed nominates those assets (being a letter of credit or guarantee) to be transferred so as to be held pursuant to the Deed of Application (CM 402) in the 'Specified Fund' (ie. available to both the individual member's Lloyd's creditors and those of the relevant Limited Liability company). |
| Deed of Release Revocation and Substitution | CM410 (STD1) (V) | | | | X | | (i) Lloyd's; (ii) Individual member; | Lloyd's releases guarantee from provisions of individual member's (old) Security and Trust Deed and the individual member agrees to execute a Security and Trust Deed (Interavailable) (CM 412 (STD1)) and to vary the existing guarantee so it can be made interavailable. (CM 410 (R)) |
| Deed of Release, Revocation and Substitution | CM411 (STD1) (R) | | | | | X | (i) Lloyd's; (ii) Individual member | Lloyd's releases guarantee from provisions of individual member's (old) Security and Trust Deed and the individual member agrees to execute a Security and Trust Deed (Interavailable) (CM 412 (STD1)) and to procure that a new guarantee is provided by either a Bank or an Insurance Company. |
| Deed of Variation | CM410 (V) | | X | | | | (i) Issuer; (ii) Lloyd's | Guarantor acknowledges guarantee held under a new style Security and Trust Deed is to be varied to support interavailable underwriting under such deed as varied by the Deed of Application (CM402) [i.e. guarantee is still in full force and effect]. |
| Deed of Variation | CM410 (R) | | | | X | | (i) Issuer; (ii) Lloyd's | This document is used to vary a guarantee to make it 'interavailable' where the guarantee is being transferred from an old style Security and Trust Deed to a new Security and Trust Deed (Interavailable) (CM 412 (STD1)) |
| Security and Trust Deed (Interavailable) | CM412 (STD1) | | | | X | X | (i) Individual member; (ii) Lloyd's | Deed receives a new interavailable guarantee or a guarantee released from old style Security and Trust Deed by a Deed of Release Revocation and Substitution (CM410 (STD1) (V) - creates Trust Fund to support 'interavailable' underwriting. |

| LIMITED LIABILITY CO. | | EXISTING FUNDS AT LLOYD'S | | | | | | |
|---|--------------------------------------|--|--|--|--|--|--|--|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Deed of Adherence | CM413 (STDI) | | | | X | X | (i) Individual member; (ii) Limited Liability company; (Iii) Lloyd's | This Deed nominates those assets (being a letter of credit or guarantee) to be transferred so as to be held pursuant to the Lloyd's Security and Trust Deed (Interavailable) in the 'Specified Fund' (ie. available to both the individual member's, Lloyd's creditors of both the individual member and those of the relevant Limited Liability company). |
| Interavailable Guarantee - (either from Bank BG (INT) DEP 96) or from Insurance Company (ICG (INT) DEP 97)) | BG (INT) DEP 96/ ICG (INT) DEP 97 | | | X | | X | (i) Issuer; (ii) Lloyd's | New guarantee to provide replacement FAL |

Re: Scottish Limited Partnerships (Non-Life)

| SLPs | Deed Ref. | EXISTING FUNDS AT LLOYD'S | | | | | Executing Parties | Purpose of Document |
|--|------------------|--|--|--|--|--|--|--|
| | | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | | |
| Deed of Release Advance and Resettlement | CM400 | X | | | | | (i) Individual member; (ii) Lloyd's | Transfers Lloyd's Deposit Trust Deed assets to new Lloyd's Deposit Trust Deed (General Interavailability) to make cash/securities interavailable. |
| Individual Name's Lloyd's Deposit Trust Deed (General Interavailability) | CM401 | X | | | | | (i) Individual member; (ii) Lloyd's | Establishes new trust fund to be used for cash/securities to be used as interavailable FAL (transferred to it under CM400). |
| Deed of Application | CM402 | | X | X | | | (i) Lloyd's; (ii) Individual member | Amends converting individual member's (new style) Security and Trust Deed so funds can be made interavailable. |
| Deed of Adherence | CM404 (DTD/SLP) | X | | | | | (i) Individual member; (ii) SLP; (iii) Lloyd's | This Deed nominates those assets (being cash and/or securities) to be transferred so as to be held pursuant to the Lloyd's Deposit Trust Deed (General Interavailability) in the 'Specified Fund' (ie. available to both the individual member's Lloyd's creditors and those of the relevant SLP). |
| Deed of Adherence | CM406 (STD/SLP) | | X | X | | | (i) Individual member; (ii) SLP; (iii) Lloyd's | This Deed nominates those assets (being a letter of credit or guarantee) to be transferred so as to be held pursuant to the Deed of Application (CM 402) in the 'Specified Fund' (ie. available to both the individual member's Lloyd's creditors and those of the relevant SLP). |
| Deed of Release Revocation and Substitution | CM410 (STDI) (V) | | | | X | | (i) Lloyd's; (ii) Individual member | Lloyd's releases guarantee from provisions of individual member's (old) Security and Trust Deed and the individual member agrees to execute a Security and Trust Deed (Interavailable) (CM 412 (STDI)) and to vary the existing guarantee so it can be made interavailable. (CM 410 (R)) |

| SLPs | | EXISTING FUNDS AT LLOYD'S | | | | | | |
|--|------------------|--|--|--|--|--|--|--|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Deed of Release, Revocation and Substitution | CM411 (STDI) (R) | | | | | X | (i) Lloyd's; (ii) Individual member | Lloyd's releases guarantee from provisions of individual member's (old) Security and Trust Deed and the Name agrees to execute a Security and Trust Deed (Interavailable) (CM412 (STDI)) and to procure that a new guarantee is provided by either a Bank or an Insurance Company. |
| Deed of Variation | CM410 (V) | | X | | | | (i) Issuer; (ii) Lloyd's | Guarantor acknowledges guarantee held under new style Security and Trust Deed is to be varied to support interavailable underwriting under such deed as varied by the Deed of Application (CM402). [i.e. guarantee is still in full force and effect.] |
| Deed of Variation | CM410 (R) | | | | X | | (i) Issuer; (ii) Lloyd's | This document is used to vary a guarantee to make it "Interavailable" where the guarantee is being transferred from an old style Security and Trust Deed to a new Security and Trust Deed (Interavailable) (CM412) (STDI) |
| Security and Trust Deed (Interavailable) | CM412 (STDI) | | | | X | X | (i) Individual member; (ii) Lloyd's | Deed receives a new interavailable guarantee or a guarantee released from old style Security and Trust Deed by a Deed of Release Revocation and Substitution CM 410 (STDI) (V) - creates Trust Fund to support 'interavailable' underwriting. |
| Deed of Adherence | CM414 (STDI) | | | | X | X | (i) Individual member; (ii) SLP; (iii) Lloyd's | This Deed nominates those assets (being a [letter of credit or] guarantee) to be transferred so as to be held pursuant to the Lloyd's Security and Trust Deed (Interavailable) in the 'Specified Fund' (ie. available to both the individual member's, Lloyd's creditors and those of the relevant SLP). |

| SLPs | | EXISTING FUNDS AT LLOYD'S | | | | | | |
|---|-----------------------------------|--|--|--|--|--|-----------------------------|---|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under old style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Interavailable Guarantee - (either from Bank BG (INT) DEP 96) or from Insurance Company (ICG (INT) DEP 97)) | BG (INT) DEP 96/ ICG (INT) DEP 97 | | | X | | X | (i) Issuer; (ii) Lloyd's | New guarantee to provide replacement FAL. |

Re: Limited Liability Company (Life)

| LIMITED LIABILITY CO. | EXISTING FUNDS AT LLOYD'S | | | | | |
|--|---------------------------|---|--|--|--|---|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Life Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Deed of Release Advance and Resettlement Long-Term Business (Life) | CM422 | X | | | (i) Individual member; (ii) Lloyd's | Transfers Lloyd's Deposit Trust Deed (Life) assets to new Lloyd's Deposit Trust Deed (Life) (Interavailability) to make cash/securities interavailable. |
| Individual Name's Lloyd's Deposit Trust Deed (Long-Term Business (Life) Interavailability) | CM421 | X | | | (i) Individual member; (ii) Lloyd's | Establishes new trust fund to be used for cash/securities to be used as interavailable FAL (transferred to it under CM422). |
| Deed of Application (Long-Term Business (Life)) | CM420 | | X | X | (i) Lloyd's (ii) Individual member; | Amends converting individual member's (new style) Security and Trust Deed (Life) so funds can be made interavailable. |
| Deed of Adherence | CM423 (DTDL) | X | | | (i) Individual member; (ii) Limited Liability company; (iii) Lloyd's | This Deed nominates those assets (being cash and/or securities) to be transferred so as to be held pursuant to the Lloyd's Deposit Trust Deed (Life) (Interavailability) in the 'Specified Fund' (ie. available to both the individual member's Lloyd's creditors and those of the relevant Limited Liability company). |
| Deed of Adherence | CM425 (STDL) | | X | X | (i) Individual member; (ii) Limited Liability company; (iii) Lloyd's | This Deed nominates those assets (being a guarantee) to be transferred so as to be held pursuant to the Lloyd's Security and Trust Deed (Life) (Interavailability) where it has been created by the variation of a new style Life STD by the execution of a Deed of Application (Life)(CM420) |

| LIMITED LIABILITY CO. | EXISTING FUNDS AT LLOYD'S | | | | | |
|---|----------------------------------|---|--|--|-----------------------------|---|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Life Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Deed of Variation | CM410 (V) | | X | | (i) Issuer; (ii) Lloyd's | Guarantor acknowledges guarantee held under a new style Life Security and Trust Deed is to be varied to support interavailable underwriting under such deed as varied by the Deed of Application (Life) (CM420) [i.e. guarantee is still in full force and effect]. |
| Interavailable Guarantee - (either from Bank BG (INT) DEP 96) or from Insurance Company (ICG (INT) DEP 97)) | BG (INT) DEP 96/ICG (INT) DEP 97 | | | X | (i) Issuer; (ii) Lloyd's | New guarantee to provide replacement FAL |

Re: Scottish Limited Partnerships (Life)

| SLPs | | EXISTING FUNDS AT LLOYD'S | | | | |
|---|-----------------|--|--|--|--|--|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Deed of Release Advance and Resettlement | CM422 | X | | | (i) Individual member; (ii) Lloyd's | Transfers Lloyd's Deposit Trust Deed (Life) assets to new Lloyd's Deposit Trust Deed (Life) (Interavailability) to make cash/securities interavailable. |
| Individual Name's Lloyd's Deposit Trust Deed (Life Interavailability) | CM421 | X | | | (i) Individual member; (ii) Lloyd's | Establishes new trust fund to be used for cash/securities to be used as interavailable FAL (transferred to it under CM422). |
| Deed of Application (Life) | CM420 | | X | X | (i) Lloyd's; (ii) Individual member | Amends converting individual member's (new style) Security and Trust Deed (Life) so funds can be made interavailable. |
| Deed of Adherence | CM424 (DTD/SLP) | X | | | (i) Individual member; (ii) SLP; (iii) Lloyd's | This Deed nominates those assets (being cash and/or securities) to be transferred so as to be held pursuant to the Lloyd's Deposit Trust Deed Long-Term Business (Life) (Interavailability) in the 'Specified Fund' (ie. available to both the individual member's Lloyd's creditors and those of the relevant SLP). |
| Deed of Adherence | CM426 (STD/SLP) | | X | X | (i) Individual member; (ii) SLP; (iii) Lloyd's | This Deed nominates those assets (being a letter of credit or guarantee) to be transferred so as to be held pursuant to the Deed of Application (Life) (CM 420) in the 'Specified Fund' (ie. available to both the individual member's Lloyd's creditors and those of the relevant SLP). |
| Deed of Variation | CM410 (V) | | X | | (i) Issuer; (ii) Lloyd's | Guarantor acknowledges guarantee held under new style Life Security and Trust Deed is to be varied to support interavailable underwriting under such deed as varied by the Deed of Application (Life) (CM420). [i.e. guarantee is still in full force and effect.] |

| SLPs | | EXISTING FUNDS AT LLOYD'S | | | | |
|---|-----------------------------------|--|--|--|-----------------------------|---|
| Title of Deed | Deed Ref. | Cash &/or Securities held under Deposit Trust Deed | Guarantee held under new style Security and Trust Deed where the guarantee is to remain in place but be varied so as to be made interavailable | Guarantee held under new style Security and Trust Deed where the guarantee will be replaced by a new guarantee to be made interavailable | Executing Parties | Purpose of Document |
| Interavailable Guarantee - (either from Bank BG (INT) DEP 96) or from Insurance Company (ICG (INT) DEP 97)) | BG (INT) DEP 96/ ICG (INT) DEP 97 | | | X | (i) Issuer; (ii) Lloyd's | New guarantee to provide replacement FAL. |

APPENDIX IV

LLOYD'S SPONSOR QUESTIONNAIRE AND UNDERTAKING

Form SP1

Name of Sponsor
(the "*Sponsor*")

Registered number:

Any business name used:

Registered/principal address:
.....
.....

THE FOLLOWING QUESTIONS APPLY TO EVENTS WITHIN THE LAST TEN YEARS BOTH IN THE UNITED KINGDOM AND ELSEWHERE. If the answer to any question is "Yes", give details on a separate sheet of paper and attach copies of any relevant documents.

Note: If the Sponsor is a partnership, reference to "the Sponsor" in the following questions is to the partnership and to each partner (but only in their capacity as a partner in the partnership).

1. Has the Sponsor at any time been convicted of any criminal offence by any court either civil or military or been subject to penalties for deliberate tax evasion?

YES/NO*

2. Has the Sponsor been censured, disciplined, warned as to future conduct, or publicly criticised by, or made the subject of a court order at the instigation of, or been refused authorisation, registration admittance by or withdrawn any application for authorisation, registration or admittance to any regulatory authority (including but not limited to Lloyd's, FSA (and any predecessor organisation), the Secretary of State for Trade and Industry and the Panel on Takeovers and Mergers) or any professional body?

YES/NO*

3. Has the Sponsor been a party to a deed of arrangement or made any other form of composition with its creditors?

YES/NO*

* Delete as appropriate

4. Has a petition for the bankruptcy or compulsory winding up of the Sponsor been served at any time or is such a petition pending?

YES/NO*

5. Has the Sponsor at any time failed to satisfy any debt adjudged due and payable by it as a judgement-debtor under an order of court?

YES/NO*

6. Has any body corporate or partnership with which the Sponsor was associated as a controller been compulsorily wound up or made any compromise or arrangement with its creditors or ceased trading in circumstances where its creditors did not receive or have not yet received full settlement of their claims, either whilst the Sponsor was associated with it or within one year after the Sponsor ceased to be associated with it?

YES/NO*

7. Has the Sponsor been adjudged civilly liable for any fraud, misfeasance or other misconduct?

YES/NO*

8. Has the Sponsor been the subject of an investigation by or at the instigation of a government department or agency, professional association or other regulatory body which has resulted in materially adverse or materially negative findings?

YES/NO*

9. Has any application by the Sponsor for a licence, recognition or equivalent authorisation to carry on any business activity in the United Kingdom or elsewhere been refused or withdrawn after it was made or any authorisation revoked?

YES/NO*

10. Have the Sponsor's affairs ever been investigated by any regulatory body of which it is, or was at the time, a member or by any other regulatory body, but excluding inspections conducted in the course of normal monitoring and surveillance procedures which did not result in materially adverse or materially negative findings?

YES/NO*

* Delete as appropriate

11. Has the Sponsor ever been the subject of formal investigation under any legislation?

YES/NO*

12. Have the Sponsor's books and records been requisitioned or seized by any regulatory body or other authority in exercise of its powers?

YES/NO*

13. How many directors, officers or employees of the Sponsor have experience of acting as a sponsor, or otherwise as a corporate finance or professional adviser, in relation to transactions related to the Lloyd's market and other appropriate major transactions involving listed or other public companies, including without limitation, initial public offers, demergers, or other issues of securities involving listing particulars, AIM particulars, a Companies Act prospectus or equivalent documents within the last three years?

If the number of such persons is less than 6, please supply details of such experience.

* Delete as appropriate

UNDERTAKING in favour of the Society of Lloyd's incorporated by Lloyd's Act 1871 ("*Lloyd's*").

1. **The Sponsor warrants and undertakes** that:
 - (a) it reasonably believes that it has the competence and experience to discharge its responsibilities as a Lloyd's sponsor as set out herein and where relevant in the conditions and requirements prescribed by the Council of Lloyd's made under the Conversion and Related Arrangements Byelaw (no. 22 of 1996) ("*the Rules*");
 - (b) having made all reasonable enquiries, the information supplied to Lloyd's in response to the attached questionnaire is, to the best of its knowledge and belief, accurate in all material respects and does not omit any information relating to itself which might reasonably be considered relevant to the application of the Sponsor for approval to act as a sponsor for one or more corporate candidates or Scottish limited partnerships ("*SLPs*") applying for membership of Lloyd's, a sponsor of a conversion scheme (as defined in the Rules) and/or a sponsor of a capacity offer (likewise as defined in the Rules);
 - (c) it will notify Lloyd's in writing of any material change in the information either provided in response to the attached questionnaire or otherwise provided to Lloyd's in relation to its application for approval to act as a sponsor (as referred to in (b) above) which occurs pending approval and during the period in which the Sponsor remains so approved; and
 - (d) it will, where applicable, comply with the applicable requirements of the Rules.
2. **The Sponsor authorises Lloyd's** to make such enquiries as it may consider necessary in connection with the attached questionnaire.
3. **The Sponsor undertakes** in relation to each corporate candidate or SLP applying for membership of Lloyd's, each promoter of a conversion scheme and each offeror of a capacity offer, in each case whose application the Sponsor from time to time supports (in each case the "*Candidate*") that the Sponsor will be responsible until (i) the date any offer in connection with a conversion scheme or capacity offer closes or, (ii) the date of the Candidate's admission to membership or, (iii) if admission is refused, the date of such refusal or, (iv) the date of the grant of permission to underwrite or, (v) if permission to underwrite is refused, the date of such refusal, whichever is the latest, for:
 - (a) ensuring that the Candidate has been or will be properly advised as regards its formation and the distribution and marketing of its shares or, in the case of an SLP, partnership interests in it;
 - (b) ensuring that all information relevant to the Candidate's application has been disclosed to the Candidate and to Lloyd's;
 - (c) reviewing the Candidate's application and supporting documentation and other information which might be considered relevant to the application and satisfying itself that the application has been properly prepared after due and careful enquiry;

- (d) ensuring that the Candidate and its directors (or, in the case of an SLP, its partners, including its general partner(s)) are aware of their obligations under the membership agreement in the form prescribed by the Council of Lloyd's and to be entered into between Lloyd's and the Candidate and the other agreements and instruments to which the Candidate is required to become a party in connection with admission to membership and the grant of permission to underwrite and, if applicable, of their rights and obligations under the approved agreement (as defined in the Conversion and Related Arrangements Byelaw (No. 22 of 1996)) and any other agreements and documents into which they are proposing to enter;
 - (e) where applicable, ensuring that all relevant requirements of the Rules have been or will be complied with;
 - (f) where applicable, ensuring that the promoter of a conversion scheme and the offeror of a capacity offer and, in each case, their respective directors (or, in the case of an SLP, its partners, including its general partner(s)) or any other person concerned with the promotion or making of a conversion invitation or a capacity offer has been properly guided and advised as to their respective obligations under the Rules and, in respect of any documents, proposed to be issued, that they are prepared in accordance with the Rules and any applicable securities laws.
4. **The Sponsor will provide to Lloyd's** such further details regarding its standing, experience and understanding of Lloyd's as Lloyd's may from time to time require.
5. **The Sponsor will notify Lloyd's** in writing of its resignation as sponsor of a Candidate or of any dismissal as such and of any relevant facts or circumstances.
6. **The Sponsor acknowledges and agrees** that Lloyd's may remove the Sponsor's approval to act as a sponsor for one or more Candidates applying for membership of Lloyd's, promoters of a conversion scheme or offerors of a capacity offer if Lloyd's considers that the Sponsor is in breach of its responsibilities as set out in this undertaking and that Lloyd's may report the fact that it has done so and the reasons for its action to the Sponsor's principal regulator.
7. **The Sponsor acknowledges and agrees** that this undertaking is subject to English law and hereby submits to the exclusive jurisdiction of the English courts.

Dated this _____ day of _____

EXECUTED as a DEED

APPENDIX V

FORM AP2 (Conversion Rules)

APPLICATION FOR APPROVAL FOR THE
ISSUE OF A CONVERSION INVITATION OR
A PPA DOCUMENT

The Council of Lloyd's
Lloyd's
One Lime Street
London
EC3M 7HA

For the attention of the Conversion Official

[Date]

Dear Sir

Application for approval to issue a conversion invitation/issue a PPA document

We [*insert name of sponsor*] and [*insert name of promoter*] hereby apply for approval to issue a [*conversion invitation/issue a PPA document*] under the Conversion Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the "Rules"). All terms used in this letter shall have the meaning ascribed thereto in the Rules.

1. We enclose:-

- 1.1 3 copies of the final draft [*conversion invitation/PPA document*] and confirm that this document satisfies all relevant requirements of the Rules for the contents of such document.
- 1.2 3 copies of the application form to be sent to individual names relating to the [*conversion invitation/PPA document*].
- 1.3 A derogation letter.
- 1.4 A cheque payable to the Corporation of Lloyd's for £[*insert fee figure*].
- 1.5 [*In the case of a transition arrangement, specify other additional documents*].
- 1.6 [*In the case of a reverse interavailability arrangement*], drafts of [*specify other additional documents*].

2. We undertake to discharge our respective responsibilities as sponsor and promoter as set out in, and in accordance with, the Rules.

3. As sponsor and promoter, we jointly confirm to Lloyd's that:-

- 3.1 [*In the case of a transition arrangement or interavailability arrangement*] the conversion scheme is to be implemented utilising the appropriate prescribed form documents;
- 3.2 to the best of our knowledge, information and belief (having made due and careful enquiry) all material facts relating to this [*conversion scheme/promoted private arrangement*] have

been properly disclosed to the Conversion Official and in the [*invitation document/ PPA document*];

- 3.3 to the best of our knowledge, information and belief (having made due and careful enquiry) there are no matters (other than those disclosed in the [*invitation document/PPA document*]) which are or could be material to an individual member proposing to participate in the [*conversion scheme/promoted private arrangement*] contained in the [*invitation document/PPA document*];
- 3.4 [*if applicable*] third party funds are required to implement fully the conversion scheme and we confirm that we are satisfied (having taken all reasonable steps to ensure that it is the case) that such funds are available;
- 3.5 to the best of our knowledge, information and belief (having made due and careful enquiry), Lloyd's Acts 1871 to 1982 and all byelaws, regulations, requirements, conditions and directions made, imposed or given by the Council of Lloyd's have, in so far as they apply to this application for approval and to the proposed [*insert details of conversion scheme/promoted private arrangement*] have been fully and properly complied with; and
- 3.6 in respect of US individual members, (with the exception of US registered broker-dealers) no "transaction based compensation" has been received by or will be received by any members' agent, the promoter or sponsor (or any personnel of such persons) in connection with the transfer of prospective participations.

4. As sponsor we hereby confirm to Lloyd's that:-

- 4.1 we are [an authorised person under the Financial Services and Markets Act 2000 regulated by the Financial Services Authority/resident in a jurisdiction other than the United Kingdom who the Conversion Official may approve as being appropriately qualified to act as a sponsor in that jurisdiction] [*delete as applicable*];
- 4.2 as at the date of this application the information provided in the Lloyd's Sponsor's Questionnaire and Undertaking - SP1 submitted on [*insert date*] remains true and accurate in all material respects and does not omit any information which might reasonably be considered relevant to this application;

[If there are material changes details must be submitted to the Conversion Official];

- 4.3 our fees in respect of the [*conversion scheme/promoted private arrangement*] will be £[*insert details of fees*] payable by [*insert name of payer*] and our out of pocket expenses and the costs of our legal advice relating to the [*conversion scheme/promoted private arrangement*] will be met by [*insert name of payer*];
- 4.4 [*save as disclosed below*] we have not received nor are we entitled to receive, directly or indirectly, any remuneration, commission or benefit payable by a person other than the promoter [*Insert particulars of any other remuneration, commission or benefit*]; and

5 As promoter we hereby confirm to Lloyd's that:-

- 5.1 [*save as disclosed below*] we have not received nor are we entitled to receive, directly or indirectly, any remuneration, commission or benefit [*Insert particulars of any remuneration, commission or benefit*];

We acknowledge that the confirmations and undertakings given in this application shall be

deemed to be repeated on the date that any [*conversion invitation/promoted private arrangement*] in respect of which we are making this application closes.

Yours faithfully

.....
for and on behalf of
[*print name of sponsor*]

.....
for and on behalf of
[*print name of promoter*]

APPENDIX VI

LLOYD'S PROMOTER UNDERTAKING [To be typed on promoter's letterhead]

Form P1 (Conversion Rules)

UNDERTAKING in favour of the Society of Lloyd's incorporated by Lloyd's Act 1871 ("Lloyd's").

1. [*insert name of promoter*] (the "promoter") warrants and undertakes that it:
 - (a) accepts the responsibilities of a promoter set out in the Conversion Rules made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the "Rules") and will discharge those responsibilities at all times with due skill and care and to the reasonable satisfaction of Lloyd's;
 - (b) will comply at all times with the Rules;
 - (c) will ensure that any conversion scheme or private arrangement which it promotes or makes complies at all times with the Rules;
 - (d) will use all reasonable endeavours to ensure that any other person concerned with the promotion of such conversion scheme or private arrangement is properly guided and advised as to its obligations under the Rules;
 - (e) will notify the Conversion Official in writing forthwith upon it ceasing to be a promoter of any conversion scheme or private arrangement;
 - (f) reasonably believes that it has the competence and experience to discharge its responsibilities as a promoter as set out herein and where relevant in the Rules;
 - (g) will notify Lloyd's in writing of any material change to its circumstances or to the information provided to Lloyd's in relation to it acting as a promoter in relation to a conversion scheme or private arrangement;
 - (h) provide details to Lloyd's of any commission payable to it or similar arrangements agreed by it in relation to the conversion scheme or private arrangement; and
 - (i) at all times observe any applicable principles prescribed by the Council of Lloyd's from time to time.
2. Words and expressions used herein shall have the meaning ascribed thereto in the Rules.
3. The promoter acknowledges and agrees that this undertaking is subject to English law and hereby submits to the exclusive jurisdiction of the English courts.

Dated this day of [*insert month and year*]

EXECUTED as a Deed

APPENDIX VII

FORM OF DEROGATION LETTER

Form D (Conversion Rules)

Strictly Private and Confidential

The Conversion Official
Lloyd's
One Lime Street
London
EC3M 7HA

[date]

Dear Sir

[insert brief details of conversion scheme or promoted private arrangement] (“the [conversion scheme/promoted private arrangement]”)

- (a) We (being the promoter of the [conversion scheme/promoted private arrangement]) refer to the [invitation document/PPA document], a final draft of which, dated [insert date], is attached and signed on our behalf by [insert name of director or other authorised signatory] (the “[invitation document/PPA document]”)
- (b) We confirm that the information required by the following paragraphs of the Conversion Rules is not applicable and no equivalent information is available:

| No | Paragraph | Reason for Omission |
|----|-----------|---------------------|
| 1 | | |
| 2 | | |

- (c) We are writing as required by paragraph 4(4)(c)(iii) of the Conversion Rules to request permission to omit the information required by the above paragraphs of the Conversion Rules from the [invitation document/PPA document] on the grounds set out above.

Yours faithfully
[]
For and on behalf of
[insert name of promoter]

APPENDIX VIII

FORM AP1 (Conversion Rules)

**APPLICATION FOR APPROVAL IN PRINCIPLE OF A CONVERSION INVITATION
OR A PPA DOCUMENT**

NAME OF SPONSOR:

NAME OF PROMOTER

DATE:

NAME OF SCHEME:

NOTES

- 1 **This application for approval in principle of a conversion scheme/promoted private arrangement must be submitted to the Conversion Official, Capacity Markets, Lloyd's before the prescribed date in each year.**

- 2 **No initial advertisement, invitation document or PPA document may be issued by any sponsor, promoter or other person until the Conversion Official has given notification in writing that an application for approval in principle of the conversion scheme or promoted private arrangement (to which that advertisement or document relates) has been approved.**

QUESTIONNAIRE

1. Sponsor's details:

(a) Name:

(b) Address:

(c) Contact Name:

Contact name:
Email address:

(d) Telephone Number:

(e) Fax Number:

(f) Date on which sponsor approved by the Conversion Official:

- (g) Please provide details of any other conversion schemes/promoted private arrangements/private arrangements which have been sponsored by the sponsor.

2. Promoter's details:

- (a) Name:

- (b) Address:

- (c) Contact Name:

Contact name:

Email address:

- (d) Telephone Number:

- (e) Fax Number:

(f) Date on which promoter approved by the Conversion Official.

(g) Please provide details of any other conversion schemes/promoted private arrangements which have been promoted by the promoter.

3. Type of conversion scheme/promoted private arrangement

(a) Interavailability/transition/reverse interavailability arrangement (*delete as appropriate*).

(b) Please provide a brief summary of the conversion scheme/promoted private arrangement (*using a continuation sheet, if necessary*).

4. Participants

(a) Who will be invited to participate in the conversion scheme/promoted private arrangement?

- (b) Will any of the intended participants be overseas? If so, give details of the jurisdictions involved.

Note : An invitation document and/or other documentation may not be issued or circulated outside the United Kingdom unless compliance has been made with paragraph 1(6)(d) of the Conversion Rules.

- (c) If it is proposed that the invitation document and/or other documentation is to be issued overseas please provide (on a separate continuation sheet if necessary) the names and addresses of the local lawyers who will be asked to advise.

5. Invitation document/PPA document

- (a) When is the first draft expected to be submitted to Lloyd's?

- (b) What is the proposed date of issue?

- (c) Give details of any conditions of the conversion scheme/promoted private arrangement proposed to be contained in the invitation document/PPA document.

6. Successor vehicle

If more than one successor vehicle, please provide details on separate sheet.

- (a) Name:

- (b) Registered address

- (c) What percentage of the funds at Lloyd's of the successor vehicle do you estimate will be provided directly or indirectly by those people participating in the relevant arrangement?

Note: The successor vehicle will need to be a new corporate member. Accordingly, this form should be accompanied by an application for membership of Lloyd's under the Membership and Underwriting Requirements (Corporate Member).

7. Confirmation of resources

[Delete if not applicable]:

- (a) The promoter confirms that it has sufficient resources available to satisfy full acceptance of the conversion scheme/promoted private arrangement.
- (b) The sponsor confirms that it is satisfied (having taken all reasonable steps to

ensure that such is the case) that resources are available to the promoter which are sufficient to satisfy full acceptance of the conversion scheme/promoted private arrangement.

8. Other information

Please provide contact details for any other professional advisers (e.g. solicitors, auditors etc.).

9. Confirmation

We confirm that the information contained in this application is true, accurate and not misleading.

For and on behalf of [*insert name of sponsor*]

For and on behalf of [*insert name of promoter*]

APPENDIX IX

PRESCRIBED STATEMENTS FOR CONVERSION ADVERTISEMENTS AND ANNOUNCEMENTS

- 1 The following prescribed statements must be set out in certain advertisements and announcements:-
 - (i) This [*advertisement/announcement*] has been prepared in accordance with Lloyd's requirements. [*Insert name of promoter*] has confirmed to Lloyd's that this document complies with the Conversion Rules. This [*advertisement/ announcement*] has not been approved by Lloyd's.
 - (ii) [*As applicable:*] This [*advertisement/announcement*] is issued by [*insert name of issuer*] which is regulated by [*insert name of regulator*] and has been approved by [*insert name*] for the purposes of section 21 of the Financial Services and Markets Act 2000.
 - (iii) This [*advertisement/announcement*] relates to a conversion scheme which is being sponsored by [*insert name of sponsor*] and promoted by [*insert name of promoter*].
 - (iv) [*Insert name of promoter*] is interested in this [*conversion scheme*] and any advice provided by such [*insert name of promoter*] in relation to such [*conversion scheme*] should not be regarded as independent advice.
 - (v) The nature of Lloyd's insurance underwriting business, the consequences of past years' underwriting losses at Lloyd's and the nature of conversion will give rise to a number of specific risks.
 - (vi) Any member who is considering entering into this conversion scheme should read carefully the invitation document relating to such conversion scheme and the risk factors set out therein. Applications in relation to a conversion invitation will only be accepted on the basis of the information contained in the invitation document.
 - (vii) The securities which may be issued to members pursuant to the terms of this conversion scheme may be illiquid and there may not be a market for them. The value of securities may go down as well as up.
- 2 If the conversion [*advertisement/announcement*] is to be issued in a jurisdiction where the conversion invitation may be contrary to law contain the following statement:-

This [*advertisement/announcement*] does not constitute a solicitation, invitation or offer to persons in [*state particular jurisdiction*] or any other jurisdiction where a solicitation, invitation or offer could be contrary to law. Underwriting at Lloyd's is a high risk business.
- 3 If the advertisement/announcement is to be issued or circulated in the United States compliance must be made with Part III of Appendix II.
- 4 If the advertisement/announcement is made orally appropriate reference should be made to the matters referred to in paragraph 1 of this Appendix IX and a hard copy of such statements should be handed to all persons to whom the verbal advertisement/announcement is made.

APPENDIX X

LETTER RE SUBMISSION OF CONVERSION ADVERTISEMENTS
AND ANNOUNCEMENTS

The Conversion Official
Lloyd's
One Lime Street
London
EC3M 7HA

For the attention of the Conversion Official

[Date]

Dear Sir

Submission of [Advertisement/Announcement]

We refer to [insert details of conversion scheme] of which we are the promoter. In accordance with [state applicable rule] of the Conversion Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the "Rules") we now enclose 2 copies of an [advertisement/announcement] which was issued earlier today and confirm that:-

- (a) the [advertisement/announcement] fully and properly complies with [insert applicable section of the Rules] of the Rules;
- (b) [If applicable:] the [advertisement/announcement] [has been/will be] issued in the United Kingdom and [insert details of any other jurisdictions]; and
- (c) we have complied with our obligations under paragraph 1(6) of the Rules in relation to the [advertisement/announcement];

[.....]
for and on behalf of
[insert name of promoter]

APPENDIX XI
FORMAT FOR INVITATION DOCUMENTS

[Name of sponsor]

[Name of promoter]

[Description of the conversion invitation]

1. **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the contents of this document or as to the action you should take, you should consult your Lloyd's members' agent [who will advise you in accordance with the Lloyd's Code for Members' Agents: Responsibilities to Members]. You should also consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.
This document contains risk warnings and you are referred to section [insert number of section in which the risk warnings appear].
 2. The directors of [insert name of corporate vehicle /operator of the SLP, as appropriate] whose names appear on page [insert page number] of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors of [insert name of corporate vehicle/operator of the SLP, as appropriate] (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
 3. [Insert name of promoter] is interested in this [conversion scheme] and any advice provided by [insert name of promoter] in relation to such conversion scheme should not therefore be regarded as independent advice.
 4. The securities which may be issued to members pursuant to the terms of this [conversion scheme] may be illiquid and there may not be a market for them.
 5. Under its powers set out in the Conversion and Related Arrangements Byelaw (No. 22 of 1996) Lloyd's has prescribed certain conditions and requirements in relation to conversion schemes (the "Conversion Rules"). Both [insert name of sponsor] and [insert name of promoter] have confirmed to Lloyd's in writing that this document complies with the Conversion Rules. Lloyd's has approved the making of the conversion invitation set out in this document within the terms of the Conversion Rules. However, it must be understood that in giving its consent for the making of such conversion invitation, Lloyd's takes no responsibility for the soundness (whether financial or otherwise) of the [conversion scheme] or the [successor vehicle] or for the correctness of any statements made or opinions expressed in relation thereto.
-

CONVERSION INVITATION

TO

[ELIGIBLE NAMES]

BY

[INSERT NAME OF THE SPONSOR]

[INSERT NAME OF THE SUCCESSOR VEHICLE]

-
6. THE ACTION YOU SHOULD TAKE IF YOU WISH TO ISSUE AN APPLICATION UNDER THE CONVERSION SCHEME IS SET OUT ON PAGE [insert relevant page of this document] AND IN THE ACCOMPANYING APPLICATION FORM.
 7. COMPLETED APPLICATION FORMS SHOULD BE SENT TO [insert name and address of relevant recipient].
 8. THE LATEST TIME FOR RECEIPT OF APPLICATION FORMS IS [insert time] ON [insert date].
 9. This invitation document is being issued in the United Kingdom and [insert countries in which it is proposed that invitation document be issued].
 - 9A. The content of this document and the [insert name of acceptance form / letter of authority as necessary] has been approved by [insert details] for the purposes of section 21 of the Financial Services and Markets Act 2000.
-

10. **Contents page**

[Insert contents page]

11. **Definitions**

A definitions section including, but not limited to, the following:-

In this [invitation document] the following expressions shall have the following meanings:-

- coming into line: means complying with the requirements of Lloyd's so as to be eligible to underwrite insurance business at Lloyd's for the following year of account with a particular overall premium limit;
- Commitment: means, in relation to a Scottish limited partnership, the Commitment made by a limited partner to meet underwriting losses of the SLP up to a specified amount in respect of a particular year of account;
- Equitas: means the corporate entity into which the general business insurance liabilities of Lloyd's syndicates allocated to the 1992 and prior years of account have been reinsured;
- MAPA: means a members' agents pooling arrangement within paragraph 10(2) of the Agency Agreements Byelaw (No. 8 of 1988);
- MAPA operator: means, in relation to a MAPA, a members' agent which operates a MAPA within the meaning of paragraph 1(2) of the Agency Agreements Byelaw (No. 8 of 1988);
- New Central Fund: means the fund established held, managed and applied by Lloyd's under the New Central Fund Byelaw (No. 23 of 1996);
- overall premium limit: means, in relation to a member, the limit for the time being prescribed on the amount of insurance business which is to be underwritten on his behalf from time to time, such limit being expressed as the maximum permissible amount of his premium income allocable to any year of account;
- personal reserve fund: means all monies and other assets paid to or to be retained by the trustees of a premiums trust fund who are not managing agent's trustees (as defined in the premiums trust deed constituting that premiums trust fund) and held by them subject to the terms of that premiums trust deed;

- premium income: means, in relation to a member, the aggregate of the premiums credited to him less, or net of qualifying reinsurance premiums, brokerage, discount, commission, any tax charged upon or any monies withheld from a premium by or on behalf of any statutory, governmental, state, provincial or local government authority, body or official and any premium returned to an assured;
- premiums trust deed: means a trust deed in the form for the time being required by the Council and constituting the premiums trust fund;
- premiums trust fund or PTF: means a fund of premiums and other monies held from time to time by or under the control of trustees upon the trusts of premiums trust deed;
- private successor vehicle: means a qualifying successor vehicle under a private arrangement or promoted private arrangement where participants and/or any connected person, either:
- (a) in relation to a qualifying successor vehicle which is a body corporate, hold shares in that body corporate which represent:
 - i) not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at a general meeting of the body corporate on all matters; and
 - ii) the right to receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the amount distributable by way of dividend or on a winding up of the body corporate; or
 - (b) in relation to a qualifying successor vehicle which is an SLP, are entitled to:
 - i) exercise not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at any meeting of the partners of the SLP; and
 - ii) receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the distributable income of the SLP or of the SLP's assets available for distribution on a winding up of the SLP.

For the purposes of this definition, a “connected person” means:

- i) a participant's spouse, his children and step-children, his parents and step-parents, his brothers and sisters, his step-brothers and step-sisters; or

- ii) the trustee or trustees of a trust set up wholly for the benefit of the participant and/or one or more persons falling within (i) above; or
- iii) a body corporate of which the entire issued share capital is wholly owned by the participant and/or one or more persons falling within (i) or (ii) above.

qualifying successor vehicle: means a successor vehicle under an interavailability arrangement or a transition arrangement under which, in either case, not less than 75 per cent. of the successor vehicle's funds at Lloyd's are provided directly or indirectly by the participants.

run off year: means a year of account of a syndicate that has not been closed at its usual date for closure by RITC and has yet to be closed;

Special Reserve Fund: means a fund set up by an individual member in accordance with arrangements referred to in section 175 and Schedule 20 to the Finance Act 1993.

Any expression not otherwise defined in this [*invitation document*] shall have the meaning given to it in the Conversion Rules.

12. Key features

Set out in summary the following information or indicate where in the invitation document such information appears:-

- (a) the type of conversion scheme which individual members are being invited to enter;
- (b) the individual members to whom the conversion invitation is being made;
- (c) details of the conversion invitation being made (including details of any conditions to which it is subject);
- (d) details of any securities which it is proposed a participant will receive;

- (e) details of the structure of the conversion scheme;
- (f) *this paragraph has been deleted;*
- (fa) a statement that [*the successor vehicle(s)*] will need to remain in existence even after successful reinsurance to close of all its outstanding liabilities until all such liabilities have been extinguished and individual members should have regard to the risk warning set out in paragraph (58A);
- (g) whether or not any member who participates in the conversion invitation will be entitled to receive any pre-conversion profits or be responsible for any pre-conversion losses;
- (h) a statement that, subject to his application being accepted, a participant will be required to:
 - (i) dispose of any prospective participations which are not accepted by the [*successor vehicle(s)*]; and
 - (ii) tender his resignation from Lloyd's;
- (i) a statement that, if any part of an individual member's Lloyd's deposit provided by way of a guarantee from a bank or other financial institution is to be made interavailable, the consent of the issuer of such arrangements will be required;
- (j) a statement that, if an individual member will need to alter any existing arrangements in respect of his FAL, he should start discussions with his bank or other appropriate third party immediately;
- (ja) a statement that, if any part of an individual member's Lloyd's deposit provided by way of assets the value of which may go up or down (e.g. securities) is to be made interavailable, he should have regard to the risk warning set out in paragraph (48A);
- (k) a statement, if applicable, setting out the type of Lloyd's deposit which will not be acceptable to the [*successor vehicle(s)*];
- (l) if applicable, details of the syndicates which are not acceptable to the [*successor vehicle(s)*] (including a statement as to whether or not the successor vehicle is interested in acquiring prospective participations in any life syndicates);
- (m) details of how and when a participant will be able to dispose of his interest in the [*successor vehicle(s)*] or in any other securities which he may receive upon implementation of the conversion scheme or if there is no such ability, a statement to that effect including, in the case of an SLP, a summary of how a participant will be able to exit the SLP;
- (n) the minimum and maximum size of the prospective participations which may be accepted by the [*successor vehicle(s)*];
- (o) *this paragraph has been deleted;*
- (p) *this paragraph has been deleted;*
- (q) *this paragraph has been deleted;*

- (r) *this paragraph has been deleted;*
- (s) *this paragraph has been deleted;*
- (t) *this paragraph has been deleted;* and
- (u) in the case of a promoted private arrangement where two or more individual members wish to participate in the same successor vehicle, a statement that this is only permissible where the participants are connected individuals or employees of the same underwriting agent. Such members should seek advice from their members' agent.

13. **Timetable**

Provide an expected timetable setting out the key dates affecting the conversion invitation and including the dates of the Lloyd's auctions in that year.

14. **Terms**

The invitation document must clearly set out:-

- (a) the terms of the conversion invitation; and
- (b) the rights and obligations attaching to any securities proposed to be issued to participants.

15. **Conditions**

The invitation document must clearly set out any conditions:-

- (a) to which the conversion invitation and/or the conversion scheme is subject;
- (b) to which an application under the conversion invitation by any member is subject.

16. **Listing**

Provide a statement as to whether or not it is intended that any of the securities which it is proposed should be issued to participants are to be listed or dealt in on any exchange or recognised market and if so when it is anticipated that such facility will commence.

17. **Risk factors**

Include:

- (a) statements setting out the risks for individual members who participate in a conversion scheme including the relevant statements in the terms set out below; and
- (b) a statement of other warnings as to risks which the sponsor and the promoter consider should reasonably be brought to the attention of any individual member to whom the conversion invitation is directed.

Part I

Lloyd's market

Statements in the following terms and in the following order:-

Lloyd's background

Lloyd's business trading record and prospects

- (1) Syndicates at Lloyd's underwrite insurance risks worldwide, with the core markets being in the United Kingdom and North America and in the marine, non-marine, aviation, large commercial and reinsurance sectors.
- (2) Under Lloyd's three year accounting system, its most recently declared results are in respect of the *[insert year]* year of account. Whilst overall results from Lloyd's syndicates were profitable from 1968 to 1987, significant losses were incurred in the five years of account between 1988 and 1992, before Lloyd's returned to profitability in the 1993 year of account, with a further improvement in 1994. *[Insert details re further years]*. The summary results for the years of account 1991 to 2001 were as follows:-

| Year | Underwriting Profit/(loss) £m | Results after Personal expenses* £m |
|------|-------------------------------------|---|
| 1991 | (1,993) | (2,048) |
| 1992 | (824) | (1,193) |
| 1993 | 670 | 225 |
| 1994 | 1,662 | 1,095 |
| 1995 | 1,602 | 1,149 |
| 1996 | 735 | 606 |
| 1997 | 163 | (209) |
| 1998 | (777) | (1,065) |
| 1999 | (1,729) | (1,952) |
| 2000 | (2,123) | (2,397) |
| 2001 | (1,976) | (2,378) |

Source: Lloyd's Global Results *[insert year]*

* The results after personal expenses for the 1991 to 1992 years of account have been restated to adjust for the double counting of losses in respect of members' related insurance and includes calendar year deterioration in respect of all run-off years.

Lloyd's Global Results *[insert year]* published in *[insert month and year]* estimated *[include details of estimates for following 2 open years]*.

Reconstruction and renewal

- (3) The Reconstruction and Renewal Plan culminated in the publication by Lloyd's of a settlement offer document in July 1996.
- (4) The key elements of the settlement offer document were: (i) the reinsurance of all general

business liabilities allocated to 1992 and prior years of account into Equitas; (ii) a settlement offer to individual members in respect of 1992 and prior liabilities of around £3.2 billion; (iii) the establishment of a New Central Fund and “firebreak” to separate the old liabilities reinsured by Equitas; and (iv) the settling of litigation involving members, their agents and others. By reinsuring these into Equitas, Lloyd’s syndicates should have no further exposure to general business liabilities for policies written prior to 1993, assuming Equitas is adequately funded and remains solvent.

- (5) The settlement offer document was sent to all individuals who could benefit from it and was accepted by approximately 95 per cent. of them. Equitas received unconditional authorisation from the Department of Trade and Industry in September 1996. The directors of Equitas stated in Equitas’ audited accounts to [31 March 1997 (or give more recent date and adapt wording as appropriate)] that at [date of report] they did not believe that Equitas’ assets were insufficient to meet all liabilities in full.

The auctions

- (6) The introduction of auctions in 1995 provided a means of access to syndicates for all members and the opportunity for existing members to realise value for prospective participations when resigning from a syndicate or reducing their level of participation. This development built on the right to a proportionate share in any increase in syndicate capacity from one year to the next (granted in the 1994 and 1995 syndicate pre-emption byelaws) and the rights of security of tenure (ie: the right to remain on any given syndicate) in respect of syndicate participations (conferred by the amendments made to the Agency Agreements Byelaw and the standard agency agreements).

Corporate capital at Lloyd’s

- (7) Until 1994, all members of Lloyd’s underwrote insurance business with unlimited personal liability. In 1993, Lloyd’s introduced new rules which, with effect from 1 January 1994, permitted bodies corporate for the first time to participate in underwriting insurance at Lloyd’s. This type of capital, which has become known as corporate capital, provided £1.6 billion of premium capacity in the 1994 year of account, equivalent to 15 per cent. of Lloyd’s overall capacity in that year. For the 2004 year of account, corporate capital supports £13.1 billion of premium capacity, 87.5% of Lloyd’s overall capacity.
- (8) Since the initial Lloyd’s rule changes in 1993, Lloyd’s has permitted increased flexibility in the manner in which corporate capital can support underwriting at Lloyd’s. This has contributed to the development of dedicated vehicles and the emergence of corporate syndicates. Dedicated vehicles are corporate members which exclusively support one or more of the syndicates managed by a particular managing agency, while a corporate syndicate is a syndicate with a single corporate member.

Control of corporate members

- (9) A person may not be a “controller” of a corporate member without the prior written consent of the Council of Lloyd’s. In summary, a controller is any person who holds 10 per cent. or more of the economic or voting rights of a corporate member, whether directly or indirectly, or in accordance with whose directions the directors of a corporate member are accustomed to act. Controllers are obliged to complete a questionnaire on “Fitness and Propriety”. Lloyd’s will examine the reputation and financial standing of controllers to ensure they meet its “fit and proper” requirements.
- (10) Lloyd’s also retains the right to ask for financial guarantees, letters of support or

subordination undertakings from controllers of corporate members.

Capital Requirements

- (11) The minimum capital requirements for all members is set at 40% of their respective overall premium limit (OPL) (with the exception of members writing 85% or more direct UK motor business for whom the minimum capital requirement is 35%). Individual members only may reduce their net funds at Lloyd's requirement by up to 20% of that requirement where the member has net eligible means of not less than £350,000. The net funds at Lloyd's may not, however, be reduced below 35% of allocated premium limit. Therefore, if [*insert name of successor vehicle*] is to have the same OPL as participants, it may have to have more FAL than the participants would otherwise be obliged to have.

Subject to the absolute minimum FAL requirements set out in paragraph [(16A)], [*insert name of successor vehicle*]'s minimum capital requirement will be the greater of 40% of its OPL and its risk assessed capital (RAC) requirement. In satisfying its RAC requirement, [*insert name of successor vehicle*] must deduct from its FAL any interavailable FAL that have been "earmarked" to satisfy the RAC requirements relating to the participants' pre-conversion underwriting portfolios. Individual members should seek advice from their members' agent if they have concerns about this.

Subscriptions, fees and contributions

- (12) Corporate members are required to pay the following subscriptions, fees and contributions:
- (a) Annual subscriptions which finance Lloyd's central costs at a rate, in [*insert year*], of a maximum of [*insert percentage figure*] per cent. of overall premium limit.
 - (b) Central Fund contributions at a rate, in [*insert year*], of [*insert percentage figure*] per cent. of overall premium limit.
 - (c) Managing agents charge annual fees and profit commissions to members underwriting on their syndicates. Profit commissions are subject to an arrangement (known as a vertical deficit clause), whereby a syndicate's losses in the preceding 2 years are deducted from current profits for the purpose of computing profit commissions.
 - (d) Members' agents are subject to an arrangement (known as a horizontal deficit clause) whereby profit commissions are paid on the net result of the member's participation on all syndicates in respect of which they act as members' agent.
 - (e) A premium charge of 2 per cent. (1 per cent. for UK motor and life business) on premiums signed to the 1997 and subsequent years of account in 2002 and 2003. This charge was introduced following 11 September 2001 in order to increase the central assets of the Society. It replaced a 1.1 per cent. premium charge which was used to repay a loan facility that was raised as part of the future market's contribution to the R&R programme following the repayment of the loan in 2001.

All of the above payments are normally made out of premium trust funds on behalf of the corporate member.

Conversion

- (13) In 1994, two mechanisms were identified that would enable conversion: transition and interavailability. Transition first became available for the 1995 year of account and interavailability for the 1996 year of account. Transition involves the successor vehicle reinsuring a converting individual member's open years in return for a premium calculated by reference to the most recent annual solvency statement of the individual member. Interavailability allows an individual member's existing Lloyd's deposit to be used to support both his pre-conversion open years and the future underwriting of the successor vehicle. To date, most conversion schemes have taken advantage of the interavailability mechanism and most have utilised as their successor vehicle either a company incorporated under the United Kingdom Companies Acts or a limited partnership established in Scotland.

Legal proceedings disclosure

- (13A) The Jaffray action, in which certain Names claimed that Lloyd's, between the years 1978 and 1988, made fraudulent misrepresentations which induced those Names to become members of Lloyd's and continue underwriting has been decided in favour of Lloyd's although a number of Names are seeking permission to appeal to the House of Lords. Seven Names have been given permission to amend their Jaffray pleadings to allege negligent misrepresentation against Lloyd's and 30 Names are seeking permission to amend their Jaffray pleadings to allege misfeasance in public office against Lloyd's.

In Australia one Name has commenced proceedings alleging similar claims of fraud and negligent misrepresentation as in the Jaffray action and breach of Australian statutes. This action is presently stayed.

Five actions in the United States have been filed against Lloyd's and a number of other defendants in respect of the insurance of slaves. One action has been dismissed subject to appeal.

Part II

Interavailability

- (14) Lloyd's has introduced interavailability in order to provide a convenient mechanism for individual members who wish to convert to underwriting on the basis of limited liability.
- (15) Interavailability allows an individual member to use his Lloyd's deposit to support the underwriting of a successor vehicle in future years whilst at the same time supporting his open years. The member retains a broadly similar beneficial interest in his Lloyd's deposit as before and continues to receive profits and be liable for losses from underwriting years on which he participated as an individual member. Under these arrangements, the successor vehicle does not assume any responsibility for the past underwriting of the converting individual member.
- (16) An individual member who converts his general Lloyd's business through interavailability will need formally to request Lloyd's, as trustee of his existing Lloyd's deposit, to make all or part of that deposit interavailable to the successor vehicle and to confirm that he regards such a step as being for his benefit. Special Reserve Funds and personal reserve funds are not eligible and any life deposits can only support life business. However, some or all of the individual member's personal reserve funds may

be transferred into the relevant individual member's Lloyd's deposit if the necessary steps for this are taken first. This will require an exercise of discretion on the part of his members' agent and the individual member's written consent. A member's Lloyd's deposit, such as cash and equities, may be made interavailable, as may guarantees and letters of credit, subject to the consent of the providing bank or financial institution.

(16A) Under the Membership and Underwriting Requirements:

- (a) FAL made interavailable to a qualifying successor vehicle are exempt for a limited period from some of the more restrictive rules that normally apply to the type and amount of assets that qualify as FAL for a corporate member. The period of exemption will vary depending on the type of asset concerned; and
- (b) a private successor vehicle, in its first year of account only, is required to provide net funds at Lloyd's of whichever is the lowest of:
 - (i) £350,000; or
 - (ii) £100,000 per participant.

Also, [*insert name of successor vehicle*] will be required to comply with the investment criteria applicable to corporate members generally in respect of any additional or replacement assets provided as FAL after the coming into line date for the first year of account of [*insert name of successor vehicle*].

- (17) The Lloyd's deposit to be made interavailable by an individual member will provide security for the underwriting liabilities incurred by the successor vehicle as well as those already incurred by that individual member. Accordingly, an individual member will not normally be able to have his interavailable deposit repaid to him, even after every year of every syndicate of which he was a member has been closed by reinsurance, unless and until substitute security acceptable to Lloyd's has been provided in respect of open years of the successor vehicle or all the successor vehicle's own open and run off years have themselves been closed by reinsurance. The interavailable deposit itself cannot be used directly as substitute security – i.e. an individual member will not be able to transfer his interavailable deposit directly into the [*insert name of successor vehicle*]'s deposit. [This restriction also means that a member will not be able directly to use his interavailable deposit to pay up his loan stock when payment falls due. Therefore, an alternative source of funding may be necessary.]

The Interavailability Deed

- (18) The individual member's Lloyd's Deposit Trust Deed (General Interavailability) (in this and the following paragraphs, the "Interavailability Deed") provides a means for an individual member to use all or part of his Lloyd's deposit to support underwriting by a successor vehicle. The new deposit trust is first established by the individual member. The individual member's existing deposit is then transferred to the new trust by a separate Deed of Release, Advance & Resettlement. The Interavailability Deed provides for the individual member to carry on underwriting entirely through a single corporate member, or through a number of different corporate members. It is a condition of the conversion scheme that there is no continuation of underwriting on an individual basis.

Principal terms of the Interavailability Deed

- (19) The terms of the Interavailability Deed broadly follow the terms of the existing standard

Deposit Trust Deed. However, the deposit is split into separate funds:

- (a) the unappropriated fund which will support only the individual member's past business; and
 - (b) separate specified funds for each or any successor vehicle, which funds will support both the individual member's past business and the future underwriting business of the identified successor vehicle.
- (20) When an individual member participates in an interavailable conversion scheme, the successor vehicle will be required to enter into a deed under which it becomes a party to the Interavailability Deed. This Deed will specify which assets in the individual member's deposit are to support the future underwriting of the successor vehicle and they will become comprised in a special allocated fund, subject to Lloyd's solvency requirements. If any payment is made out of the deposit to meet the liabilities of an individual member, Lloyd's can require the individual member to put an equivalent amount back into the deposit.
- (20A) As with the existing standard deposit trust deed, capital appreciation on assets held in trust pursuant to the terms of the Interavailability Deed will form trust property. If such assets have been made interavailable, such capital appreciation will also support the underwriting of [*insert name of successor vehicle*] as well as the individual member's past business.
- (21) If at any time the unappropriated part of the deposit is not sufficient to meet Lloyd's solvency requirements for the individual member, the funds in the interavailable deposit supporting the business of the successor vehicle may be reduced. This will reduce the successor vehicle's ability to underwrite (because there will be less capital supporting it).
- (22) Once all of an individual member's liabilities have been provided for and any open years closed, the unappropriated part of the deposit can be returned to the individual member. If the liabilities of a particular successor vehicle have also been provided for and any open years closed, the part of the deposit which was supporting the business of that successor vehicle can also be returned to the individual member.
- (23) On the other hand, if the successor vehicle's liabilities are provided for and any open years closed but the individual member has continuing liabilities, the funds will remain in the deposit.

Creation of separate funds for successor vehicle

- (24) Lloyd's, as trustee, must agree to all or part of the deposit being used to support the business of a successor vehicle. As trustee and regulator, Lloyd's has certain duties, both to the individual member and to any Lloyd's creditors of the individual member.
- (25) Lloyd's will need to be satisfied that the allocation of a specified fund which is interavailable for the individual member and a particular successor vehicle is for the benefit of the individual member. The deed executed by (or on behalf of) the individual member will confirm to Lloyd's that the individual member himself does regard it as being for his benefit. Lloyd's must also be satisfied that the position of the individual member's existing Lloyd's creditors will not be adversely affected in a material way.
- (25A) In particular, Lloyd's, as trustee, may not permit part, or all, of an individual member's Lloyd's deposit to be made interavailable unless it is satisfied at the time that there will be

no material disadvantage to the individual member's Lloyd's creditors. In consequence, it may be necessary for part of a member's Lloyd's deposit to be set aside exclusively for the benefit of his creditors. The amount of the set aside is calculated by reference to any net solvency deficiency on an individual member's two naturally open years of account and any unpaid losses or run-off deficiencies. The part of the Lloyd's deposit set aside will form the unappropriated fund and will not be available to support the future underwriting of a successor vehicle. Individual members should consult their members' agent to ascertain whether they will be required to set aside part of their Lloyd's deposit. Details of the set aside calculation are given in paragraph 1.2 of Appendix 3 to Market Bulletin Y2086 issued on 5 July 1999.

Lloyd's deposit provided by way of letter of credit or guarantee

- (26) An alternative version of the Interavailability Deed described above is available for use where the individual member has provided his Lloyd's deposit by way of a letter of credit or guarantee. This alternative version operates for letters of credit or guarantees in a similar way to that described above in relation to cash and equities and contains similar principal terms.
- (27) The individual member will be required to enter into a new security and trust deed (interavailable) or a deed which will vary the terms of his existing Security and Trust Deed so that the funds held under it can be made interavailable. The consent of the institution providing the letter of credit or guarantee will also be required (and may be required each time funds are allocated to a separate fund for a specific successor vehicle). It is not normally necessary to reissue the letter of credit or guarantee.

Part III

Risk factors (interavailability)

The following statements must be set out in any invitation document which relates to an interavailability arrangement. Reference must be made in the derogation letter to any risk warnings which are not included together with an explanation as to their omission.

- (28) The nature of the insurance underwriting business, the regulatory regime applicable to [*insert name of successor vehicle*], the consequences of past years' underwriting losses at Lloyd's and the nature of conversion through interavailability generally, and through [*insert name of successor vehicle*] in particular, will give rise to a number of specific risk factors. The following list is not exhaustive, but is intended to draw individual members' attention to certain aspects of the risks involved in investing in [*insert name of successor vehicle*].

General warning

- (29) The past few years have seen considerable changes at Lloyd's, particularly in the composition and character of its capital base. It is likely that continuing change will remain a feature of the Lloyd's capital base for the foreseeable future. Such change might involve alterations to the present annual venture basis of participating in syndicates, which could have fundamental implications for both Lloyd's and this conversion scheme, although the Council has no plans to mandate the end of the annual venture. Individual members should bear in mind that any decision to convert to limited liability now will necessarily be made without the benefit of knowing what the effect of these changes may be and without definitive knowledge of the future structure of the Lloyd's capital base.

In this context, there has been a trend in recent years towards continuous aligned capital structures at Lloyd's. In particular, many leading Lloyd's businesses have stated their intention to become integrated Lloyd's vehicles (the Lloyd's equivalent of insurance companies) that would not normally be reliant on any third-party capital. Although, as stated above, the Council has no plans to mandate the end of the annual venture and sees diversity of capital provision as a strength, the Council welcomes continuous capital.

In 1998 the Private Capital Group ('PCG') was set up to investigate ways in which private non-aligned capital may participate in the economic performance of the market without impeding or removing the advantages of integration as seen from the perspective of those managing agents wishing to form or operate ILVs. Although the PCG's proposals have not been taken up by the market, it is possible that they – or a version thereof – could be in future.

Any decision to convert to limited liability should be made after taking into account all relevant factors, including the trend towards continuous capital.

Individual members should seek advice from their members' agent if they have concerns about any of the above.

(29A) *This paragraph has been deleted.*

(29B) Additional risk warnings to be included where the successor vehicle is a Scottish Limited Partnership.

(SLP 1) Leaving a SLP

There are five ways of leaving an SLP:

- i) A Limited Partner may transfer or assign the whole of his interest in an SLP to a third party with the consent of the General Partner and Lloyd's. Lloyd's has set out criteria for the admission of persons as Limited Partners and, therefore, as assignees of a limited partnership interest. Not less than 90 days' prior written notice must be given and all assignments must be effective on 1st January. The amount of consideration payable is a matter to be decided between the Limited Partner and his successor. The successor must provide adequate FAL to replace those of the assigning Limited Partner. Once a full assignment is completed, the assigning Limited Partner will have no further rights or obligations to the SLP although he may remain liable to any other creditors for any remaining liabilities which were incurred prior to the assignment.
- ii) A Limited Partner can give notice to resign from the SLP before 31 July each year for the subsequent year of account though his Lloyd's Deposit will not be released before all years of account of all syndicates which he has supported have been closed and provided the SLP has sufficient FAL to meet its ongoing requirements. If the SLP has insufficient FAL, release of his Lloyd's Deposit may be protracted. The resigning Limited Partner will also be entitled to an amount equal to the proceeds or deemed value of the capacity sold or deemed disposed of as a consequence of his resignation. During this time the Limited Partner will continue to be entitled to profits from syndicates in respect of the years of account for which the Lloyd's Deposit has been provided and will also be responsible for any calls in respect of losses for which he is responsible in terms of his Commitment

to the SLP for the relevant year(s) of account. If the proposed resignation of a Limited Partner would result in there being less than two partners in that SLP (including the General Partner), Lloyd's prior written consent will be required.

- iii) An SLP can cease to underwrite any new insurance business at the end of any year of account by a majority vote of 75% or more of the Limited Partners (weighted relative to their Commitments) to that effect, provided the SLP has given notice to Lloyd's it intends to resign by the prescribed date that year.
- iv) A Limited Partner will cease to be a Limited Partner in the event of his death with effect from 31st December that year provided that he is not the sole Limited Partner. In such circumstances his personal representatives may request from the General Partner the right to transfer the interest of the deceased Limited Partner to any beneficiary (subject always to Lloyd's approval and compliance with Lloyd's requirements applicable to Limited Partners). Where he is the sole Limited Partner, upon his death, the SLP is deemed to be dissolved immediately and the managing agents of the relevant syndicates on which the SLP participates may terminate the managing agent's agreement with the SLP by giving not less than 48 hours notice. In the event that the managing agents give notice, the SLP will be removed from the relevant syndicates with effect from 1 January of that year. In the event that the managing agents do not give notice to terminate, the SLP will remain on the syndicates until the end of that year. In the event of a Limited Partner's sequestration or bankruptcy, insanity, insolvency, receivership or administration, the General Partner may treat the Limited Partner as if he had submitted a notice of resignation.
- v) With the consent of Lloyd's, the interests of all Limited Partners in an SLP may be sold, following a majority vote of 75% or more of the Limited Partners (weighted relative to their Commitments) to that effect.

(SLP 2) Lloyd's Regulatory Rights

Certain rights and undertakings set out in the partnership agreement are specifically granted in favour of Lloyd's and certain rights or actions of Limited Partners and/or the General Partner in an SLP are subject to the prior consent of Lloyd's. In particular, Lloyd's prior consent is required under the Partnership Agreement where:-

- (a) the SLP is to be, or is proposed to be dissolved, whether by operation of law or otherwise. In particular, because an SLP is required to have at least two partners at any given time (one of which must be a general partner), a Limited Partner may not resign where such resignation will result in there being less than two remaining partners (including the General Partner) without obtaining the prior written consent of Lloyd's. A similar restriction exists in relation to the General Partner. In addition, partners may not apply to a court for dissolution of an SLP (whether under the terms of the Partnership Act 1890 or otherwise) without the prior written consent of Lloyd's;
- (b) a new Limited Partner is to be admitted to the SLP or upon the admission of an assignee as a Limited Partner; and
- (c) any amendments or variations are proposed to be made to the terms of the partnership agreement.

(SLP 3) Funds at Lloyd's – SLPs

In a number of instances a Limited Partner could find himself liable for more than the value of his Commitment for any year of account. First, if a Limited Partner has increased his FAL but calls in respect of an earlier year of account have not been met in full by the FAL provided for the earlier year of account, the additional FAL may be called on to meet the calls on earlier years. Second, if the value of the FAL provided by any Limited Partner exceed his Commitment and the losses of the SLP in any year of account exceed the total Commitments provided, Lloyd's may take the whole of his FAL to meet the call. Third, until the effective date of his resignation, a Limited Partner will, to the extent of his FAL and Partnership Capital, continue to be liable for the debts and obligations of the SLP and, therefore, underwriting losses. Fourth, if the interavailable FAL of one of his fellow Limited Partners has already been called on to meet his own open year losses and such FAL have not been replaced, Lloyd's may take more than a pro rata share of the remaining FAL to meet losses of the SLP.

Following assignation, an assigning Limited Partner may still be liable, to the extent of any Partnership Capital removed by him or by the assignee Limited Partner, for the residual liabilities of the SLP to third party creditors incurred prior to the advertisement and registration of the change.

If, during the continuance of the SLP, a Limited Partner either directly or indirectly draws out or receives back part of his capital contribution to the SLP (which would occur in all situations when a Limited Partner leaves the SLP and is repaid part or all of his Partnership Capital, except in instances of sale or assignation of the Limited Partner's interest in the SLP), the Limited Partner becomes liable to the amount so drawn out or received back.

In addition, if a Limited Partner decreases his Commitment, the release of the proportionate part of the FAL he provided to enable the SLP to underwrite in security for his Commitment may be protracted and until released may be exposed to underwriting losses of the SLP.

(SLP 4) In relation to the SLP structure

There are a number of ways a limited partner in a Scottish limited partnership can, at law, lose his limited liability. First, if a Limited Partner takes part in the management of the SLP, he will lose his limited liability for at least as long as his participation in the management. Second, if the SLP is not registered in accordance with the provisions of the 1907 Act whether initially or with reference to later changes, a Limited Partner is deemed to be a General Partner and, as such, his liability is unlimited. Third, if the Commitment of a Limited Partner or the provision by him of FAL to enable the SLP to underwrite at Lloyd's was deemed to be a capital contribution to the SLP but had not been registered as such in terms of the 1907 Act, the registration of the SLP would be incorrect and liability of the Limited Partners for the debts of the SLP would be unlimited. Fourth, if it were to be decided by the courts that a General Partner cannot, in terms of the 1907 Act, be a corporate body (although it is common practice for a general partner in a Limited Partnership to be a corporate body), the registration of the SLP would be incorrect and liability of the Limited Partners for the debts of the SLP would be unlimited.

If, by an assignation in part, there would result in more than 19 Limited Partners in any one SLP, the General Partner will not consent to such assignation.

There is no established market in interests in SLPs. A Limited Partner may have

difficulty in assigning his interest or in obtaining reliable information about its value. A prospective Limited Partner should consider carefully whether becoming a Limited Partner is suitable for him in the light of his personal circumstances and the financial resources available to him.

If the General Partner is prohibited from acting in that capacity (e.g. if any other SLP of which he is a General Partner becomes insolvent) a new General Partner will need to be appointed or the SLP may need to discontinue underwriting.

Underwriting risks

- (30) The underwriting of insurance is a high risk business and losses can be made as well as profits. In underwriting insurance risks at Lloyd's, *[insert name of successor vehicle]* and all the Lloyd's deposits made interavailable to it will be exposed to the risk of underwriting losses. In the worst case, all *[insert name of successor vehicle]*'s assets and all the Lloyd's deposits made interavailable to it would be used to meet underwriting losses. In this event, although participants would have lost the value of their investment in *[insert name of successor vehicle]* and their Lloyd's deposit (to the extent it was made interavailable), their liability for the underwriting losses of *[insert name of successor vehicle]* would be limited to their investment in *[insert name of successor vehicle]* and the amount of any Lloyd's deposit that they have made interavailable to *[insert name of successor vehicle]* or they have been required to make interavailable to *[insert name of successor vehicle]*. In addition, should any participants choose to pay any requests for funds made by Lloyd's in respect of underwriting losses suffered by *[insert name of successor vehicle]* otherwise than out of their Lloyd's deposit already made interavailable to *[insert name of successor vehicle]*, such payment would potentially increase this exposure. Participants however remain liable on an unlimited basis for losses relating to their personal underwriting business.
- (31) Participants should be aware that risks and rewards vary from syndicate to syndicate and the categories of business written by those syndicates. *[Insert name of successor vehicle]*'s syndicate participations will depend in part upon the amount and mix of prospective participations offered to it by individual members under this conversion scheme, although it will not accept prospective participations offered on syndicates that it does not wish to support. In future years of account, the mix of prospective participations will depend on *[insert name of successor vehicle]*'s policy of tendering existing prospective participations and/or subscribing further prospective participations in the auctions or otherwise.
- (32) Notwithstanding the "firebreak" introduced when Lloyd's implemented the Reconstruction and Renewal Plan in 1996, it must be recognised that the ongoing market, including *[insert name of successor vehicle]*, will indirectly remain exposed in a number of ways to 1992 and prior business reinsured by Equitas, including through the application of overseas deposits and the New Central Fund. Ongoing members, including *[insert name of successor vehicle]*, may also be exposed to liabilities arising from 1992 and prior years if a reinsurance policy allocated to the 1993 or any subsequent year of account of a syndicate which a member joins had provided reinsurance cover in respect of risks incurred in 1992 or prior years and originally underwritten at Lloyd's.

Lloyd's own 1992 and prior liabilities

- (33) Lloyd's has a number of contingent liabilities in respect of risks under policies allocated to 1992 or prior years of account. If Equitas is unable to pay the 1992 and prior liabilities in full, Lloyd's will be liable to meet any shortfall arising in respect of those policies.

The New Central Fund, which can, subject to Lloyd's regulations, issue calls on current underwriting members of Lloyd's (which will include the [*insert name of successor vehicle*]), may be applied for these purposes. Lloyd's also has contingent liabilities under indemnities covering 1992 and prior matters. Lloyd's has provided indemnities in respect of claims against audit firms contributing to the auditors' settlement fund and to certain individuals and advisers. There may also be residual litigation involving Lloyd's, for instance from individual members who have not accepted the settlement offer, through which Lloyd's will potentially have a continuing exposure to claims relating to the 1992 and prior years of accounts.

- (34) The New Central Fund could be exposed indirectly to 1992 and prior business if Equitas' assets were insufficient to meet its liabilities. To the extent that assets of a member underwriting in 1992 or prior years, or on a syndicate which has reinsured 1992 or prior years, are used to discharge 1992 and prior liabilities which Equitas has failed to meet, they will not be available to meet liabilities in respect of 1993 and later years. In such circumstances, Lloyd's may take the view that it is appropriate to apply the New Central Fund to discharge those liabilities.

Overseas deposits

- (35) Regulatory authorities in a number of jurisdictions require the maintenance of local deposits for policyholder protection as a condition of Lloyd's syndicates maintaining their regulatory approval. In the event that Equitas were to fail to meet in full liabilities in respect of 1992 and prior years, certain overseas deposits in place at that time may be subject to regulatory action. In addition, the New Central Fund might, with the consent of members in general meeting, be applied to prevent draw down of such deposits, or to issue good any part of the deposits used to meet liabilities reinsured by Equitas.

Lloyd's regulatory powers

- (36) Permission for the [*insert name of successor vehicle*] to underwrite will be granted for an initial period of five years, subject to meeting all regulatory requirements. Permission thereafter will be conditional upon its meeting the requirements applicable to corporate members at that time.
- (37) The Council has wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the FAL ratio or the investment criteria applicable to FAL. Either might affect the amount of [*insert name of successor vehicle*]'s overall premium limit and consequently the return on an investment in [*insert name of successor vehicle*] in a given year of account.

Investment risks

- (38) Individual members should recognise that the value of the assets comprising their Lloyd's deposit made interavailable to [*insert name of successor vehicle*] may fluctuate and that a fall in their value may affect the level of underwriting permissible by [*insert name of successor vehicle*].
- (39) The [*insert details of securities*] will not be listed and no application has been made to any stock exchange for such a listing. [The [*insert details of securities*] [are [*non*]-transferable]. [There may be no market for [*insert details of securities*]]. An unlisted security is an illiquid investment. The value of an investment may go down as well as up.

- (40) Should [*insert name of successor vehicle*] cease or reduce its underwriting, the subsequent distribution by [*insert name of successor vehicle*] of any capital which would no longer be required as FAL for the purposes of coming into line may be protracted and complicated. It is recommended that participants discuss this matter with their own personal legal and taxation advisers.

Solvency

- (41) There may be an initial solvency strain on [*insert name of successor vehicle*] as a new Lloyd's member. Under the present three year accounting system, [*insert name of successor vehicle*] will receive no underwriting profits until, at earliest, the year [*insert year*]. [*Insert name of successor vehicle*] will receive no investment income in respect of Lloyd's deposits made interavailable, as such income, where applicable, will remain that of the Lloyd's deposit provider. In the meantime, however, [*insert name of successor vehicle*]'s solvency position will be calculated at each year end to ensure that it continues to have sufficient assets to meet its share of the liabilities of syndicates supported by it.
- (42) These factors, together with any cash calls which may be made by a managing agent, may result in [*insert name of successor vehicle*]'s FAL being reduced and hence its overall premium limit coming under pressure during the initial years of membership.

Solvency margin

- (43) Under Lloyd's requirements each member must demonstrate that he has sufficient assets to meet his underwriting liabilities plus a solvency margin. A member's solvency margin is the higher of a specified percentage of premiums and claims – broadly, 16 per cent. of premiums receivable by him during the previous financial year or 23 per cent. of average claims incurred by him in the three previous financial years. In relation to three classes of liability business (general, marine and aviation) premiums and claims must be increased by 50% for the purpose of the calculation of the member's solvency margin.
- (44) Converting individual members and their successor vehicles will not initially receive a credit in solvency for interavailable Lloyd's deposits. Converting individual members and their successor vehicles will therefore be solvent or in deficit on the strength of their underwriting results and any non-interavailable Lloyd's deposits which they hold.
- (45) The member level solvency margin will increase the possibility that a converting individual or his successor vehicle will have a deficit. Where a deficit exists Lloyd's will identify the interavailable Lloyd's deposit that has been made available by the converting member and credit him (or the conversion vehicle as appropriate) with an amount of the interavailable Lloyd's deposit equal to the solvency deficit. Both the converting member and the conversion vehicle may receive such a credit but only to the extent that it is equal to or less than the Lloyd's deposit made interavailable. Where such a credit as been made (particularly to the converting member) there may be implications for the future underwriting of the conversion vehicle.

Capital

- (45A) Over the last eleven months, Lloyd's has been reviewing the New Central Fund to determine whether it is appropriate to increase the size of the fund and has not yet completed this review. However, it is likely that the New Central Fund will be increased through the creation of new assets, one of which may be a loan from members' syndicate Premiums Trust Funds. Such a loan would be repayable under normal circumstances but Lloyd's repayment obligations would cease in certain circumstances at the discretion of

the Council of Lloyd's. The first year of account to be affected by this loan would be 2005. Details of such loans from members arising from this review will be published by the end of August.

- (45B) In April 2004, the FSA published Consultation Paper 04/7: Lloyd's – integrated prudential requirements. This consultation paper contains details of proposed rule changes to bring Lloyd's insurance business within the scope of the FSA's integrated prudential sourcebook in a way that takes account of the market's structure and operation. Members should be aware that these proposed rule changes may have a significant impact on the capital requirements for members. After the FSA has issued the final rules, which will become effective from 1 January 2005, Lloyd's will publish details of any changes to members' capital requirements.

Mutualisation

- (46) The amount of Lloyd's deposit made interavailable by each participating individual member will be held by Lloyd's in its capacity as trustee of the trusts created by the Interavailability Deed (described above). Where there is a cash call in respect of the Lloyd's obligations of *[insert name of successor vehicle]*, Lloyd's may apply *[insert name of successor vehicle]*'s own FAL or Lloyd's deposits which have been made interavailable under this conversion scheme in satisfaction of those obligations in any order and relative amounts as between the participating individual members. Although, in the event of any such cash call, *[insert name of successor vehicle]* will inform Lloyd's of the amount of each participating individual member's Lloyd's deposit which has been used to support the underwriting of *[insert name of successor vehicle]* for each year of account, there can be no guarantee that Lloyd's will apply the Lloyd's deposits in the proportions advised by *[insert name of successor vehicle]* and a participant may have proportionately more or less of his Lloyd's deposits applied in satisfaction of *[insert name of successor vehicle]*'s Lloyd's obligations than his proportion of *[insert details of securities]* allocated to them for any year of account.
- (47) If the interavailable deposit provided by another participant is reduced for any reason and *[insert name of successor vehicle]* then sustains a loss or receives a cash call, the Lloyd's deposits provided by other participants may bear a disproportionate share of that loss or cash call. This is because all Lloyd's deposits made interavailable by participating individual members are available to support the underwriting of *[insert name of successor vehicle]*. The interavailable deposit of another participant may be reduced either due to any part of the interavailable deposit being applied in discharging that participant's own liabilities (including solvency liabilities arising from pre-conversion years of account) as an individual member or due to a fall in the value of any investments comprised within that deposit - this risk is referred to as mutualisation.
- (48) Under the Interavailability Deed, a participating individual member may, if Lloyd's so exercises its discretion, be obliged to pay to Lloyd's as trustee a sum equal to any amount of interavailable Lloyd's deposit applied in discharging the individual member's own preconversion underwriting liabilities. Any profit derived from the underwriting activities of the individual member is charged as security for this obligation and assigned to the trustee.

- (48A) An individual member wishing to convert under *[this conversion scheme]* whose Lloyd's deposit consists, in whole or in part, of assets the value of which may go up or down (e.g: securities) should be aware that:
- (a) if that Lloyd's deposit is made interavailable, any capital appreciation on the value of such assets may also be applied by Lloyd's in satisfaction of *[insert name of successor vehicle]'s* Lloyd's obligations;
 - (b) The current guidelines for the partial release of the Lloyd's deposit (the Glass Test) permit the release of "surplus" interavailable FAL. However, the guidelines are restrictive and individual members should be aware that any capital appreciation on assets made interavailable may not be released back to the individual member until all his open years have closed and *[insert name of successor vehicle]'s* liabilities are provided for in accordance with the release rules; and
 - (c) as a result of any such capital appreciation being available to meet the Lloyd's obligations of *[insert name of successor vehicle]* a participant may have proportionately more of his Lloyd's deposit applied in satisfaction of such obligations than his proportion of *[insert details of securities or loan stock in successor vehicle to be issued]* allocated to him.

For these reasons such individual members may wish to consider substituting such assets for assets the value of which does not fluctuate (e.g. a letter of credit or bank guarantee) and should consult with their members' agent.

It may not be possible for a participant to increase the amount of Lloyd's deposit made interavailable by using existing FAL that has not been made interavailable (ie: the participant's unappropriated fund), in which case any additional FAL would have to be provided from the participant's other personal wealth.

Taxation of syndicate members

- (49) Lloyd's corporate members are taxed in the UK on the profits they derive from syndicates as trading profits, with syndicate losses being relievable as trading losses. The syndicate profits or losses are taken into account for tax purposes in the calendar year following the normal closure date of the year of account. If a syndicate goes into run-off subsequent taxable profits or losses are then taken into account annually until the year of account closes.
- (50) The amount of a syndicate's taxable profit or loss is determined by the managing agent and the Inland Revenue. This figure is apportioned among the syndicate's members and enters into the members' calculations of their taxable profits. On occasion the syndicate's taxable profit may differ from its commercial profit, for example if expenses are disallowed for tax purposes.
- (51) In calculating a corporate member's total taxable profit or loss for an accounting period it is also necessary to take into account non-syndicate income and expenses. These items are taxed according to the account period in which they arise. The member has to make a UK corporation tax return under the self assessment system that takes into account both the syndicate profits or losses as advised by the managing agent and the member-level items.
- (51A) *This paragraph has been deleted.*

- (52) One member-level adjustment that must be taken into account for tax purposes where applicable affects members that write 4% or more of a syndicate's stamp. This results from legislation which was introduced by section 107 Finance Act 2000 and which in certain circumstances applies a hindsight calculation to the amount of reinsurance to close deducted by such members. If a member participates on a syndicate to the extent of 4% or more, it is therefore possible that its taxable profit for an accounting period relating to its syndicate participation may exceed the profit that is actually distributed to it by the syndicate.

Prospective participations acquired during the year

- (52A) Individual members wishing to convert should be aware that they are able to transfer to [*insert name of successor vehicle*] any prospective participation acquired during the year. Individual members should also be aware that a requirement of participating in [*insert name of conversion scheme*] is that they must tender their resignation to Lloyd's. Any prospective participation acquired during the year but not converted will drop back to the managing agent for nil value unless it is disposed of in response to a mandatory offer.
- (53) *This paragraph has been deleted.*

MAPA operators

- (54) MAPA operators may not issue applications under the terms of [*this conversion scheme*] on behalf of individual members for whom they act unless specifically instructed to do so by that individual member. An individual member wishing to issue an application who has prospective participations held through a MAPA should note that, should his application be accepted, he will be required under the terms of [*this conversion scheme*] to cease underwriting on an unlimited liability basis with effect from the [*insert year*] year of account whether through a MAPA or otherwise. Therefore, an individual member whose application is accepted should give notice to his members' agent, MAPA operator and all relevant managing agents by [*insert notice procedure*].

Miscellaneous

- (55) Individual members who convert under [*this conversion scheme*] must tender their resignation to Lloyd's, but will remain as members of Lloyd's until each year of account of each syndicate of which they were members has been closed by reinsurance to close.
- (56) Any syndicate losses brought forward from previous years' underwriting of participants will not be available for set off against the syndicate results of [*insert name of the successor vehicle*] in calculating profit commission due under the relevant managing agents' vertical deficit clauses.
- (57) Unless a participant's managing agent has otherwise agreed in writing, a participant, who is a member of a syndicate for the year of account in which the conversion invitation is made who has not given notice under clause 11.5 of the standard managing agent's agreement by the last date for giving such notice ([*state what that date is in the relevant year of account*]):
- (a) will be a member of the provisional syndicate for next following year of account; and
 - (b) is or will be liable to pay an annual fee for the next following year of account on the basis of his members' syndicate premium limit with which

he is entitled to participate on the syndicate for the following year of account if the conversion invitation lapses and the participant is unable to dispose of his participation on that syndicate through the auction process or transferred in accordance with the requirements of Council.

- (58) If an individual member has already given notice to leave a syndicate for the *[insert year]* year of account, that individual member may not be able to transfer his prospective participation on that syndicate to *[insert name of successor vehicle]* without the relevant managing agent's approval.
- (58A) *[Insert name of successor vehicle]* will continue to have insurance obligations even after all its years of account have been closed by reinsurance to close. In order to continue to perform these obligations the *[insert name of successor vehicle]* will be required to stay in existence. It will not be possible to wind up the *[insert name of successor vehicle]* and, in the case of a body corporate, remove it from the register of companies. Accordingly there will continue to be an administrative and financial burden for *[insert name of successor vehicle]* after its membership has ceased, until its insurance obligations have been extinguished including in the case of a body corporate the completion of accounts in accordance with Schedule 9A of the Companies Act 1985. Lloyd's is in discussion with the relevant authorities to try and minimise that burden wherever possible.

Part IV

Reverse interavailability

- (59) Lloyd's introduced standard interavailability to provide a mechanism for individual members who wished to convert to underwriting on a limited liability basis. Reverse interavailability has the same purpose but instead of the individual member's Lloyd's deposit being made interavailable to support the underwriting of *[insert name of successor vehicle]*, the individual member will normally contribute assets to *[insert name of successor vehicle]* and *[insert name of successor vehicle]*'s own Lloyd's deposit is then made reverse interavailable to support the past liabilities of the individual member and the future liabilities of *[insert name of successor vehicle]*. Subject to the individual member's solvency position, this normally means the individual member's own FAL can be released back to him. It should be noted that *[insert name of successor vehicle]* assumes no responsibility for the past underwriting of the converting individual member other than the provision of the particular fund made reverse interavailable to that individual member. The individual member therefore remains personally liable in respect of past years if the reverse interavailable funds and any other FAL of the individual member are exhausted.
- (60) Once all the individual member's open years have closed, the funds made reverse interavailable to him by *[insert name of successor vehicle]* will be held from then on solely for the benefit of *[insert name of successor vehicle]*'s Lloyd's creditors.

The Reverse Interavailability Deed *[The following details will vary depending on the assets involved]*

- (61) The [Lloyd's Security and Trust Deed (Reverse Interavailability)] provides a means for a successor vehicle such as *[insert name of successor vehicle]* to establish individual specified funds of assets which are made reverse interavailable for the benefit of separate converting individual members. In order to establish such a fund for an individual member, the successor vehicle, the individual member and Lloyd's enter into a Deed of Inclusion. This segregates part of the successor vehicle's Lloyd's deposit into a separate

“specified fund” which is available to the past Lloyd’s creditors of the individual member and the future Lloyd’s creditors of the successor vehicle. The amount of this specified fund is normally equivalent to the value of the individual member’s existing Lloyd’s deposit. This allows Lloyd’s in its capacity as trustee of the individual member’s existing Deposit Trust Deed or Security and Trust Deed to release the individual member’s own Lloyd’s deposit back to the individual member.

Principal terms of the Reverse Interavailability Deed

- (62) The terms of the Reverse Interavailability Deed broadly follow the terms of the existing standard corporate member’s security and trust deed. However, the deposit is split into separate funds:-
- (a) the unappropriated fund which will support only the successor vehicle’s business; and
 - (b) separate specified funds for each or any converting individual member, which funds will support both the converting individual member’s past business and the future underwriting business of the successor vehicle.
- (63) When an individual member participates in a reverse interavailable scheme, he will be required to enter into a separate deed known as a Deed of Inclusion by which the individual member becomes a party to the reverse interavailability deed. The Deed of Inclusion will specify which assets in the successor vehicle’s Lloyd’s deposit are to support the individual member’s past underwriting and they will become comprised in a specified allocated fund, subject to Lloyd’s solvency requirements. If any payment is made out of the specified fund to meet the liabilities of an individual member, Lloyd’s can require the individual member to use any future Lloyd’s underwriting profits to make good the amount paid out.
- (64) If at any time the unappropriated part of the deposit (together with any other FAL of the successor vehicle) is not sufficient to meet Lloyd’s solvency requirements for the successor vehicle, the funds made reverse interavailable to individual members to support their past underwriting may be reduced. This may mean the individual member will be required to provide further FAL to pass solvency tests.
- (65) Once all of a converting individual member’s liabilities have been provided for and any open years closed, the specified fund relating to that particular individual member is returned to the unappropriated fund. If all the successor vehicle’s liabilities have also been provided for and any open years closed, then the assets will be returned to the successor vehicle.

Part V

Risk factors (reverse interavailability)

The following statements must be set out in any invitation document which relates to a reverse inter availability arrangement. Reference must be made in the derogation letter to any risk warnings which are not included together with an explanation as to their omission.

- (66) *Insert paragraph (28).*

General warning

(67) *Insert paragraph (29)*

(67A) *This paragraph has been deleted.*

Underwriting risks

(68) The underwriting of insurance is a high risk business and losses can be made as well as profits. In underwriting insurance risks at Lloyd's, [*insert name of successor vehicle*] will be exposed to the risk of underwriting losses. Where funds are made reverse interavailable by [*insert name of successor vehicle*], in the worst case all [*insert name of successor vehicle*]'s assets and all its Lloyd's deposit made interavailable to participants would be used to meet its underwriting losses. In this event, participants would be required, in respect of their preconversion underwriting business to ensure that sufficient funds were maintained in their non-interavailable Lloyd's Trust Funds. However, the participants would have no further liability in respect of the losses of [*insert name of successor vehicle*].

(69) *Insert paragraph (31).*

(70) *Insert paragraph (32).*

Lloyd's own 1992 and prior liabilities

(71) *Insert paragraph (33).*

(72) *Insert paragraph (34).*

Overseas deposits

(73) *Insert paragraph (35).*

Lloyd's regulatory powers

(74) *Insert paragraph (36).*

(75) *Insert paragraph (37).*

Investment risks

(76) If the assets comprising the Lloyd's deposit of [*insert name of successor vehicle*] under a reverse interavailability scheme are liable to fluctuate in value, e.g. if they comprise shares and securities as opposed to guarantees or letters of credit, the level of underwriting permissible by [*insert name of successor vehicle*] may also be affected.

(77) *Insert paragraph (39).*

(78) If applicable, the following statement:-

If [*insert name of successor vehicle*] ceases to underwrite, its FAL will not be repayable to individual members. The [*insert name of successor vehicle*] may resolve to distribute surplus assets to participants. However, the distribution by [*insert name of successor vehicle*] of any capital may be protracted and complicated. It is recommended that

participants discuss this matter with their own personal legal and taxation advisers.

Solvency

- (79) There may be an initial solvency strain on [*insert name of successor vehicle*] as a new Lloyd's member. Under the present three year accounting system, [*insert name of successor vehicle*] will receive no underwriting profits until, at earliest, [*insert year*]. In the meantime, however, [*insert name of successor vehicle*]'s solvency position will be calculated at each year end to ensure that it continues to have sufficient assets to meet its share of the liabilities of syndicates supported by it.
- (80) *Insert paragraph (42).*

Solvency margin

- (81) *Insert paragraph (43).*
- (82) Reverse interavailable Lloyd's deposits will not generally be credited to converting individual members for the purposes of their annual solvency test as they will be credited to [*insert name of successor vehicle*] and cannot be counted more than once for solvency purposes. Converting individual members will therefore be solvent or in deficit on the strength of their pre-*[insert year]* underwriting results and any FAL which they may retain.
- (83) If applicable the following statement:

The new member level solvency margin will increase the possibility that a converting individual member's pre-conversion solvency statement may show a deficit. Where Lloyd's deposits are made reverse interavailable, they will generally be counted for solvency purposes as funds of [*insert name of successor vehicle*]. Lloyd's may, with the agreement of [*insert name of successor vehicle*], credit the reverse interavailable Lloyd's deposit to the converting individual members and correspondingly reduce [*insert name of successor vehicle*]'s assets for solvency purposes. Where such a credit has been made there may be implications for the future underwriting of [*insert name of successor vehicle*]. [Furthermore, the individual member's entitlement to share in [*insert name of successor vehicle*]'s profits may be reduced or extinguished.

Capital

- (83A) *Insert paragraph (45A).*
- (83B) *Insert paragraph (45B).*

Mutualisation

- (84) Under a reverse interavailability scheme, the amount of Lloyd's deposit made reverse interavailable to each participant will be available only to the past Lloyd's creditors of that participant and the future Lloyd's creditors of [*insert name of successor vehicle*]. Where [*insert name of successor vehicle*] suffers a loss, Lloyd's as trustee and regulator has discretion as to which source of FAL it uses to pay [*insert name of successor vehicles*]'s loss. It is therefore possible that the Lloyd's deposit made reverse interavailable to support the back year underwriting of a particular participant could be drawn down disproportionately to pay [*insert name of successor vehicle*]'s loss in exoneration of the Lloyd's deposit made reverse interavailable to another converting

participant. An example might be where the second converting participant had large losses from his personal underwriting which also needed to be paid.

- (85) Where the Lloyd's deposit is being made reverse interavailable to an individual member, (then provided the scheme is acceptable in all respects to Lloyd's) his own deposit will normally be returned to him. Individual members should, however, remember that they remain personally liable for losses arising from business they have already written and may be liable to pay further sums in the event that the Lloyd's deposit made reverse interavailable to them by *[insert name of successor vehicle]* is exhausted.
- (86) Under the reverse interavailability documentation, a participating individual member may, if Lloyd's so exercises its discretion, be obliged to apply any future underwriting profits firstly in repaying to Lloyd's as trustee a sum equal to any amount of reverse interavailable Lloyd's deposit applied in discharging the individual member's own liabilities. Any profit derived from the underwriting activities of the individual member is charged as security for this obligation and assigned to the trustee.

Taxation of syndicate members

- (87) *Insert paragraph (49).*
- (88) *Insert paragraph (50).*
- (89) *Insert paragraph (51).*
- (90) *Insert paragraph (52).*
- (90A) *Insert paragraph (52A).*

Funds at Lloyd's

- (91) If *[insert name of successor vehicle]*'s FAL are diminished because of its reverse interavailable Lloyd's deposit being used to pay an individual member's back year losses, the amount of business which *[insert name of successor vehicle]* can underwrite will also decrease. [The contractual terms of *[insert name of scheme]* provide that the decrease in profits will be borne directly by those participants in respect of whom interavailable Lloyd's deposit have been drawdown.]
- (92) *This paragraph has been deleted.*

MAPA operators

- (93) *Insert paragraph(54).*

Miscellaneous

- (94) *Insert paragraph (55).*
- (95) *Insert paragraph (56).*
- (96) *Insert paragraph (58).*
- (96A) *Insert paragraph (58A).*

- (97) Reverse interavailability, as its name suggests, is a mirror image of ordinary interavailability. Instead of the individual member making his own Lloyd's deposit interavailable to *[insert name of successor vehicle]* to support *[insert name of successor vehicle]*'s underwriting going forward, *[insert name of successor vehicle]* makes its own Lloyd's deposit interavailable to the individual member to support the individual member's past year underwriting going backwards. This normally enables the individual member's own FAL to be released back to him (subject to Lloyd's approval). However, the individual member remains personally liable for any losses accruing from business underwritten by him prior to conversion, and to the extent that the Lloyd's deposit made reverse interavailable to him by *[insert name of successor vehicle]* becomes exhausted or otherwise unavailable, the individual member may still be required to pay further sums in settlement of his own liabilities.

Part VI

Risk factors (transition)

- (98) The following statements must be set out in any invitation document which relates to a transition arrangement. Reference must be made in the derogation letter to any risk warnings which are not included together with an explanation as to their omission.

[Insert such other statements as are prescribed by the Conversion Official from time to time.]

18. Extensions and variations

State whether the conversion invitation can be extended or varied following the Rules.

19. Prescribed statements

- (a) Any losses brought forward from previous years' underwriting of the participant will not be available for set-off by *[insert name of successor vehicle]* under its vertical deficit clauses in calculating profit commission due to that participant's agent.
- (b) *This paragraph has been deleted.*
- (c) In the case of qualifying successor vehicles, the permission of *[insert name of successor vehicle]* to underwrite will be granted for an initial period of five years and permission to underwrite thereafter will be conditional upon *[insert name of successor vehicle]* meeting the requirements applicable to it at that time.
- (d) The permission of *[insert name of successor vehicle]* to underwrite may be withdrawn if its FAL fall below 90 per cent. of the value used to calculate its overall premium limit for the current year of account and *[insert name of successor vehicle]* has failed to make good the deficiency.
- (e) Where the successor vehicle is to be a corporate member (other than an SLP) state that:

[Insert name of successor vehicle] will not be permitted to take advantage of the exemptions from accounting requirements under the Companies Acts that apply to a small or medium sized company and that it will be required to prepare its accounts in accordance with Schedule 9A to the Companies Act 1985.

- (f) *This paragraph has been deleted.*
 - (g) Notwithstanding his resignation from Lloyd's a participant must remain a member until each year of account of each syndicate of which he was a member has been closed by reinsurance to close.
 - (h) Where [*insert name of successor vehicle*] has FAL which has not been made interavailable to it by participants and that FAL includes a portfolio of investments that it wishes to be managed, it must appoint a person authorised under the Financial Services and Markets Act 2000 to carry out this function.
20. An invitation document relating to an interavailability arrangement must contain the following additional prescribed statements:-
- (a) *This paragraph has been deleted.*
 - (b) *This paragraph has been deleted.*
21. An invitation document relating to a transition arrangement must contain such statements as may be prescribed by the Conversion Official from time to time.

22. **Taxation**

Provide:-

- (a) a statement that taxation law and the practices of fiscal authorities are liable to change and therefore that the tax treatment outlined in the invitation document will not necessarily apply in the future.
- (b) a statement of the tax implications of the conversion scheme, which shall:-
 - (i) be headed by the following wording:-

“The following paragraphs, which are intended as a general guide only, are based on current legislation and [*Inland Revenue/Customs and Excise/other*] practice as at the date of this document. They summarise the principal features of the [*United Kingdom*] taxation treatment of individual members who participate in [*insert name of conversion scheme*] and the income and other profits of the [*insert name of successor vehicle*] and of the United Kingdom taxation implications for individual members who participate in the Lloyd's market through the [*insert name of successor vehicle*]. They relate only to individual members who are resident in [*the United Kingdom*] only for tax purposes. If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than [*the United Kingdom*], you should consult an appropriate professional adviser without delay.”;
 - (ii) include a summary of:
 - (aa) any tax charges which could arise as a result of the implementation of the conversion scheme;
 - (bb) the tax regime applicable to the successor vehicle;

- (cc) the taxation of income or other profits arising from the participant's interest in the successor vehicle; and
 - (dd) the principal differences between the tax treatment of an individual who underwrites directly as a member of one or more syndicates and an individual who participates in the Lloyd's market through the successor vehicle; and
- (iii) include statements which (without limiting the generality of paragraph 8(16)(a)(ii)) take account of the following United Kingdom taxes:
- Income Tax
 - Capital Gains Tax
 - Corporation Tax
 - Inheritance Tax
 - Stamp Duty and Stamp Duty Reserve Tax
 - Value Added Tax
 - Insurance Premium Tax
 - National Insurance Contributions.

If the invitation document is to be issued in any jurisdiction other than the United Kingdom, information corresponding to that required by paragraph 22(b)(ii) must be obtained from an appropriately qualified person and included in relation to individual members who are resident (or otherwise subject to taxation in) that jurisdiction. Alternatively, the invitation document should state that individual members in that jurisdiction are recommended to take their own advice.

If any features of the taxation treatment of individual members who participate in the conversion scheme or the successor vehicle are dependent on any particular state of affairs subsisting or any particular conditions being satisfied, that must be clearly spelt out as a risk factor.

23. Acceptances

If the invitation document contains any reference to how an over subscription will be dealt with it must provide that:

- (a) acceptances will be scaled down pro rata; or
- (b) acceptances will be balloted;

or shall specify another manner of dealing with any over subscription which has been approved in writing by the Conversion Official.

24. Provisions relating to overseas members

Explain how it is proposed the conversion invitation should be made to overseas members and any details of any particular terms, conditions, requirements or procedures relating to them.

25. Disclosures

Provide details of the sponsor and the promoter and a disclosure of any interests they have in the successor vehicle or the implementation of the conversion scheme together with

details of any fees or commissions which either of them (or any of their respective connected companies or associates) will if the conversion scheme is implemented receive from the successor vehicle or any other party.

26. Documents for inspection

Set out details of all the material documents (being documents which the promoter reasonably believes are material to a potential participant or which a participant will be a party to if the conversion scheme is implemented) and stating where in London such material documents are available for inspection by members to whom the invitation document is issued.

27. Syndicates

Where applicable, provide a list of the syndicates which have been selected by the successor vehicle.

28. Statement from directors of the promoter/successor vehicle

Include a statement by the directors of the promoter (where more suitable) or the successor vehicle to members to whom the invitation document is addressed that the directors of [*insert name of promoter or successor vehicle*], who have taken all reasonable care to ensure that the invitation document has been properly prepared in accordance with the Conversion Rules and the terms proposed to participants have been clearly presented.

29. Procedure for application

Insert details of the application procedure.

30. Application forms

- (a) An application form must include the request and confirmations from participants in the following terms:-

I hereby confirm to the Council of Lloyd's that:-

- (i) I have met each and every request for funds duly made;
- (ii) I am in compliance with all applicable requirements of the Council relating to solvency;
- (iii) subject to the application being accepted, I wish to resign from membership of the Society of Lloyd's, such resignation to take effect at the year end following the time as from which reinsurance to close in respect of every year of account of every syndicate of which I am a member has taken effect, or at such other date as the Council may in its absolute discretion determine;
- (iv) [In the case of an interavailability arrangement] I wish to make [*all or part of*] my Lloyd's deposit available to support the underwriting of [*insert name of successor vehicle(s)*] and therefore request Lloyd's as trustee to execute the prescribed documents necessary to effect this request. I further confirm that I regard such an arrangement as being for my benefit;

[In the case of a reverse interavailability arrangement] I wish to have [*all or part of*] my Lloyd's deposit released back to me in consideration of [*insert name of successor vehicle(s)*] making part of its Lloyd's deposit interavailable to support my pre-conversion underwriting and therefore request Lloyd's as trustee to execute the prescribed documents necessary to effect this request. I further confirm that I regard such an arrangement as being for my benefit;

- (v) I have taken appropriate professional advice to the extent necessary to enable me to form a proper understanding of the arrangement and I have read and understood the invitation document dated [*insert date of invitation document*];
- (vi) I am aware of the risks associated with my entering into this arrangement as set out in the invitation document;
- (vii) I hereby acknowledge that neither the Society nor any of its officers or employers has any responsibility for the provision of, and has not given, any investment, legal, taxation or other advice to myself in respect of this arrangement;
- (viii) I hereby authorise [*insert name of promoter of successor vehicle*] to contact Lloyd's, my [*members' agent(s)*] and any person whose consent may be required in order for my Lloyd's deposit to be [*made interavailable/released*] or otherwise to give effect to my application under [*insert name of conversion scheme*] in order to obtain from them such information in connection with my application including, without limitation, full details of my FAL, its issue up and amount, underwriting portfolio and solvency position as at 31 December 2003;
- (ix) [in the case of an interavailability or a reverse interavailability arrangement] I undertake that, subject to this application being accepted, I shall deliver to Lloyd's [*by the prescribed date therefor*] each of the prescribed documents duly executed by me or on my behalf; and
- (x) [in the case of a transition arrangement such additional confirmations prescribed by the Conversion Official from time to time].

(b) An application form should also include a power of attorney given by the individual name in the form set out in Appendix XIII to the Conversion Rules.

[(c) An application form must identify the advisers who have provided taxation advice in each jurisdiction.]

31. Costs

(a) Set out the aggregate costs of implementing the conversion scheme which will be borne by the participants (whether directly or indirectly) or if such sums cannot be calculated a warning that costs in respect of such item may be incurred including. These costs should distinguish between:-

a) Lloyd's charges including:

- (i) charges being levied on the promoter;
 - (ii) on-going charges associated with an individual member's pre-conversion underwriting;
 - (iii) charges associated with an individual member's pre-conversion underwriting.
- b) Promoter's charges, fees and costs including:-
- (i) entry costs; and
 - (ii) on-going costs.

32. Sponsor, promoter and advisers

Insert:-

- (a) The name and business address of each of the [*directors of/directors of the operator of*] the successor vehicle;
- (b) The name, address and qualifications of the auditors of the successor vehicle;
- (c) The names and business addresses of the promoter, sponsor, bankers, legal advisers, reporting accountants and any other expert to whom a statement or report included in the invitation document has been attributed; and
- (d) A statement that any person to whom a statement or report included in the invitation document has been attributed has consented to the inclusion of that statement or report and the references to him in the form and context in which they are included.

33. Date of document

APPENDIX XII

LETTER OF CONFIRMATION FROM MEMBERS' AGENT

Form B7

[To be typed on members' agent's letterhead]

Lloyd's
One Lime Street
London EC3M 7HA

For the attention of: the Conversion Official

Dear Sir

Private Arrangements

We act as members' agent for [] ("the Names") who are party to a private arrangement ("the private arrangement") as defined in the Conversion Rules under which they are to transfer their prospective participations to a new corporate member of Lloyd's ("the successor vehicle") and will make part or all of their Lloyd's deposits interavailable to support, amongst other things, the underwriting of the successor vehicle.

We confirm to Lloyd's that:

1. each of the Names has received directly from us and/or from his other professional advisers all such information as he (and his professional advisers) would reasonably require and reasonably expect to receive for the purpose of enabling him (in conjunction with his professional advisers) to make an informed decision as to whether to enter into the private arrangement, which information included (but was not limited to) information regarding the following:-
 - the costs involved in establishing and maintaining the successor vehicle as a corporate member of Lloyd's including an explanation that the successor vehicle will continue to have insurance obligations even after all its years of account have been reinsured to close and must therefore remain in existence and the associated cost consequences of this;
 - an explanation that the Name must remain a member of Lloyd's until each year of account of each syndicate of which he is a member has been closed by reinsurance to close;
 - an explanation that the Lloyd's deposit made available to the successor vehicle will not be repaid to him, even once every year of every syndicate of which he was a member has been closed by reinsurance to close, unless and until substitute security acceptable to Lloyd's has been provided in respect of open years of the successor vehicle or all the successor vehicle's own open and run off years have themselves been closed by reinsurance to close;
 - an explanation that losses brought forward from previous year's underwriting of the Name will not be available for set-off by the successor vehicle under its vertical deficit clause in calculating profit commission due to relevant agents;

- the implications for any future MAPA participation;
 - an explanation that the range of assets acceptable for funds at Lloyds (“FAL”) is more restrictive for corporate members than for individual members;
 - a disclosure that the successor vehicle will be required to put up extra FAL to support the same level of underwriting;
 - an explanation that the successor vehicle will not be permitted to take advantage of the exemptions from accounting requirements under the Companies Acts that apply to a small or medium sized company and that it will (if it is a body corporate) be required to prepare its accounts in accordance with Schedule 9A to the Companies Acts and the cost implications thereof;
 - the tax implications of the private arrangement;
 - the tax regime applicable to the successor vehicle;
 - an explanation of the risks associated with making fluctuating assets interavailable in that any capital appreciation on such assets may be applied to meet the successor vehicle's losses and that currently there is no automatic facility to affect release of any surplus interavailable Lloyd's deposit; and
 - the Names are all either connected individuals or employees of the same underwriting agent.
2. We have at all times observed the Lloyd’s Code for Members’ Agents: Responsibilities to Members.

For and on behalf of
Members’ Agent

APPENDIX XIII

POWER OF ATTORNEY

A POWER OF ATTORNEY given on the *[insert date in words]* day of *[month and year in words]* by *[INSERT FULL NAME OF INDIVIDUAL MEMBER]* (hereinafter called the “individual member”) whose address is *[insert address of individual member]*.

WHEREAS

- A The individual member carries on the business of underwriting insurance and related activities as a member of Lloyd’s with unlimited liability.
- B The individual member wishes to cease carrying on all of his business of underwriting insurance and related activities at Lloyd’s in his capacity as a member with unlimited liability either by transferring some or all of his prospective participations and Lloyd’s deposit to a limited liability member of Lloyd’s in which he has a direct or indirect interest or by transferring his prospective participations to a third party in which he has no direct or indirect interest with a view to realising value for his prospective participations.
- C In order to facilitate the transfer of some or all of the individual member’s prospective participations and Lloyd’s deposit the individual member wishes to appoint an attorney on the terms and subject to the conditions set out below to act on his behalf to perform all acts and sign all necessary deeds and/or documents to facilitate such transfer and to implement the acceptance by the individual member of *[insert details of the conversion invitation]*.

NOW THIS DEED WITNESSES as follows:

1. Definitions and interpretation

- 1.1. Unless the context otherwise requires expressions defined in the Conversion Rules made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the “Rules”) shall have the same meanings in this Deed.
- 1.2. Any reference in this Deed to any statute, statutory provision, byelaw or regulation shall include any modification, re-enactment or extension of that statute, statutory provision, byelaw or regulation from time to time.
- 1.3. Unless the context otherwise requires, references to any gender include all genders and words in the singular include the plural and vice versa.

2. Appointment of Attorney

- 2.1 The individual member hereby appoints *[insert name of attorney]* of *[insert address of attorney]* and *[insert name of second attorney if required]* of *[insert address of second attorney]* jointly and severally (“the Attorney”) as his attorney for him and in his name and on his behalf to do and execute all or any acts, deeds and things as the individual member may be required by Lloyd’s to do or execute or as the Attorney shall in his absolute discretion consider desirable, expedient or necessary to enable the individual member to participate in *[insert details of the conversion invitation]*.
- 2.2 In particular and without prejudice to the generality of clause 2.1, the Attorney shall have power and authority:

- 2.2.1 to execute such deeds and to sign, issue, provide, attest, authorise or certify all such documents, including but not limited to those documents described in the [*conversion invitation*] as may be required by Lloyd's or as the Attorney shall in his absolute discretion deem necessary, expedient or desirable to enable the individual member to participate in [*insert details of the conversion invitation*];
- 2.2.2 to notify Lloyd's that the resignation of the individual member is effective once the individual member's application in response to the [*conversion invitation*] has been accepted;
- 2.2.3 to issue any arrangements and give any such instructions to any third party (including any relevant trustee or any financial institution which has issued any asset held as part of the funds at Lloyd's of the individual member) to enable the funds at Lloyd's of the individual member to be released or made available to support the underwriting at Lloyd's of or to be transferred to [*insert details of the successor vehicle*] referred to in [*insert details of the conversion invitation*] or to be returned in whole or in part to the individual member; and/or
- 2.2.4 to do any other act or thing to enable the individual member to participate in [*insert details of the conversion invitation*] which would be in the power of the individual member to do personally.

3. Ratification of acts of attorney

The individual member hereby ratifies and agrees to ratify and confirm from time to time and at all times everything that the Attorney shall lawfully do or cause to be done by virtue of and in accordance with this Deed.

4. Indemnity

The individual member agrees to indemnify and keep indemnified the Attorney from and against all demands, claims, losses, costs and expenses which may be brought against or incurred by him as a result of acting in pursuance of this Deed.

5. Revocation

This power of attorney shall be irrevocable until and shall expire on 31 December [*insert year*].

6. Governing law and jurisdiction

This power of attorney is governed by and shall be construed in accordance with the laws of England and the individual member and the Attorney hereby irrevocably and unconditionally submit for all purposes of and in connection with this Deed to the non-exclusive jurisdiction of the English courts.

IN WITNESS whereof the individual member has executed this power of attorney as a deed on the day and year first above written

SIGNED as a deed and delivered by)
[insert full name of the individual member])
in the presence of:-)

Witness: Signature:

Name:

Address:

Occupation:

GUIDANCE NOTES
Power of Attorney for Conversion

1. The attached form of power of attorney may be used where an individual member has accepted an identifiable conversion invitation to participate in a conversion scheme. The attorney is authorised to execute all applicable documentation to give effect to the acceptance of such conversion invitation. It is anticipated the power of attorney will be given to one or more directors of either the sponsor or the promoter of the conversion scheme or the individual member's relevant members' agent.
2. The power of attorney may be used for conversion schemes and private arrangements.
3. In accepting any directions as a trustee of any funds at Lloyd's of the individual member from anyone other than the individual member, Lloyd's would expect to see a power of attorney in this or a substantially similar form.
4. As stated, the power of attorney must be executed as a deed and this requires a witness to the signature of the individual member.
5. Where an individual member accepting the conversion invitation is an overseas individual member, confirmation of due execution and enforceability of the power of attorney should be obtained from a lawyer in the relevant jurisdiction and produced at any time that the power of attorney is to be produced.

APPENDIX XIV

**SUMMARY OF REQUIREMENTS FOR INTERAVAILABILITY
ARRANGEMENTS BY INDIVIDUAL MEMBER**

*This appendix has been deleted
(See Section 13, paragraph 13(2)(a)(ii) for the amended requirement).*

APPENDIX XV

B1

PRIVATE ARRANGEMENT
CONFIRMATION AND REQUEST TO LLOYD'S

Lloyd's
One Lime Street
London
EC3M 7HA
For the attention of: []

Dear Sir,

[*Name of Corporate Member/SLP*] (the "Successor Vehicle")

I intend to transfer my syndicate capacity to the Successor Vehicle and to make part or all of my Lloyd's deposit interavailable to support, amongst other things, the underwriting of the Successor Vehicle.

I hereby confirm to the Council of Lloyd's that:

- (i) I have met each and every request for funds duly made;
- (ii) I am in compliance with all applicable requirements of the Council relating to solvency;
- (iii) I wish to resign from membership of the Society of Lloyd's, such resignation to take effect at the year end following the time as from which reinsurance to close in respect of every year of account of every syndicate of which I am a member has taken effect, or at such other date as the Council may in its absolute discretion determine;
- (iv) I wish to make [*all or part of*] my Lloyd's deposit available to support the underwriting of the Successor Vehicle and therefore request Lloyd's as trustee to execute the prescribed documents necessary to effect this request. I further confirm that I regard such an arrangement as being for my benefit;
- (v) I have taken appropriate professional advice to the extent necessary to enable me to form a proper understanding of the arrangement;
- (vi) I am aware of the risks associated with my entering into this arrangement;
- (vii) I have been provided with such information either by my members' agent and/or my professional advisers as I reasonably require for the purpose of making an informed decision whether to enter into this arrangement, which information has included (but was not limited to) those matters set out below:
 - the costs involved in establishing and maintaining the Successor Vehicle as a corporate member of Lloyd's including an explanation that the Successor Vehicle will continue to have insurance obligations even after all its years of account have been reinsured to close and must therefore remain in existence and the associated cost consequences of this;

- an explanation that I must remain a member of Lloyd's until each year of account of each syndicate of which I am a member has been closed by reinsurance to close;
 - an explanation that the Lloyd's deposit made available to the Successor Vehicle will not be repaid to me, even once every year of every syndicate of which he was a member has been closed by reinsurance to close, unless and until substitute security acceptable to Lloyd's has been provided in respect of open years of the Successor Vehicle or all the Successor Vehicle's own open and run off years have themselves been closed by reinsurance to close;
 - an explanation that losses brought forward from my previous years' underwriting will not be available for set-off by the Successor Vehicle under its vertical deficit clause in calculating profit commission due to relevant agents;
 - the implications for any future MAPA participation;
 - an explanation that the range of assets acceptable for funds at Lloyds ("FAL") is more restrictive for corporate members than for individual members;
 - a disclosure that the Successor Vehicle will be required to put up extra FAL to support the same level of underwriting;
 - an explanation that the Successor Vehicle will not be permitted to take advantage of the exemptions from accounting requirements under the Companies Acts that apply to a small or medium sized company and that it will (if it is a body corporate) be required to prepare its accounts in accordance with Schedule 9A to the Companies Acts and the cost implications thereof;
 - the tax implications of the private arrangement;
 - the tax regime applicable to the Successor Vehicle;
 - an explanation of the risks associated with making fluctuating assets interavailable in that any capital appreciation on such assets may be applied to meet the Successor Vehicle's losses and that currently there is no automatic facility to affect release of any surplus interavailable Lloyd's deposit; and
 - where more than one individual member is a party to this private arrangement, the individual members are all either connected individuals or employees of the same underwriting agent.
- (viii) I hereby acknowledge that neither the Society nor any of its officers or employees has any responsibility for the provision of, and has not given, any investment, legal, taxation or other advice to myself in respect of this arrangement.

Yours faithfully

[INSERT NAME]

[N.B. This form must be signed by the Name].