

LLOYD'S

CAPACITY OFFER RULES 2020

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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 2020.
- 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, for example, the exclusion referred to in paragraph 1(8).
- 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 2020.

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** or previous offerors 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**, 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**, 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**, 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 the Miscellaneous Provisions Byelaw (No. 4 of 2006) in respect of all information obtained pursuant to any provisions of the **Rules**.
- (e) The **offeror** of a **surrender offer** or an **announced auction offer** (or, where one is appointed, the **sponsor**) will be provided with the names and addresses of the persons entitled to participate in or accept such offer, subject to the **offeror** or **sponsor** (as applicable) having executed a confidentiality undertaking in favour of **Lloyd's** in Part III of Form API (Capacity Offer Rules) (set out in Appendix VI). 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 the **sponsor** (if one has been appointed) 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 VII.
- (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 the **prescribed date**.

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 Enforcement Byelaw (No. 6 of 2005) 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 Enforcement Byelaw (No. 6 of 2005).

SECTION 3

SPONSORS

Scope of this section

This section sets out the requirements relating to **sponsors**. The **Conversion Official** may, as he sees fit, require that a **sponsor** is appointed in respect of a **capacity offer**. Subject to the foregoing, and unless the **offeror** chooses to appoint a **sponsor**, a **capacity offer** may be promoted or made without a **sponsor** being appointed provided that the confirmations and undertakings set out in Part IV and Part V of Form AP1 (Capacity Offer Rules) (set out in Appendix VI), paragraph 8 of Form AP2 (Capacity Offer Rules) (set out in Appendix IX) and the letters to the Conversion Official in the form of Schedules I and II to Form AP2 are provided by the **offeror**, the directors of the **offeror** and the **offeror's** legal advisers (as the case may be) and any conditions imposed on the **offeror** by the **Conversion Official** are satisfied. **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 III) 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**

If a **sponsor** is required to be appointed pursuant to the first paragraph of this section 3 or an **offeror** chooses to appoint a **sponsor**, 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 IX) 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**.

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** in Part II of Form AP1 (Capacity Offer Rules) 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** if a **sponsor** has been appointed) 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 IX) 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 IX) 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 IX) setting out details of any part of section 7 or Appendix IV or V (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 AP1 (Capacity Offer Rules) (set out in Appendix VI) 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 VII.

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 VIII.

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 IV 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 V 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 IV;
- (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 V;
- (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 IV or paragraph 2 of Appendix V, 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 IV or Appendix V, 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 **Prospectus 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 **Prospectus 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 V or VI, 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 IX) 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 IV or Appendix V (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 IV or paragraph 2 of Appendix V, 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 applicable statements and risk warnings set out in Appendix VII.

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 VIII.

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 clear **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 clear **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 VII.

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 VIII.

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) Lloyd's Member Services Department 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 Lloyd's Member Services Department 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 Lloyd's Member Services Department an electronic spreadsheet in a form acceptable to Lloyd's Member Services Department 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 Lloyd's Member Services Department 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:-

active underwriter	has the meaning given in the Definitions Byelaw (No. 7 of 2005);
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 or LLP member 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 a LLP member; 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 2 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

	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 and includes, for the avoidance of doubt, a limited liability partnership;
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 V;
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;

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. 7 of 2005) 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 5 of the Membership Byelaw (No. 5 of 2005) 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 IX) 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;
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 liability partnership or LLP	means a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000;
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;
LLP Member	means a member of a LLP;
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. 7 of 2005);
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. 7 of 2005);
member's syndicate premium limit	has the meaning given in the Definitions Byelaw (No. 7 of 2005);
minority buy-out	means a minority buy-out made pursuant to the Major Syndicate Transactions Byelaw ;
misconduct	has the meaning given in paragraph 3 of the Enforcement Byelaw (No. 6 of 2005);

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 IV;
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 ;
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 such 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 ;
Prospectus Regulations	means the Prospectus Regulations 2005 (SI No. 1433);
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. 7 of 2005);

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 11, 12, 14 or 15 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 2020

Key

CORs Capacity Offer Rules
CO Conversion Official

PART I

FORMAL OFFERS

Authority/Form

Earliest date to apply to become a sponsor

1 May

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 May

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 May

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 AIP for a limited offer or an unlimited offer when it is intended that a minority buy-out application will be made

29 May

CORs 5(1)(b)

Latest date to apply to become a sponsor of a limited offer or an unlimited offer when it is intended that a minority buy-out application will be made

5 June

Form SP1

Latest date to submit an initial draft offer document and related

	Authority/Form
documents for a limited offer or an unlimited offer when it is intended that a minority buy-out application will be made	
5 June	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 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 issue an offer document for an unlimited offer when it is intended that a minority buy-out application will be made	
26 June The offeror is obliged to make an offer announcement as soon as practicable after the issue of the offer document	CORs 7(2)(d)
Latest date to make a competing offer	
Within 10 US business days of the date on which the offer document containing the relevant surrender offer was first issued	CORs 1(4)(a)(i)
Earliest date for formal offer to close	
20 clear US business days after the offer document was first issued	CORs 11(1)(a)
Latest date for an offer to close when a minority buy-out application is intended to be made	
24 July	CORs 11(1)(a)
Latest date by which a minority buy-out application must be submitted	
28 July	CORs 1(17)(c)
The offeror is obliged to issue an announcement relating to the level of acceptances under the offer	CORs 10(5)(a)(i)
Latest date to submit an AIP for an unlimited offer when it is not intended that a minority buy-out application will be made	
28 August	CORs 5(1)(b)

Authority/Form

Latest date to apply to become a sponsor of an unlimited offer when it is not intended that a minority buy-out application will be made

4 September

Form SP1

Latest date to submit an initial draft offer document and related documents for an unlimited offer when it is not intended that a minority buy-out application will be made

4 September

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 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, the **25th business day** before the first day of the last **auction** in which persons could tender their prospective participations

CORs 7(8)(a)

	Authority/Form
Latest date to issue a revised offer document	
10 clear 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	
4 September	CORs 1(17)(b)
Date of third auction	
4/5 November	
Final date to close an unlimited offer when it is not intended that a minority buy-out application will be made	
16 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	
5 November	CORs 1(6)(b)(iii)

PART II

ANNOUNCED AUCTION OFFERS

	Authority/Form
Earliest date to apply to become a sponsor	
1 May	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 May	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 May	
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 AIP for a limited offer	
5 June	CORs 5(1)(b)
Latest date to apply to become a sponsor of a limited offer	
12 June	Form SP1
Latest date to submit an initial draft circular and related documents for a limited offer	
12 June	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 submit an AIP for an unlimited offer	
19 June	CORs 5(1)(b)

Authority/Form

Latest date to apply to become a sponsor of an unlimited offer

26 June

Form SP1

Latest date to submit an initial draft circular and related documents for an unlimited offer

26 June

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 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)

The offeror is obliged to make a circular announcement as soon as practicable after the issue of the circular

CORs 7(3)(e)

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, the 25th **business day** before the first date of the last **auction** in which persons could tender their prospective participations

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 third auction

4/5 November

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

Authority/Form

5 November

CORs 1(6)(b)(iii)

APPENDIX II

LIST OF OVERSEAS LAWYERS AND ADDITIONAL US REQUIREMENTS

PART I

LIST OF OVERSEAS LAWYERS

COUNTRY	COMPANY NAME	ADDRESS	CONTACT
Australia	Freehills	Level 30, MLC Centre 19-29 Martin Place Sydney NSW 2000 Australia Tel: 00612 9225 5000 Fax: 00612 9322 4000	Don Harding
Bahamas	Higgs & Johnson	The Ocean Centre Montague Foreshore, East Bay Street PO Box No. 3247 Nassau Bahamas	Vann Gaitor
Belgium	Freshfields Bruckhaus Deringer	Bastion Tower Place du Champ de Mars 1050 Brussels Tel: 00322 504 7000 Fax: 00322 504 7200	Guy Schrans
Bermuda	Appleby Spurling Hunter	Cedar House Canon's Ct 22 Victoria Street PO Box HM 1179 Hamilton HM EX Bermuda Tel: 001441 295 2244 Fax: 001441 292 8666	Warren Cabral
British Virgin Islands	Harney, Westwood & Riegels	Craigmuir Chambers P O Box 71 Road Town Tortola BVI Tel: 001 284 494 2233 Fax: 001 284 494 3547	Richard Parsons
Canada	Stikeman, Elliott	Suite 5300 Commerce Court West 199 Bay Street P O Box 85 Toronto, Ontario Canada M5L 1B9 Tel: 001 416 869 5500 Fax: 001 416 947 0866	Michael Rumball
	Stikeman, Elliott	Dauntsey House	Michele J Buchignani

COUNTRY	COMPANY NAME	ADDRESS	CONTACT
	(London)	48 Frederick's Place London EC2R 8AB Tel: 020 7637 0150 Fax: 020 7637 0160	
	M J Oppenheim CA	1155 Rue University 1400 Montreal Quebec Tel: 001 514 393 5327 Fax: 001 514 861 0470	Vincent Gallo
	Borden Ladner Gervais	1000 de la Gauchetière Street West Suite 900 Montreal Quebec H3B 5H4 Tel: 001 514 879 1212 Fax: 001 514 954 1905	
Denmark	Plesner Svane & Grunberg	America Plads 37 DK2100 Copenhagen Cop. K Denmark Tel: 0045 3312 1133 Fax: 0045 3312 0014	Carsten Tvede-Moller
France (Paris)	Freshfields Bruckhaus Deringer	2 rue Paul Cezanne 75008 Paris Tel: 00331 4456 4456 Fax: 00331 4456 4400	Veronique Collin
Germany (Frankfurt)	Freshfields Bruckhaus Deringer	Taunusanlage 11 60329 Frankfurt am Main Tel: 0049 6927 3080 Fax: 0049 6923 2664	
Greece	Kyriakides Georgopoulos	6 Queen Sophia Avenue 106 74 Athens Greece Tel: 00301 724 3072 Fax: 00301 725 0670	Leonidas C Georgopoulos
Guernsey	Ozannes	P O Box 186 Le Marchant Street St Peter Port Guernsey Tel: 01481 723466 Fax: 01481 714653	P A Harwood

Hong Kong	Freshfields Bruckhaus Deringer	11 th Floor Two Exchange Square Hong Kong Tel: 00852 2846 3400 Fax: 00852 2810 6192	Martin Taylor
Ireland	A & L Goodbody	International Financial Services Centre Northwall Quay Dublin 1 Ireland Tel: 3531 649 2000 Fax: 3531 629 2649	J A O'Farrell
Italy	Studio Legale Ughi E Nunziante	Via Sant'Andrea 19-20121 Milan Italy Tel: 00392 762171 Fax: 00392 784140	Michael Kirkham
Isle of Man	Simcocks	Ridgeway House Ridgeway Street Douglas IM99 1PY Tel: 01624 690 300 Fax: 01624 690 333	
	L J Weatherill Advocate and Solicitor	Top Floor Central Chambers 6 Victoria Street Douglas Isle of Man IM1 2LH Tel: 01624 674 994 Fax: 01624 674 995	Lawrence Weatherill
Japan	Mitsui Company	Akasaka 2 Plaza Building 7 14-32 Akasaka 2-Chome Minato-ku Tokyo 107 Tel: 00813 3224 0020 Fax: 00813 3224 0030	

Jersey	Bedell & Cristin	P O Box 75 26 New Street St Helier Jersey JE4 8PP Tel: 01534 814814 Fax: 01534 814815	
Kenya	Hamilton Harrison & Matthews	I.C.E.A. Building Kenyatta Avenue Nairobi Kenya	Richard Omwela
Luxembourg	Linklaters	Avenue John F Kennedy 35, L-1855 Luxembourg Tel: 352 2608-1 Fax: 352 2608-8888	Jacques Loesch
Malta	Ganado & Assoc	171 Old Bakery Street Valletta 09 Malta	Dr D B Carbot
Mexico	Davies Arnold Cooper	Avenida Insurgentes 950-9 Colonia del Valle Delegacion Benito Juarez Codigo Postal 03100 Mexico DF	
The Netherlands/ Netherlands Antilles	Stibbe	Strawinskylaan 2001 P O Box 75640 1070 AP Amsterdam The Netherlands Tel: 00312 0546 0606 Fax: 00312 0546 0123	Jaap Willeumier
	Stibbe (London)	Tel: 020 7466 6300 Fax: 020 7466 6311	
New Zealand	Minter Ellison Rudd Watts	Trust Bank Centre 125 Terrace Wellington Tel: 0064 4498 5000 Fax: 0064 4498 5001	
	Chapman, Tripp, Sheffield, Young	Level 35 Coopers & Lybrand Tower 23-29 Albert Street P O Box 2206 Auckland, NZ Tel: 00649 357 9000 Fax: 00649 358 0280	Mr A W Young

Norway	Wiersholm	Ruseløkkveien 26, 10. etg., 0251 Oslo	Erling Lind / Paul Bellamy
Philippines	Sycip Law	Rooms 134-136, Alpha Building (888), Subic International Hotel, Central Business District, Subic Bay Freeport, Olongapo City 2222, Philippines	Mary Thel T Mundin
Portugal	AM Pereira, Saragga Leal, Oliveira Martins, Judice & Associados	Edificio Eurolex Av du Liberdade 224 1250-148 Lisbon Portugal Tel: 0035121 319 7300 Fax: 0035121 319 7400	Fernando Campos Ferreira
Singapore	Drew & Napier LLC	20 Raffles Place #17-00 Ocean Towers Singapore 048620 Tel: 0065 6535 0733 Fax: 0065 6535 4906	Mr Eric Chan Mr Justin Chan
South Africa	Webber Wentzel Bowens	PO Box 61771 Marshalltown 2107 Johannesburg South Africa Tel: 002711 530 5000 Fax: 002711 530 5111	John Jarvis Murray Thompson
Spain (Madrid)	Freshfields Bruckhaus Deringer	Fortuny 6 28010 Madrid Tel: 003491 700 3700 Fax: 003491 308 4636	Javier Gomez Acebo
Switzerland	Lenz & Staehelin	Bleicherweg 58 CH-8002 Zurich Tel: 0041 1204 1212 Fax: 0041 1204 1200	Matthias Oertle
Thailand	Norton Rose	Floor 14, Tower 2 Sindhom Building 130-132 Wireless Road Bangkok 10330 Thailand	Philip John
Uganda	Mmaks Advocates & Solicitors	3rd Floor, Diamond Trust Building, 17/19 Kampala Road, P.O. Box 7166, Kampala	Philip Kaugaba

USA

Cleary, Gottlieb, Steen
& Hamilton

City Place House
55 Basinghall Street
London
EC2V 5EH
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.

LLOYD'S SPONSOR QUESTIONNAIRE AND UNDERTAKING

Name of Sponsor
 (the "*Sponsor*")

Registered number:

Any business name used:

Registered/principal address:

Contact Name

E-mail Address of
 Contact Name:

Telephone Number of
 Contact Name:

Fax Number of
 Contact Name:

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*

* Delete as appropriate

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*
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*

* Delete as appropriate

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.

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 LLP or 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 LLP, its members, or for 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 LPP, its members, or for 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 IV
FORMAT FOR OFFER DOCUMENT

[Name of sponsor (if any)]

[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"). MAPA Operators must not mail or otherwise distribute copies of this document to any of their MAPA members resident or domiciled in any other overseas territory without considering the regulatory and legal implications arising from the offer document being mailed or otherwise distributed in or into that territory.

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"). [The/Both] [[insert name of sponsor (if any)] and] [insert name of offeror] [have/has] 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

[†] 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.

Excluded Share Offer/Alternative Territory]), to all MAPA operators with participations on [*insert details of 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 (if any), 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 (and is not bought out following a successful compulsory minority buy out application being made by the offeror), 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 and 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. 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 (if any), 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 (if a sponsor has been appointed)

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 V
FORMAT FOR CIRCULAR

[Name of sponsor (if any)]

[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"). MAPA Operators must not mail or otherwise distribute copies of this document to any of their MAPA members resident or domiciled in any other overseas territory without considering the regulatory and legal implications arising from the circular being mailed or otherwise distributed in or into that territory.

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"). [The/Both] [[insert name of sponsor (if any)] and] [insert name of offeror] [have/has] 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 (if any), 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 and 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. 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 announced auction 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 (if any), 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 (if a sponsor has been appointed)**

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 VI

Form AP1 (Capacity Offer Rules)

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

NAME OF OFFEROR:

NAME OF SPONSOR (if any):

DATE:

NAME OF CAPACITY ARRANGEMENT:.....

NOTES

- (1) **This application for approval in principle of a capacity offer must be submitted to the Conversion Official, Admissions, 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.**

Note: The offeror/sponsor should complete the checklist below together with the corresponding sections of the Form AP1

PART	Completed (√ or N/A)	Relevant Party
Part I: Questionnaire - Section A: Offeror Details - Section B: Sponsor Details - Section C: Type of Capacity Offer - Section D: Participants - Section E: Offer Document/Circular - Section F: Mandatory Offer Price - Section G: Change of Offeror		Sponsor/Offeror
Part II: Lloyd’s Offeror Undertaking		Offeror
Part III: Confidentiality Undertaking		Sponsor/Offeror
Part IV: Offeror undertakings where no Sponsor		Offeror
Part V: Director undertakings where no Sponsor		Directors of Offeror
Part VI: Confirmation of Resources/Declaration		Sponsor/Offeror

PART I

QUESTIONNAIRE

SECTION A

1. 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.

SECTION B

Note: Applicable only where sponsor is to be appointed.

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 capacity offers which have been sponsored by the sponsor.

SECTION C

1. 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*).

2. Reason for capacity offer if it is anticipated that a minority buy-out application may be made after the capacity offer has closed

Please provide the reason(s) for the offeror making the capacity offer as this information will be required to be included in any minority buy out application pursuant to Paragraph 5(3) (a) of Schedule 2 to the Major Syndicate Transactions Byelaw

SECTION D

1. 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.

SECTION E

1. Offer document/circular

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

Note: Before submitting the first draft of the offer document/circular the draft should be reviewed by and have had the input of the offeror's legal and other advisers.

- (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.

2. Other information

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

SECTION F

(Note: this section is only applicable in the case of a mandatory offer.)

1. Mandatory Offer Price

Is the offeror proposing pursuant to sub-paragraph 2(2) of Schedule 2 to the Mandatory Offer Byelaw that the consideration payable by the offeror should be of a lower value than that required by sub-paragraph 2(1) of Schedule 2 to the Mandatory Offer Byelaw? If so, please provide details of the proposed consideration and the reasons of the offeror for requesting that the consideration payable should be reduced. In completing this section F the offeror will be treated as having made a written application to the Council pursuant to sub-paragraph 2(2) of Schedule 2 to the Mandatory Offer Byelaw.

(Note: The decision as to whether to accept a request made in this Section F is at the absolute discretion of the Council and the granting of such consent by the Council may be subject to conditions and/or modifications to the proposed consideration to be offered.)

SECTION G

(Note: this section is only applicable in the case of a mandatory offer.)

1. Change of Offeror

Is it proposed, pursuant to paragraph 2(2)(c) of the Mandatory Offer Byelaw that the offeror will be a member of the associated group other than the party identified by paragraph 2(2)(a) or (b) (as applicable). If so, please specify the party presently required to make the offer pursuant to paragraph 2(2) of the Mandatory Offer Byelaw and please state the member of the associated group that it is intended will be the offeror. In completing this section G the offeror will be treated as having made a written application to the Council pursuant to sub-paragraph 2(2)(c) of the Mandatory Offer Byelaw.

Note: For the purposes of completing the rest of this Form API (and only for such purpose), it may be assumed that the offeror is the member of the associated group that it is intended will be the offeror.

PART II

LLOYD'S OFFEROR UNDERTAKING

(Note: The offeror in all cases shall execute as a deed an undertaking in favour of the Society of Lloyd's in the form set out below. See Section 4(1)(b) of the Capacity Offer Rules.)

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

1 _____ (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

EXECUTED as a Deed

PART III

CONFIDENTIALITY UNDERTAKING

(Note: The offeror (or sponsor, if appointed) in all cases shall execute a confidentiality undertaking in favour of the Society of Lloyd's in the form set out below. See Section 1(12)(e) of the Capacity Offer Rules.)

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

Dear Sir

- 1 We refer to the capacity offer to be made by the offeror to the target persons. 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 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 the managing agent or any director or employee of the 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 the managing agent and any director or employee of any such person where "control" has the meaning given in the Definitions Byelaw (No.7 of 2005).

3 This Confidentiality Undertaking, 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.

4 In this Confidentiality Undertaking, the following terms shall have the corresponding meaning:

- (a) "offeror" shall mean _____
- (b) "target persons" shall mean[†] _____
- (c) the "managing agent" shall mean _____

Dated this day of

Yours faithfully

.....
 Director
 for and on behalf of _____

[†] Insert a description of those persons to whom the offer will be made (eg those persons who underwrite on syndicates [], etc. for the current year of account/those persons who participate on MAPA [], etc.

PART IV

**REQUIRED CONFIRMATIONS FROM OFFEROR
WHERE A SPONSOR HAS NOT BEEN APPOINTED.**

(Note: In all cases where a sponsor is not appointed, the offeror shall execute an undertaking in favour of the Society of Lloyd's in the form set out below. See Section 3 of the Capacity Offer Rules.)

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

Dear Sir

OFFER BY _____ (the "offeror") TO ACQUIRE CAPACITY ON SYNDICATE _____

In accordance with the provision contained in the first paragraph of Section 3 of the Capacity Offer Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996), that a sponsor is not required if, *inter alia*, certain confirmations and undertakings are given and the Conversion Official has not exercised his discretion to require that a sponsor is appointed the offeror hereby confirms that:-

[Delete each of the statements which are not applicable]

- (a) *[in the case of a mandatory offer]* the offeror has become subject to an obligation under the Mandatory Offer Byelaw to make a mandatory offer;
- (b) *[in the case of a mandatory offer]* the front cover of the offer document will contain a prominent statement to the effect that the offer is being made solely as a means of satisfying the offeror's obligation to make a mandatory offer under the Mandatory Offer Byelaw and that no members' agents or other members' advisers have been consulted as to whether the terms are fair and reasonable.
- (c) the offeror's legal advisers are persons who can demonstrate material experience of Lloyd's and the Lloyd's market;
- (d) *[in the case of a mandatory offer]* the offer document will contain no material the primary purpose of which in the opinion of the Conversion Official is to promote or encourage members to accept the offer; and
- (e) *[in the case of a mandatory offer]* the offer document will not contain any recommendations from any members' agents or other members' advisers.

Dated this day of

Yours faithfully

.....
Director
for and on behalf of _____

PART V

UNDERTAKING BY THE DIRECTORS OF THE OFFEROR

(Note: In all cases where a sponsor is not appointed, the directors of the offeror shall execute an undertaking in favour of the Society of Lloyd's in the form set out below. See Section 3 of the Capacity Offer Rules.)

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

Dear Sir

OFFER BY _____ (the "offeror") TO ACQUIRE CAPACITY ON SYNDICATE _____

In accordance with the provision contained in the first paragraph of Section 3 of the Capacity Offer Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) (the "Rules"), that a sponsor is not required if, *inter alia*, certain confirmations and undertakings are given and the Conversion Official has not exercised his discretion to request that a sponsor is appointed, we, being the directors of the offeror, each undertake:

- (a) to discharge and perform all the obligations and tasks which would otherwise have been discharged or performed by the sponsor to the offer as set out in, and in accordance with, the Rules; and
- (b) that the offer document will contain no material the purpose of which is to encourage or promote persons to accept the offer.

Dated this day of

Yours faithfully

.....
Director

.....
Director

.....
Director

PART VI

(Note: To be signed by a director or other duly authorised signatory of each of the sponsor (if any) and the offeror. See Section 5 of the Capacity Offer Rules.)

1. 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).

2. Declaration

We confirm that the information contained in each of the parts constituting this Form AP1 is true, accurate and not misleading.

Dated this day of

For the Offeror:

.....

For the Sponsor (if any):

.....

APPENDIX VII

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 VII 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 VIII

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

[] 20__

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 IX

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] 20__

Dear Sir

Application for approval to make a capacity offer

We [[*insert name of sponsor (if any)*] 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 Two 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*] Two 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 [*In the case where the capacity offer has been extended to US persons*] We confirm that all relevant documentation relating to the capacity offer has been reviewed by US Counsel.]

6 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 sponsor – *delete if not applicable*] or the offeror (or any personnel of such persons) in connection with the transfer of prospective participations.

[7 *[Delete this paragraph if a sponsor has not been appointed]* As sponsor we hereby confirm to Lloyd’s that:-

7.1 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]*;

7.2 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;

7.3 *[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;

7.4 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]*;

7.5 [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

7.6 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.]

8. As offeror we hereby confirm to Lloyd’s that:-

8.1 [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;

8.2 [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]*;

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

8.4 *[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;

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

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

[Note: paras 8.7-8.11 may be deleted where a sponsor is appointed.]

8.7 the capacity offer is expressed to be final and is not susceptible to any revision;

8.8 the offer document contains no recommendations from any members’ agents or other members’ advisers;

8.9 [in the case of a mandatory offer under the Mandatory Offer Byelaw] the offer document contains no material, the primary purpose of which in the opinion of the Conversion Official is to promote or encourage members to accept the offer;

8.9 [in the case of a mandatory offer under the Mandatory Offer Byelaw] the front cover of the offer document contains a prominent statement to the effect that the offer is being made solely as a means of satisfying the offeror’s obligation to make a mandatory offer under the Major Syndicate Transactions Byelaw and that no members’ agents or other members’ advisers have been consulted as to whether the terms of the offer are fair and reasonable; and

8.10 The letters in the form set out at Appendix IX of the Rules are attached to this Form AP2 as follows:

(a) [in the case of a mandatory offer under the Mandatory Offer Byelaw] A letter from the directors of the offeror marked “AP2(1) (Directors Letter)”;

(b) A letter from our legal advisers marked “AP2(2) (Legal Advisers Letter)”;

(c) A derogation letter from the offeror marked “AP2 (3) (Derogation Letter)”.

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 offeror]

.....
for and on behalf of
[print name of sponsor (if any)]

LETTER FROM THE DIRECTORS OF THE OFFEROR

[LETTER TO BE TYPED ON LETTERHEAD OF OFFEROR]

AP2(1) (Directors Letter)

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

[] 20__

Dear Sir

OFFER BY [] (the "offeror") TO ACQUIRE CAPACITY ON SYNDICATE []

In accordance with the provision contained in the first paragraph of Section 3 of the Capacity Offer Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996), that a sponsor is not required if, *inter alia*, certain confirmations and undertakings are given and the Conversion Official has not exercised his discretion to request that a sponsor is appointed, we, being the directors of the offeror, each confirm that the *[offer document/circular]* contains no material the purpose of which is to encourage or promote persons to accept the offer.

Yours faithfully

.....
[all directors of the offeror to sign]

LETTER FROM THE LEGAL ADVISERS OF THE OFFEROR

[LETTER TO BE TYPED ON LETTERHEAD OF LEGAL ADVISERS]

AP2(2) (Legal Advisers Letter)

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

[] 20__

Dear Sir

OFFER BY [] (the "offeror") TO ACQUIRE CAPACITY ON SYNDICATE [] (the "Offer")

We confirm that the offer document for *[add name of the offeror]*'s Offer has been:

- 1) prepared in accordance with the format prescribed in Appendix [IV/V] of the Capacity Offer Rules, made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996); and
- 2) subject to a verification exercise.

Yours faithfully

.....
[the offeror's legal advisers]

LETTER FROM THE OFFEROR

[LETTER TO BE TYPED ON LETTERHEAD OF OFFEROR]

AP2(3) (Derogation Letter)

Strictly Private and Confidential

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

[] 20__

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]