

TO THE MEMBERS

Ref: 2013/03

12th August, 2013

Dear Sirs,

**REVISION OF THE ASSOCIATION'S
ARTICLES OF ASSOCIATION AND
AMENDMENT OF THE ASSOCIATION'S RULES**

At the Annual General Meeting to be held at 9.30 a.m. on Thursday, 19th September, 2013, at the Hilton Hotel, Athens, Greece, Members will be asked to approve the revisions of the Association's Articles of Association and an amendment to the Association's Rules.

Revision of the Articles of Association

The Association's Articles of Association have been updated to bring the existing Articles in to line with the provisions of the Companies Act 2006 in the United Kingdom. The updated Articles are in a different format to the existing Articles however the provisions are principally the same, and are set out in Appendix "A" (see attached).

Amendment to Association's Rules – Recoverability of costs

The proposed amendment to Rule 7(2) seeks to clarify the Rule relating to the recoverability of costs where a case is settled on an all inclusive basis. The proposed amendment to the Association's Rules is set out in Appendix "B" (see attached), and if approved, will replace the existing Rule 7(2) from the 2014 policy year.

Resolutions to consider the proposed revision of the Articles of Association and to consider the amendment the Association's Rules will be considered at the Association's AGM on 19th September, 2013 and if approved will become effective from 12 noon Greenwich Mean Time on 20th February, 2014.

Yours faithfully,

THOMAS MILLER DEFENCE LTD

Managers

Draft Proposed New Articles of Association

APPENDIX 'A'

Company Number 00501877

THE COMPANIES ACT 2006

**A COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL**

**THE UNITED KINGDOM FREIGHT DEMURRAGE
AND DEFENCE ASSOCIATION LIMITED**

ARTICLES OF ASSOCIATION

(Adopted by Special Resolution passed on • 2013)

**Incorporated on 14 February 1888
and registered as a limited company on 30 November 1951**

**THE UNITED KINGDOM FREIGHT DEMURRAGE
AND DEFENCE ASSOCIATION LIMITED**

1. PRELIMINARY

1.1 The model articles for private companies limited by guarantee set out in Schedule 2 of the Companies (Model Articles) Regulations 2008 (the '**Model Articles**'), as excluded or modified by the following articles, together constitute the articles of association of the Association (the '**Articles**').

1.2 For the avoidance of doubt, references in the Articles –

(a) to a numbered Article are to a numbered Article as set out in this document; and

(b) to a numbered article of the Model Articles are to the article as numbered in the Model Articles immediately upon the coming into force of the Companies (Model Articles) Regulations 2008.

1.3 Articles 8(1), 14 and 15 of the Model Articles shall not apply to the Association.

2. INTERPRETATION

2.1 Unless the context otherwise requires and except for words or expressions to which a meaning is given in the Articles, other words or expressions contained in the Articles bear the same meaning as in the Companies Act 2006 as in force on the date when the Articles become binding on the Association.

2.2 A reference in the Articles to the exercise of a power or the taking of a decision by the directors includes the exercise of the power or the taking of the decision by any person or committee (including any sub-committee) to whom it has been delegated.

2.3 In the Articles –

(a) '**Association**' means The United Kingdom Freight Demurrage and Defence Association Limited;

- (b) **'Joint Owners'** means all the Owners of a Ship owned by more than one Owner;
- (c) **'Managers'** means the managers appointed by the directors from time to time pursuant to Article 14;
- (d) **'Owners'** means any owner or owners in partnership holding separate shares in severalty, part owner, mortgagee, trustee, charterer, operator, manager or builder of a Ship (whether or not a member);
- (e) **'Reserves'** has the meaning given in Article 20;
- (f) **'Rules'** means the rules adopted by the Association from time to time pursuant to Article 3; and
- (g) **'Ship'** means a ship, boat, hovercraft, rig or other description of vessel or structure (including any ship, boat, hovercraft or rig under construction) used or intended to be used for any purpose whatsoever in navigation or otherwise on, under, over or in water, or any part thereof or any proportion of the tonnage thereof or any share therein, provided that the entirety of the parts, proportions of tonnage, or shares in any ship, boat, hovercraft, rig (or other description of vessel or structure) that are held by any member shall be deemed to be but a single Ship.

2.4 In the Articles –

- (a) the headings are for convenience only and shall be ignored in construing the meaning of the Articles; and
- (b) the reference to any gender shall be deemed to include a reference to all the genders.

3. THE RULES AND THE BUSINESS

The Association may by special resolution amend or adopt the rules by which the business of the Association may be conducted (the **'Rules'**); and the business of the Association shall be conducted in accordance with the Rules and the Articles (and any

conflict between the provisions of the Rules and the Articles shall be resolved in favour of the Articles).

4. MEMBERSHIP

4.1 The Association may consist of an unlimited number of members.

4.2 Subject to Article 4.3, any person who enters a Ship for insurance in the Association (other than any insurer of risks similar to those insured by the Association re-insuring in the Association any of such risks insured by that insurer) shall, if not already a member of the Association, be deemed in applying for such entry to have agreed that if such entry is accepted he will from the date of commencement of such insurance become a member of the Association and be bound by the Articles.

4.3 The Association may permit any person to enter a Ship for insurance in the Association without requiring such person to be or become a member of the Association on the condition that such person agrees to be bound by the Rules.

4.4 Membership shall not be transferable nor transmissible.

5. JOINT MEMBERSHIP

5.1 The membership of Joint Owners shall be joint and several, provided that –

- (a) Joint Owners shall be deemed to be, together, a single member;
- (b) Joint Owners shall be jointly and severally liable to contribute to the funds of the Association in accordance with the terms of the Articles; and
- (c) the Joint Owner of a Ship whose name first appears in the register of members shall be entitled to receive all or any notices and documents required to be provided to the members under the terms of the Articles or the Companies Act 2006, and to exercise all and any rights attaching to such membership; and the Association shall not be obliged to give such notice or documents to, or acknowledge or give effect to any purported exercise of the rights of membership by, any other member who is a member only by virtue of also being a Joint Owner of that same Ship.

6. TERMINATION OF MEMBERSHIP

6.1 A member shall cease to be a member –

- (a) if, being an individual, he shall die, or become bankrupt, or a receiving order shall be made against him, or he shall make any arrangement or composition with his creditors generally or a receiver or manager is appointed of any of his property or assets;
- (b) if, being an individual, he becomes incapable by reason of mental disorder of managing and administering his property and affairs;
- (c) if, being a corporation, it is wound up (other than in the case of a voluntary winding-up for the purposes of company or group reorganisation) or dissolved, or a receiver or manager is appointed, or it commences proceedings under any bankruptcy or insolvency laws to seek protection from its creditors or to reorganise its affairs; or
- (d) if he ceases to have any Ship entered for insurance in the Association.

6.2 A member who ceases to be a member (or the estate, personal representatives, trustee in bankruptcy or receiver or any members, or a person authorised to act on behalf of a member who becomes incapable by reason of mental disorder of managing his property and affairs, or the liquidator of any member), shall, notwithstanding such cesser be and remain liable to pay to the Association all moneys which under the Articles or the Rules or both such member would, had he not ceased to be a member, have been liable to pay to the Association in respect of the period up to and including the 20 February next after the date of such cesser.

7. CHANGE OF NAME

Without the need for a special resolution of the Association, the directors may decide at any time to change the name of the Association; and where the directors decide to change the name, the secretary (if any) or any other person authorised by the directors shall give a notice to that effect to the Registrar of Companies accompanied by a statement that the change of name has been made in accordance with the Articles (such statement to be in the form required by the Companies Acts).

8. DIRECTORS' APPOINTMENTS

- 8.1 The number of directors shall be no less than six and no more than 20, unless otherwise determined by ordinary resolution.
- 8.2 No Manager, nor any employee of any Manager, shall be eligible for appointment as, nor shall they be capable or of holding the office of, a director.
- 8.3 All directors shall retire from office every year at a general meeting. A retiring director shall be eligible for re-appointment at the meeting at which he retires and shall act as a director throughout that meeting; and a retiring director shall be deemed to have been reappointed unless the meeting elects another person as a director in his place or elects not to replace nor reappoint that that director.
- 8.4 No person, other than a director who has retired at a general meeting, shall, unless recommended by the Board for appointment, be eligible for appointment as a director at a general meeting or otherwise unless (by notice in writing addressed to and received by the directors more than seven and not less than 45 clear days before the date of the general meeting) –
- (a) that person is first proposed by a member entitled to attend and vote at a meeting; and
 - (b) that person delivers written confirmation to the directors stating his willingness to be a director.
- 8.5 Where a director is appointed to office as chairman, as managing director or as the holder of an executive position or is otherwise appointed to provide services to the Association, that appointment or the contract for those services will terminate immediately upon him ceasing (for any reason) to be a director. The termination of that appointment under this Article 8.3 will be without prejudice to any claim for damages he may have for breach of any employment contract or contract to provide services between him and the Association.

9. DIRECTORS' DECISIONS

- 9.1 A decision under article 8 of the Model Articles must take the form of a resolution in writing complying with articles 8(2) to 8(4) of the Model Articles.
- 9.2 Article 9 of the Model Articles is modified by the deletion of the words "*not more than seven days after*" and the substitution for them of the words "*before or after*".
- 9.3 The directors must ensure that the Association keeps a record, in writing, for at least 10 years from the date of the decision recorded, of every unanimous or majority decision taken by the directors, of every directors' written resolution and of every decision of a sole director.
- 9.4 Where the directors have delegated any of their powers, they may revoke any delegation in whole or in part, or alter its terms and conditions; and where any person to whom any powers are delegated holds those powers by virtue of being appointed an executive of the Association, any variation or revocation of those powers shall be without prejudice to any contract between that executive and the Association.

10. DIRECTORS' APPOINTMENTS AND INTERESTS

- 10.1 This Article 10 is subject to the provisions of the Companies Acts.
- 10.2 Subject to Articles 10.3 and 10.4, a director may –
- (a) be a party to, or otherwise directly or indirectly interested in, any transaction or arrangement with the Association or in which the Association is otherwise interested; and
 - (b) be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise directly or indirectly interested in, any body corporate in which the Association is interested,
- and where a proposed decision of the directors is concerned with such a transaction, arrangement, office or employment, that director may be counted as participating in the decision making process for quorum and voting purposes.

10.3 Article 10.2 is subject to the relevant director making a declaration of the nature and extent of his interest in accordance with sections 177 and 184 to 187 of the Companies Act 2006.

10.4 Notwithstanding any other provisions in the Articles, a director shall not be entitled to vote, nor shall he be reckoned towards the quorum, upon the consideration by the Board of –

- (a) any contract with the Association and;
- (b) the level of premium payable by;
- (c) any claim made upon the Association by; or
- (d) any proceedings or action, whether actual or contemplated, between the Association and,

that director or any member of which that director is a director, employee or shareholder or any member in which that director is in any way interested, provided that this Article 10.4 may be suspended or relaxed to any extent (either generally or in respect of any particular contract, arrangement or transaction) by the Association in a general meeting.

10.5 For the purposes of Article 10.2, the following shall not be treated as an ‘**interest**’ –

- (a) an interest of which a director is not aware and of which it is unreasonable to expect him to be aware, or an interest in a transaction or arrangement of which he is not aware and of which it is unreasonable to expect him to be aware;
- (b) an interest of which the other directors are aware, or ought reasonably be aware, to the extent they are or ought reasonably to be aware of such interest; or
- (c) an interest which cannot reasonably be regarded as giving rise to a conflict of interest.

11. DIRECTORS' POWERS TO AUTHORISE CONFLICTS OF INTEREST

- 11.1 The directors may authorise, to the fullest extent permitted by law, any matter which would otherwise result in a director infringing his duty to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Association and which may reasonably be regarded as likely to give rise to a conflict of interests.
- 11.2 Authorisation given by the directors under Article 11.1 may be subject to any terms and conditions which the directors consider appropriate; and the directors may at any time vary or terminate such authorisation.
- 11.3 A decision to authorise any matter under Article 11.1 may be made either at a meeting of the directors or by unanimous decision of those directors entitled to vote on the matter; but the decision will only be effective if -
- (a) the quorum for any meeting at which the matter is considered is met without counting the director in question or any other interested director; and
 - (b) the matter is agreed to without any interested director voting, or would have been agreed to had no interested director's votes been counted.
- 11.4 The provisions of this Article 11 shall not apply to any conflict of interest arising in relation to a transaction or arrangement between a director and the Association. Article 10 above shall apply to directors' interests in any such transactions or arrangements.

12. MANAGEMENT OF DIRECTORS' CONFLICTS

- 12.1 Where the directors have authorised any matter under Article 11.1 above, or where a matter falls within Article 10, the directors may, at the time of such authorisation or subsequently, provide (without limitation) that an interested director –
- (a) is excluded from discussions (whether at directors' meetings or otherwise) related to the matter;
 - (b) is not given any documents or other information relating to the matter; or

- (c) both for quorum purposes and for voting purposes may or may not be counted or vote at any future directors' meeting in relation to the matter.

12.2 Where the directors have authorised any matter under Article 11.1, or where a matter falls within Article 10 (subject to a director making a declaration of the nature and extent of his interest in an office, employment, transaction or arrangement in accordance with Article 10.3), then an interested director –

- (a) will not be required to disclose to the Association, or use for the benefit of the Association, any confidential information relating to the matter if to make such a disclosure would result in a breach of a duty or obligation of confidence owed by him in relation to or in connection with the matter;
- (b) may absent himself from directors' meetings at which the matter may be discussed; and
- (c) may make such arrangements as he thinks fit not to receive documents and information in relation the matter, or for such documents and information to be received and read by a professional adviser on behalf of that director.

12.3 Article 12.2 does not limit any existing law or equitable principle which may excuse the director from disclosing information in circumstances where disclosure would otherwise be required, or from attending meetings or receiving and reading documents in circumstances where such actions would otherwise be required.

12.4 Where the directors authorise a matter under Article 11.1, or where a matter falls within Article 10 then an interested director –

- (a) will be obliged to conduct himself in accordance with any terms and conditions imposed by the directors in relation to the matter; and
- (b) will not infringe any duty he owes to the Association under sections 171 to 177 of the Companies Act 2006 if he complies with any terms, limits and conditions (if any) imposed by the directors in relation to the authorisation and, where relevant, makes any disclosure required under Article 10.3.

12.5 In relation to any matter which has been authorised under Article 11.1, or where a matter involves a transaction or arrangement which falls within Article 10 (subject to a director making a declaration of the nature and extent of his interest in an office, employment, transaction or arrangement in accordance with Article 10.3) –

- (a) an interested director will not be accountable to the Association for any benefit conferred on him in connection with that matter;
- (b) the receipt of such a benefit shall not constitute a breach of his duty under section 176 of the Companies Act 2006; and
- (c) no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

13. REMUNERATION OF DIRECTORS

The directors shall be paid out of the funds of the Association by way of remuneration for their services such sums as the Association in a general meeting may from time to time determine; and any such sums (unless otherwise determined by the ordinary resolution resolving to pay those sums) shall be divided amongst the directors as the directors shall resolve or, failing such resolution, equally (although a director holding office for part only of a year shall be entitled only to a proportionate part of a full year's remuneration). The directors shall also be entitled to be repaid by the Association all such reasonable travelling (including hotel and incidental) expenses as they may properly incur in the performance of their duties as directors, including their expenses of attending meetings of the directors, or of committees of the directors, or general meetings.

14. MANAGERS

14.1 The Managers shall be appointed from time to time by decision of the directors.

14.2 The directors may from time to time delegate to the Managers such of the powers, duties or discretions vested in the directors by the Articles or by the Rules as the directors may think fit; and such powers, duties or discretions may be made exercisable for such period and upon such terms and conditions and subject to such restrictions as the directors may determine and the directors may, by notice in writing

to the Managers, at any time revoke such delegation, provided that nothing in this Article 14 shall entitle the directors to delegate to the Managers any of the powers, duties or discretions of the directors –

- (a) which are required by law to be exercised by the directors, or
- (b) which relate to general meetings or the notice and proceedings at general meetings, or
- (c) which relate to meetings of the directors or committees of the directors or the proceedings thereat, or
- (d) which relate to the appointment of the Managers or the secretary of the Association; or
- (e) which relate to the use of the Association seal or the directors' powers, rights and duties in respect of the Association's Reserves, annual accounts or notices of general meetings.

14.3 Nothing in this Article 14 shall constitute the Managers as directors.

14.4 The Managers shall be entitled to attend all meetings of the directors and of committees of the directors and all general meetings.

14.5 In addition, and without prejudice to any powers, duties and discretions for the time being delegated to the Managers pursuant to these Articles, the Managers may exercise and discharge all such powers, duties and discretions as may be conferred or imposed upon them by the Rules.

14.6 Whenever any power, duty or discretion is delegated to the Managers pursuant to these Articles or is conferred or imposed upon the Managers by the Rules, such power, duty or discretion may, subject to any terms, conditions or restrictions imposed upon the Managers in relation thereto either pursuant to these Articles or (as the case may be) by the Rules, be exercised by any one or more of the Managers or by any employee of the Managers.

14.7 Thomas Miller & Co. are the Managers at the date of adoption of these Articles.

15. WINDING UP

In the event of the Association being wound up, the assets of the Association remaining after the payment of all the debts and liabilities of the Association and all costs, charges and expenses of winding up the Association shall be distributed amongst the members at the date of commencement of the winding up in proportion to the amounts of the contributions paid to the Association by way of premium, call or otherwise during the period of six years immediately preceding the commencement of the winding up; and the certificate of the liquidator as to the amounts of the contributions so paid shall be conclusive.

16. SECRETARY

16.1 The directors may determine from time to time whether a person shall hold the office of secretary and, at any time when the Association is without a secretary, that anything required or authorised to be done by or to the secretary may be done by or to a director (or by a person authorised generally or specifically in that behalf by the directors); the appointment of a person, or persons jointly, to office as secretary shall be decided by the directors who may remove any person or persons appointed to that office and may appoint a person or persons to act in the place of any secretary removed from office or may appoint a person or persons to act jointly with any person holding office as secretary.

16.2 The Association may pay expenses to any secretary and article 20 of the Model Articles is modified by adding after the words “the *directors*” where they first appear, the words “*and the Association’s secretary (if any)*”.

17. MEMBERS’ DECISIONS

17.1 In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting shall be entitled to a casting vote in addition to any other vote he may have.

17.2 Upon a poll taken on a resolution for the appointment or reappointment of a director, every member present at the meeting shall have one vote for every Ship entered by

him for insurance in the Association, provided that no member shall be entitled to more than 10 votes for the purposes of that resolution.

17.3 A resolution to appoint more than one director must be unanimous.

18. PROXY NOTICES

18.1 Subject to any instructions in the notice of the general meeting to which the proxy notice relates, such proxy notice (and any authentication required by the directors) must be received at the address specified by the Association in the notice of meeting or in the proxy notice not less than 48 hours before the time for holding the meeting (or adjourned meeting) at which the proxy appointed by the proxy notice is to vote; and any proxy notice received at that address less than 48 hours before the time for holding the meeting (or adjourned meeting) shall not be valid (unless accepted as valid under Article 18.2). In calculating the periods mentioned in this Article 18, no account is to be taken of any part of a day that is not a working day (as that term is defined in section 1173 of the Companies Act 2006).

18.2 A proxy notice which does not comply with the provisions of article 31 of the Model Articles or Article 18.1 may, in their discretion, be accepted as valid by the directors at any time before the meeting to which it relates.

19. NOTICES

19.1 Article 34(1) of the Model Articles shall be read as if it were amended by the addition of the following sentence –

“Subject to the Articles, the provisions of section 1147 of the Companies Act 2006 shall apply to anything sent or supplied to the Association as they apply to anything sent or supplied by the Association”.

19.2 Any notice, document or other information will be deemed served on or delivered to the intended recipient if addressed either –

(a) to an address outside the United Kingdom; or

(b) from outside the United Kingdom to an address within the United Kingdom,

five working days after posting, provided (in each case) it was sent by reputable international overnight courier addressed to the intended recipient, with delivery in at least five working days guaranteed at the time of sending and the sending party receives a confirmation of delivery from the courier service provider.

20. RESERVES

The directors may carry or allocate to such contingency or other reserve fund or funds as the Board may think appropriate any moneys of the Association not immediately required to meet any claims, expenses and outgoings and the directors may apply any moneys standing to the account of any such contingency or reserve fund or funds in such manner as they shall think appropriate and pending such application any such moneys may be invested in such manner as the directors may think fit (such moneys and sums being ‘Reserves’).

21. INDEMNITY AND INSURANCE

21.1 Article 38 of the Model Articles shall be read as if –

(a) in article 38(1) –

(i) the words “*may be indemnified*” were replaced with the words “*shall be indemnified*”;

(ii) the words “*or a Manager or former Manager or a relevant secretary*” were added immediately after the words “*a relevant director*”; and

(iii) the words “*or that Manager or that former Manager or that relevant secretary*” were added immediately after the words “*that director*” in sub-paragraphs (a), (b) and (c); and

(b) in article 38(3), the following new sub-paragraph (c) were added immediately after sub-paragraph (b) –

“(c) a “*relevant secretary*” means any Association secretary or former Association secretary of the Association or an associated company.”

21.2 Article 39 of the Model Articles shall be read as if –

- (a) in article 39(1), the words “*or any Manager or former Manager or relevant secretary*” were added immediately after the words “*any relevant director*”; and
- (b) in article 39(2) -
 - (i) in sub-paragraph (b), the words “*or a Manager or former Manager or relevant secretary*” were added immediately after the words “*a relevant director*” and the words “*,Manager’s, former Manager’s or secretary’s (as the case may be)*” were added immediately after the words “*that director’s*”; and
 - (ii) the existing sub-paragraph (c) were renumbered as (d) and the following new sub-paragraph (c) be added immediately after sub-paragraph (b) as follows –

“(c) a “relevant secretary” means any Association secretary or former Association secretary of the Association or an associated company; and”.

Proposed Rule Amendment

APPENDIX 'B'

PROPOSED NEW RULE 7(2)

“Notwithstanding and without prejudice to any other right under the **Rules** to recover **Costs**, the **Association** may at any time notify the **Member** in writing that it requires the **Member** to pay to the **Association** from any part of its recovered claim such sum in respect of **Costs** as the **Association** in its discretion considers reasonable. In determining that sum the **Association** may take into account the proportion the claim to be paid to the **Member** bears to the total it considers realistically recoverable by the **Member** and any other matters it considers relevant.”