

TO THE MEMBERS

Ref: 2008/3

12th August, 2008

Dear Sirs,

**AMENDMENTS TO ASSOCIATION'S
ARTICLES OF ASSOCIATION AND RULES**

At the Annual General Meeting to be held at 9.30 a.m. on Thursday, 18th September, 2008, at the Manager's offices in London, the Members will be asked to approve various alterations to the Association's Articles of Association and the Association's Rules.

Electronic Communication – Amendments to Articles of Association

The proposed amendments to the Articles of Association will permit the Association to send notices, circulars and similar communications in an electronic format to Members. At present such communications must be sent to Members in hard copy format. As a result of the enactment in the UK of the Companies Act 2006 communications such as these can be sent to Members electronically provided agreement to receive communications in this way has been received. This agreement can be amended subsequently if a Member so wishes.

The proposed amendments are set out in Appendix "A" (see attached) and are marked accordingly.

Insurance Premium Tax – Amendment to Association's Rules

This proposed amendment relates to insurance premium tax and other para fiscal taxes, levied by revenue authorities on certain European based Member premiums due to the Association. The Association is obliged to account to the relevant local revenue authority for these taxes irrespective of whether the amount has been received by the Association. The proposed amendment clarifies responsibility for payment of these taxes and provides the Association with an indemnity. Members will however be aware that for the 2008/9 policy year the Directors resolved that given changes to the Association's cover from 20th February, 2008, the Association would meet any insurance premium tax that might be levied on EEA based Members. For future policy years the Directors will review the Association's position at a Board meeting in 2008 and notify Members accordingly.

The proposed amendment to the Association's Rules is set out in Appendix "B" (see attached), and if agreed will become a new Rule 16(E) to the Association's Rules.

Resolutions to consider the proposed amendments to Articles of Association and to consider the amendment the Association's Rules will be considered at the Association's AGM on 18th September, 2008 and if approved will become effective from 12 noon Greenwich Mean Time on 20th February, 2009.

Yours faithfully,

THOMAS MILLER DEFENCE LTD

Managers

Proposed Amendments to Articles of Association

APPENDIX 'A'

PRELIMINARY

Article 2:

Words

Companies Act 2006 the Companies Act 2006 (2006, Chapter 46)

Electronic means Has the meaning given in section 1168 of the Companies Act 2006

Electronic form Has the meaning given in section 1168 of the Companies Act 2006

In writing ~~written, printed or lithographed, or visibly expressed by any method or combination of methods, whether in electronic form or otherwise, in all or any of those or any other modes of representing or reproducing words.~~

VOTES OF MEMBERS

“31. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be:

(a) deposited at the Office, or at such other place within the United Kingdom as may be specified for that purpose in the notice calling the meeting or in the instrument of proxy sent by the Association, not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid; or

(b) received as a copy in electronic form at an address specified by the Association for the purpose of receiving such communication in the notice convening the meeting, or in any instrument of proxy sent out by the Association in relation to the meeting, or in any invitation contained in an electronic means of communication to appoint a proxy issued by the Association in relation to the meeting. If such an address has been specified then such communication shall be received at such address not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.”

Proposed Amendments to Articles of Association

APPENDIX 'A'

“32. The Board may at the expense of the Association send by post or otherwise (including by electronic means) to the Members instruments of proxy with or without stamped envelopes for their return for use at any general meeting, either in blank or nominating in the alternative any one or more of the directors or any other person. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the expense of the Association, such invitations shall be issued to all (and not to some only) of the Members entitled to be sent a notice of the meeting and to vote thereat by proxy.”

PROCEEDINGS OF THE BOARD

“47. A resolution in writing, signed by all the Directors, shall be as valid and effective as a resolution passed at a meeting of the Board duly convened and held. Such a resolution may consist of several documents in like form, each signed by one or more Directors. Any such document(s) may be sent to the Association by electronic means to such address as the Association may for the time being have notified for that purpose.”

DISQUALIFICATION OF DIRECTORS

“52. The office of a Director shall be vacated in any of the following events, namely: -

- (a) if he resigns his office by notice in writing under his hand delivered at the Office or by a notice sent to the Association by electronic means to such address as the Association may for the time being have notified for the purpose;

ACCOUNTS

“72. The Board shall from time to time in accordance with the provisions of the Statutes, cause to be prepared and to be laid before the Association in general meeting such income and expenditure accounts, balance sheets, group accounts (if any) and reports as are specified in the Statutes. At least twenty-one days before the meeting a copy of every such balance sheet (including every document required by law to be annexed to the balance sheet) and of the Directors' and Auditors' reports shall be delivered or sent by post or electronic means which for the purposes of this article only means electronic mail.

Proposed Amendments to Articles of Association

APPENDIX 'A'

NOTICES

“74. Any notice or other document required to be given by the Association to a Member may be served by the Association on any Member either personally or by sending it through the post by prepaid letter or by electronic means, which for the purposes of this article will include electronic mail, telegram, cable, radio telegraph or telex to such Member at his address as it appears in the Register of Members or at such other address or email address, whether or not in the United Kingdom, if any, as is supplied by him to the Association for the giving of notice to him. A Member who (having no registered address within the United Kingdom) has not supplied to the Association either a current address within the United Kingdom or a current electronic address (to which emails are deliverable) for the service of notices shall not be entitled to receive notices or documents from the Association. A Member who has supplied the Association only with an electronic address shall not be entitled to receive notices from the Association if the Directors, in their absolute discretion, determine that to do so would infringe the laws of another country.

“75. Any notice or other document if sent by post shall be deemed to have been received seven consecutive days after the time of posting, whether or not to an address in the United Kingdom, and in proving such receipt it shall be sufficient to prove that the letter containing the same was properly addressed, prepaid and put into the post. Any such notice, or other document, if sent by electronic means (including email), telegram, radio telegraph, telex, or telefax ~~or other form of electronic communication, shall be deemed to be received 48 hours after it is sent, if sent during the normal business hours of the addressee, at 9.00 am on the next following business day of the addressee and in proving such receipt it shall be sufficient to prove that such telegram, cable or radio telegraph was duly handed in, or, in the case of telex, telefax or other electronic communication, that the notice or other document was duly despatched and the correct answerback received.~~

Proof that a notice or document in electronic form was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence of delivery.

Proposed Rule Amendment

APPENDIX 'B'

PROPOSED NEW RULE 16(E)

"Unless the Directors otherwise decide, an Owner who has entered a ship in the Association shall pay any tax that the Association shall pay or be liable to pay on any Calls, Contingency Calls or premiums due from an Owner and indemnify and hold harmless the Association in respect thereof."