

FREQUENTLY ASKED QUESTIONS

1. What is a Scheme of Arrangement?

A scheme of arrangement, such as that which the Scheme Companies intend to propose, is a compromise or arrangement between a company and its creditors (or any class of them). Part 26 of the Companies Act 2006 provides that such a scheme of arrangement does not become legally binding on the company and on its creditors (or any class of them) until:

- a majority in number representing not less than 75% in value of creditors (or any class of them), present and voting in person or by proxy, vote in favour of the scheme of arrangement at a meeting or meetings convened with the permission of the Court;
- the Court subsequently sanctions the scheme of arrangement; and
- a copy of the sanction order is delivered to the Registrar of Companies in England and Wales.

Once a Scheme Company's Scheme becomes effective it will bind the Scheme Creditors of that Scheme Company, irrespective of whether or and how they voted at the Creditors' Meetings.

2. Why are the Scheme Companies proposing the Scheme?

The CUAL business has now been in run-off since 1995. In the normal course, it is estimated that it would take many years to run-off all the remaining liabilities which it is proposed to include in the Scheme. One of the participants in the CUAL Pool, Sovereign, is insolvent and it has entered into a separate scheme of arrangement in respect of which the date for submitting Scheme Claims (as defined in that Scheme) has passed. The Scheme Companies consider that it is in their interests and in the interests of Scheme Creditors to try to bring the CUAL business to a close by finalising and paying all remaining Scheme Claims in a much shorter time frame than would happen in the ordinary course of a run-off.

From the Scheme Creditors' perspective, the Scheme has been designed to offer a fair and consistent approach to claims submission and quantification leading to the settlement in full of Scheme Claims, valued in accordance with the Scheme, in the shortest practicable time.