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Copies of this Document are being sent to Shareholders. If you have sold or otherwise transferred all of your Ordinary Shares please forward this Document and the accompanying form of proxy on at once to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or transferred part only of your holding in Ordinary Shares you should retain this Document and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

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This Document does not constitute any offer to sell or issue or a solicitation of any offer to subscribe for or buy Ordinary Shares.

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## **TANFIELD GROUP PLC**

(Incorporated and registered in England with registered number 04061965)

### **Proposed Transaction involving the Snorkel Division**

#### **New Investing Policy**

#### **Notice of General Meeting**

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Notice of a General Meeting of the Company to be held at 9.00 a.m. (UK time) at the registered office of the Company at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA on 7 October 2013 is set out at the end of this Document.

A Form of Proxy for holders of Ordinary Shares for use at the General Meeting accompanies this Document and, to be valid, must be completed and returned to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible but in any event received not later than 9.00a.m. (UK time) on 3 October 2013 or 48 hours before any adjourned meeting. Completion of a Form of Proxy will not preclude a Shareholder from attending and voting at the General Meeting in person.

A summary of the action to be taken by Shareholders of the Company is set out at section 9 on page 27 and in the Notice set out at the end of this Document. The return of one or more completed Forms of Proxy will not prevent you from attending the General Meeting and voting in person if you wish to do so (and are so entitled).

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## DEFINITIONS

“AIM”	AIM, a market operated by London Stock Exchange Plc;
“AIM Rules”	the rules of London Stock Exchange Plc governing the admission to, and the operation of, AIM and comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“Closing”	closing of the Transaction in accordance with its terms;
the “Company” or “Tanfield”	Tanfield Group PLC (incorporated and registered in England with registered number 04061965) whose registered office is at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA;
the “Contribution Agreement”	the agreement between SKL Holdings, HBWP, the Company and Snorkel International Holdings (in the form agreed between the respective parties at the date of this Document) to be entered into shortly after the General Meeting, conditional on the passing of the first of the Resolutions at the General Meeting, pursuant to which the Transaction will be implemented;
“Directors” or the “Board”	the directors of the Company whose names are set out on page 6 of this Document;
“Document”	this Document;
“Form of Proxy”	the form of proxy for use by the Shareholders in connection with the General Meeting;
“General Meeting”	the general meeting of Shareholders to be held at 9.00 a.m. (UK time) on 7 October 2013, notice of which is set out at the end of this Document, or any adjournment of that meeting;
“HBWP”	HBWP Inc., a wholly owned subsidiary company of the Company;
“Independent Directors”	the Directors, other than Darren Kell, Charles Brooks and Brendan Campbell;
“Investing Policy”	the proposed Investing Policy of the Company as set out in this Document in section 7;
“LLC Agreement”	the amended and restated limited liability agreement of Snorkel International Holdings between SKL Holdings and HBWP (in the form agreed between the respective parties at the date of this Document) to be entered into shortly after the General Meeting, conditional on the passing of the first of the Resolutions at the General Meeting;
“Members”	members of Snorkel International Holdings, whose rights in relation to Snorkel International Holdings are set out in the LLC Agreement, and “Member” shall mean any single member of Snorkel International Holdings;
“Notice”	the notice of the General Meeting of Shareholders set out at the end of this Document;
“Ordinary Shares”	the existing ordinary shares of 5 pence each in the capital of the Company;
“Reorganisation”	the intended reorganisation to be conducted by the Tanfield Group immediately prior to Closing, as more particularly described in section 4 of this Document;
the “Resolutions”	the resolutions set out in the Notice to be proposed at the General Meeting;
“Shareholders”	holders of Ordinary Shares in the Company;

“SKL Holdings”	SKL Holdings, LLC, a Nevada limited liability company which prior to Closing will be the holder of 100% of the membership interests of Snorkel International Holdings but which on Closing will become the holder of 51% of the membership interests of Snorkel International Holdings;
“Snorkel Australia”	Snorkel Australia Pty Ltd, which, at the date of this Document, is a subsidiary of TPAL;
“Snorkel Companies”	TPAL, Snorkel Australia, Tanfield Union, TES US, Snorkel New Zealand and Snorkel US and a reference to “Snorkel Company” shall mean a reference to any of such companies, as the context may require;
“Snorkel Division”	the division of the Company which comprises the Snorkel Companies and which is engaged in manufacturing self-propelled aerial work platforms and providing related services;
“Snorkel International Holdings”	Snorkel International Holdings, LLC, a Nevada limited liability company which prior to Closing will be owned by SKL Holdings and which on Closing will own the share capital of the Snorkel Companies which was owned by the Tanfield Group prior to the Reorganisation;
“Snorkel New Zealand”	Snorkel New Zealand Pty Ltd, which, at the date of this Document, is a subsidiary of Snorkel US;
“Snorkel US”	Snorkel International Inc., which, at the date of this Document, is a subsidiary of HBWP;
“Tanfield Union”	Tanfield Union Ltd, which, at the date of this Document, is a joint venture company in respect of which Tanfield Asia Pacific Pte. Ltd is a joint venture party;
“TES”	Tanfield Engineering Systems Limited, a wholly owned subsidiary of the Company;
“TES US”	Tanfield Engineering Systems (US) Inc., which, at the date of this Document, is a subsidiary of TES;
“TPAL”	Tanfield Powered Access Limited, which, at the date of this Document is a subsidiary of the Company;
the “Tanfield Group”	the Company and its subsidiaries prior to Closing;
the “Transaction”	the transaction conditional, <i>inter alia</i> , on the passing by the Shareholders of the first of the Resolutions at the General Meeting, whereby the Snorkel Division will be transferred to Snorkel International Holdings in return for the issue by Snorkel International Holdings of 49% of the voting power of Snorkel International Holdings to HBWP;
“UK”	United Kingdom;
“US”	United States of America; and
“Xtreme”	Xtreme Manufacturing LLC., a Nevada, US, limited liability company whose principal place of business is at 1415 West Bonanza Road, Las Vegas, Nevada, 89/06.

## **EXPECTED TIMETABLE OF PRINCIPAL EVENTS**

Latest time and date for receipt of Forms of Proxy	9.00 a.m. (UK time) on 3 October 2013
Record date	6.00 p.m. (UK time) on 3 October 2013
General Meeting	9.00 a.m. (UK time) on 7 October 2013

## Part I

### LETTER FROM THE CHAIRMAN

#### TANFIELD GROUP PLC

(Incorporated and registered in England and Wales with registered number 04061965)

Directors:

Jon Pither (Non-Executive Chairman)  
Darren Kell (Chief Executive)  
Charles Brooks (Financial Director)  
Brendan Campbell (Managing Director, Powered Access Division)  
Roy Stanley (Non-Executive Director)  
Martin Groak (Non-Executive Director)

Registered Office:

Vigo Centre  
Birtley Road  
Washington  
Tyne and Wear  
NE38 9DA

20 September 2013

To the holders of existing Ordinary Shares

Dear Shareholder

#### **Proposed Transaction involving the Snorkel Division New Investing Policy Notice of General Meeting**

##### **1. INTRODUCTION**

On 20 September 2013 the Company announced that it had reached agreement on the terms of a Contribution Agreement to dispose of the Snorkel Division by contributing the Snorkel Division to a new company in which the Company would retain a minority interest, with SKL Holdings owning a majority interest.

Completion of the Transaction, whereupon the Company's trading activities will be limited to engineering and related activities undertaken by TES, constitutes a fundamental change of business of the Company under Rule 15 of the AIM Rules. Accordingly, completion of the Transaction is conditional on the approval of Shareholders at the General Meeting.

Following the Transaction, the Company will be classified under the AIM Rules as an investing company. Accordingly, the Investing Policy of the Company going forward, details of which are set out in section 7 below, is also subject to the approval of Shareholders at the General Meeting. The Company's trading operations will be limited to engineering and related activities undertaken by TES. In addition to the Company's 49% membership interest in Snorkel International Holdings, the Company will continue to hold a 24% interest in the shares of Smith Electric Vehicles Corp. These investments comply with the Company's Investing Policy set out in section 7 below.

AIM Regulation has confirmed to the Company that although on Closing, the Company will be classified under the AIM Rules as an investing company, the AIM Rule requirements which apply to investing companies on AIM (that they are required to make an acquisition or acquisitions which constitute a reverse takeover under the AIM Rules or otherwise implement their investing policy within 12 months of becoming an investing company, failing which they will be suspended from trading on AIM) do not apply to the Company, as by virtue of Closing, the Company will have transitioned from being concerned, primarily, with trading businesses to being concerned, primarily, with its investments in Snorkel International Holdings and Smith Electric Vehicles Corp. On Closing, the Company will have already implemented its Investing Policy for the purposes of AIM Rule 15.

The Directors are not, at this stage, engaged in any due diligence exercise nor have entered nor are negotiating any commitment in connection with any investments or acquisitions.

## **2. BACKGROUND TO AND REASONS FOR THE TRANSACTION**

Following a consultation with its major shareholders in February 2013, the Board agreed to examine the potential disposal of the Snorkel Division, to reduce Tanfield's exposure to the Snorkel Division's on-going working capital requirements and thereby help to protect its investment in Smith Electric Vehicles.

Having appointed an M&A adviser, the Board examined a wide range of options and engaged with a number of companies interested in acquiring the Snorkel Division.

Given the requirement for a significant working capital injection into the Snorkel Division to deliver its recovery plan, it became clear that an outright sale could only be at a price that reflected this need. Therefore, the Board considers that, as in the case of the Transaction, an acquirer or investor that is willing to fund the Snorkel Division's recovery, whose own business is in a related industry that will support that recovery, and who is also willing to allow Tanfield to benefit from the recovery upside, is preferable to an outright sale. The Independent Directors believe that the Transaction represents the most attractive offer for the Snorkel Division and is the best option in terms of delivering value to Shareholders.

### The Transaction

Xtreme, by way of its holding in SKL Holdings, proposes a staged acquisition of the Snorkel Division, via the creation of Snorkel International Holdings, in which Tanfield will retain a holding until the consideration terms are fully met. Xtreme has committed to making significant working capital facilities available to Snorkel International Holdings to deliver its growth forecast (such growth forecast is estimated by Xtreme to require between US \$35,000,000 and US \$50,000,000 of working capital) and to deliver certain other strategic benefits and synergies to Snorkel International Holdings. Tanfield will retain an initial interest in 49% of Snorkel International Holdings and a preferred interest position of US \$50,000,000 (which may be subject to adjustment, as described in section 3.1 of this Document), in exchange for Xtreme's controlling interest in Snorkel International Holdings. Subject to the Snorkel Division reaching an EBITDA of at least US \$25,000,000 for any prior 12 month period within 5 years of Closing, Tanfield can demand payment of this preferred interest which would be paid when Snorkel International Holdings is able to fund such payment and its net debt/EBITDA ratio is less than 2, ultimately reducing Tanfield's interest to 30% and Xtreme will hold 70% of Snorkel International Holdings.

Subject to the payment of the preferred interest, and within 5 years of Closing, Tanfield has a "put" option on this remaining holding, whereby SKL Holdings will be obliged to purchase the remaining interest held by Tanfield at an agreed multiple of 5.5 times EBITDA earnings, as at the date of the put, again subject to Snorkel International Holdings being able to fund. SKL Holdings has a call option on the same commercial terms.

In the year ended 31 December 2012, the losses of the Snorkel Division were approximately £14.6m and it had net assets of £23.5m.

The form of Contribution Agreement agreed between the respective parties is subject to certain conditions precedent prior to it closing, including, approval of the Transaction by Tanfield's shareholders, warranties and representations being materially accurate, the new working capital financing of Snorkel International Holdings being available to close at the same time as the Contribution Agreement and there being no material adverse change in the financial position or performance of the Snorkel Division.

### Xtreme

Xtreme is a Nevada, USA, based manufacturer of high quality telescopic material handlers, also known as "telehandlers" or rough terrain fork lifts. These machines are widely used by the construction, mining, resources, and agricultural sectors for lifting materials.

Don F. Ahern, as trustee of the DFA Separate Property Trust, owns 96.6% of Xtreme and 97% of Ahern Rentals, Inc. ("Ahern"), one of the largest privately held equipment rental companies in the world, which is a long-standing customer of the Snorkel Division. Mr. Ahern, who serves as Ahern's CEO and the managing member of Xtreme, has a proven track record of growing equipment and rental companies engaged in the construction arena.

Xtreme is looking at international markets with a view to further expand its footprint to global markets.

Ahern purchases a significant number of aerial work platforms annually, and was, until recently, one of the Snorkel Division's largest global customers. However, concerns over the Snorkel Division's working capital position, and accordingly its ability to meet Ahern's order and delivery requirements, had resulted in a suspension of this relationship. The Board believes that the Transaction will allay the concerns of Ahern, and it is anticipated that it will also allay the concerns of other similar customers, which should allow the Snorkel Division to benefit from the on-going market recovery.

#### What Xtreme also brings to the Snorkel Division

The Snorkel Division markets its products under the well known Snorkel brand. The Snorkel brand currently competes with its global OEM peers in all product segments apart from telehandlers. The Board believes that a significant opportunity exists to market competitive telehandlers utilising the value of the Snorkel brand and sales channels. Xtreme intends to make its full line of telescopic material handlers available to the Snorkel Division's global distributor network and as Xtreme currently sells the vast majority of its output in the US, it is anticipated that this could create significant export opportunities, which should increase revenues and allow Snorkel International Holdings to compete more effectively with the industry leaders. This should, in turn, reduce overheads, and increase supply chain efficiencies. Snorkel International Holdings intends to pursue global sourcing to reduce product costs, whilst enhancing product quality, using the global supply networks of the Snorkel Division and Xtreme.

Additionally, Xtreme and the Snorkel Division intend to pursue potential sharing or combining of facilities, administrative functions, insurance programmes and personnel to reduce overhead expenses. Xtreme and the Snorkel Division also intend to pursue sharing joint technology advances wherever common solutions mutually enhance both product lines.

Ahern rents a full range of equipment; sells used rental equipment, new equipment, parts, supplies and related merchandise; and provides maintenance, repair and other services that supplement its rental activities through a nationwide network of 75 equipment rental branches across 22 states in the US. Under the LLC Agreement, SLK Holdings will procure that Ahern uses its commercial best efforts to represent the Snorkel Division's product line in its rental branches for retail sales, replacement parts and service support, supports the Snorkel Division's global spare parts business, with its dedicated call centre to ensure immediate aftermarket response and makes available its fleet of mobile service repair trucks and mechanics to support the Snorkel Division's existing population of product.

#### The Recovery Plan

The Snorkel Division, as the only independent full line manufacturer, has, to date, suffered from constraints upon its working capital, such that it has not been able to respond to demands from its customers and to benefit from the upturn in its end markets. By injecting the necessary working capital and by leveraging its position in the market it is expected that the Transaction will enable the Snorkel Division to execute its recovery plan, with the aim of returning to profitability and delivering significant revenue and EBITDA growth.

The Board believes that a properly funded Snorkel Division, with an improved product portfolio, enhanced North American sales channels, and reduced overheads will be very well positioned to deliver significant benefits to Shareholders.

### **3. TERMS OF THE TRANSACTION**

The respective parties intend to enter into two principal documents, the Contribution Agreement and the LLC Agreement, in order to consummate the Transaction.

The form of the Contribution Agreement and the form of the LLC Agreement have each been agreed between the respective parties at the date of this Document. It is intended that the respective parties will enter into such forms of such documents shortly after the General Meeting, if the first of the Resolutions has been approved by Shareholders at the General Meeting.



In addition to the Contribution Agreement and the LLC Agreement the parties will, prior to Closing, need to prepare, agree and enter into a number of agreements and other documents which are to be delivered on Closing pursuant to the Contribution Agreement or the LLC Agreement, in order to implement the Transaction.

A summary of the material terms of the Contribution Agreement and the LLC Agreement (as such terms have been agreed between the respective parties at the date of this Document) is set out below:

### 3.1. Contribution Agreement

#### Contribution

Under the Contribution Agreement, HBWP will agree, conditionally, to transfer to Snorkel International Holdings all of the rights, title and interest, free and clear of any encumbrance, to the share capital of each Snorkel Company which will be owned by it following the implementation of the Reorganisation. In return for such transfer, Snorkel International Holdings will issue HBWP with membership interests in Snorkel International Holdings equal to 49% of Snorkel International Holdings' voting power.

#### Working Capital Financing

The Contribution Agreement provides that SKL Holdings and Snorkel International Holdings will use their respective commercially best efforts, prior to the Contribution Agreement closing, to arrange working capital facilities for Snorkel International Holdings from and after such closing.

The Contribution Agreement states that the working capital facilities which will be arranged will be one or more debt facilities reasonably acceptable to SKL Holdings in its sole discretion in an amount sufficient to fund the working capital needs of Snorkel International Holdings, as reasonably determined by SKL Holdings in its sole discretion.

The conditions precedent for HBWP's obligations to close the Contribution Agreement, and which are referred to in the section headed 'Closing' below, include the above referred to working capital facilities having been arranged to close simultaneously with the Contribution Agreement closing and being able to pay off the Company's liabilities to Close Brothers Invoice Finance pursuant to the Company's existing invoice finance facilities.

#### Closing

The Contribution Agreement provides that it will close, in accordance with its terms once its conditions have either been satisfied or waived by 31 December 2013. The obligations of the parties on the Contribution Agreement closing include delivery of new employment agreements for Darren Kell, Charles Brooks and Brendan Campbell, each of whom at the date of this Document is a director of the Company, relating to their employment with Snorkel International Holdings after Closing, delivery of the LLC Agreement, which is described in section 3.1 below, delivery of a shared services agreement, the purposes of which is described in section 6 below, and delivery of documents relating to Snorkel International Holdings' new working capital finance arrangements, which are referred to in the section headed 'Working Capital Financing' above. A description of the intended make-up of the Company's board after Closing is set out in section 6 below.

The conditions to the Contribution Agreement closing, include:

- the warranties and representations to be made by the respective parties in the Contribution Agreement being accurate in all material respects;
- the covenants and obligations to have been performed by closing by the respective parties having been performed and complied with in all material respects;
- those consents required by the respective parties to close the Contribution Agreement having been obtained in satisfactory form and substance and being in full force and effect;
- there having been no proceedings commenced or threatened against the respective parties (or against their related persons) in respect of the Transaction or which could prevent, delay, make illegal, limit or condition or otherwise interfere with the Transaction;

- no third party having made or threatened any claim that they have any interest in any Snorkel Company's share capital or are entitled to any of the share capital of Snorkel International Holdings to be issued to HBWP on the Contribution Agreement closing;
- there being no legal requirements or orders that prohibit the Transaction being consummated;
- the consummation of the Transaction not directly or indirectly contravening, conflicting with or violating or causing any of the respective parties (or their related parties) to suffer any adverse consequence under any applicable legal requirement or order;
- no Snorkel Company having suffered any material adverse change and no event will have occurred and no circumstance will exist that could result in a material adverse change;
- the Reorganisation having completed;
- the Company having obtained shareholder approval of the Transaction in accordance with the AIM Rules; and
- the working capital facilities, referred to in the section headed 'Working Capital Financing' above, having been arranged to close simultaneously with the Contribution Agreement and being available to pay off the Company's liabilities to Close Brothers Invoice Finance.

#### Closing Balance Sheet Adjustment

The Contribution Agreement provides that within 120 days of the agreement closing, Snorkel International Holdings will prepare and deliver a consolidated balance sheet of the Snorkel Companies as at the date of such closing to the other parties to the Contribution Agreement (the "Closing Balance Sheet").

It is further provided that to the extent that the aggregate of the following items appearing in the Closing Balance Sheet is less than the sum of \$US 38,000,000, then the HBWP Priority Amount, as described in section 3.1 below, will be reduced on a dollar for dollar basis. The said items, as they each will appear in the Closing Balance Sheet, are:

- the aggregate of the cash and cash equivalents, accounts receivable (net of allowance for doubtful accounts) and the inventory (net of reserve for excess and obsolete inventory) of the Snorkel Companies; less
- the aggregate accounts payable of the Snorkel Companies that are 60 days or more past the invoice date, liabilities of the Snorkel Companies (other than accounts payable) either not incurred in the ordinary course of business or incurred in the ordinary course of business and beyond their required payment date and short-term and long-term indebtedness of the Snorkel Companies as reflected on the Closing Balance Sheet.

The Contribution Agreement contains a mechanism for HBWP to review, object to and agree the Closing Balance Sheet with any dispute in respect of the same to be resolved independently.

#### Covenants of HBWP and Tanfield prior to the Contribution Agreement closing

The Contribution Agreement places a number of obligations on HBWP and Tanfield in respect of the period between the date that it is entered into and the date that it closes. These include:

- affording SKL Holdings, its representatives and prospective lenders and their representatives full and free access to each Snorkel Company's personnel, assets, contracts and records and cooperating and assisting with SKL Holdings' investigation of the business, condition, assets, results of operations or prospects of each Snorkel Company.
- causing each Snorkel Company to:
  - conduct its business only in the ordinary course of business;

- use its best efforts to preserve intact its current business organisation, keep available the services of the officers, employees, and agents of such Snorkel Company, and maintain its relations and goodwill with suppliers, customers, landlords, creditors, employees, agents, and others having business relationships with such Snorkel Company;
  - confer with SKL Holdings prior to implementing operational decisions of a material nature;
  - report to SKL Holdings at such times as SKL Holdings may reasonably request concerning the status of the business, condition, assets, results of operations, or prospects of such Snorkel Company;
  - make no material changes in the management personnel of such Snorkel Company;
  - maintain the assets owned or used by such Snorkel Company in a state of repair and condition that complies with legal requirements and contractual obligations and is consistent with the requirements and normal conduct of the business of such Snorkel Company;
  - keep in full force and effect, without amendment, all material rights relating to the business of such Snorkel Company;
  - comply with all legal requirements applicable to, and all contractual arrangements of, such Snorkel Company;
  - except as required to comply with legal requirements, not adopt, amend, modify, or terminate any employee benefit arrangements and, except as required by any employee benefit arrangements, not make any contributions to or with respect to any such employee benefit arrangements;
  - maintain all records of such Snorkel Company consistent with past practice;
  - not increase the compensation of any director or officer; and
  - not incur any indebtedness for borrowed money, other than under the Company's Close Brothers invoice finance facility or any accounts payable or other financial obligations, other than in the ordinary course of business.
- causing all indebtedness owed to a Snorkel Company by Tanfield or HBWP (or any of their related persons) to be eliminated prior to the Contribution Agreement closing; and all indebtedness of a Snorkel Company to Tanfield or HBWP (or any of their related persons) to be eliminated but, if not eliminated, the amount will be treated as indebtedness for determining the adjustment which is referred to above in relation to the Closing Balance Sheet adjustment;
  - HBWP delivering to SKL Holdings a copy of each Snorkel Company's monthly profit and loss accounts;
  - causing each Snorkel Company (and their related persons and their representatives) to cooperate with SKL Holdings with respect to the arranging by SKL Holdings of the working capital facilities referred to in the sub-section headed 'Working Capital Financing' above; and
  - if the due diligence investigation of environmental matters relating to Snorkel New Zealand's facilities reveals any material liabilities, contingent or otherwise, as determined by Snorkel International Holdings and SKL Holdings, in their sole reasonable discretion, and Snorkel International Holdings and SKL Holdings so elect, the share capital of Snorkel New Zealand shall not be contributed to Snorkel International Holdings under the Contribution Agreement and instead HBWP and TPAL shall cause Snorkel New Zealand to assign and transfer all assets of such entity identified by Snorkel International Holdings and SKL Holdings to Snorkel International Holdings or a subsidiary of Snorkel International Holdings on the Contribution Agreement closing.

### Warranties and Representations

Under the Contribution Agreement, SKL Holdings and Snorkel International Holdings will provide representations and warranties to HBWP and the Company and the Company and HBWP will provide representations and warranties to SKL Holdings and Snorkel International Holdings. These include:

- that each respective company is duly organised, validly existing and in good standing under the laws of the state or jurisdiction in which it is incorporated;
- that the Contribution Agreement and the documents to be entered into by each respective company on the Contribution Agreement closing constitute each respective company's legal, valid, binding and enforceable obligations and that each respective company has the absolute and unrestricted right, power and authority to execute, deliver and perform their respective obligations under the Contribution Agreement and such documents;
- that neither the execution nor delivery of the Contribution Agreement, nor the consummation of the Transaction will directly or indirectly (i) contravene, conflict with or violate any of each respective company's constitutional documents or any of their board or shareholder resolutions or (ii) contravene, conflict with or violate or give any governmental body or other person the right to challenge the Transaction or to exercise any remedy or obtain any relief under any legal requirement or order or (iii) breach or give any person the right to declare a default or exercise any remedy or to obtain any additional rights under or to accelerate the maturity or performance of a payment under or to cancel, terminate or modify any contract to which each respective company is party;
- that save for the Company obtaining shareholder approval for the Transaction pursuant to the AIM Rules, no respective company is required to give notice or obtain consent from any person in connection with the execution and delivery of the Contribution Agreement or the consummation or performance of the Transaction; and
- brokerage fees, finder's fees, agent's commissions or other similar payments to be paid in connection with the Transaction.

In addition, SKL Holdings and Snorkel International Holdings will also provide warranties and representations to HBWP and the Company concerned with (i) there being no proceedings pending against either of them which could challenge, prevent, delay, make illegal, limit or condition or otherwise interfere with the Transaction and (ii) the capitalisation of Snorkel International Holdings.

HBWP and the Company will also provide warranties and representations to SKL Holdings and Snorkel International Holdings concerned with (i) the ownership of the share capital of the Snorkel Companies, (ii) the disclosure letter to be given in respect of the warranties and representations of HBWP and the Company referred to immediately below and (iii) the intent of HBWP in investing in Snorkel International Holdings pursuant to the Transaction.

In addition, the Company and HBWP will provide representations and warranties in respect of the Snorkel Companies which are limited by disclosures contained within a disclosure letter which is to be negotiated prior to the Contribution Agreement closing and delivered on the same date that the Contribution Agreement closes. Such warranties and representations are concerned with the following matters:

- the organisation and good standing of each of the Snorkel Companies;
- the entering into and performance of the Contribution Agreement not conflicting or breaching the respective constitutions of the Snorkel Companies or resulting in any other adverse consequence for any Snorkel Company;
- the capitalisation of each Snorkel Company;
- the financial statements of each Snorkel Company delivered to SKL Holdings and Snorkel International Holdings;
- the books and records of each Snorkel Company;
- the real and personal property of each Snorkel Company;
- the condition of the assets of each Snorkel Company;

- the validity and collectability of the accounts receivable of each Snorkel Company;
- the inventories of each Snorkel Company;
- the undisclosed liabilities of each Snorkel Company;
- the tax affairs of each Snorkel Company
- no Snorkel Company having, since 31 December 2012, suffered any material adverse change and no event having occurred and no circumstance existing which can reasonably be expected to result in a material adverse change;
- employee benefit arrangements and employment matters;
- compliance with legal requirements and governmental authorisations;
- legal proceedings and orders in respect of the Snorkel Companies;
- certain events not having occurred since 31 December 2012;
- the material contracts of each of the Snorkel Companies;
- the insurance arrangements of each Snorkel Company;
- environmental matters;
- intellectual property matters;
- compliance by the Snorkel Companies with anti-corruption laws, export controls and anti-boycott laws;
- customers and suppliers;
- product liabilities and warranties;
- business relationships with affiliates; and
- the adequacy of the assets of the Snorkel Companies to conduct the trading of the Snorkel Division.

#### Indemnities and Limitations

Under the Contribution Agreement, the Company and HBWP will jointly and severally indemnify and hold harmless SKL Holdings, Snorkel International Holdings (and their related persons) in respect of:

- breaches of the warranties and representations to be made by the Company or HBWP (whether in the Contribution Agreement or in any other document delivered pursuant to the Contribution Agreement);
- breaches of the covenants or obligations of the Company or HBWP (whether in the Contribution Agreement or in any other document to be delivered pursuant to the Contribution Agreement);
- claims by any person for brokerage or finder's fees or commission or similar payments;
- taxation of the Snorkel Companies relating to periods ending on or before the date that the Contribution Agreement closes and any other liability of any Snorkel Company for taxes of any other person; and
- any environmental, health, and safety liabilities arising out of or relating to the Snorkel Companies.

SKL Holdings and Snorkel International Holdings will jointly and severally indemnify and hold harmless the Company and HBWP in terms similar to those described above in respect of the various warranties, representations, covenants and obligations of SKL Holdings and Snorkel International Holdings in the Contribution Agreement or in any other document to be delivered pursuant to the Contribution Agreement and also in respect of claims for brokerage or finder's fees, commissions or similar payments.

Save in respect of indemnity claims which relate to the warranties and representations of the Company and HBWP which are concerned with fundamental matters (such as title to shares and capacity to enter into documents) and which are concerned with tax and environmental matters, indemnity claims with regards to the other warranties and representations which will be provided by the Company and HBWP must be made on or before the date that is two years from the date that the Contribution Agreement closes. In the case of indemnity claims



which relate to those of the warranties and representations that are concerned with fundamental matters and which are concerned with tax and environmental matters, the limitation period is that governed by statute.

The Company and HBWP will not be liable for indemnity claims in respect of the warranties and representations to be provided by them until the losses suffered with respect to such claims exceeds \$US 1,000,000 (unless the aggregate of such losses exceeds the sum of \$US 5,000,000, when the Company and HBWP shall be liable for all of such losses). The Contribution Agreement provides that the aggregate liability of the Company and HBWP in respect of such indemnity will be limited to the sum of \$US 10,000,000. The above referred to limitations do not apply to indemnity claims in respect of the warranties and representations concerned with fundamental matters or where HBWP or the Company has acted fraudulently or has intentionally misrepresented the position. Further, the \$1,000,000 deductible amount does not apply to claims for breaches of covenants, claims for taxes, and claims for unpaid brokerage fees, and the \$10,000,000 maximum limitation does not apply to claims in respect of such matters nor for environmental claims.

The Contribution Agreement contains other provisions which are designed to limit the liability of the Company and HBWP in respect of the indemnities to be given by them.

The exclusive remedy of SKL Holdings and Snorkel International Holdings for losses suffered in respect of the indemnities referred to above and otherwise under the Contribution Agreement is in the form of deemed distributions to HBWP with respect to its membership interest in Snorkel International Holdings, in the manner described below at section 3.1 in respect of the LLC Agreement, save in the case of loss arising from the fraud or intentional misrepresentation of the Company or HBWP or from indemnity claims which relate to the warranties and representations concerned with fundamental matters, where the remedy will comprise the payment in cash.

#### Termination

The Contribution Agreement provides that it may be terminated prior to it closing:

- by the mutual consent of the Company and SKL Holdings;
- by SKL Holdings, if a material breach of any provision of the agreement has been committed by the Company or HBWP;
- by the Company, if a material breach of any provision of the agreement has been committed by SKL Holdings or Snorkel International Holdings;
- by SKL Holdings, if satisfaction of any condition precedent to closing of the Company or HBWP in the Contribution Agreement by December 31, 2013 or such later date as the parties may agree upon (the "End Date") becomes impossible (other than through the failure of SKL Holdings or Snorkel International Holdings to comply with their obligations under the Contribution Agreement);
- by the Company, if satisfaction of any condition precedent to closing of SKL Holdings or Snorkel International Holdings by the End Date becomes impossible (other than through the failure of the Company or HBWP to comply with their obligations under the Contribution Agreement);
- by SKL Holdings, if closing has not occurred on or before the End Date, unless SKL Holdings or Snorkel International Holdings is in material breach of the Contribution Agreement; or
- by the Company, if closing has not occurred on or before the End Date, unless the Company or HBWP are in material breach of the Contribution Agreement.

#### Governing Law

The Contribution Agreement provides that any proceedings arising out of or relating to the Contribution Agreement or the Transaction are to be brought in the courts of the State of Nevada in Clark County or, if it has or can acquire jurisdiction, in the United States District Court for the District of Nevada, and each party to the Contribution Agreement is required to irrevocably submit to the exclusive jurisdiction of each such court.

### 3.2. LLC Agreement

The LLC Agreement will govern the relationship of SKL Holdings and HBWP in relation to their ownership of the membership interests in Snorkel International Holdings. The following sections summarise the principal provisions of the LLC Agreement.

#### Management

The LLC Agreement provides that Snorkel International Holdings is to be manager-managed and shall have one manager, who may, but need not, be a Member, and who may be a natural person or an entity and who need not be a resident of Nevada. The initial manager of Snorkel International Holdings is to be SKL Holdings.

The manager may be removed by a majority of the Members with or without cause. Save where otherwise specified in the LLC Agreement, the manager is to have full and complete authority, power and discretion to manage and control the business, affairs and properties of Snorkel International Holdings, and to make all decisions to cause Snorkel International Holdings:

- to borrow money for the purpose of Snorkel International Holdings, and to hypothecate, encumber and grant security interests in the assets of Snorkel International Holdings to secure repayment of the borrowed sums;
- to acquire, improve, manage, charter, operate, lease, sell, transfer, exchange, pledge or dispose of real or personal property of Snorkel International Holdings;
- to execute instruments and documents necessary, in the opinion of the manager, to the business of Snorkel International Holdings; and
- to delegate control over Snorkel International Holdings' day-to-day business and affairs to any officer, employee or other agent.

The manager is not permitted to cause Snorkel International Holdings to engage in any business the majority of which is not the manufacture, sale and rental of aerial lifts, work platforms and telescopic forklifts may not amend or terminate any agreement by and between Snorkel International Holdings and its Members (and/or their affiliates) (a "Affiliate Business Agreement"), without the advance consent of HBWP. The gross value of assets contributed by HBWP and the net value of each Snorkel Company contributed to Snorkel International Holdings by HBWP pursuant to the Contribution Agreement shall be determined and mutually agreed by HBWP and the manager within 180 days after Closing.

Save as described above and save where otherwise specified in the LLC Agreement, the manager is to have full and complete authority, power and discretion to manage and control those matters which the LLC Agreement does not make expressly subject to approval by the Members and to perform any and all other acts or activities necessary, customary, desirable or incidental to the management of Snorkel International Holdings' business.

The manager is entitled to a management fee payable on a quarterly basis in arrears, determined by the Manager in its sole discretion from time to time; provided, however, that the Management Fee shall in no event exceed two percent (2%) of the consolidated gross revenues of the Company for any calendar quarter for its services as manager.

#### Authority to bind Snorkel International Holdings

Unless authorised by the LLC Agreement or by the manager, no Member, employee or other agent of Snorkel International Holdings is to have power or authority to bind Snorkel International Holdings in any way or to pledge its credit or render it liable for any purpose.

#### Member Meetings

The LLC Agreement provides that any Member may call a meeting of Members by giving not less than 10, but not more than 30, days notice and specifying the location and time of the meeting. Participation in or conduct of meetings may be by telephonic or other means of communication by which all authorised representatives (or proxy holders) of the Members may simultaneously communicate with each other. There is no quorum requirement and any vote shall be approved only upon receiving the affirmative vote of Members holding at least the minimum percentage of membership interests necessary to take such action under the LLC Agreement and, if applicable, any other necessary approval.

Members may take action without a meeting if the action is evidenced by sufficient written consents signed by Members having not less than the minimum number of votes that would be necessary to take such action at a meeting.

#### Withdrawal

Under the LLC Agreement, no Member is to have the right or power to withdraw from Snorkel International Holdings. Any Member who purports to withdraw voluntarily from Snorkel International Holdings shall be in breach of the LLC Agreement and shall be liable for any damages arising as a result of their purported withdrawal. They shall cease to be a Member but continue to hold an interest in Snorkel International Holdings, as an assignee, and will not be entitled to any distribution from Snorkel International Holdings.

#### Capital Contributions, Capital Accounts

The LLC Agreement requires Snorkel International Holdings to maintain a capital account for each Member in accordance with the following requirements and the requirements of proposed, temporary and final regulations promulgated under the US Internal Revenue Code of 1986, as amended (respectively “the Code” and “Treasury Regulations”).

##### *Increase*

To each Member’s capital account there shall be credited the capital contributions made by such Member to Snorkel International Holdings, such member’s allocable share of profits and any other items in the nature of income or gain that are specially allocated to such Member (under the distribution provisions of the LLC Agreement referred to below), and the amount of any Snorkel International Holdings liabilities that are assumed by such Member.

##### *Decrease*

To each Member’s capital account there shall be debited the amount of cash and the fair market value of any Snorkel International Holdings property distributed to such Member pursuant to any provision of the LLC Agreement, net liabilities secured by such property that the Member is considered to assume to take, such member’s allocable share of losses and any other items in the nature of expenses or losses that are specially allocated to such Members under the LLC Agreement, and the amount of any liabilities of such Member that are assumed by Snorkel International Holdings.

##### *Amount of Liability*

In determining the amount of any liability, a liability to which property is subject shall, to the extent of the fair market value of such property, be considered as a liability of the owner of the property pursuant to Code Section 752(c), and any other applicable provisions of the Code and Treasury Regulations determining the existence, amount or share of a liability shall be taken into account.

##### *Transfers*

In the event that any interest in Snorkel International Holdings is to be transferred in accordance with the terms of the LLC Agreement, the transferee shall succeed to the capital account of the transferor, to the extent that it relates to the transferred interest in Snorkel International Holdings.

#### Initial Contributions

The gross value of assets to be contributed by HBWP and the net value of each Snorkel Company which is to be contributed to Snorkel International Holdings by HBWP pursuant to the Contribution Agreement shall be determined and mutually agreed by HBWP and the manager within 180 days after Closing. The LLC Agreement provides that the agreed upon value of initial capital contributions of the Members are the sum of \$ US1,000 in respect of SKL Holdings and the amount as determined within 180 days in respect of HBWP, which amount is assured to be a positive value. No Member may withdraw any capital contribution without the consent of the manager, unless provided for in the LLC Agreement. No Member shall have any deficit, restoration obligation or personal liability for repayment of any capital contribution of any other Member. Any loan made by a Member to Snorkel International Holdings will not be treated as a capital contribution.



### Additional Contributions

If in the judgment of the manager, Snorkel International Holdings does not have sufficient funds for its operations and does not have sufficient borrowing capacity at commercially reasonable rates to fund its operations, the manager may propose that each Member make additional capital contributions to Snorkel International Holdings by way of a capital call as follows:

- if a capital call is made prior to or on 30 September 2018, as may be extended pursuant to the LLC Agreement (such period being referred to in the LLC Agreement as the “Percentage Interest Adjustment Period”), then 70% of the total amount of the capital call shall be made by SKL Holdings and 30% of the total amount of the capital call shall be made by HBWP; and
- if the capital call is made after the Percentage Interest Adjustment Period, then each Member’s contribution shall be equal to the result of multiplying the Member’s then percentage interest in Snorkel International Holdings and the total amount of the capital call.

Each additional capital contribution is to be returned to the Members, without interest or any other return, on a second priority basis out of any and all subsequent distributions pursuant to the LLC Agreement after repayment of the Capital Call Preferred Return and Excess Contribution, each of which is described below.

If HBWP fails to make its *pro rata* share of any additional capital contribution, SKL Holdings will have the right, but not the obligation, to advance directly to Snorkel International Holdings the capital contribution required from HBWP (an “Excess Contribution”). SKL Holdings’ capital contribution pursuant to the capital call and, if advanced, an Excess Contribution, is to attract a preferred return at an “interest” rate equal to the cost to SKL Holdings in providing the Excess Contribution (consisting of interest, discount, if any, fees and expenses directly relating to such funding), plus 1% per annum (the “Capital Call Preferred Return”). The Capital Call Preferred Return, SKL Holdings’ capital contribution pursuant to the capital call, and the Excess Contribution shall be returned to SKL Holdings on a first priority basis (with any accrued Capital Call Preferred Return being paid first) out of any and all subsequent distributions pursuant to the LLC Agreement, ahead of any HBWP Unpaid Priority Amount (see the Net Cash Flow section of the section headed ‘Distributions’ below) or any other distribution to Members pursuant to the distribution provisions of the LLC Agreement. Notwithstanding any of the terms of the LLC Agreement to the contrary, no capital call may be enforced by a creditor of Snorkel International Holdings or other person unless the Member expressly consents to such enforcement or to the assignment of the obligation to such creditor.

### Allocations

The LLC Agreement provides that subject as described below, in respect of special allocations, profits and losses (and, if required, gross items of income and deduction) are to be allocated to Members in such a manner that the capital account balance of each Member is, to the greatest extent possible, equal to the amount that would be distributed to each Member if:

- Snorkel International Holdings was to sell its assets for their respective gross asset values;
- all of Snorkel International Holdings’ liabilities were satisfied;
- Snorkel International Holdings were to distribute to proceeds of sale in accordance with the distribution provisions of the LLC Agreement; and
- Snorkel International Holdings were to dissolve,

after subtracting for this purpose, each Member’s share of ‘Company Minimum Gain’ or ‘Member Nonrecourse Minimum Gain’ computed immediately after the hypothetical liquidation.

‘Company Minimum Gain’ is generally the amount by which any Snorkel International Holdings nonrecourse debt (a liability for which no Member is liable) exceeds the sum of Snorkel International Holdings’ adjusted tax basis in property, plus any distributions which have been made from nonrecourse debt proceeds.

'Member Nonrecourse Minimum Gain': If Snorkel International Holdings has nonrecourse liabilities with respect to which a Member (or a related person) bears the ultimate economic risk of loss, for example, because the person is the creditor or guarantor with respect to such liability, the LLC Agreement requires losses or other deductions attributable to such liabilities to be allocated to the Member(s) that bears such economic risk of loss. This provision is required by Treasury Regulations, because other Members do not otherwise bear the economic risk of loss associated with deductions attributable to such indebtedness.

In general, prior to the expiration of the Percentage Interest Adjustment Period the effect of the general allocation provision will be for profits to be allocated (i) first to Members to the extent of previously allocated cumulative losses, (ii) then to the extent the Capital Call Preferred Return has accrued, (iii) next to HBWP to the extent of the accrued HBWP Preferred Return (see the Net Cash Flow section of the section headed "Distributions" below), whether or not paid in the current year, (iv) then to HBWP to the extent of the HBWP Priority Amount (see the Net Cash Flow section of the section headed "Distributions" below), and (v) finally, to the Members *pro rata* in proportion to their then percentage interests.

After the expiration of the Percentage Interest Adjustment Period the effect of the general allocation provisions will be for profits to be allocated (i) first to Members to the extent of previously allocated cumulative losses, (ii) then to the extent the Capital Call Preferred Return has accrued, and (iii) finally, to the Members *pro rata* in proportion to their then respective percentage interests.

Losses under the general allocation provisions will be allocated (i) first to the extent of previously allocated cumulative profits, (ii) then to Members to the extent of any positive capital account balance (in proportion to such positive balances), and (iii) then to the Members *pro rata* in accordance with their then respective percentage interests.

In accordance with the Code, the LLC Agreement provides for certain special allocations to be made in the following order:

#### *Snorkel International Holdings Minimum Gain Chargeback*

Except as provided in Treasury Regulations, for Members that have been allocated deductions or receive distributions associated with nonrecourse debt-financed property, the LLC Agreement requires a special allocation of income and gain to such Members equal to their share of the decrease in Company Minimum Gain associated with such property. This provision is required by Treasury Regulations because Members do not otherwise bear the economic risk of loss associated with deductions attributable to nonrecourse indebtedness.

#### *Member Minimum Gain Chargeback*

Similar to the Company Minimum Gain Chargeback provisions, the LLC Agreement requires any Member Nonrecourse Minimum Gain to be specially allocated to the Member(s) that had been previously allocated deductions or losses attributable to liabilities for which the Member (or a related person) bore the ultimate economic risk of loss, for example, because the person is the creditor or guarantor with respect to such liability. Accordingly, except as provided in Treasury Regulations, if there is a net decrease in Member Nonrecourse Minimum Gain attributable to such debt, each Member who has a share of the Member Nonrecourse Minimum Gain attributable to such debt shall be specially allocated items of Snorkel International Holdings' income and gain in an amount equal to such Member's share of the net decrease in Member Nonrecourse Minimum Gain. However, a Member is not subject to Member Minimum Gain Chargeback to the extent the decrease in Member Nonrecourse Minimum Gain arises because the liability in question becomes partially or wholly a nonrecourse liability for which no Member (or related person) is liable.

#### *Qualified Income Offset*

Because Snorkel International Holdings is a limited liability company, the Members are not required to restore a negative book capital account upon liquidation of Snorkel International Holdings. As a result, US tax law requires the LLC Agreement to contain a qualified income offset provision in lieu of requiring Members to restore or contribute any negative capital account balances. Member capital accounts can become negative as a result, among other examples, of allocated economic losses and distributions. The LLC Agreement contains such a qualified income offset provision, which provides that if any Member unexpectedly receives

any adjustments, allocations or distributions, items of Snorkel International Holdings income and gain shall be specially allocated to such Member in an amount and manner sufficient to eliminate adjusted capital account deficits of the Member as quickly as possible.

For this purpose, adjusted capital account deficits are determined by (i) reducing a Member's capital account balance by certain deductions and losses (e.g. depletion deduction and losses, if any, attributable to distributions of property to a Member in excess of their indirect interest in such property prior to the distribution), and by any reasonably anticipated future distributions to the extent they exceed offsetting increases in the Member's capital account that are reasonably expected to occur during or prior to the year such distributions are expected to be made, and (ii) increasing the Member's capital account by any commitment of the Member to make future contributions, and by the amount of such Member's share of Company Minimum Gain and Member Nonrecourse Minimum Gain.

#### *Gross Income Allocation*

Because the Qualified Income Offset provisions might otherwise reduce the availability of Members to claim deductions or losses if reasonably anticipated future distributions will exceed offsetting increases to the Member's capital account expected to occur during or prior to such distributions, the LLC Agreement also contains a special gross income allocation, which is generally intended to defer the allocation of such deduction or losses in the year any such distributions actually do occur, rather than forgo such deduction or losses permanently. Accordingly, if any Member has an adjusted capital account deficit at the end of any period that is in excess of the sum of such Member's share of Company Minimum Gain and Member Nonrecourse Minimum Gain, such Member shall be specially allocated items of Snorkel International Holdings income and gain in the amount of such deficit as quickly as possible provided that such Member would have an adjusted capital account deficit in excess of such sum after all other allocations provided for in the LLC Agreement have been made.

#### *Nonrecourse Deductions*

Nonrecourse Deductions for any period shall be specially allocated to the Members in proportion to their respective percentage interests. Nonrecourse Deductions equal the amount, if any, by which there is a net increase in Company Minimum Gain during the year, reduced by the aggregate distributions made during the year of proceeds of a nonrecourse liability that are allocable, under Treasury Regulations, to an increase in Company Minimum Gain. However, increases in Company Minimum Gain resulting from conversions, refinancings or other changes to nonrecourse indebtedness do not generate Nonrecourse Deductions. As a general matter, Nonrecourse Deductions consist first of depreciation deductions and then, if necessary, a *pro rata* portion of other Snorkel International Holdings losses, deductions and expenditures, with any excess nonrecourse deductions carried over.

#### *Member Nonrecourse Deductions*

Any Member Nonrecourse Deduction for any period shall be specially allocated to the Member who (or for whom a related party) bears the economic risk of loss with respect to a Snorkel International Holdings liability to which such Member Nonrecourse Deductions are attributable. Member Nonrecourse Deductions equal the amount, if any, by which there is a net increase in Member Minimum Gain during the year, reduced by the aggregate distributions made during the year of proceeds of a nonrecourse liability that are allocable, under Treasury Regulations, to an increase in Member Minimum Gain. However, increases in Member Minimum Gain resulting from conversions, refinancings or other changes to nonrecourse indebtedness do not generate Member Nonrecourse Deductions.

#### *Section 754 Adjustments*

A 754 election allows Snorkel International Holdings to adjust the tax basis of its property in the event of transfers of Snorkel International Holdings interests by Members and certain distributions of Snorkel International Holdings property to Members. The election may be made by the manager, if at all, in the year of such transfer or distribution. If such an election is made as a result of a distribution of property to a Member in complete liquidation of such Member's interest in Snorkel International Holdings, then the amount of such adjustment shall be taken into account in determining capital accounts as if the adjustment were an item of gain or loss, as the case may be, and such gain or loss shall be specially allocated to the Members in accordance with their interests in Snorkel International Holdings.

### *Allocations Relating to Taxable Insurance of membership interests*

Any income, gain, loss or deduction realized as a direct or indirect result of the issuance of any interest in Snorkel International Holdings to a Member (each an "Issuance Item") shall be allocated among the Members so that the net amount of all of the Issuance Items, together with all other allocations under the LLC Agreement, shall be equal to the net amount that would have been allocated to each such Member if the Issuance Items had not been realized.

### Loss Limitation

The LLC Agreement provides that losses allocated to Members pursuant to the LLC Agreement cannot exceed the maximum amount of losses that can be allocated without causing any Member to have a capital account deficit at the end of the relevant period.

### Tax Allocations

Save as otherwise provided in the LLC Agreement, all items of income, gain, deduction, and loss of Snorkel International Holdings shall be allocated for federal income tax purposes among the Members in the same manner as the corresponding items of profits and loss. However, for US income tax purposes Section 704(c) of the Code requires that income, gain, loss and deduction with respect to property contributed by a Member shall be shared among the Members so as to take account of the variation between the adjusted tax basis of property to Snorkel International Holdings and its fair market value at the time of contribution. Essentially, this provision means that the pre-contribution gain of assets contributed to Snorkel International Holdings (excess of fair market value over federal adjusted basis on date of contribution) must ultimately be allocated to the contributing Member, such as HBWP. For non-depreciating assets such as land, this requirement is generally satisfied by allocating pre-contribution gain for tax purposes only to HBWP when Snorkel International Holdings makes a taxable disposition of the contributed asset. For depreciating or amortizing assets, the depreciation and amortization deductions arising after contribution and before disposition of the property must be specially allocated among the Members so as to eliminate, to the extent possible, the variation between the adjusted tax basis of such asset and its gross asset value for income tax purposes. Under the LLC Agreement the manager may select any reasonable method permitted by Treasury Regulations to account for such variance.

### Distributions

#### *Net Cash Flow*

For the purpose of the LLC Agreement, the gross cash proceeds of Snorkel International Holdings less amounts used to pay or establish reasonable reserves, all as determined in good faith by the manager ("Net Cash Flow"), shall be distributed at such times and in such amounts as the manager determines. In the following order of priority:

- during the Percentage Interest Adjustment Period:
  - first, to SKL Holdings, until such company has received aggregate distributions in an amount equal to the Capital Call Preferred Return;
  - second, to SKL Holdings, until such company has received aggregate distributions in an amount equal to the Excess Contribution;
  - third, to SKL Holdings and HBWP in accordance with their respective funding percentages of all capital calls, until they have each received aggregate distributions in an amount equal to their respective aggregate capital calls;
  - fourth, to HBWP, until HBWP has received aggregate distributions in an amount equal to 2.5% per annum, calculated like interest and cumulative but not compounded, on the HBWP Unpaid Priority Amount (which is defined below), as adjusted, from time to time (the HBWP Preferred Return");
  - fifth, to HBWP, until HBWP has received aggregate distributions in an amount equal to US \$50,000,000, as adjusted in accordance with the Contribution Agreement (the "HBWP Priority Amount"); and
  - sixth, to Members in accordance with their respective percentage interests.
- Following the termination of the Percentage Adjustment Period, Net Cash Flow shall be distributed to Members:

- first, to SKL Holdings, until such company has received aggregate distributions in an amount equal to the Capital Call Preferred Return;
- second, to SKL Holdings, until such company has received aggregate distributions in an amount equal to the Excess Contribution; and
- then, to the Members in accordance with their respective percentage interests.

#### *Tax*

The manager may make distributions to the Members in amounts intended to enable the Members to pay taxes on the taxable income (or items thereof) of Snorkel International Holdings that are allocated to the Members. All distributions shall be made to the Members in accordance with the relative amounts of taxable income (or items thereof) that are allocated to the Members for such period and shall be treated as an advance against, and shall reduce, subsequent distributions to Members in the order of priority as any other distribution of Net Cash Flow.

#### *Deemed Distributions*

Any Contribution Agreement Indemnity Payment (being a loss suffered by SKL Holdings or Snorkel International Holdings which is required under the Contribution Agreement to be exclusively recovered as a deemed distribution by Snorkel International Holdings to HBWP with respect to its membership interests) shall be deemed to be a distribution to HBWP (applied in the order of priority as an actual distribution of Net Cash Flow), but shall in fact be paid to SKL Holdings. Similarly, if Snorkel International Holdings, SKL Holdings (or an affiliate of SKL Holdings) is owed any payment from HBWP (or from an affiliate of HBWP) under any Affiliate Business Agreement, the payment shall instead be treated as a deemed distribution by Snorkel International Holdings to HBWP with respect to its membership interest (with such deemed distribution applied in the order of priority as an actual distribution of Net Cash Flow). The forgoing deemed distributions do not apply with respect to payments required under their terms to be made in cash unless such payment is not made within 30 days when due.

#### *Special Distribution Request*

If, during the Percentage Interest Adjustment Period both (i) EBITDA of Snorkel International Holdings and its subsidiaries exceeds US \$25,000,000 for the preceding 12 month period, and (ii) the difference between (a) the amount of indebtedness for borrowed money and deferred purchase price for property owed by Snorkel International Holdings and its subsidiaries, less (b) the book value of cash and marketable securities owned by Snorkel International Holdings and its subsidiaries (“Adjusted Debt”) does not exceed the EBITDA for such 12 month period multiplied by two, then HBWP may provide written notice to Snorkel International Holdings to make a distribution to it in an amount equal to any then accrued but unpaid HBWP Preferred Return and remaining HBWP Priority Amount to which HBWP would then be entitled (a “Special Distribution Amount”). If the manager determines that Snorkel International Holdings is not able to make any or the full amount of such distribution, then Snorkel International Holdings shall distribute to HBWP the maximum amount that it is able to, and shall be obliged to pay the balance as quickly as the manager determines Snorkel International Holdings is commercially so able, and the HBWP Preferred Return shall be adjusted to 5% per annum and the Percentage Interest Adjustment Period is to be extended until the aggregate amount of distributions made or deemed made to HBWP is equal to the remaining HBWP Preferred Return and HBWP Priority Amount.

In the event that the EBITDA of Snorkel International Holdings and its subsidiaries exceeds US \$25,000,000 for any continuous twelve month period ending on or prior to 30 September 2018, and HBWP timely requests payment of the Special Distribution Amount prior to such date, then the Percentage Interest Adjustment Period will automatically be extended until HBWP has received or is deemed to have received the remaining HBWP Preferred Return and HBWP Priority Amount, if Snorkel International Holdings is not able to make the full amount of the Special Distribution so requested.

For purposes of determining whether the Special Distribution conditions are present, and for purposes of determining the Option Price for the put and call options described under the sections ‘Put Option’ and ‘Call Option’ below, “EBITDA” shall mean, with respect to any fiscal period, for Snorkel International Holdings and its subsidiaries on a consolidated basis, (a) net earnings (or loss), minus, without duplication, (b) the sum of the following amounts for such



period to the extent included in determining consolidated net earnings (or loss) for such period: (i) extraordinary and/or non-recurring gains, (ii) interest income, (iii) non-operating, non-cash income, and (iii) income tax benefits, plus, without duplication, (c) the sum of the following amounts for such period to the extent included in determining consolidated net earnings (or loss) for such period: (i) non-cash extraordinary losses, (ii) interest expense, (iii) income taxes paid or accrued during such period, (iv) depreciation and amortisation for such period; however, solely for such purposes, only 50% of any management fee paid to the manager shall be taken into account.

SKL Holdings may, under the LLC Agreement, elect to make an additional capital contribution to fund the Special Distribution Amount to HBWP. Any such additional capital amount which is made will not be treated as an Excess Contribution for the purposes of distributing Net Cash Flow.

#### *Amounts Withheld*

All amounts withheld pursuant to the Code or any provision of state or local tax law, with respect to any distribution or allocation shall be treated as amounts distributed under the distributions provisions of the LLC Agreement.

#### Adjustments of Percentages

The LLC Agreement provides that HBWP's percentage interest shall be reduced by subtracting from 49% the result of 19% multiplied by the quotient of the aggregate amount of all distributions made to HBWP, pursuant to the LLC Agreement for all periods prior to and including the date of the relevant distribution over the HBWP Priority Amount.

The LLC Agreement also provides that SKL Holdings' percentage interest shall be increased so that the sum of HBWP's percentage interest, determined after any reduction as described immediately above, and SKL Holding's percentage interest equals 100%.

#### Put Option

Under the LLC Agreement, HBWP will be granted a put option to sell to Snorkel International Holdings all (but not less than all) of HBWP's membership interests, exercisable after the date on which all the accrued HBWP Preferred Return and the HBWP Priority Amount have been distributed or deemed distributed to HBWP under the LLC Agreement. The put option may not be exercised at any time after the Percentage Interest Adjustment Period has terminated.

The option price ("Option Price") is calculated by multiplying (a) the difference between (i) the product of (x) EBITDA for the Option Determination Period (which is the twelve fiscal month period set forth in a written notice of intent to exercise the option) by (y) 5.5, minus (ii) the difference between (x) all liabilities of Snorkel International Holdings, minus (y) ordinary course accounts payable evidenced by invoices dated no earlier than 60 days prior to the last day of the Option Determination Period, in each case as shown on the balance sheet of Snorkel International Holdings as of the last day of the Option Determination Date, by (b) the percentage interest (expressed as a decimal) subject to the option.

If the manager, in its sole discretion, determines that Snorkel International Holdings cannot reasonably finance the purchase of HBWP's membership interests in full from ordinary financial sources in the United States, Snorkel International Holdings shall not be obligated to acquire all of such membership interests immediately, but shall instead be obligated to purchase so much of HBWP's membership interest as the manager determines Snorkel International Holdings is able to make at such time and shall thereafter be obliged to pay the balance as quickly as the manager determines it is commercially able.

#### Call Option

Under the LLC Agreement, Snorkel International Holdings will be granted a call option to purchase from HBWP all (but not less than all) of HBWP's membership interests at the Option Price, exercisable until after the first to occur of (i) all the accrued HBWP Preferred Return and the HBWP Priority Amount have been distributed or deemed distributed to HBWP under the LLC Agreement or (ii) the first day after the Percentage Interest Adjustment Period has terminated.

### Right of Co-Sale

The LLC Agreement provides that if SKL Holdings proposes to transfer more than 80% of its membership interests, or, in the case of a transfer of any portion of its membership interest in which a Member or its affiliate also ceases to act as manager to Snorkel International Holdings, in an arm's length transaction to a proposed purchaser and such purchaser is willing to purchase such membership interest(s), SKL Holdings shall deliver to each other Member written notice of such proposed transfer, including the material terms thereof and the non-transferring Members will be entitled to participate in the proposed transfer on the same terms and conditions specified in the said written notice.

### Drag-Along Right

The LLC Agreement provides that after the earlier of (i) payment in full of the HBWP Preferred Return and HBWP Priority Amount or (ii) termination of the Percentage Interest Adjustment Period, if SKL Holdings shall propose to transfer all of its membership interests in an arm's-length transaction to a proposed purchaser and such purchaser is willing to purchase all then-outstanding membership interests, then upon the request of SKL Holdings, the other Members shall be obligated to sell all of their membership interests to the purchaser on the same terms and conditions as the transferring Member(s).

### Limitation on Put Option, Call Option and Drag-Along Right

The LLC Agreement provides that HBWP will have no obligation to sell any of its membership interest pursuant to the drag-along right described above if (i) either a put option notice, or a call option notice has been timely delivered prior to receipt of a drag-along notice, or (ii) after a Special Distribution request has been timely delivered by HBWP unless, the full amount of the HBWP Preferred Return and HBWP Priority Amount has previously been distributed in full or will be so distributed or paid to HBWP simultaneously with the closing of the sale pursuant to the drag-along right.

In addition, the LLC Agreement provides that if all the accrued HBWP Preferred Return and the HBWP Priority Amount has not then been distributed or deemed distributed to HBWP, neither a put option notice, call option notice nor a drag-along notice may be issued, nor can the rights otherwise be exercisable by any party, at any time after 30 September 2018 and on or prior to the date which is 20 business days after the delivery to HBWP of a certificate of an officer of the manager as to the EBITDA of Snorkel International Holdings and the accompanying quarterly financial statements for the quarter ended 30 September 2018.

### Interested Party Transactions

Snorkel International Holdings may borrow money or transact other business with the manager, a Member or any affiliate of the manager or a Member on terms that are commercially reasonable, as determined by the manager in the manager's reasonable discretion; provided that such loans and other transactions shall be made on terms which are no less favorable to Snorkel International Holdings than those that could be obtained at the time of such transaction in arm's-length dealings with a person that is not such an affiliate. In the event Snorkel International Holdings enters into any transaction or series of related transactions outside the ordinary course of business with an affiliate involving the expenditure of more than US \$2,000,000 in any 12-month period, the manager shall provide written notice to HBWP of such transaction or transactions, including a reasonable description thereof.

Members will not be obligated to devote all of their time or business efforts to the affairs of Snorkel International Holdings. The manager shall devote reasonable time, effort, and skill as it deems appropriate for the operation of Snorkel International Holdings. The manager, Members and affiliates of the Members (i) may engage or invest in, independently or with others, any business activity of any type or description, including without limitation those that might be the same as or similar to Snorkel International Holdings' business and that might be in competition with Snorkel International Holdings and (ii) shall not be obligated to offer any investment opportunity or prospective economic advantage to Snorkel International Holdings or the other Members. Each such Member, manager or affiliates of the Members shall have the right to hold any investment opportunity or prospective economic advantage for its own account or to recommend such opportunity to persons other than Snorkel International Holdings.

#### Transfer and Assignment of Interests

The LLC Agreement provides that HBWP is not entitled to transfer all or any part of its membership interest, except with the prior written approval of the manager, which may be given or withheld in its sole discretion. SKL Holdings may transfer its membership interest without the consent of HBWP.

#### Additional Members

The LLC Agreement provides that with the advance consent of the manager, Snorkel International Holdings may issue additional membership interests for such consideration and on such terms and conditions and to such persons as the manager shall, in good faith, approve.

#### Dissolution, Winding Up and Distribution

The LLC Agreement provides that Snorkel International Holdings shall dissolve and commence winding up and liquidating upon the first to occur of either of the following events:

- the sale of all or substantially all of the property of Snorkel International Holdings; or
- the approval of Members holding more than 50% of the percentage interests held by members then entitled to vote to dissolve Snorkel International Holdings.

Upon liquidation, the assets of Snorkel International Holdings are to be distributed in the following order:

- first, to payments of debts and liabilities of Snorkel International Holdings, including debts and liabilities to Members and expenses of liquidation;
- second, to setting up any reserves that Members may deem reasonably necessary for any contingent or unforeseen liabilities or obligations of Snorkel International Holdings; and
- third, to the Members in accordance with the Net Cash Flow distribution provisions of the LLC Agreement.

#### Tax Status

The LLC Agreement states the intention of the Members that Snorkel International Holdings shall be a partnership for US state and federal income tax purposes.

#### Arbitration and Governing Law

The LLC Agreement provides that any dispute between the Members, or between the Members and the manager, arising under or connected to the LLC Agreement, shall be settled by arbitration in Seattle, Washington in accordance with the rules of the American Arbitration Association then in effect. The LLC Agreement is governed by the laws of the State of Nevada.

## **4. REORGANISATION**

Prior to Closing, in order for HBWP to contribute to Snorkel International Holdings all of its right, title and interest in each Snorkel Company owned by it, as required by the terms of the Contribution Agreement, it is intended that:

- the share capitals of each of TPAL, Snorkel Australia, Tanfield Union and TES US which is held by the Tanfield Group will be transferred to HBWP;
- Snorkel US will merge with and into Snorkel USA LLC, a Nevada limited liability company and Snorkel US will cease to exist;
- Snorkel USA LLC will transfer the share capital of Snorkel New Zealand held by it to HBWP; and
- TES US will merge with and into Snorkel USA LLC and TES US will cease to exist.

It is proposed that the above referred to share transfers will each be carried out for a nominal value.



The Company has taken UK taxation advice ahead of the share transfers to be undertaken by the UK Snorkel Companies and it is understood that no actual tax liabilities should crystallise on those transactions. Confirmation of this is however subject to HM Revenue clearance.

In relation to US tax matters:

- the merger of Snorkel US into Snorkel USA, LLC will be considered a tax-free liquidation of Snorkel US under US federal income tax laws, resulting in HBWP succeeding to the US net operating losses of Snorkel US;
- assuming the distribution occurs prior to Closing, the distribution of Snorkel New Zealand by Snorkel USA LLC to HBWP will be considered a taxable distribution for US federal income tax purposes but any gain otherwise recognized will be deferred until Snorkel International Holdings disposes of the Snorkel New Zealand shares; and
- assuming the merger occurs prior to Closing, the merger of TES US with and into Snorkel USA LLC will be considered a tax-free liquidation of TES US under US federal income tax laws, provided, however, that each of the US federal income tax consequences described above depends upon HBWP continuing to file a US federal consolidated income tax return with Snorkel Holdings, Inc., as is intended.

Closing will only take place once HBWP is in a position to comply with its obligation to contribute its interest in each Snorkel Company, as required by the terms of the Contribution Agreement.

## **5. INFORMATION ON SKL HOLDINGS**

SKL Holdings is a new entity, incorporated by Xtreme in order to carry out the Transaction and from Closing hold the 51% membership interests in Snorkel International Holdings.

## **6. THE COMPANY'S OPERATIONS FOLLOWING THE TRANSACTION**

### **(a) Cash Balances**

As at 20 September 2013 (being the last practicable date prior to the publication of this Document) the Company had a gross cash balance of approximately £1,400,000.

### **(b) Trading operations**

If the Transaction is approved, the Company's trading operations, pending any acquisitions made pursuant to the Investing Policy, will be limited to engineering and related activities undertaken by TES.

### **(c) Investments**

In addition to the Company's 49% membership interest in Snorkel International Holdings, the Company continues to hold a 24% interest in the shares of Smith Electric Vehicles Corp.

### **(d) Management**

On Closing, it is proposed that Darren Kell, Charles Brooks and Brendan Campbell will all enter into new employment agreements with Snorkel International Holdings, which will require them to devote their full time and attention to Snorkel International Holdings and the Snorkel Division. At that point, they will cease to be employed by the Company and in order for the new employment agreements to be entered into, each of Darren Kell, Charles Brooks and Brendan Campbell will need to agree with the Company a settlement of their respective employment rights with the Company. Following the agreement of such settlement, Darren Kell, Charles Brooks and Brendan Campbell will also each resign as directors of the Company.

After Closing, and the resignations referred to above, the make-up of the Board will comprise just the existing non-executive directors. Given that TES will comprise the only trading operations of the Company after Closing and that the Board's primary functions will be limited to financial control and reporting, compliance with the Company's AIM

Rule continuing obligations and making decisions on the execution of the Investing Policy referred to below, the Board currently considers that the Company's existing non-executive directors will be capable of managing these functions.

**(e) Shared Services**

Prior to Closing it is intended that the Company and Snorkel International Holdings will enter into a shared services agreement, to permit the remaining Tanfield Group after Closing to have access to those employees and services of the Snorkel Division that are still required by the remaining Tanfield Group in the period after Closing. It is anticipated that the services to be provided pursuant to the shared services agreement will be provided at cost on an 'as needed' basis, with such cost to be set off from any Special Distribution Amount (as described in the section headed 'Special Distribution Request' above).

**7. PROPOSED INVESTING POLICY**

AIM Rule 15 states that where the effect of a proposed disposal is to divest an AIM company of all, or substantially all, of its trading business, activities or assets that company will be treated as an investing company and must therefore provide shareholders with details of its investing policy.

Following Closing, the Company's trading operations will be limited to engineering and related activities undertaken by TES. In addition to the Company's 49% membership interest in Snorkel International Holdings, the Company will continue to hold a 24% interest in the shares of Smith Electric Vehicles Corp. These investments comply with the Company's Investing Policy set out below. It is not envisaged that the Company will be required to make any further investments.

The Company's Investing Policy, to be implemented following the Transaction, is set out below and will require the approval of Shareholders at the General Meeting.

As described in section 5 above, AIM Regulation has confirmed to the Company that although on Closing, the Company will be classified under the AIM Rules as an investing company, the AIM Rule requirements which apply to investing companies on AIM (that they are required to make an acquisition or acquisitions which constitute a reverse takeover under the AIM Rules or otherwise implement their investing policy within 12 months of becoming an investing company, failing which they will be suspended from trading on AIM) do not apply to the Company, as by virtue of Closing, the Company will have transitioned from being concerned, primarily, with trading businesses to being concerned, primarily, with its investments in Snorkel International Holdings and Smith Electric Vehicles Corp.

The Company's proposed investing policy reflects the transition that the Company will undergo on Closing. Accordingly, under its investing policy, the Company will not invest in other holdings outside the holdings it will have on Closing, being, at Closing, 49% of the membership interests in Snorkel International Holdings and 24% of the shares capital of Smith Electric Vehicles Corp.

The holdings in Snorkel International Holdings and Smith Electric Vehicles Corp are passive investments. It is the intention of the Board that where distributions or realisations of such holdings are made (or there is a receipt of marketable securities) that these are distributed to shareholders, subject compliance with any legal requirements associated with such distributions. There is presently no anticipated limit on the amount of time the holdings are to be held by the Company.

The Company does not have and will not make cross holdings and does not have a policy on gearing.

On Closing, the Company will have already implemented its Investing Policy for the purposes of AIM Rule 15.

The Directors are not, at this stage, engaged in any due diligence exercise nor have entered nor are negotiating any commitment in connection with any investments or acquisitions.

## **8. GENERAL MEETING**

The General Meeting is being convened for the purpose of approving the Transaction and approving the Investing Policy.

You will find at page 29 of this Document a notice convening the General Meeting to be held at the registered office of the Company at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA at 9.00 a.m. (UK time) on 7 October 2013 at which the Resolutions will be put to Shareholders, as follows:

### *Resolution 1:*

That the conditional contribution agreement between the (i) Company, (ii) SKL Holdings, LLC, (iii) HBWP Inc., and (iv) Snorkel International Holdings, LLC (the "Contribution Agreement") together with the amended and restated limited liability company agreement of Snorkel International Holdings, LLC (the "LLC Agreement") each in the form agreed between the respective parties (the principal terms of such agreed form Contribution Agreement and LLC Agreement being set out in the circular to shareholders dated 20 September 2013 (the "Shareholder Circular")) be approved along with all ancillary documents related thereto and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement and give full effect to the intentions of the parties under the Contribution Agreement and the LLC Agreement and all ancillary agreements related thereto (including agreeing any amendments or any waiver or variation of the terms and conditions of the Contribution Agreement and the LLC Agreement and such ancillary documents as they may, in their sole discretion deem fit, appropriate or necessary).

### *Resolution 2:*

That the Investing Policy (as described in the Shareholder Circular) (the "Investing Policy") be approved and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement the Investing Policy.

## **9. ACTION TO BE TAKEN BY SHAREHOLDERS**

Shareholders will find a Form of Proxy enclosed with this Document, for use at the General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return your Form of Proxy to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU as soon as possible but, in any event, so as to arrive no later than 9.00 a.m. (UK time) on 3 October 2013. The completion and return of a Form of Proxy will not preclude you from attending the meeting and voting in person should you wish to do so.

## **10. REMAINING BUSINESS OF THE COMPANY**

If the Resolutions are passed and the Transaction approved then, following settlement of all costs associated with the Transaction, the Directors estimate that the Company will have total cash available to it of approximately £600,000 to implement the Investing Policy and to provide working capital.

If the first Resolution is not passed and the Transaction is not approved then the Transaction will not proceed and the Directors believe that the Company's future will become increasingly uncertain (see section 2 of this Document regarding the background to this Transaction).

## **11. RECOMMENDATION**

The Independent Directors believe that the Transaction provides a solution to the working capital needs of the Snorkel Division and an opportunity for Shareholders to benefit from the potential value upside of the Snorkel Division and from the links with Ahern's businesses and the recovery that Tanfield has been unable to fund itself.

As such, the Independent Directors consider the Transaction and the adoption of the proposed Investing Policy to be in the best interests of the Shareholders. Accordingly the Independent Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of 17,015,482 Ordinary Shares, representing approximately 12% of the Company's issued Ordinary Share capital.

WH Ireland Limited, the Company's nominated adviser, has advised the Company only in connection with its regulatory obligations under the AIM Rules and not in respect of the commercial merits of the Transaction.

Yours sincerely,

**Jon Pither**  
Non-Executive Chairman

**PART II**  
**NOTICE OF GENERAL MEETING OF SHAREHOLDERS**  
**TANFIELD GROUP PLC**

(Incorporated and registered in England and Wales with registered number 04061965)

**NOTICE OF GENERAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN THAT** a general meeting of shareholders of the above-named company (the “Company”) will be held at the registered office of the Company at Vigo Centre, Birtley Road, Washington, Tyne and Wear, NE38 9DA on 7 October 2013 at 9.00 a.m. (UK time) for the purposes of considering and, if thought fit, approving the following two resolutions which will be proposed as ordinary resolutions:

1. That the conditional contribution agreement between the (i) Company, (ii) SKL Holdings, LLC, (iii) HBWP Inc., and (iv) Snorkel International Holdings, LLC (the “Contribution Agreement”) together with the amended and restated limited liability company agreement of Snorkel International Holdings, LLC (the “LLC Agreement”) each in the form agreed between the respective parties (the principal terms of such agreed form Contribution Agreement and LLC Agreement being set out in the circular to shareholders dated 20 September 2013 (the “Shareholder Circular”)) be approved along with all ancillary documents related thereto and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement and give full effect to the intentions of the parties under the Contribution Agreement and the LLC Agreement and all ancillary agreements related thereto (including agreeing any amendments or any waiver or variation of the terms and conditions of the Contribution Agreement and the LLC Agreement and such ancillary documents as they may, in their sole discretion deem fit, appropriate or necessary).
2. That the Investing Policy (as described in the Shareholder Circular) (the “Investing Policy”) be approved and that the Directors of the Company be authorised to take all such steps as any of them may consider necessary or desirable to implement the Investing Policy.

Dated: 20 September 2013

Registered Office:  
Vigo Centre,  
Birtley Road,  
Washington,  
Tyne and Wear,  
NE38 9DA

Charles Brooks  
Company Secretary  
  
by order of the Board

Notes

- (i) A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend, speak and vote in his place on a show of hands or, on a poll, provided that each proxy is appointed to a different share or shares. A proxy need not be a member of the Company.
- (ii) As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, Shareholders who hold shares in uncertificated form must be entered on the Company’s share register at 6.00 p.m. (UK time) on 3 October 2013 in order to be entitled to attend and vote at the General Meeting. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the General Meeting.
- (iii) A form of proxy is enclosed with this notice for use in connection with the business set out above. To be valid, forms of proxy and any power of attorney or other authority under which it is signed must be lodged with Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by 9.00 a.m. (UK time) on 3 October 2013 or by 48 hours before any adjourned General Meeting (excluding non-working days in accordance with section 327 of the Companies Act 2006).
- (iv) Completion and return of a form of proxy does not preclude a member from attending and voting at the General Meeting or at any adjournment thereof in person.
- (v) In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.
- (vi) As at the close of business on 20 September 2013 the Company’s issued share capital comprised 139,491,225 ordinary shares of 5 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company, and therefore the total number of voting rights in the Company as at the time and date given above is 139,491,225 voting rights.