

2843686

DATED

12th march

1997

I.W. SMITH ESQ.

and

S.C.FREEMAN ESQ.

and

J.C. FREEMAN ESQ.

and

TMH TELEMEDIA SERVICES LIMITED

SHAREHOLDERS AGREEMENT

relating to

TMH TELEMEDIA SERVICES LIMITED



WE CERTIFY THIS TO BE A TRUE
COPY OF THE ORIGINAL.

Thompson Smith & Puxon
1-4-97
THOMPSON SMITH & PUXON
SOLICITORS COLCHESTER

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Date:

12th march 1997

Parties:

(1) 'Mr.I.W.Smith' : **IAN WILLIAM SMITH** of 19 Valley Crescent, West Bergholt, Colchester, Essex CO6 3ED

(2) 'Mr S.C.Freeman' : **STUART CARL FREEMAN** of Fern Lodge, 7 Fernhill, Glemsford, Near Sudbury, Suffolk CO10 7PR

(3) 'Mr. J.C. Freeman' : **JASON CARL FREEMAN** of 1 Proctor Close, Langenhoe, Colchester, Essex

(4) 'TMH' : **TMH TELEMEDIA SERVICES LIMITED** whose registered office is at Stane House, Salmons Corner, Near Coggeshall, Essex CO6 1RX.

Recitals:

(A) TMH was incorporated under the Companies Acts 1985 to 1989 on the 10th day of August 1993 and has, at the time of execution of this Agreement, an authorised share capital of £100,000 divided into 100,000 Shares of £1 each 100 of which have been issued and are beneficially owned as follows:

Mr.I.W.Smith	-	50 Shares
Mr S.C.Freeman	-	32 Shares
Mr J.C.Freeman	-	18 Shares

(B) TMH and its general management has for some time past been controlled by Mr.I.W.Smith and Mr S.C.Freeman

(C) The Shareholders have agreed to enter into this Agreement for the purposes of setting out the basis and terms upon which TMH and its management will be controlled in the future

(D) TMH has agreed with the Shareholders that it will comply with the terms and conditions of this Agreement insofar as they relate to TMH

(E) TMH has one subsidiary at the date hereof namely TMH Promotions Limited (Company Registration Number 3182851) whose registered office is at Stane House, Salmons Corner, Near Coggeshall, Colchester, Essex CO6 1RX

(F) The Directors of TMH at the time of execution of this Agreement are Mr I.W.Smith, Mr S.C.Freeman and Mr J.C.Freeman

Operative provisions:

1 Interpretation

1.1 In this Agreement, unless the contrary intention appears, the following definitions apply:

"A' Shares' : means the 'A' Shares of £1 each in the share capital of TMH from time to time

'Agreed Terms'	: means the terms of an annexed draft agreed between the parties or their respective legal advisers
'Agreed Proportions'	: means 50 per cent in respect of Mr.I.W.Smith and 50 per cent in respect of Mr S.C.Freeman or (if different) such other proportions as equal, at the time when any liability arises under clause 9, the percentages which the nominal value of the Shares beneficially owned by Mr.I.W.Smith and Mr S.C.Freeman respectively in the Equity Share Capital of TMH bears to the combined nominal value of the Equity Share Capital (taken as a whole)
'Auditors'	: means the auditors from time to time of TMH
"B' Shares"	: means the 'B' Shares of £1 each in the share capital of TMH from time to time
'Board'	: means the board of directors for the time being of TMH
'Board Minutes'	: means the minutes of a meeting of the Board in the form set out in Schedule 1 hereto
'Business'	: means the business of TMH as described in clause 2(1) and such other business as the Major Shareholders may agree in writing should be carried on by TMH and its subsidiaries
'Control'	: has the same meaning as in section 840 of the Taxes Act
'Director'	: a director of TMH, including where applicable an alternate director
'Equity Share Capital'	: has the same meaning as in section 744 of the Companies Act 1985
'Guarantees'	: means all guarantees, indemnities and covenants referred to in clause 9(1), as varied, extended or renewed
'Holding Company'	: has the same meaning as in section 736 of the Companies Act 1985
'Major Shareholders'	: means Mr.I.W.Smith and Mr S.C.Freeman together
'the Notice of Meeting'	: means the notice of an extraordinary general meeting of TMH in the form set out in Schedule 2 hereto
'Person'	: means a person firm company or other body of persons
'Prescribed Price'	: means such sum in respect of the Shares in question as may be agreed between the parties to the transaction in question or, in the absence of agreement, which the Auditors (acting as experts and not as arbitrators) at the request at any time of any party to the transaction in question certify to be in their opinion the fair value of the Shares in question as between a willing seller and a willing buyer contracting on arm's length

terms, having regard to the fair value of the business of TMH and its Subsidiaries as a going concern but without taking into account (if it be the case) that the Shares in question constitute a minority interest

'Shareholders'	:	means Mr.I.W.Smith, Mr S.C.Freeman and Mr J.C.Freeman together and, where appropriate, regard shall be had to clause 23.2
'Shares'	:	means shares of TMH
'Subsidiary'	:	has the same meaning as in section 736 of the Companies Act 1985
'Taxes Act'	:	means the Income and Corporation Taxes Act 1988
'Territory'	:	means any area in the world in which TMH sells its products

1.2 Reference to a statute or statutory provision includes a reference to it as from time to time amended, extended or re-enacted.

1.3 Words importing one gender include the other genders and words denoting the singular number only include the plural and vice versa.

1.4 Unless the context otherwise requires, reference to a clause or schedule is to a clause of or schedule to this Agreement.

1.5 The headings in this Agreement are inserted for convenience only and do not affect its construction.

2 Objects of the company

2.1 The primary object of TMH is to carry on the business of supplying media services.

2.2 The Business shall be conducted in the best interests of TMH on sound commercial profit making principles so as to generate the maximum achievable maintainable profits available for distribution.

2.3 Each of the Major Shareholders shall devote such of their time and attention to the interests of TMH as shall be necessary for the wellbeing of TMH and shall serve and be employed as full-time working directors during the continuance of this Agreement.

2.4 The central management and control of TMH shall be exercised in the UK. The Shareholders shall use their best endeavours to ensure that TMH is treated as resident for taxation purposes in the UK.

3 Completion

3.1 Immediately after executing this Agreement the Shareholders and TMH shall, so far as they are each able, take or procure the following steps:

- 3.1.1 a Board Meeting shall be held at which the business referred to in the Board Minutes shall be transacted and the documents and forms referred to therein shall be executed and signed
- 3.1.2 an extraordinary general meeting of TMH shall be held on short notice at which a special resolution in the form set out in the Notice of Meeting shall be passed
- 3.1.3 the Register of Members of TMH shall be written up and:
 - 3.1.3.1 share certificates in respect of fifty of 'A' Shares of £1 each in the share capital of TMH shall be issued in favour of and delivered to Mr.I.W.Smith;
 - 3.1.3.2 share certificates in respect of thirty two of 'B' Shares of £1 each in the share capital of TMH shall be issued in favour of and delivered to Mr S.C.Freeman; and
 - 3.1.3.3 share certificates in respect of eighteen of the 'B' Shares shall be issued in favour of and delivered to Mr J.C.Freeman.

3.2 If all the events referred to in clause 3.1 shall not take place within two hours after the execution of this Agreement, then this Agreement shall have no effect and none of the Shareholders shall have any claim against, or liability to, any other party hereunder other than for breach of his obligation under clause 3.1.

3.3 The Shareholders shall procure that within the time limits prescribed by statute, those documents and forms referred to in the Board Minutes which require filing with the Registrar of Companies shall be so filed.

4 Appointment of directors

4.1 The maximum number of Directors holding office at any time shall be six unless otherwise agreed in writing by the Major Shareholders.

4.2 Each of the Major Shareholders shall be entitled to appoint one Director for each part of its shareholding which represents 15 per cent in nominal value of the issued share capital of TMH (regardless of class) and at any time to require his removal or replacement. The Directors appointed by Mr.I.W.Smith shall be designated as 'A' Directors and the Directors appointed by Mr S.C.Freeman shall be designated as 'B' Directors.

5 Conduct of the company's affairs

5.1 The Shareholders shall exercise all rights available to them in relation to TMH and (except in relation to clause 5.1.7) TMH shall do everything necessary to procure (so far as they are able to do so) that during the term of this Agreement:

- 5.1.1 the business of TMH and its Subsidiaries consists exclusively of the Business;
- 5.1.2 the Shareholders are given full opportunity to examine the books and accounts kept by TMH and its Subsidiaries and are supplied with all relative information, including monthly management accounts and operating statistics and such other trading and financial information in such form as they reasonably require to keep each of them properly informed about the business of TMH and its Subsidiaries and generally to protect their interests;
- 5.1.3 the auditors of TMH are (and in the case of any Subsidiaries shall be) Christopher Thomas & Co. of Stane House, Salmons Corner, Near Coggeshall, Essex CO6 1RX or such other firm

of chartered accountants as the Major Shareholders agree in writing;

- 5.1.4 the bankers of TMH are (and in the case of any Subsidiaries shall be) Lloyds Bank plc of Colchester Business Centre, Management Suite, Charter Court, Newcomen Way, Severalls Park, Colchester, Essex CO4 4YA or such other bankers as the Major Shareholders agree in writing;
- 5.1.5 the registered office of TMH is (and in the case of any Subsidiaries shall be) at Stane House, Salmons Corner, Near Coggeshall, Essex CO6 1RX or at such other place as the Major Shareholders agree in writing;
- 5.1.6 TMH complies with the provisions of its memorandum and new articles of association (as adopted in accordance with the Notice of Meeting);
- 5.1.7 the memorandum and new articles of association of TMH are not altered and no further articles or resolutions inconsistent with them are adopted or passed unless the Major Shareholders agree in writing;
- 5.1.8 any company which becomes a Subsidiary of TMH adopts new articles of association in a form approved by the Major Shareholders in writing;
- 5.1.9 all cheques drawn by TMH and each of its Subsidiaries in excess of £10,000.00 are signed by both of the Major Shareholders;
- 5.1.10 Board meetings of TMH (and board meetings of any Subsidiaries) are convened, at regular intervals not exceeding two months, by not less than forty eight hours' notice in writing accompanied by an agenda specifying the business to be transacted; and
- 5.1.11 the Board determines the general policy of TMH (and any Subsidiaries) (subject to the express provisions of this Agreement), including the scope of their respective activities and operations and that the Board reserves to itself all matters involving major or unusual decisions.
- 5.1.12 the Chairman of TMH shall be Mr S.C.Freeman
- 5.1.13 the Managing Director of TMH shall be Mr I.W.Smith

6 Matters requiring consent of both of the Major Shareholders

6.1 The Shareholders shall exercise all rights available to them in relation to TMH so as to procure (so far as they are able) that neither TMH nor any of its Subsidiaries without the prior written consent of the Major Shareholders:

- 6.1.1 creates any fixed or floating charge, lien (other than a lien arising by operation of law) or other encumbrance over the whole or any part of its undertaking, property or assets, except for the purpose of securing indebtedness to its bankers for sums borrowed in the ordinary and proper course of the Business;
- 6.1.2 borrows any money (except from TMH's bankers in the ordinary and proper course of the Business);
- 6.1.3 makes a loan or advance of any amount or gives credit (other than normal trade credit) in excess of £1,000.00 to any Person, apart from deposits with bankers which are repayable upon the giving of not more than 7 days' notice;

- 6.1.4 gives a guarantee or indemnity to secure the liabilities or obligations of any Person (other than a wholly-owned Subsidiary of TMH);
- 6.1.5 sells, transfers, leases, assigns, or otherwise disposes of a material part of its undertaking, property or assets (or any interest in them), or contracts to do so otherwise than in the ordinary and proper course of the Business;
- 6.1.6 enters into a contract, arrangement or commitment involving expenditure on capital account or the realisation of capital assets if the amount or the aggregate amount of the expenditure or realisation by TMH and all of its Subsidiaries would exceed £1,000.00 in any one year or in relation to any one project; for the purpose of this paragraph the aggregate amount payable under an agreement for hire, hire purchase or purchase on credit sale or conditional sale terms is to be treated as capital expenditure incurred in the year in which the agreement is entered into;
- 6.1.7 engages a new employee;
- 6.1.8 increases the remuneration of an employee;
- 6.1.9 appoints or dismisses a Director except in accordance with the rights conferred on the Major Shareholders under clause 4 to appoint and remove Directors;
- 6.1.10 appoints a committee of the Directors or a local board or delegates any of the powers of the Directors to a committee or local board;
- 6.1.11 takes or agrees to take a leasehold interest in or licence over land;
- 6.1.12 issues any shares or creates any new shares, except as expressly permitted by TMH's articles of association;
- 6.1.13 alters the rights attaching to any class of shares of TMH;
- 6.1.14 consolidates, sub-divides or converts any of TMH's share capital;
- 6.1.15 issues renounceable allotment letters or permits any Person entitled to receive an allotment of shares to nominate another Person to receive the allotment except on terms that no renunciation or nomination shall be registered unless the renouncee or Person nominated is approved by the Board;
- 6.1.16 creates or acquires a Subsidiary or disposes of any shares in a Subsidiary;
- 6.1.17 enters into a partnership, agency or profit sharing agreement;
- 6.1.18 does or permits to be done any act or thing whereby TMH may be wound up (whether voluntarily or compulsorily), otherwise than in accordance with the terms of this Agreement;
- 6.1.19 issues securities convertible into Shares or debentures, or share warrants or options in respect of Shares;
- 6.1.20 enters into a contract or transaction except in the ordinary and proper course of the Business on arm's length terms;
- 6.1.21 acquires, purchases or subscribes for shares, debentures, mortgages or securities (or any interest in any of them) in any Person;

- 6.1.22 creates a contract or obligation or renews or varies the terms of an existing contract or obligation, to pay money or money's worth to any member of TMH or to the Holding Company of a member or to any other Subsidiary of a Holding Company or to any Person as a nominee of a member or a relevant Holding Company or Subsidiary;
- 6.1.23 holds a meeting of Shareholders or purports to transact any business at a meeting unless there are present duly authorised representatives or proxies for each of the Major Shareholders.

7 Staff

TMH shall recruit and employ such staff as the Board considers necessary for the proper conduct of the Business.

8 Loan finance

8.1 The Major Shareholders shall each use reasonable endeavours to procure that the requirements of TMH (and any Subsidiaries) for working capital to finance the Business are met by borrowings from banks and other similar sources on the most favourable terms reasonably obtainable as to interest, repayment and security, but without allowing a prospective lender a right to participate in the Equity Share Capital of TMH as a condition of making the loan.

9 Guarantees given by the shareholders

9.1 The aggregate amount of liability arising under guarantees, indemnities and covenants given by the Major Shareholders, whether jointly or severally, to secure the indebtedness and obligations of TMH (and any Subsidiaries) for the proper purposes of the Business shall be shared by them in the Agreed Proportions. The liability referred to includes legal and other costs which the relevant Major Shareholder may be ordered to pay or otherwise incurs in any action brought to enforce the guarantees, indemnities or covenants irrespective of whether or not the Major Shareholders are liable as co-sureties and whether or not they are liable jointly or severally and by the same or different instruments.

9.2 Where one of the Major Shareholders has made a payment or provided other consideration either:

- 9.2.1 in consequence of a judgment or an order made by a court of competent jurisdiction in any action brought to enforce any of the Guarantees; or
- 9.2.2 in bona fide satisfaction or compromise of any demand made under any of the Guarantees (including a payment into court which has been accepted); and the payment exceeds or would exceed his Agreed Proportion of the sum for which judgment has been entered or the claim satisfied or compromised, he shall be entitled (as appropriate) to be indemnified by or to recover a contribution from the other Major Shareholder to the extent specified in clause 9.1 irrespective of whether or not the satisfaction or compromise was well-founded in law. If a judgment is varied or reversed on appeal the amount of the final judgment (including any costs awarded) shall be borne by the Major Shareholders in the Agreed Proportions insofar as the amount exceeds the amount of any earlier judgment in the relevant action which has been borne by the Major Shareholders in the Agreed Proportions. No payment shall be made by either of the Major Shareholders in satisfaction or compromise of a demand and no steps shall be taken to appeal against a judgment or to recover from TMH (whether by right of indemnity or subrogation or otherwise) any sum of money paid or other consideration provided to a

claimant under any of the Guarantees, without prior consultation with the other Major Shareholder.

9.3 Any sum payable under clause 9.2 shall be paid within 30 days of receipt of written notice requesting payment together with evidence of payment or provision of other consideration under the Guarantees. If the Major Shareholder from whom payment is requested fails to make the payment within the period of 30 days, the other Major Shareholder shall be entitled to be paid interest by the defaulting Major Shareholder on the amount due at the rate of 5 per cent above the base rate of Lloyds Bank plc from time to time, to accrue on a daily basis from the date of the 30 day period to the date of actual payment (after as well as before judgment).

9.4 If, at any time after one of the Major Shareholders has indemnified or made contribution to the other Major Shareholder, either of them recovers all or part of any sum of money or other consideration paid or provided to a claimant under any of the Guarantees, whether by right of indemnity or subrogation against TMH, by obtaining final judgment against the claimant in any action relating to any of the Guarantees or in any other way, the sum recovered (including any award for costs previously borne by the Major Shareholders in the Agreed Proportions) shall be apportioned between the Major Shareholders in the Agreed Proportions. The Major Shareholder making the recovery shall account to the other Major Shareholder for his pro rata share as soon as practicable after receipt.

9.5 Neither of the Major Shareholders shall take or receive from TMH or any other Person any security in connection with the Guarantees without the prior written consent of the other Major Shareholder. Any security taken or received (and any sum of money derived from it) shall be held by the relevant Major Shareholder as trustee for both Major Shareholders so that they share the benefit in the Agreed Proportions.

9.6 Nothing in this Agreement shall deprive either of the Major Shareholders of any rights or remedies available to him at law against the other Major Shareholder as co-surety under the Guarantees, except insofar as they are inconsistent with or excluded by the terms of this Agreement.

9.7 Each of the Major Shareholders shall upon request by the other Major Shareholder provide such evidence as may be reasonably required to establish that he has sufficient financial resources to meet his Agreed Proportion of any actual or contingent liability under the Guarantees or any liability under this clause.

10 Disposal or charging of the shares

10.1 Neither of the Major Shareholders shall, except with the prior written consent of the other, create or permit to subsist any pledge, lien or charge over, or grant any option or other rights over or dispose of any interest in, any of the Shares held by him (otherwise than by a transfer in accordance with the provisions of this Agreement).

11 Issue and transfer of shares

11.1 The issue of new Shares shall be regulated in accordance with the provisions in TMH's articles of association.

11.2 Notwithstanding the provisions of the articles of association of TMH no Share shall be transferred save as provided in this Agreement.

11.3 Any Shareholder wishing to sell or transfer his Shares or any interest in his Shares shall serve written notice of such wish (a "Sale Notice") on all of the other Shareholders.

11.4 No transfer of any Shares held by any of the Shareholders shall be permitted unless all that Shareholder's Shares are transferred at the same time

11.5 Upon transfer of all his Shares a party shall on request resign (and procure his spouse or children to resign) from his or their directorships and from all other offices or employments with TMH with acknowledgment that they have no claim to compensation in respect thereof.

12 Transfer of Shares by Mr. J.C.Freeman

12.1 If Mr. J.C.Freeman serves a Sale Notice pursuant to clause 11.3 or if Mr.J.C.Freeman dies or becomes bankrupt then he, or the person entitled to his shares following his death or bankruptcy ("the Transferor"), shall sell and Mr S.C.Freeman shall purchase all his 'B' Shares and the following provisions shall apply:

12.1.1 The price to be paid for the 'B' Shares shall be the Prescribed Price for those Shares as at the date of the Sale Notice

12.1.2 Completion of the sale of the 'B' Sales to Mr S.C.Freeman shall take place fourteen days after the date of the Prescribed Price being agreed or certified by the Auditors. Completion shall take place at the registered office of TMH when the Prescribed Price for the 'B' Shares shall be paid by Mr S.C.Freeman to the Transferor by way of bankers draft and the Transferor shall deliver to Mr S.C.Freeman a duly executed transfer of all of the 'B' Shares the subject of the sale.

12.2 All of the 'B' Shares which are transferred shall be deemed to be sold by the Transferor as beneficial owner with effect from the date of the transfer, free from any lien, charge or incumbrance and with all rights attaching to them as at the date of the Sale Notice

13 Exercise of voting rights

13.1 Each Shareholder shall:

13.1.1 exercise all voting rights and powers available to it in relation to TMH so as to give full effect to the terms of this Agreement including, where appropriate, the carrying into effect of the terms as if they were embodied in TMH's memorandum and articles of association;

13.1.2 procure that the Directors nominated by it support and implement all reasonable proposals put forward at Board and other meetings of TMH for the proper development and conduct of the Business as contemplated in this Agreement;

13.1.3 generally use his best endeavours to promote the Business and the interests of TMH and any Subsidiaries.

13.1.4 show the utmost good faith to the other Shareholders in all matters relating to the Business and to TMH

14 Non-competition restrictions

14.1 Neither of the Major Shareholders shall, whilst it is beneficially interested in any Shares or for a period of one year from the date on which it ceases to be beneficially interested in any Shares, do or permit any of the following without the prior written consent of the other Major Shareholder:

- 14.1.1 either solely or jointly with or on behalf of any other Person directly or indirectly carry on or be engaged or interested (except as the holder, for investment, of securities dealt in on a recognised stock exchange) in any business competing in the Territory with the Business;
- 14.1.2 solicit in the Territory the custom of any Person who is or has been at any time whilst he has been interested in any of the Shares a customer of the Business for the purpose of offering to that Person goods or services similar to or competing with those of the Business;
- 14.1.3 solicit or entice away, or endeavour to solicit or entice away, any Director or employee of TMH or of any Subsidiary of TMH;
- 14.1.4 cause or permit any Person to do any of the acts or things specified above.

14.2 Clause 14.1 shall not preclude or restrict any Shareholder from:

- 14.2.1 carrying on any activity carried on during the period of 12 months immediately preceding the date of this Agreement; or
- 14.2.2 offering any service or goods similar to those previously supplied as part of the Business at a time when they are no longer supplied by TMH or a Subsidiary of TMH.

14.3 Each undertaking in clause 14.1 shall be treated as independent of the other undertakings so that, if one or more is held to be invalid as an unreasonable restraint of trade or for any other reason, the remaining undertakings shall be valid to the extent that they are not affected.

14.4 Whilst the undertakings in clause 14.1 are considered by the parties to be reasonable in all the circumstances, if one or more is held invalid as an unreasonable restraint of trade or for any other reason but would have been held valid if part of the wording had been deleted, the period reduced or the range of activities or area dealt with reduced in scope, the undertakings shall apply with such modifications as may be necessary to make them valid.

14.5 Any restriction contained in this Agreement by virtue of which this Agreement is subject to registration under the Restrictive Trade Practices Act 1976 shall come into effect on the day following the day in which particulars of this Agreement have been furnished to the Office of Fair Trading (or on such later date as may be permitted). The parties shall furnish the required particulars within 3 months of the date of this Agreement.

15 Warranties

15.1 The Shareholders warrant to each other that except as fairly disclosed in writing to each other prior to the execution of this Agreement that they hold the Shares referred to in Recital (A) for their own absolute beneficial ownership and not on behalf of any other person.

16 Dividend and distribution policy

16.1 If in respect of any accounting period TMH has profits available for distribution (within the meaning of Part VII of the Companies Act 195) the Shareholders shall procure that in the absence of agreement to the contrary, at least fifty per cent of the same are distributed by way of cash dividends by TMH within six months after the end of such period. In deciding whether, in respect of any accounting period, TMH had profits available for distribution, the parties hereto shall procure that the Auditors shall certify whether such profits are available or not and the amount thereof (if any). In giving such certificate the Auditors shall act as experts and not arbitrators and their determination shall be binding on the parties hereto.

17 Procedure in the event of deadlock

- 17.1 This clause applies in any case where:
 - 17.1.1 a matter relating to the affairs of TMH or a Subsidiary has been considered by a meeting of the Board; and
 - 17.1.2 no resolution has been carried at the meeting in relation to the matter by reason of an equality of votes for and against any proposal for dealing with it; and
 - 17.1.3 the matter is not resolved within fourteen days from the date of the meeting.

Any such case is referred to as a "deadlock".

17.2 In any case of deadlock each of the Major Shareholders shall, within 7 days of the deadlock arising, prepare and circulate to the other Major Shareholder a memorandum or other form of statement setting out his position on the matter in dispute and his reasons for adopting that position. Each memorandum or statement shall be considered by the Major Shareholder to whom it is addressed and the Major Shareholders shall endeavour to resolve the deadlock. If the Major Shareholders agree upon a resolution or disposition of the matter, they shall execute a statement setting out the agreed terms. The Major Shareholders shall exercise the voting rights and other powers available to them in relation to TMH to procure that the agreed terms are fully and promptly carried into effect.

17.3 If the deadlock is not resolved or disposed of in accordance with clause 17.2 within 30 days after expiry of the 7 day period, or such longer period as the Major Shareholders agree in writing, and if it prevents TMH or any Subsidiary from continuing to achieve its business purposes, either of the Major Shareholders may by notice in writing to the other Major Shareholder (a "Deadlock Notice") require that the provisions of clause 18 be applied.

18 Major Shareholders' Options

- 18.1 If either of the Major Shareholders:
 - 18.1.1 serves a Sale Notice pursuant to the provisions of clause 11.3;
 - 18.1.2 serves a Termination Notice pursuant to the provisions of clause 22.4;
 - 18.1.3 dies;
 - 18.1.4 becomes bankrupt;
 - 18.1.5 commits or suffers an event of default (as defined in clause 18.5);
 - 18.1.6 serves a Deadlock Notice pursuant to the provisions of clause 17.3

The other Major Shareholder ("the Purchaser") shall be entitled, within 14 days of him being served with any Notice referred to in clauses 18.1.1, 18.1.2 or 18.1.6, or becoming aware of any of the circumstances listed in clauses 18.1.3, 18.1.4 or 18.1.5 to serve notice on that Major Shareholder ("the Vendor") requiring the Vendor either (i) to sell to the Purchaser all (but not some only) of the Shares held or beneficially owned by the Vendor ("a Purchase Notice") or (ii) to place TMH in liquidation (a "Liquidation Notice")

18.2 If a Purchase Notice is served pursuant to clause 18.1 the Prescribed Price for the Vendor's Shares as at the date of the Purchase Notice shall be agreed or certified by the Auditors as soon as reasonably practicable. The Purchaser shall be entitled, by notice in writing given to the Vendor within 28 days of the Prescribed Price being agreed or so certified, to withdraw the Purchase Notice. If the Purchase Notice is withdrawn pursuant to the provisions of this clause a Liquidation Notice shall be deemed to have been served by the Purchaser on the date of such withdrawal.

18.3 In the event that a Purchase Notice is served and not withdrawn the Vendor shall sell and the Purchaser shall purchase all of the Vendor's Shares and the following provisions shall apply:

- 18.3.1 The price to be paid for the Vendor's Shares shall be the Prescribed Price for those Shares as at the date of the Purchase Notice
- 18.3.2 Within fourteen days of the date of the Prescribed Price being agreed or certified by the Auditors, a duly executed transfer of all of the Vendor's Shares shall be delivered to the Purchaser upon payment of ten per cent of the Prescribed Price
- 18.3.3 The balance of the Prescribed Price shall be paid by the Vendor to the Purchaser by six equal half yearly instalments carrying interest as from the date of the Purchase Notice at a rate equivalent to the Base Rate of TMH's Bankers from time to time calculated on a daily basis and payable with each of the half yearly instalments of the Prescribed Price. The first of such half yearly payments shall be made six months from the date of the Purchase Notice
- 18.3.4 All the Vendor's Shares which are transferred shall be deemed to be sold by the Vendor as beneficial owner with effect from the date of the transfer, free from any lien, charge or incumbrance and all rights attaching to them as at the date of the Purchase Notice
- 18.3.5 In the event that the Purchaser shall subsequently sell all or any of the Shares transferred to him pursuant to the provisions of this clause 18 then the balance of the Prescribed Price then outstanding shall forthwith be paid to the Vendor with accrued interest

18.4 If a Liquidation Notice is served by the Purchaser then the Shareholders shall vote in favour of a resolution for the liquidation of TMH and the appointment of a liquidator to the intent that the assets of TMH shall be realised and such proceeds thereof as shall remain after the discharge of all liabilities of TMH shall be distributed to the Shareholders in the same proportions in which they hold the Equity Share Capital in TMH.

18.5 For the purpose of this clause:

- 18.5.1 an event of default is committed or suffered by a Major Shareholder if:
 - 18.5.1.1 he commits a material breach of its obligations under this Agreement and, in the case of a breach capable of remedy, fails to remedy it within 21 days of being specifically required in writing to do so by the other Major Shareholder; or
 - 18.5.1.2 a distress, execution, sequestration or other process is levied or enforced upon or sued out against his property which is not discharged within 10 days; or
 - 18.5.1.3 he commits an out of bankruptcy
 - 18.5.1.4 he makes any arrangement or composition with his creditors
 - 18.5.1.5 he becomes incapable within the meaning of the Mental Health Acts 1959 to 1983

19 This Agreement not to constitute a partnership

19.1 None of the provisions of this Agreement shall be deemed to constitute a partnership between the Major Shareholders and neither of them has authority to bind the other in any way.

20 Costs

20.1 All costs, legal fees and other expenses incurred in the preparation and execution of this Agreement shall be borne by TMH.

21 Non-disclosure of information

21.1 None of the Shareholders shall divulge to any Person (other than those whose province it is to know it or with proper authority) or use for any purpose any of the trade secrets or confidential information or financial information relating to the other Shareholders, TMH or any of its Subsidiaries which it has already acquired or acquired as a result of entering into this Agreement. This restriction shall continue to apply after the expiration or termination of this Agreement without limit in point of time but shall cease to apply to secrets or information which come into the public domain through no fault of the Shareholder concerned.

22 Duration

22.1 This Agreement shall continue until the first of the following dates:

22.1.1 the date on which the Business ceases to be carried on by TMH or its Subsidiaries;

22.1.2 the date of commencement of TMH's winding-up; or

22.2 If this Agreement expires or terminates under clause 22.1.1 or 22.1.2 a Liquidation Notice shall be deemed to have been served on the relevant date by one of the Major Shareholders to the other and the provisions of clause 18.4 shall apply.

22.3 This Agreement shall be deemed to be terminated by mutual consent with effect from the date upon which the holders of one class of share in TMH first hold more than 80% of the Equity Share Capital.

22.4 The date of the expiration of not less than six months notice (a "Termination Notice") (expiring at any time) served by either of the Major Shareholders on the other Major Shareholder terminating this Agreement.

22.5 Despite the termination of this Agreement, it shall continue to bind the Major Shareholders to such extent and for so long as may be necessary to give effect to the rights and obligations embodied in it.

23 Successors and assigns

23.1 This Agreement shall operate for the benefit of and be binding on the successors in title and permitted assigns of each Shareholder.

23.2 Before transferring any of its Shares in the Company, the Shareholder proposing to make the transfer shall procure the transferee executes a deed in favour of the other Shareholder by which the

transferee agrees to be bound by terms identical, mutatis mutandis, to the terms of this Agreement (including the terms of this clause as regards any subsequent transfer of the Shares).

23.3 If a Shareholder transfers some only of the Shares held or beneficially owned by it, that Shareholder and the transferee shall be treated as being the Shareholder in respect of all the Shares held or beneficially owned by them. Accordingly, they shall jointly and severally bear all liabilities and obligations imposed by this Agreement, and jointly be entitled to exercise any rights conferred by this Agreement, on a Shareholder in relation to those Shares.

24 Waiver, forbearance and variation

24.1 The rights which each of the parties has under this Agreement shall not be prejudiced or restricted by any indulgence or forbearance extended to another party. No waiver by any party in respect of a breach shall operate as a waiver in respect of any subsequent breach.

24.2 This Agreement shall not be varied or cancelled, unless the variation or cancellation is expressly agreed in writing by each of the Major Shareholders.

25 Governing law

25.1 The construction, validity and performance of this Agreement shall be governed in all respects by English law.

25.2 The High Court or (if agreed upon between the parties) the County Court of England has jurisdiction to settle any dispute which may arise between the parties in respect of the construction, validity or performance of this Agreement or as to the rights and liabilities of the Major Shareholders or in any way connected with TMH. In the event of any action in respect of this Agreement being begun, the process by which it is begun, may be served on the parties in accordance with clause 29.

26 Severability

26.1 If any of the provisions of this Agreement is found by the court or other competent authority to be void or unenforceable, it shall be deemed to be deleted from this Agreement and the remaining provisions shall continue to apply. The Shareholders shall negotiate in good faith in order to agree the terms of a mutually satisfactory provision to be substituted for the provision found to be void or unenforceable.

27 Previous Agreements

27.1 This Agreement supersedes any previous agreement between the parties in relation to the matters with which it deals and represents the entire understanding between the parties in relation to those matters.

28 The terms of this Agreement to prevail

28.1 In the event of any ambiguity or conflict arising between the terms of this Agreement and those of TMH's memorandum and articles of association, the terms of this Agreement shall prevail as between the Shareholders but not so as to amend the memorandum or articles of association.

29 Notices

29.1 Any notice to be given or served under this Agreement shall be either delivered personally or sent by first class recorded delivery post (airmail if overseas). The address for service of each party is (in the case of a company) its registered office and (in the case of an individual) his address stated above or any other address for service previously notified to the other parties. A notice is deemed to have been served as follows:

- 29.1.1 if personally delivered, at the time of delivery;
- 29.1.2 if posted, at the expiration of 48 hours or (in the case of airmail) 7 days after the envelope containing it is delivered into the custody of the postal authorities.

In proving service it is sufficient to prove that personal delivery was made, or that the envelope containing the notice was properly addressed and delivered into the custody office of the postal authority as a prepaid first class recorded delivery or airmail letter (as appropriate).

IN WITNESS whereof the parties hereto have executed this Agreement as their Deed the day and year first before written

SCHEDULE 1

(Board Minutes)

TMH TELEMEDIA SERVICES LIMITED - (in these Minutes called "the Company")

MINUTES of a Meeting of the Board of Directors held at 4/5 North Hill, Colchester, Essex CO1 1EB on the day of 1997 at a.m./p.m.

Present: Mr.I.W.Smith
Mr.S.C.Freeman
Mr.J.C.Freeman

1. Mr.S.C.Freeman took the Chair, noted that a quorum was present and declared the Meeting open.

2. Shareholders Agreement and ancillary documents

The following documents were laid on the table:

- (1) a Shareholders' Agreement proposed to be entered into on the day of 1997 between (1) IAN WILLIAN SMITH (2) STUART CARL FREEMAN (3) JASON CARL FREEMAN and (4) TMH TELEMEDIA SERVICES LIMITED ("the Shareholders' Agreement");
- (2) a print of the new Articles of Association of the Company proposed to be adopted on the day of 1997.

IT WAS REPORTED that Mr.I.W.Smith and Mr S.C.Freeman and Mr J.C.Freeman had agreed the terms upon which they would participate in the Company. The directors considered that it was in the best interests of the Company that the Company co-operates in giving effect to such arrangements.

IT WAS RESOLVED that each of the documents tabled be noted, approved or, as the case may be, adopted and that:

- (1) any director be authorised to execute on behalf of the Company any such documents which required to be so executed;
- (2) any such documents as required execution under the seal of the Company be so executed;
- (3) all steps to be taken by the Company pursuant to any of the documents tabled to be taken forthwith.

3. Adjournment and Resumption of Meetings

The meeting was thereupon adjourned. On the resumption of the meeting it was reported that those documents which required execution by the Company had been so executed.

4. Extraordinary General Meeting

There was produced to the Meeting:

- (a) a notice of extraordinary general meeting to be convened to consider a resolution for the following purposes:

- (i) to convert the fifty Shares of £1 each issued to Mr.I.W.Smith into fifty 'A' Shares of £1 each
- (ii) to convert the thirty two Shares of £1 each issued to Mr S.C.Freeman into thirty two 'B' Shares of £1 each
- (iii) to convert the eighteen Shares of £1 each issued to Mr J.C.Freeman into eighteen 'B' Shares of £1 each
- (iv) That forty nine thousand nine hundred and fifty of the remaining Shares of £1 each unissued immediately prior to the passing of this resolution be and are hereby converted into forty nine thousand nine hundred and fifty 'A' Shares of £1 each
- (v) That forty nine thousand nine hundred and fifty of the remaining Shares of £1 each unissued immediately prior to the passing of this resolution be and are hereby converted into forty nine thousand nine hundred and fifty 'B' Shares of £1 each
- (vi) to adopt new Articles of Association.

(b) Form of consent to short notice of extraordinary general meeting.

IT WAS RESOLVED that subject to notice being given to the members and the auditors and to the consent of the members to short notice first being obtained, an extraordinary general meeting of the Company be convened and held forthwith on short notice for the purpose of considering and if thought fit passing the resolution set out in the notice.

5. Adjournment and Resumption of Meeting

The meeting was thereupon adjourned for the holding of the extraordinary general meeting. On the resumption of the meeting it was reported that the resolution set out in the notice of extraordinary general meeting had been passed as a special resolution.

6. Chairman

It was resolved that Mr.S.C.Freeman be appointed Chairman to hold that office until otherwise resolved.

7. Managing Director

It was resolved that Mr I.W.Smith be appointed Managing Director and to hold that office until otherwise resolved

8. Directors' Interest

Each of the directors present at the meeting laid upon the table a list of other directorships held by him and of companies or firms of which he was a member and which might in the future enter into contracts, transactions or arrangements with the Company and declared in accordance with Section 317 of the Companies Act 1985 that he was to be regarded as interested in any such contract, transaction or arrangement thereafter made with any such company or firm.

9. There being no further business the meeting terminated.

These Minutes were then read and signed

.....
Chairman

SCHEDULE 2
(Notice of Extraordinary General Meeting)

TMH TELEMEDIA SERVICES LIMITED - (in this Notice called "the Company")

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at 4/5 North Hill, Colchester, Essex CO1 1EB on the day of 1997 at am/pm for the purpose of considering and if thought fit passing the following resolution which will be proposed as a special resolution.

SPECIAL RESOLUTION

THAT:

1. The fifty Shares of £1 each in issue to Mr.I.W.Smith immediately prior to the passing of this resolution be and are hereby converted into fifty 'A' Shares of £1 each
2. The thirty two Shares of £1 each in issue to Mr S.C.Freeman immediately prior to the passing of this resolution be and are hereby converted into thirty two 'B' Shares of £1 each
3. The eighteen Shares of £1 each in issue to Mr J.C.Freeman immediately prior to the passing of this resolution be and are hereby converted into eighteen 'B' Shares of £1 each
4. That forty nine thousand nine hundred and fifty of the remaining Shares of £1 each unissued immediately prior to the passing of this resolution be and are hereby converted into forty nine thousand nine hundred and fifty 'A' Shares of £1 each
5. That forty nine thousand nine hundred and fifty of the remaining Shares of £1 each unissued immediately prior to the passing of this resolution be and are hereby converted into forty nine thousand nine hundred and fifty 'B' Shares of £1 each
6. The regulations contained in the document produced to the meeting and signed for identification by the Chairman be adopted as the Articles of Association of the Company in substitution for and to the entire exclusion of the existing Articles of Associate.

DATED: the day of 1997

.....
Secretary

REGISTERED OFFICE:
Stane, House, Salmons Corner, Near Coggeshall, Essex CO6 1RX

NOTE: A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll vote in his place. A proxy need not also be a member.

CONSENT TO SHORT NOTICE

We, the undersigned, being a majority in number of the members together holding 95% or more in nominal value of the shares giving a right to attend and to vote at the Meeting convened by the attached Notice, hereby agree to it being convened for the date and place mentioned therein and to the passing at the Meeting as a Special Resolution of the Company, of the Resolution set out in the Notice notwithstanding that shorter notice than that specified in the Companies Act 1985 or the Company's Articles of Association has been given.

DATED 1997

Member

I.W.Smith
S.C.Freeman
J.C.Freeman

Signature

SIGNED as a Deed by the said
IAN WILLIAM SMITH
in the presence of:

)
)
)


M. J. w. s.
Solicitor
Celebrant
Esau

SIGNED as a Deed by the said
STUART CARL FREEMAN
in the presence of:

)
)
)


M. J. w. s.
As above

SIGNED as a Deed by the said
JASON CARL FREEMAN
in the presence of:

)
)
)


M. J. w. s.
As above

THE COMMON SEAL of TMH TELEMEDIA
SERVICES LIMITED was hereunto
affixed in the presence of:

)
)
)

Director



Secretary

