

To Northern Rock Shareholders

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## **Northern Rock Shareholders Action Group – Update No. 16**

### **Extraordinary General Meeting – a hotly contested vote?**

The Extraordinary General Meeting (EGM) to vote on certain resolutions requisitioned by shareholders, and to reappoint various board members, takes place on January 15<sup>th</sup>. For those of you who have your shares held in nominee accounts, in which case you may not have received notice of the meeting, the meeting commences at 10.00 am and is at the Metro Radio Arena Newcastle, NE4 7NA – a copy of the full notice is present at: <http://companyinfo.northernrock.co.uk/downloads/noticeOfEGM.pdf> on the Northern Rock web site.

**IF YOU HAVE NOT YET VOTED THEN PLEASE DO SO AS SOON AS POSSIBLE BY RETURNING THE PROXY FORM THAT YOU SHOULD HAVE RECEIVED, EVEN IF YOU PLAN TO ATTEND THE MEETING (see below for special advice for those of you in nominee accounts).**

We are of course recommending that you vote in favour of resolutions 1 to 4, contrary to the advice issued by the directors. Our full voting recommendations and explanations for them are present on our web site at: [www.uksa.org.uk/EGMVoting.htm](http://www.uksa.org.uk/EGMVoting.htm) . In summary, we believe that resolutions 1 to 4 will help to ensure that your interests are protected and that you have a say in what happens to the assets of the company.

Here are some answers to a few questions that have arisen that may help you:

1. Why should I return the proxy form if I intend to attend the meeting? Because you may get delayed, fall ill, or otherwise find you cannot make it after all. But returning the proxy form does not stop you from voting in person, or changing your vote, if you do attend the meeting and a poll is called.

2. Can I change my proxy vote if I have made a mistake, or have changed my mind? Yes you can do so by simply submitting a replacement form and if you complete it in full, then any new instructions will replace your previous ones. A blank proxy form is present on our web site at: [www.uksa.org.uk/EGM\\_Proxy\\_Form.pdf](http://www.uksa.org.uk/EGM_Proxy_Form.pdf) - make sure you put your full name and address in the top left hand corner so you can be clearly identified.

3. What do I do if I have not received a proxy form from the company? This could be because your shares are held in a nominee account – see below in that case. But if your shares are held in the form of a paper share certificate or as a personal crest member, then you definitely should have received a proxy form via post by now. If you have not, please contact the company's help line on 0800 694-0476 (+44-117-3785651 from outside the UK). Note though that if your name is on the share register of the company then you have an absolute right to attend the meeting – you don't need necessarily to have an "attendance card" as supplied with the proxy form, which is purely a convenience for the company, so it doesn't matter if you don't have one or you have lost it.

4. Is it a good idea to appoint the Chairman to act as my proxy at the meeting, or will someone from UKSA act as the proxy if requested? There is no reason why you should not let the Chairman act as your proxy so long as you clearly instruct him how to vote on each resolution (ie. do not leave any resolution voting box line empty as then he will use his discretion and vote as the board recommends). The Chairman must vote as you instruct him if the instructions are clear. But if you still feel you would prefer someone else to act as proxy then I plan to attend the meeting and you can name me as your proxy if you wish.

5. Is it worthwhile to attend the meeting itself? Certainly yes because it will enable you to ask questions of the board or give your point of view about past and future events. Shareholders can not only ask questions, they can also simply "speak", but it is best to avoid long and rambling speeches. One or two simple points or questions are preferable as no doubt there will be a lot of other people who want to put their own questions. And I would suggest it may be best to concentrate on the current and future issues, rather than the acts or omissions of former directors as the current board may have difficulty in commenting on those issues in addition to what has already been said in public.

Attending the meeting though may enable you to form a conclusion whether you think the directors are truly acting in your best interests as their answers, both formal and informal, and associated body language, can tell you a lot about what the directors may be thinking. This gives you a lot more information than you can usually obtain from reading press reports of such meetings.

## **Shareholders in Nominee Accounts**

If your shares are held in a nominee account, then although you are the "beneficial owner" of the shares, the registered owner (i.e. the name in which they are held on the company's share register) is that of the nominee operator – typically your stockbroker. This means that they alone have the legal right to submit a voting form and to attend the EGM meeting!

UKSA has campaigned for many years against the iniquity of this system and the way it undermines your rights as a shareholder in public companies. As many shareholders in Northern Rock have found out, not only may you not be able to vote, or attend the meeting, but you may not even have been advised of the meeting and what is to be decided.

What ability you have to vote or attend the meeting purely depends on the whim of the nominee operator, and some have been more helpful than others. Some are willing to submit a proxy vote on your behalf, but you need to ask them to do so immediately.

Some may also enable you to attend the meeting by issuing you with a "letter of representation", but they may make a small charge for providing this.

Others will simply refuse to do anything at all. What can you do in that case? Either ask them to change your shareholding into certificated form (not possible unfortunately if they are held in an ISA or PEP account), or change to another stockbroker.

Even if you don't have time to do this before the pending EGM meeting, we recommend that you do this anyway because this is unlikely to be the last or decisive meeting for Northern Rock shareholders and later votes may be even more critical.

There are stockbrokers who have promised to enfranchise nominee shareholders, using the new rights we managed to get into the new Company Law Act, even those with holdings in ISA and PEPS, so we suggest you might like to consider switching to one of them.

But UKSA's recommendation is always to hold shares in certificated form or in a Personal Crest account where at all possible (a Personal Crest account is an electronic trading account that some brokers offer which has the advantage of retaining your name on the share register).

### **Shareholders being "Encouraged" by the Company**

A number of shareholders have advised me that they have been telephoned by an organisation named Georgeson and asked whether they have voted and how they have voted (much to the annoyance of many). I can confirm that the company has hired this firm to advise shareholders but I have been assured that the company has not supplied them with telephone numbers, ie. presumably Georgeson are using solely the address on the share register and telephone directory enquiries to contact shareholders. Bearing in mind that even the smallest shareholders have been contacted apparently, and there are over 100,000 such shareholders on the register, it surprises me that the company has gone to such expense, which must be considerable.

If you are given any specific recommendation as to how to vote in such conversations, other than a simple reiteration of the advice of the directors, then perhaps you could let me know. Likewise if you are ex-directory and receive such a call.

Many shareholders were not impressed by the fact that the directors specifically showed shareholders how they should vote by including a copy of the proxy form with their preferred voting suggestions highlighted in red. This is usually a sign of desperation or a desire to persuade voters who are too lazy to read the full document as to how they should vote. Let us hope that Northern Rock shareholders have more sense than to be swayed by such tricks.

### **How we Advised Shareholders on our Voting Recommendations**

Anyone on our email contact list should have received our voting recommendations via email before Xmas, so that was hopefully before you had filled out the proxy form. We also wrote to all our contacts (several thousand) for whom we only had postal addresses at considerable expense and with significant effort although this took some time to do, particularly with the difficulties of getting printing done over the Christmas period. Our voting recommendations were also covered widely in the national press and I understand that the company has been asked to circulate an explanation of the resolutions at the request of the requisitioners. Hopefully this will have a significant impact on the outcome of the vote.

## Costs and Fund Raising

Thanks for all the donations received, and note that we will not acknowledge them individually due to the effort involved but if anyone specifically needs a receipt then please ask for one. Although donations have increased recently, we have now spent over £20,000 and donations so far only come to about £11,000 so we are considerably out of pocket. This is significantly inhibiting our activities – for example we have only managed to write to a limited number of people on the share register to date. So if you have not yet contributed, please do so. The latest “Appeal Form” is present on this page of our web site: [www.uksa.org.uk/Northern\\_Rock\\_Appeal\\_Letter.pdf](http://www.uksa.org.uk/Northern_Rock_Appeal_Letter.pdf)

Most of our costs are related to postage and printing both to write to shareholders initially and keeping them in touch later (unfortunately less than half of our contacts have supplied an email address so far). It is unfortunate that the company’s directors can use shareholders funds to put their point of view, and campaign for their own reappointment, while we have to rely on voluntary donations.

## Other News

There has been little other news since our last “update”. A petition on the Prime Ministers web site re Northern Rock received a response which said little new – it reiterated that “*The Government has made clear that, until a transaction is finalised, it continues to keep all options open in relation to the future of Northern Rock.*”

The Chancellor of the Exchequer, Alistair Darling, has given an interview to the Financial Times in which he outlined his plans for tougher bank regulation. The FSA would take the dominant role instead of the muddled “tri-partite authority” that presided over the debacle of Northern Rock and would have powers to take control of assets to protect depositors. How the interests of shareholders are to be protected is less clear, and it simply gives the impression of the Chancellor being frustrated by his lack of power to deal with Northern Rock exactly as he sees fit – perhaps not a bad thing for us shareholders. But on the question of deciding the future of Northern Rock, he was quoted as saying “*There comes a point when you need to make your mind up, for the good of everyone concerned*”. Interesting to note that he doesn’t say whether it’s his mind, or that of the company’s directors when we have always said that in the current framework of company law, it must be the latter.

Yours sincerely

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