

SLATER & GORDON LIMITED

ACN 097 297 400

Prospectus

**for an offer of up to 1,867,500 VCR Shares under the
Company's Employee Ownership Plan**

DATED: 17 November 2011



IMPORTANT NOTICES

Prospectus

This prospectus ("**Prospectus**") contains an offer made to Eligible Employees to subscribe for Vesting Redeemable Convertible Shares ("**VCR Shares**") in Slater & Gordon Ltd ("**Company**") under the Employee Ownership Plan of the Company ("**the Offer**").

The Ordinary Shares issued on conversion of the VCR Shares will be in a class of securities that has been continuously quoted on ASX and thus subject to regular reporting requirements for the 12 months prior to the date of this Prospectus.

In reliance on ASIC declaration number 11-0989 dated 4 October 2011 ("**ASIC Declaration**"), this Prospectus is a prospectus to which the special content rules under Section 713 of the Corporations Act apply. That provision allows the issue of a more concise document in relation to the issue of continuously quoted securities. The ASIC Declaration extends the operation of Section 713 of the Corporations Act to this Offer of VCR Shares which are convertible into continuously quoted securities in the Company.

Copies of documents lodged by the Company with ASIC are available for inspection and may be obtained from an ASIC office.

Investment decisions

The information provided in this Prospectus is not financial product advice and has been prepared without taking into account your individual investment objectives, financial circumstances or particular needs.

You should read the whole Prospectus, in particular the risk factors that could affect the performance of the VCR Shares and the Company which are outlined in Section 5, and seek independent financial and taxation advice from your financial or other professional adviser before deciding whether to apply for VCR Shares the subject of this Offer.

Date of this Prospectus

This Prospectus is dated 17 November 2011. A copy of this Prospectus was lodged with ASIC on that date. No issues of securities based on this Prospectus will occur later than 13 months after that date. Neither ASIC nor ASX nor any of their respective officers or employees takes any responsibility for the contents of this Prospectus.

No representations other than as set out in this Prospectus

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Prospectus. Any information or representation that is not in this Prospectus may not be relied on as having been authorised by the Company in connection with the Offer.

The Offer under this Prospectus does not constitute an offer in any jurisdiction other than Australia.

This Prospectus does not constitute an offer to any person to whom, or an offer in any place in which, it would be unlawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by local laws. Persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Applying for VCR Shares

Eligible Employees will only be entitled to accept the Offer to subscribe for the VCR Shares to which they are entitled by completing and lodging their personalized Offer Details Summary and Acceptance Form which accompanied the Prospectus provided to Eligible Employees. The number of VCR Shares to which an Eligible Employee is entitled is shown on their Offer Details Summary and Acceptance Form.

Applications for VCR Shares by Eligible Employees under this Prospectus must be lodged by no later than 5.00pm (Melbourne time) on 29 December 2011 (subject to change).

The Corporations Act prohibits the Company from processing Acceptance Forms until after the Exposure Period.

The Exposure Period is the seven day period (excluding public holidays) from the date of this Prospectus and may be extended by ASIC by up to a further seven days. The purpose of the Exposure Period is to enable examination of this Prospectus by market participants prior to the offering of VCR Shares. That examination may result in the identification of deficiencies in this Prospectus, in which case any Acceptance Form received may need to be dealt with in accordance with section 724 of the Corporations Act.

During the Exposure Period, this Prospectus will be made available in paper or electronic form on request to the Company Secretary. Acceptance Forms received during the Exposure Period will not be processed until after the expiry of the Exposure Period. No preference will be conferred on Acceptance Forms received during the Exposure Period.

Notwithstanding when Acceptance Forms are received by the Company, Acceptance Forms will only be processed from when the Offer Period begins on 19 December 2011. Applicants are encouraged to wait until after notification of the Issue Price on the Pricing Date (16 December 2011) before submitting their Acceptance Form.

Future performance

Certain statements in (or incorporated by reference in) this Prospectus are about the future, including forward looking statements relating to the financial position and strategy of the Company. These forward looking statements are generally based on stated or implied assumptions. These assumptions may prove to be incorrect and involve known and unknown risks, uncertainties and other important factors (including general economic conditions, the regulatory environment, structural changes in the legal services industry and competitive pressures) that could cause the actual results, performance or achievements of the Company to be materially different from the future conduct, results, performance or achievements, expressed or implied by such statements. Deviations as to future conduct, results, performance and achievements are both normal and to be expected.

None of the Company, its officers, advisers, or any other person, gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Prospectus will actually occur. You are cautioned about relying on these forward looking statements.

The forward looking statements in this Prospectus reflect the views held only as at the date of this Prospectus.

Privacy

If you complete an Acceptance Form, you will provide personal information to the Company and the Share Registry. The Company and the Share Registry will collect, hold and use your personal information in order to consider your Acceptance Form, service your needs as an investor, provide facilities and services that you request and carry out appropriate administration.

Information contained in the Company's register of members is also used to facilitate dividend payments and corporate communications (including the Company's financial results, annual reports and other information that the Company may wish to communicate to its Shareholders) and compliance by the Company with legal and regulatory requirements.

If you become a Shareholder, the Corporations Act requires the Company to include information about you (including your name, address and details of the Shares held) in its public register of members. The information contained in the Company's register of members remains in the register even after you cease to be a Shareholder.

By submitting an Acceptance Form, you are agreeing that the Company and the Share Registry may use the information provided by you on an Acceptance Form for the purposes set out in this privacy disclosure statement and may disclose it for those purposes to the Company's related bodies corporate, agents, contractors and third party service providers, including mailing houses and professional advisers, and to ASX and other regulatory authorities.

If you do not provide the information required on the Acceptance Form, the Company and the Share Registry may not be able to process or accept the Acceptance Form or administer your shareholding appropriately. You have a right to gain access to the information that the Company and the Share Registry hold about you, subject to certain exemptions under law.

Definitions and Abbreviations

Defined terms and abbreviations used in this Prospectus are explained in the Glossary at the end of this Prospectus.

Financial Amounts

The financial amounts in this Prospectus are expressed in Australian dollars unless stated otherwise.

This is not investment advice. You should seek your own financial advice.

This Prospectus does not take into account your investment objectives, financial situation or taxation implications. It is important that you read the entire Prospectus before making any decision to invest in the Employee Ownership Plan. In particular, in considering the prospects of the Company, it is important that you consider the risk factors that could affect the financial performance of the Company. You should carefully consider whether investing in the Company at this time is in your best interests and seek professional advice from your accountant, financial adviser, stockbroker, lawyer or other professional advisor before deciding whether to invest.

Contents

<u>1</u>	<u>OFFER SUMMARY</u>
<u>2</u>	<u>OVERVIEW OF THE OFFER</u>
<u>3</u>	<u>PURPOSE OF THE OFFER AND EFFECT OF THE OFFER ON THE COMPANY</u>
<u>4</u>	<u>VCR SHARE TERMS</u>
<u>5</u>	<u>RISK FACTORS</u>
<u>6</u>	<u>ADDITIONAL INFORMATION</u>
<u>7</u>	<u>GLOSSARY</u>
	<u>SCHEDULE 1 - OFFER DETAILS SUMMARY</u>
	<u>SCHEDULE 2 – ACCEPTANCE FORM</u>
	<u>SCHEDULE 3 – EMPLOYEE OWNERSHIP PLAN</u>

1 Offer Summary

1.1 VCR Shares being Offered under this Prospectus

The Company is offering up to 2,630,000 VCR Shares to specific employees of the Company who have been invited by the Board to participate in the Employee Ownership Plan.

1,867,500 VCR Shares are offered to prospective employee shareholders who require disclosure under this Prospectus, and 762,500 VCR Shares are offered to Senior Managers within the definition of the Corporations Act who do not require disclosure under this Prospectus.

1.2 Key dates

Date of this Prospectus and the date this Prospectus was lodged with ASIC	17 November 2011
Exposure Period begins	17 November 2011
Exposure Period ends (1)	24 November 2011
VWAP Period begins	17 November 2011
VWAP Period ends	15 December 2011
Pricing Date	16 December 2011
Offer Period begins (2)	19 December 2011
Offer Period ends (3)	29 December 2011
Allotment of new VCR Shares	30 December 2011

(1) ASIC has the power to extend the Exposure Period for an additional 7 days.

(2) The date the Offer Period Begins may be amended if ASIC elects to extend the Exposure Period.

(3) The Company reserves the right to extend or shorten the Offer Period.

1.3 Key Offer statistics

Offer Price	The volume weighted average price of the Company's Ordinary Shares for the 20 trading days prior to the Pricing Date.
Entitlement	As set out in each Eligible Employee's personalised Offer Summary and Acceptance Form
Maximum number of VCR Shares to be issued under the offer (including shares to be issued to senior managers as described in section 1.1)	2,630,000

2 Overview of the Offer

2.1 Issue of VCR Shares

This Prospectus constitutes an offer by the Company, in accordance with the Employee Ownership Plan for Eligible Employees of the Company to subscribe for the number of VCR Shares listed in the personalised Offer Summary and Acceptance Form which accompanied the Prospectus provided by the Company to each Eligible Employee.

VCR Shares are vesting convertible redeemable ordinary shares in the capital of the Company issued to Ownership Plan Participants in accordance with the Employee Ownership Plan.

Initially, the VCR Shares carry no rights (this is discussed at paragraph 4.2) and will not be listed on the ASX. However, if certain Vesting Conditions are met and no Forfeiture Event has occurred, the VCR Shares will vest, and then automatically convert, into Ordinary Shares in the Company. Those Ordinary Shares will then rank equally with all other Ordinary Shares in the Company and will be listed on the ASX (but will be subject to Disposal restrictions).

Each Eligible Employees' personalised Offer Summary and Acceptance Form contains further information in relation to the number of VCR Shares that the Company is offering to issue to that Eligible Employee and the terms and conditions pursuant to which the VCR Shares may vest (and then convert into Ordinary Shares).

2.2 Issue Price

The Board has determined that the Issue Price for each VCR Share issued under this Prospectus will be the volume weighted average price of the Company's Ordinary Shares for the 20 trading days prior to the Pricing Date.

The Company has made available and undertakes to continue to make available to recipients of this Offer the current market price of the Company's Ordinary Shares during the Offer Period and until the Issue Date. This information will be continually available via a link on the Company's website www.slatergordon.com.au to the ASX website www.asx.com.au (select Investors, ASX Announcements and then "view current Slater & Gordon share price"). Alternatively employees can request this information from the Company Secretary Mr Wayne Brown (contact on 03 9602 6942 or wbrown@slatergordon.com.au) or Acting General Counsel Ms. Bronwyn Crook (contact on 03 9602 6992 or bronwyn.crook@slatergordon.com.au) who will respond within a reasonable period.

The Company will notify Eligible Employees of the Issue Price on the Pricing Date by letter sent by email to their Company email address and by ordinary post to their current postal addresses notified to Human Resources and Payroll.

2.3 Acceptance of Offer

This Offer is only open to Eligible Employees who have received a personalised Offer Summary and Acceptance Form accompanying this Prospectus from the Company.

In order to accept the Offer to subscribe for VCR Shares you must, by 5pm on 29 December 2011 execute the Acceptance Form and return it to Mr Wayne Brown, Company Secretary, by delivery to 485 La Trobe Street Melbourne Victoria 3000, by facsimile to (03) 9600 0290 (note, this is a shared fax, so please ensure you mark to the attention of Wayne Brown) or email to wbrown@slatergordon.com.au. If you either fax or email, please place the original in the post to follow.

Participation in the Offer is entirely optional (subject to the eligibility criteria set out in this Prospectus).

The Offer to subscribe for VCR Shares is not a recommendation. If you are in any doubt about this Offer, whether you should participate in the Offer or how such participation will affect you (including taxation implications), you should contact a professional advisor.

2.4 Fees and Charges relating to issue of Shares

Apart from the Issue Price of the VCR Shares, there will be no other fees, commissions or charges payable by an applicant for VCR Shares.

Further, you do not need to make any payment in respect of the Issue Price, as the Company has offered to make a loan to you of an amount equal to the Issue Price and apply this amount directly to your subscription for VCR Shares. You do not need to pay interest to the Company in respect of the Loan Amount. This is discussed in section 4.1.

2.5 Offer not underwritten

The Offer contained in this Prospectus is not underwritten.

2.6 Disputes

The Company reserves the right to make determinations in any manner it thinks fit, in relation to any difficulties, anomalies, or disputes which may arise in connection with or by reason of the operation of this Prospectus whether generally or in relation to any participant or acceptance. Any determinations by the Company will be conclusive and binding on all Eligible Employees and other persons to whom the determination relates.

The Company's rights may be exercised by the Board or any delegate of the Board.

3 Purpose of the Offer and effect of the Offer on the Company

3.1 Purpose

The purpose of the Offer is to issue VCR Shares to employees of the Company.

The Employee Ownership Plan was established to provide key employees with a personal stake in the Company's performance and success. The Company considers that the Employee Ownership Plan is an effective way to provide incentives to key employees by providing them with an opportunity to participate in the ownership of the Company.

3.2 Effect of the Offer

As at the date of this Prospectus, the following number of shares in the Company were on issue:

VCR Shares on issue	3,439,998
Ordinary Shares on issue	151,307,651

If all Offers made under this Prospectus are accepted, the following number of shares in the Company will be on issue:

VCR Shares on issue (assuming 100% acceptance)

6,069,998

Ordinary Shares on issue

151,307,651

If converted to Ordinary Shares, the VCR Shares on offer under this Prospectus would represent 1.6711% of the shares of the Company on a fully diluted basis (including all Ordinary Shares and all VCR Shares on issue).

3.3 Use of funds

As outlined in section 4.1, the Company has offered to make a loan to you of the Issue Price of the VCR Shares for which you subscribe under the Offer. It is anticipated by the Company that most applicants will utilise this loan in order to fund the payment of the Issue Price.

It is therefore considered unlikely that any significant amount of funding will be raised by the Company in connection with the Offer. If any funds are raised, however, they will be used as ordinary working capital for the business of the Company.

4 VCR Share Terms

4.1 Loan Amount

You do not need to make any upfront payment in respect of the Issue Price. Once the Company receives your duly executed Acceptance Form, it will loan you an amount equal to the Issue Price ("**Loan Amount**") in order for you to subscribe for VCR Shares. The Loan Amount will be applied directly by the Company to your subscription of VCR Shares on your behalf.

You do not need to pay interest to the Company in respect of the Loan Amount. Other terms and conditions of the loan are set out in the Employee Ownership Plan.

The Loan Amount must be repaid to the Company on, or prior to, the Final Repayment Date, as set out in the Offer Details Summary.

Repayment of the Loan Amount may be effected by:

- (a) you repaying part or all of the outstanding portion of the Loan Amount to the Company from time to time; and/or
- (b) the Company setting off an unpaid part of the Loan Amount equal to the Redemption Amount against the Redemption Amount; and/or
- (c) the Company setting off an unpaid part of the Loan Amount equity to the Buy-back Price against the Buy-back Price.

The Loan is not limited in recourse to the VCR Shares issued to you under this Offer. If you do not repay the Loan Amount to the Company on, or prior to, the Final Repayment Date, the Company has a discretion to either enforce the repayment of the Loan Amount or Redeem or Buy-back the Shares and set off the Redemption or Buy-back Price (as relevant) against the unpaid part of the Loan Amount.

The processing of your Application Form by the Company is subject to a credit check to the satisfaction of the Company. A credit check involves the Company disclosing personal

information about you to a credit reporting agency or third party information providers in order to obtain and use credit and other reports and information about you to process your Application Form and issue the Loan. The reports and information that will be provided to the Company include personal information about you. The Company's request for a credit check may be recorded by the credit reporting agency to create or maintain a credit information file about you.

The Company may also request a credit report from a credit reporting agency to assist in the collection of any unpaid and overdue Loan Amount.

The following is the information that the Company may disclose to a credit reporting agency before, during and after you subscribe to VCR Shares under this Offer:

- information in your Application Form;
- that the Company has extended a loan to you for the Purchase Price of the VCR Shares;
- that repayment of the Loan Amount is overdue.

The Company may also disclose the above information about you and any debt you have with the Company to a debt collection agency or any potential assignee.

When the Company conducts any credit check or discloses your personal information for credit purposes, it is bound by the Privacy Act.

By submitting your Application Form, you agree that the Company can conduct a credit check and provide the above information to any credit reporting agencies, third party information providers or debt collection agencies for the purposes of conducting a credit check prior to extending the Loan or to enforce repayment of the Loan Amount if it falls overdue.

4.2 Rights of VCR Shares

VCR Shares will not initially carry rights to participate in issues by the Company or to receive any dividends paid by the Company and cannot be Disposed of without the prior written consent of the Board.

VCR Shares will not initially confer a right to notices of general meetings, a right to attend or speak at general meetings nor a right to vote at general meetings except as may be required by law. VCR Shares are not listed on the ASX.

4.3 Vesting and conversion of VCR Shares

The VCR Shares will be issued to you in a number of tranches, with each tranche comprising an equal number of VCR Shares, as specified in your personalised Offer Details Summary.

It is intended that the Board will set Vesting Conditions in respect of each unvested tranche of VCR Shares at least one year prior to the Vesting Date of that tranche, as set out in the Offer Details Summary. The Board will keep you informed of these Vesting Conditions.

If all Vesting Conditions are satisfied, and no Forfeiture Event has occurred, each tranche of VCR Shares vests, and then converts to Ordinary Shares subject to approval at a General Meeting of the Company.

After your VCR Shares vest and convert, you will hold Ordinary Shares which will rank in all respects *pari passu* with all other Ordinary Shares on issue. These Ordinary Shares will be

listed on the ASX however will continue to be subject to Disposal restrictions which are discussed at paragraph 4.6.

4.4 Non-satisfaction of Vesting Conditions

In the event that you have not satisfied the Vesting Conditions in respect of a tranche of VCR Shares by the relevant Vesting Date, as set out in the Offer Details Summary, the Company may (but is not obliged to) redeem the relevant tranche or tranches of VCR Shares to which those Vesting Conditions apply, for the Redemption Amount.

The Redemption Amount will be offset against any outstanding Loan Amount. In the event that you have prepaid a part of the Loan Amount in respect of a tranche of VCR Shares being redeemed, the Company will pay to you the amount by which the Redemption Amount exceeds the unpaid amount of the Loan Amount.

4.5 Redemption in other cases

In addition to the Company's ability to redeem one or more tranches of your VCR Shares if you do not meet the Vesting Conditions attaching to those tranches, the Company may also redeem your VCR Shares on the occurrence of any of the Forfeiture Events, including if your employment with the Company ceases.

Again, in the event that you have prepaid an amount of the Loan Amount in respect of a tranche of VCR Shares being redeemed, the Company will pay to you the amount by which the Redemption Amount exceeds the unpaid amount of the Loan Amount.

4.6 After vesting and conversion - during the Buy-Back Period

After your VCR Shares vest and convert, you will hold Ordinary Shares in the Company. Those Ordinary Shares will be listed on the ASX, but will be subject to the following restrictions:

- (a) they may not be Disposed of (except in the event of a takeover or scheme or arrangement relating to the Company that meets certain conditions set out in the Employee Ownership Plan); and
- (b) if you cease employment with the Company, your converted VCR Shares can be forfeited or bought back by the Company and set off against any outstanding Loan Amount.

These restrictions will apply to your Ordinary Shares during the Buy-back Period. The Buy-back Period commences when your VCR Shares convert into Ordinary Shares, and lasts until the last to occur of:

- (a) the Restriction Termination Date in respect of those Shares; or
- (b) the date on which you repay the Loan Amount in full in respect of those Shares.

Restriction Termination Dates will be set for each tranche of VCR Shares issued to you. The maximum period that may apply is three years from vesting and conversion.

4.7 After vesting and conversion - after the Buy-Back Period

After the Buy-back Period ceases you will be required to enter into a Binding Commitment with the Company in respect of your Ordinary Shares. Under the Binding Commitment you will be under the following restrictions:

- (a) You will be required to maintain a minimum level of shareholding for as long as you remain an employee of the Company. The minimum holding is calculated based on the lower of 5 times your annual salary or 20% of the aggregate VCR Shares issued to you which have vested and been converted to Ordinary Shares; and
- (b) If you cease to be employed by the Company, you may forfeit or be required to dispose of some or all of your Ordinary Shares upon such termination. The Employee Ownership Plan consequences of a departure from employment are determined by reference to the circumstances surrounding that departure.

4.8 Other Relevant Information

In the event that the Board implements a corporate restructure, amalgamation and/or consolidation in respect of the Company, the Board may require you to exchange your VCR Shares for shares in a different entity, provided always that the terms of issue of the new shares are no less favourable to you than the terms of issue of the VCR Shares.

The Company may at any time, by written instrument or by resolution of the Board, amend all or any of the provisions of the Employee Ownership Plan or any document or notice issued under the Employee Ownership Plan. In most circumstances, where a proposed amendment or variation to the Employee Ownership Plan will, in the reasonable opinion of the Board, have a material adverse effect on the rights or interests of VCR Ordinary Shareholders, then such amendment or variation shall require the approval of the holders of more than 50% of the VCR Shares issued by the Company.

The Company will not be required to issue VCR Shares to you if you are no longer employed by the Company on the date on which the Company allots new VCR Shares under this Prospectus.

4.9 Taxation

You may wish to seek independent advice in relation to the taxation consequences arising from the issue of VCR Shares to you. You are responsible for any taxation implications arising from your participation in the Employee Ownership Plan.

Taxation implications will vary depending on the specific circumstances of individual Eligible Employees.

Further, tax rules and their interpretation in relation to equity investments may change following the completion of the Offer. In particular, both the level and basis of taxation may change. This could alter the tax treatment of dividends paid on Ordinary Shares representing converted VCR Shares, as well as the tax treatment of a subsequent disposal of those equity investments. You should obtain your own professional advice on the particular taxation implications that will apply to you if you participate in the Offer.

4.10 Rules of the Employee Ownership Plan

The provisions set out above are a summary only of the terms and conditions applying to VCR Shares which are the subject of the Offer. Further terms and conditions of the VCR Shares are set out in the Employee Ownership Plan.

The Employee Ownership Plan is attached to this Prospectus as Schedule 3. The Plan includes the Binding Commitment. You may obtain a copy of the Company's Constitution from the Company's website or from the Company Secretary, Mr Wayne Brown (contact on 03 9602 6942 or wbrown@slatergordon.com.au) or Acting General Counsel Ms. Bronwyn Crook (contact

5 Risk Factors

A number of factors, both specific to the Company and of a general nature, may affect the future operating and financial performance of the Company and the outcome of an investment in the Company. There can be no guarantee that the Company will achieve its stated objectives or that forward looking statements will be realised.

Potential investors should read the entire Prospectus before deciding whether to invest in the Company, and, in particular, should consider the risk factors that could affect the financial performance of the Company. This Section describes certain risks associated with an investment in the Company.

Each of the risks included below could potentially have a material adverse impact on the Company's operating and financial performance, its ability to pay dividends and/or on your ability to enjoy or benefit from the rights associated with VCR Shares. The list is not necessarily exhaustive and investors should specifically consider the risk factors contained within this Section and the other information contained in this Prospectus in light of their own personal circumstances and seek professional advice from an accountant, lawyer or other professional adviser before deciding whether to accept the Offer to acquire VCR Shares and invest in the Company.

Further, more detailed Risk Factors relating to the Company's business operations can be found in the IPO Prospectus which can be found on the Company's website.

5.1 General Risks

Factors such as inflation, interest rates, levels of tax, taxation law and accounting practices, government legislation or intervention, natural disasters, social upheaval, and war may have an impact on prices, operating costs and market conditions generally. Accordingly, the Company's revenue and operations can be affected by these factors, which are beyond the control of the Company.

Additionally, the market price of Ordinary Shares in the Company may fluctuate due to various factors, including:

- (a) Australian and international economic conditions, inflation and interest rates and equity market conditions;
- (b) investor perceptions; and
- (c) movements in global equity markets including as a result of hostilities, terrorist activity or political instability.

5.2 Professional Liability and Uninsured Risks

The Company provides legal advice. Like any law firm it is susceptible to potential liability from negligence, breach of client contract and other claims by clients such as claims under the Trade Practices Act. As well as the risk of financial damage, such claims also carry a risk of damage to the Company's reputation. Although the Company holds professional liability insurance, this

insurance may not cover all potential claims or may not be adequate to indemnify the Company for all liability that may be incurred (or loss which may be suffered). Any liability or legal defence expenses that are not covered by insurance or that are in excess of the Company's insurance coverage could have a material adverse effect on the Company's business and financial condition.

5.3 Government actions and legal developments

The Company is subject to significant regulatory and legal oversight. The Company's business operations could be adversely affected by actions of the State, Territory and Commonwealth Governments and changes in government legislation, guidelines and regulations.

The Company is exposed to regulatory change in the areas of law in which the Company practices, such as personal injuries, torts and employment law, and is also exposed to regulatory changes in the laws that regulate the Company, such as tax law, accounting standards and the Legal Profession Acts in each State and Territory.

In addition, part of the Company's business depends on or is enhanced by the continued availability and efficacy of litigation funding arrangements. Any legal or other impediment to this form of financing arrangement could have a significant adverse effect on the Company's financial outlook.

The extent to which legal and regulatory changes might affect the Company's business is difficult to predict. Any such changes may detrimentally affect revenue, require increased capital and/or operating expenditures and could prevent or delay certain acquisitions or growth initiatives by the Company, any of which could have a material adverse effect on its business and financial condition.

5.4 Acquisition Risk

One component of the Company's growth strategy is to expand its operations by acquiring other legal practices. There can be no assurance that this strategy will be successful.

There is a risk that the Company will not be able to complete all acquisitions successfully within the identified parameters and time frames. Additionally, competition for acquisitions from rival law firms may impact upon the success of this acquisition strategy. The risk may manifest itself in at least two ways - by reducing the pool of acquisition targets available and by raising price expectations.

Following the acquisition of target law firms, the Company will attempt to integrate the firm and begin to share common systems, procedures and controls. The integration of such firms may be difficult and will involve significant risks, including:

- the potential disruption of the ongoing operations of the Company;
- a potential strain on financial and managerial controls and reporting systems and procedures;
- greater than anticipated costs and expenses related to any restructuring;
- potential unknown liabilities associated with the acquisition and the combined operations of acquired firms; and
- clients not consenting to the transfer of their files to the Company, having regard to the fact that they are not required and cannot be compelled to do so.

In addition, differences in the culture of the Company and that of any target firms could present significant obstacles to the timely and cost-effective integration of the acquired firm.

Any significant delay in achieving integration could also have a material adverse effect on the Company.

5.5 Growth Risk

A further component of the Company's growth strategy is to diversify its operations beyond the areas of law traditionally practised by the Company. There is no guarantee that this strategy will be successful. The Company may not be able to hire appropriate lawyers to develop new practice groups, and may not be successful in attracting clients to new areas. The Company may also incur greater than anticipated costs and expenses related to any diversification. Such difficulties may result in the Company failing to achieve forecasted rates of growth or profitability which could materially impact on the success of the Company.

5.6 Personnel

The Company, as a law firm, is a professional services provider, and therefore heavily reliant on its ability to attract new key personnel and retain existing key personnel. The market for high quality lawyers (particularly at the more junior levels) is very competitive, and the Company may experience difficulty in hiring employees with appropriate qualifications and experience.

Further, the Company heavily relies on existing key personnel to maintain business and client relationships. If the Company is unable to retain and motivate these key employees, the Company's profitability could be harmed. The Company will attempt to mitigate this risk by having key shareholders entering into Binding Commitments with the Company, and by encouraging key employees to participate in the ownership of the Company through the Employee Ownership Plan. However key personnel cannot be prevented from ceasing employment with the Company.

5.7 Large holdings by existing and employee shareholders

After the completion of this Offer, six key shareholders in the Company (namely Andrew Grech, Cath Evans, Hayden Stephens, Marcus Clayton, Ken Fowle and Paul Henderson) will own approximately 30,601,899 of the Ordinary Shares. Two of these shareholders will be on the Board and have significant influence over the management of the Company.

In some circumstances the interests of these Shareholders may diverge from the interests of other Shareholders. Additionally, these large shareholdings reduce the likelihood of a takeover of the Company. Restrictions have been placed on the ability of these Shareholders to deal in their Shares, however any sell down after the restrictions are lifted could adversely impact the market price of the Shares. The departure of key Shareholders could also have an adverse affect on the Company's future growth and profitability.

5.8 Competition

The Company competes with other legal firms that also offer personal injury and other legal services. The Company competes on the basis of a number of factors, including the quality of advice and service, innovation, reputation and price. However, there is no assurance that competitors will not succeed in developing and offering legal services that are more effective, economic or otherwise more desirable than those being offered by the Company.

In addition, the Company may not be able to compete successfully against current or future competitors where aggressive pricing policies are adopted by those competitors to capture market share. Such price competition could result in revenue reductions, reduced margins, and loss of market share, any of which could materially adversely affect the Company's future business, operating results and financial position. There is also a risk that some of the

Company's clients may prefer to be represented in the future by lawyers who are not incorporated and listed on the ASX.

5.9 Reputation

The success of the Company's business depends on the maintenance of good client relationships and its reputation for providing high-quality professional services. If the Company does not meet a client's expectations, or if the Company is involved in litigation or claims relating to its performance in a particular matter, the reputation of the Company could be significantly damaged. The reputation of the Company could also be damaged through the Company's involvement (as an adviser or as a litigant) in high profile or unpopular legal proceedings. The Company may be required to incur legal expenses in defending itself against any litigation arising in, or out of, such cases and may also incur significant reputational and financial harm if such litigation is successful or if the Company receives detrimental press coverage.

5.10 Intellectual property rights and brand name

The Company regards its brand name, trademarks, domain names, trade secrets and similar intellectual property as important to its success. The Company's business has been developed with a strong emphasis on branding. Should the brand name of Slater & Gordon be damaged in any way or lose market appeal, the Company's business could be adversely impacted.

While the Company will use all reasonable endeavours to protect its intellectual property rights, unauthorised use or disclosure of its intellectual property may have an adverse effect on the operating, marketing and financial performance of the Company.

5.11 Information systems

The Company is exposed to the risk of catastrophic loss to computer equipment or other facilities that would have a serious impact on the Company's operations. Some of the Company's growth plans are based on its ability to apply its existing infrastructure (including information technology systems) across a growing business. The Company can give no assurance that all such risks will be adequately covered by its existing systems or its insurance policies to prevent an adverse effect on the Company's financial performance.

5.12 Employee misconduct

The Company is exposed to the risk of employees engaging in misconduct, including by improperly using or disclosing confidential client information. Employee misconduct could result in considerable harm to the Company's reputation, as well as regulatory sanctions and financial damage.

A legal practitioner director may be disqualified from practice by the regulator of legal practitioners in the State or Territory in which he or she practises which would prevent him or her continuing as a director of the Company.

5.13 Conflict of duties

Lawyers have a primary duty to the courts and a secondary duty to their clients. These duties are paramount given the nature of the Company's business as an Incorporated Legal Practice. There could be circumstances in which the lawyers of the Company are required to act in accordance with these duties and against the interest of Shareholders and the short-term profitability of the Company.

5.14 Operational Risk

While the Company has operational risk management practices, its profitability will continue to be subject to a variety of operational risks including strategic and business decisions (including acquisitions), technology risk (including business systems failure), reputation risk, fraud, compliance with legal and regulatory obligations, counterparty performance under outsourcing arrangements, business continuity planning, legal risk, data integrity risk, client default risk, key person risk and external events.

A further operational risk is that a client or clients may terminate the services of the Company at any time, for any reason.

5.15 Liquidity

There can be no guarantee that an active market in the Ordinary Shares will develop or that the price of Ordinary Shares will increase. There may be relatively few potential buyers or sellers of Ordinary Shares on the ASX at any time. This may increase the volatility of the market price of the Ordinary Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Ordinary Shares. This may result in Shareholders receiving a market price for their Ordinary Shares that is more or less than the Issue Price.

Furthermore, VCR Shares are not listed on the ASX and the ability to transfer VCR Shares is subject to approval by the Board, and after the VCR Shares vest and convert you will be subject to the Binding Commitment.

5.16 Cessation of employment

The cessation of your employment with the Company is a Forfeiture Event (other Forfeiture Events that apply to you are listed in your personalised Offer Details Summary.) This means that on the cessation of your employment the Company may redeem any of your VCR Shares that have not been converted into Ordinary Shares, or your Ordinary Shares which represent converted VCR Shares. These restrictions are summarised at paragraphs 4.4 to 4.7. These consequences may not correlate with your interests or investment objectives.

5.17 Vesting Conditions

There are conditions that you must satisfy in order for your VCR Shares to vest and convert into Ordinary Shares. These are the Key Performance Indicators set by the Company during the Performance Development Review process for each relevant financial year in which you have VCR shares eligible to vest and convert into Ordinary Shares. These KPIs will be communicated to you separately in each relevant financial year. The Board has discretion to amend or change these Vesting Conditions and they may become difficult for you to meet. The Board also monitors achievement of Vesting Conditions each financial year in determining whether to approve the vesting and conversion of VCR shares into Ordinary Shares. There is a risk that you will not meet the conditions, and that the Company may redeem one or more tranches of your VCR Shares against your interests or investment objectives.

5.18 Redemption in other cases

In addition to the Company's ability to redeem one or more tranches of your VCR Shares if you do not meet the Vesting Conditions attaching to those tranches, the Company may also redeem your VCR Shares on the occurrence of any of the Forfeiture Events.

The redemption by the Company of your VCR Shares may not correlate with your interests or investment objectives.

5.19 Accession to Binding Commitment

Upon repayment of the Loan Amount or after the Restriction Termination Date, the terms of the Binding Commitment will apply to your Ordinary Shares. There is a risk that the terms of the Binding Commitment, and the restrictions imposed under it, will not correlate with your interests or investment objectives.

5.20 Investment Returns

The VCR Shares offered pursuant to this Prospectus carry no guarantee with respect to dividends, return of capital or the price at which the Ordinary Shares may trade in the future. Investment in the Company is speculative. If you are in any doubt about investing in the Company, you should seek advice from your financial advisor, lawyer, accountant or stockbroker.

6 Additional Information

6.1 Nature of this Prospectus and continuous disclosure

The Ordinary Shares issued on conversion of the VCR Shares are in a class of securities that has been continuously quoted on ASX for at least the three months prior to the date of this Prospectus.

In reliance on ASIC declaration number 11-0989 dated 4 October 2011 ("**ASIC Declaration**"), this Prospectus is a prospectus to which the special content rules under Section 713 of the Corporations Act apply.

That provision allows the issue of a more concise document in relation to the issue of continuously quoted securities. The ASIC Declaration extends the operation of Section 713 of the Corporations Act to this Offer of VCR Shares which are convertible into continuously quoted securities in the Company.

The information in this Prospectus principally concerns the terms and conditions of the Offer and the information reasonably necessary to make an informed assessment of:

- the effect of the Offer on the Company; and
- the rights and liabilities attaching to the VCR Shares offered by this Prospectus.

The Company is a "disclosing entity" under the Corporations Act and is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules, including the preparation of annual reports and half yearly reports. Additionally, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the stock markets conducted by ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain exceptions) to notify ASX immediately of any information of which it is, or becomes, aware which a reasonable person would expect to have a material effect on the price or value of its securities. A detailed list and full copies of all documents released to ASX under continuous disclosure obligations of the Company is available to the public from ASX.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the

information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange.

As at the date of this Prospectus, no information about the Offer had been excluded from a continuous disclosure notice given by the Company to the ASX.

Eligible Employees should therefore also have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest in the VCR Shares.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person who requests a copy before the Closing Date:

- the Company's 2011 Annual Report for the financial year ended 30 June 2011 (being the most recent audited annual report lodged with ASIC before the date of this Prospectus); and
- any continuous disclosure notices given by the Company after the lodgement of the annual financial report referred to above and before the lodgement of this Prospectus with ASIC. As at the date of this Prospectus, the following continuous disclosure notices have been lodged since the date of the lodgement of the annual financial report referred to above:

<u>Date</u>	<u>Price sens.</u>	<u>Headline</u>	<u>Pages</u>
17/11/2011	!	Slater and Gordon to acquire Conveyancing Works	2
16/11/2011		GPT: Class Action	1
09/11/2011		Vioxx Clas Action	1
21/10/2011		Results of Meeting	2
21/10/2011		AGM - Managing Director's Presentation	15
21/10/2011		AGM - Chair's Address to Shareholders	2
12/10/2011	!	Vioxx Appeal Judgment	1
11/10/2011	!	Trading Halt	2
21/09/2011		Letter to Shareholders and Proxy Form	4
21/09/2011		Notice of Annual General Meeting	16

All requests for copies of the above documents should be made by contacting the Company Secretary Mr Wayne Brown (contact on 03 9602 6942 or wbrown@slatergordon.com.au) or Acting General Counsel Ms. Bronwyn Crook (contact on 03 9602 6992 or bronwyn.crook@slatergordon.com.au) who will respond within a reasonable period.

These documents are also available at the ASX website and the Company's website.

6.2 Interests of Directors

Other than as set out in this Prospectus, no Director, or proposed Director of the Company, holds, at the time of lodgement of this Prospectus with ASIC, or has held in the two years prior to that date, an interest in the formation or promotion of the Company, any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Offer, other than in their capacity as a Shareholder.

Other than as set out in this Prospectus, no one has paid or agreed to pay any amount or given or agreed to give any benefit to any Director or proposed Director of the Company to induce

them to become, or qualify them as, a Director of the Company, or for services provided by that person in connection with the formation or promotion of the Company or the Offer.

As at the date of this Prospectus, the Directors hold the following interests in Ordinary Shares either directly or indirectly:

Name of Director	Number of Ordinary Shares
Anna Booth	60,714
Andrew Grech	14,512,623
Ken Fowlie	13,254,873
Ian Court	35,000
Erica Lane	150,000
John Skippen	---

In accordance with the Constitution, the non-executive Directors shall be paid out of funds of the Company, by way of remuneration for their services as Directors, a sum not exceeding \$500,000 per annum or such larger amount as the Company in general meeting determines by ordinary resolution.

As at the date of this Prospectus the Company pays the following Directors fees (on an annual basis):

Name of Director	Total Directors' Fees (including superannuation)
Anna Booth	\$129,400
Andrew Grech	\$405,600
Ken Fowlie	\$350,000
Ian Court	\$72,200
Erica Lane	\$72,200
John Skippen	\$64,700

6.3 Consents

Each of the parties named below as consenting parties:

- has given and has not, before lodgement of this Prospectus with ASIC, withdrawn its written consent to be named in this Prospectus in the form and context in which it is named;
- has given and has not, before the lodgement of this Prospectus with ASIC, withdrawn its written consent to the inclusion of their respective statements and reports (where applicable) noted next to their names below, and the references to those statements and reports in the form and context in which they are included in this Prospectus;
- does not make, or purport to make, any statement in this Prospectus other than those statements referred to below in respect of that person's name (and as consented to by that person); and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this Prospectus.

Role	Consenting Party
Registry	Computershare Investor Services Pty Ltd
Legal adviser	Arnold Bloch Leibler

6.4 Interest of experts and advisers

Other than as set out in this Prospectus:

- no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- no promoter of the Company;
- no underwriter of the Offer; or
- no financial services licensee named in this Prospectus as a financial services licensee involved in the Offer,

(each, a “**relevant person**”) holds at the date of this Prospectus, or has held in the two years prior to that date, any interest in:

- the formation or promotion of the Company;
- the Offer; or
- any property acquired or proposed to be acquired by the Company in connection with its formation or promotion.

Other than as set out in this Prospectus, no one has paid or agreed to pay any amount, or given or agreed to give any benefit, to such persons for services provided in connection with the formation or promotion of the Company or the Offer.

The amounts set out below are exclusive of GST and disbursements (where applicable).

Expert or adviser	Interest
Legal adviser	Arnold Bloch Leibler has acted as legal adviser to the Company in connection with Australian legal issues relating to this Prospectus and the Offer. In aggregate, the Company has paid, or agreed to pay, approximately \$25,000 (plus GST) for these services to the date of this Prospectus. Further amounts may be paid to Arnold Bloch Leibler in accordance with its normal time-based charges.

6.5 Expenses of the Offer

The expenses of the Offer are expected to be approximately \$28,000 (plus GST). This amount is inclusive of the fees for legal services referred to above. These expenses will be paid out of existing working capital.

6.6 Litigation

As far as the Directors are aware, there is no current or threatened litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature against the Company.

6.7 Electronic Prospectus

Pursuant to Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you are an Eligible Employee and have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by your personalised Offer Details Summary and Acceptance Form. If you have not, please contact the Company Secretary Mr Wayne Brown (contact on 03 9602 6942 or wbrown@slatergordon.com.au) or Acting General Counsel Ms. Bronwyn Crook (contact on 03 9602 6992 or bronwyn.crook@slatergordon.com.au) who will respond within a reasonable period.

The Company reserves the right not to accept an Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

6.8 Director's Consent

This Prospectus is issued by the Company. This Prospectus is authorised by each Director of the Company who consents to its issue and lodgement with ASIC.

This Prospectus has been approved by the unanimous resolution of the Board and the Directors have authorised Andrew Grech to sign this Prospectus on their behalf.



Andrew Grech
Managing Director

“Acceptance Form” means a notice of acceptance in the form of Schedule 2 to this Prospectus.

“ASIC” means the Australian Securities and Investments Commission.

“ASIC Declaration” means ASIC Declaration 11-0989 dated 4 October 2011, amending the operation of Section 713 of the Corporations Act in relation to this Offer.

“ASX” means the stock exchange operated by ASX Limited (ABN 98 008 624 691).

“Binding Commitment” means the Binding Commitment between the Company and certain employees who hold Ordinary Shares which represent converted VCR Shares.

“Board” means the board of directors of the Company.

“Buy-Back Price” means an amount equal to the Issue Price paid by an Ownership Plan Participant in respect of Ordinary Shares the subject of the Buy-back.

“Company” means Slater & Gordon Limited (ACN 097 297 400) of 485 La Trobe Street, Melbourne VIC 3000.

“Corporations Act” means the *Corporations Act 2001* (Cth).

“Director” means a director of the Company.

“Dispose” includes:

- (a) any sale, transfer, encumbrance or other disposal of any entitlement to, or legal, beneficial interest in, any VCR Share (including, without limitation, by way of gift or trust or grant of option); and
- (b) any agreement for such sale, transfer, encumbrance or disposal.

“Eligible Employee” means an employee of the Company who has been invited by the Board to participate in this Offer, with such invitation being extended by the Company providing the employee with this Prospectus, accompanied by a personalised Offer Details Summary and Acceptance Form.

“Employee Ownership Plan” means the document titled, “Slater & Gordon Employee Ownership Plan” contained in Schedule 3 of this Prospectus.

“Final Repayment Date” means the date listed as final repayment date in your personalised Offer Details Summary.

"Forfeiture Event" includes any of the events listed in your personalised Offer Details Summary as forfeiture events and also includes, without limitation, the cessation of an Ownership Plan Participant's employment with the Company.

"IPO Prospectus" means the prospectus lodged by the Company with ASIC on 13 April 2007 relating to an initial public offering of Ordinary Shares.

"Issue Date" means the date on which the VCR Shares are issued, as specified in your personalised Offer Details Summary.

"Issue Price" in respect of a VCR Share means the volume weighted average price of the Company's Ordinary Shares for the 20 trading days prior to the Pricing Date.

"Key Performance Indicators" or "KPIs" means key performance indicators individual to each participant and set by the Company during the Performance Development Review process for each relevant financial year in which that participant has VCR shares eligible to vest and convert into Ordinary Shares.

"Loan Amount" means the amount loaned to each Ownership Plan Participant to facilitate payment of the Issue Price.

"Offer" means the offer of VCR Shares pursuant to this Prospectus.

"Offer Details Summary" means the details of the Offer (personalised for each person to whom this Offer is addressed) as described in Schedule 1.

"Offer Period" means the period from the Pricing Date until the date on which the Offer under this Prospectus ends, as specified in paragraph 1.2.

"Ordinary Share" means a fully paid ordinary share in the capital of Slater & Gordon.

"Ownership Plan Participant" means an employee of the Company, as determined by the Board, who is eligible to participate in the Employee Ownership Plan.

"Pricing Date" means the date on which the Issue Price is set, as specified in paragraph 1.2.

"Prospectus" means this prospectus.

"Redemption Amount" means, in relation to a tranche of VCR Shares being redeemed by the Company, a return of capital by the Company to the VCR Shareholder equal to the Issue Price in respect of that tranche of VCR Shares.

"Restriction Termination Date" means the date on which the Disposal restrictions set out in the Employee Ownership Plan will cease to apply to Ordinary Shares which represent converted VCR Shares, and from which the Binding Commitment will apply.

"Senior Manager" means a person who makes, or participates in making, decisions that affect the whole, or substantial part of the business of the company, or has the capacity to affect significantly the company's financial standing within the meaning of the Corporations Act.

“Share Registry” means Computershare Investor Services Pty Ltd (ABN 48 078 279 277).

“VCR Share” means a vesting convertible redeemable ordinary share in the capital of the Company issued to Ownership Plan Participants in accordance with the Employee Ownership Plan.

“Vesting Conditions” in respect of a tranche of VCR Shares, means any conditions as determined by the Board that must be satisfied in order for the VCR Shares to vest, including, without limitation, those conditions listed in your personalised Offer Details Summary. Vesting Conditions may also differ in respect of the different tranches of VCR Shares.

“Vesting Dates” in respect of a tranche of VCR Shares, means those dates listed as vesting dates in your personalised Offer Details Summary.

“VWAP Period” means the period during which the volume weighted average price of Ordinary Shares is measured for the purpose of determining the Offer Price.

SCHEDULE 1 - OFFER DETAILS SUMMARY

Name of Ownership Plan Participant :	John Smith
Total Number of VCR Shares you can subscribe for	[#####]
Number of Tranches	3 Tranches of [###] VCR Shares
Issue Date	30 December 2011
Vesting & Conversion Dates	Tranche 1: 1 July 2013 Tranche 2: 1 July 2014 Tranche 3: 1 July 2015
Restriction Termination Dates	Tranche 1: 30 June 2016 Tranche 2: 30 June 2017 Tranche 3: 30 June 2018
Tranche 1 Vesting Conditions	#[insert]# #[insert]# #[insert]#
Forfeiture Events	The cessation of the Ownership Plan Participant's employment with the Company.
Final Repayment Date	30 June 2018

SCHEDULE 2 – ACCEPTANCE FORM

To: Mr Wayne Brown
 Company Secretary
 485 La Trobe Street, Melbourne VIC 3000

Fax: (03) 9600 0290 (note this is a shared fax, so please ensure you mark to the attention of Wayne Brown)

Email: wbrown@slatnergordon.com.au

If you either fax or email, please place the original in the post to follow.

I refer to the Slater & Gordon Employee Ownership Plan ("**Employee Ownership Plan**"), and more specifically, the offer by the Company to me to subscribe for VCR Shares ("**Offer**"), contained in the Prospectus lodged by the Company with the Australian Securities and Investments Commission on 17 November 2011 ("**Prospectus**") and the accompanying personalised Offer Details Summary. Unless the context requires otherwise, terms defined in this Form have the meanings attributed to them in the Employee Ownership Plan.

I hereby accept the Company's offer to subscribe for the number of VCR Shares outlined in the Offer.

By executing this Form and returning it to the Company I acknowledge that:

- (a) I have read the Prospectus;
- (b) I have read, and agree to be bound by the terms of the Employee Ownership Plan, the Offer and the Constitution;
- (c) I am solvent;
- (d) I consent to the Company performing a credit check;
- (e) subject to a credit check being performed to the satisfaction of the Company, the Company has made the Loan Amount available to me in order for me to satisfy the Issue Price in respect of the VCR Shares;
- (f) on receipt of this duly executed Form, the Company will apply the Loan Amount towards the acquisition of VCR Shares on my behalf;
- (g) I have received (or have elected not to receive) independent taxation advice in relation to the issue of VCR Shares,
- (h) I release the Company from any Tax liability that may arise in relation to the Employee Ownership Plan;
- (i) I understand the repayment terms in relation to the Loan Amount; and
- (j) I understand that if the Loan Amount is not repaid in accordance with the terms of the Employee Ownership Plan, the Company may redeem the VCR Shares issued to me.

Please issue the VCR Shares to me in accordance with the timetable set out in the Prospectus.

Dated: _____

Name of Ownership Plan Participant: _____

Signature: _____

SCHEDULE 3 – EMPLOYEE OWNERSHIP PLAN

Slater & Gordon Limited
ACN 097 297 400

Employee Ownership Plan

Arnold Bloch Leibler
Ref: JMW:LDH 011401059
::ODMA\PCDOCS\ABL\467693\15

SLATER & GORDON EMPLOYEE OWNERSHIP PLAN

1 Purpose

This Plan is intended to provide an incentive to Ownership Plan Participants to participate in the ownership of the Company by facilitating the acquisition of VCR Ordinary Shares by Ownership Plan Participants.

2 Definitions

In this Plan, words and phrases have the following meanings:

"Acceptance Form" means the form attached in schedule 1, or such other form as determined by the Board from time to time.

"Board" means the board of Directors of the Company.

"Buy-back Period" means, in respect of Restricted Ordinary Shares, the period beginning on the Vesting Date of such shares and ending on the date on which the disposal restrictions cease to apply in respect of those Restricted Ordinary Shares under clause 8.3. For the avoidance of doubt, if the Loan Amount is repaid prior to the Restriction Termination Date, for the purposes of this Plan, the Restriction Termination Date is the date determined by the Board as the Final Repayment Date rather than the actual date that the Loan Amount is repaid.

"Buy-back Price" means an amount equal to the Issue Price paid by the relevant Ownership Plan Participant in respect of the Restricted Ordinary Shares that are the subject of the Buy-back.

"Cessation Event (Bad)" means where the Ownership Plan Participant's directorship (where applicable) or employment with the Company ceases in any circumstance other than on a Cessation Event (Good). For the avoidance of doubt, if such cessation occurs by reason of a Default, a Cessation Event (Bad) will have occurred.

"Cessation Event (Good)" means the employment of an Ownership Plan Participant ceasing in any of the following circumstances:

- (a) where the Ownership Plan Participant resigns from his or her employment and that resignation has been approved by the Board of Directors;
- (b) where the Ownership Plan Participant retires as a result of total and permanent disability that incapacitates him or her from further work;
- (c) where the Ownership Plan Participant dies; or
- (d) where the Board determines, acting reasonably, that a Cessation Event (Good) has occurred within 3 months of the cessation of the Ownership Plan Participant's employment.

"Company" means Slater & Gordon Limited (ACN 097 297 400).

"Constitution" means the constitution of the Company.

"Controller" means, in relation to a person's property:

- (a) a receiver or receiver and manager of that property; or
- (b) anyone else who (whether or not as agent for the person) is in possession, or has control of that property to enforce an Encumbrance.

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Default" means the occurrence of any of the following:

- (a) a serious breach by an Ownership Plan Participant of his or her Employment Agreement (where applicable) sufficient to justify summary dismissal;
- (b) the Ownership Plan Participant is found guilty of misconduct as defined in the legislation governing legal practitioners in any State in which he or she practises;
- (c) the Ownership Plan Participant commits any act of fraud or serious and wilful misconduct;
- (d) the Ownership Plan Participant ceases to be entitled to practise as a legal practitioner where, on entry into his or her position, he or she was a legal practitioner;
- (e) the Ownership Plan Participant being convicted of an indictable offence; or
- (f) any Insolvency Event occurring to the Ownership Plan Participant.

"Directors" means the directors of the Company from time to time.

"Disclosure Document" has the meaning given to that term in the Corporations Act.

"Dispose" includes:

- (a) any sale, transfer, Encumbrance or other disposal of any entitlement to, or legal, beneficial or equitable interest in, any VCR Ordinary Share (including, without limitation, by way of gift or trust or grant of option); and
- (b) any agreement for such sale, transfer, Encumbrance or disposal.

"Encumbrance" means any mortgage, lien, hypothecation, charge (whether fixed or floating), bill of sale, caveat, pledge, claim, trust arrangement, preferential right, right of set-off, title retention or other form of encumbrance.

"Final Repayment Date" means the date determined by the Board to be the final repayment date in respect of the Loan Amount. The Final Repayment Date in respect of

the Loan Amount may not be later than 5 years after the Vesting Date of the first Tranche of VCR Ordinary Shares the issue of which was funded by the Loan Amount.

"Forfeiture Event", for an Ownership Plan Participant, means:

- (a) the cessation of that Ownership Plan Participant's employment with the Company; and
- (b) any other event, determined by the Board and specified in the Offer or otherwise communicated by the Board (whether before or after the date of the Offer) to that Ownership Plan Participant, that would result in the Company being able to redeem all the VCR Ordinary Shares issued to that Ownership Plan Participant.

"Government Agency" means:

- (a) a government or government department;
- (b) a governmental, semi-governmental, regulatory or judicial entity or authority; or
- (c) a person (whether autonomous or not) who is charged with the administration of a law.

"Individual Shareholder Agreement" means the Individual Shareholder Agreement attached as Schedule 3.

"Insolvency Event" means the occurrence of any of the following events in relation to the Company:

- (a) the person becomes insolvent as defined in the Corporations Act, states that it is insolvent or is presumed to be insolvent under an applicable law;
- (b) the person is wound up, dissolved or declared bankrupt;
- (c) the person becomes an insolvent under administration as defined in the Corporations Act;
- (d) a liquidator, provisional liquidator, Controller, administrator, trustee for creditors, trustee in bankruptcy or other similar person is appointed to, or takes possession or control of, any or all of the person's assets or undertaking;
- (e) the person enters into or becomes subject to:
 - (i) any arrangement or composition with one or more of its creditors or any assignment for the benefit of one or more of its creditors; or
 - (ii) any re-organisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors;
- (f) an application or order is made (and, in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken which is preparatory to or could result in any of (b), (c), (d) or (e) above;
- (g) the person is taken, under section 459F(1) of the Corporations Act, to have failed to comply with a statutory demand;

- (h) the person suspends payment of its debts, ceases or threatens to cease to carry on all or a material part of its business or becomes unable to pay its debts when they fall due; or
- (i) anything occurs under the law of any jurisdiction which has a substantially similar effect to any of the other paragraphs of this definition,

unless the event occurs as part of a solvent reconstruction, amalgamation, merger or consolidation.

"Issue Price" means the price at which each VCR Ordinary Share is issued to an Ownership Plan Participant, calculated in accordance with clause 5.1.

"Loan Amount" has the meaning given to that term in clause 5.2.

"Offer" has the meaning given to that term in clause 4.1.

"Ordinary Shares" means ordinary shares in the capital of the Company.

"Ownership Plan Participant" means an employee of the Company as determined by the Board, who is eligible to participate in this Plan.

"Redemption Amount" means, in relation to each Tranche of VCR Ordinary Shares being redeemed by the Company in accordance with clause 7.1, a return of capital by the Company to an Ownership Plan Participant equal to the Issue Price in respect of that Tranche of VCR Ordinary Shares.

"Redemption Date" means the date that is 5 Business Days after the Company issues a Redemption Notice to an Ownership Plan Participant.

"Redemption Notice" means the notice attached in Schedule 2.

"Restricted Ordinary Shares" means Ordinary Shares held by an Ownership Plan Participant that have been converted from VCR Ordinary Shares pursuant to clause 8.1, and are subject to the restrictions and terms and conditions set out in this Employee Ownership Plan.

"Restriction Termination Date" in respect of a Restricted Ordinary Share means the date on which the disposal restrictions set out in this Employee Ownership Plan shall cease to apply to that Restricted Ordinary Share (subject to clause 8.3), and from which date the share will be governed by an Individual Shareholder Agreement. For the avoidance of doubt, if the Loan Amount is repaid prior to the Restriction Termination Date, for the purposes of this Plan, the Restriction Termination Date is the date determined by the Board as the Restriction Termination Date rather than the actual date that the Loan Amount is repaid. The Restriction Termination Date in respect of a Restricted Ordinary Share may not be later than 3 years after the Vesting Date of that Restricted Ordinary Share.

"Securities" means the Shares held by a Shareholder in the Company.

"Share" means a share of any class in the capital of the Company.

"Shareholder" means the holder of a Share.

"Shareholders' Agreement" means the shareholders agreement in effect between the holders of the Company's issued securities.

"Tax" means any tax, levy, impost, duty, charge, deduction, compulsory loan or withholding of whatever kind (together with any related interest, penalty, fine or expense) that is imposed by law or any Government Agency.

"Trade Sale" means the sale of the whole of the Business or all of the Securities in the Company.

"Tranche" means a tranche of VCR Ordinary Shares.

"VCR Ordinary Shares" means vesting convertible redeemable ordinary shares in the capital of the Company issued to Ownership Plan Participants in accordance with this Plan.

"VCR Ordinary Shareholders" means those Ownership Plan Participants who are holders of VCR Ordinary Shares.

"Vesting Conditions" means any conditions as determined by the Board that must be satisfied in order for the VCR Ordinary Shares to vest, including, without limitation, conditions relating to:

- (a) the individual performance of an Ownership Plan Participant over a given period; and
- (b) the overall performance of the Company over a given period.

"Vesting Date" means, in respect of each Tranche, such date determined by the Board.

3 Summary

Under this Plan, it is anticipated that Ownership Plan Participants may or will:

- (a) subscribe for VCR Ordinary Shares in accordance with clause 4;
- (b) have their VCR Ordinary Shares redeemed on the occurrence of a Forfeiture Event under clause 7.4 prior to their VCR Ordinary Shares being converted into Ordinary Shares;
- (c) have their VCR Ordinary Shares converted into Restricted Ordinary Shares upon the VCR Ordinary Shares Vesting in accordance with clause 6;
- (d) have their Restricted Ordinary Shares bought back or forfeited in the event of a Cessation Event (Good) or Cessation Event (Bad) during a Buy-back Period in accordance with clauses 9 and 10;
- (e) repay the Loan Amount in respect of their Restricted Ordinary Shares in accordance with clause 5.3; and

- (f) upon repayment of the Loan Amount on the Final Repayment Date, enter into the Individual Shareholder Agreement with the Company in respect of their Ordinary Shares.

4 Offer to issue VCR Ordinary Shares

4.1 Offer

- (a) Subject to clause 4.5, the Board may from time to time make an offer (in such form as the Board determines) ("**Offer**") to an Ownership Plan Participant inviting that Ownership Plan Participant to subscribe for up to the number of VCR Ordinary Shares specified in the Offer.
- (b) The Offer will describe the:
- (i) number of VCR Ordinary Shares for which the Ownership Plan Participant may subscribe for;
 - (ii) number of Tranches into which the VCR Ordinary Shares will be divided;
 - (iii) Issue Price;
 - (iv) subject to clause 6.1, Vesting Conditions in respect of at least one Tranche of VCR Ordinary Shares;
 - (v) Vesting Dates in respect of each Tranche of VCR Ordinary Shares;
 - (vi) Restriction Termination Dates in respect of each Tranche of VCR Ordinary Shares (which, pursuant to the definition of Restriction Termination Date may not be later than 3 years after the Vesting Date in respect of such Tranche or VCR Ordinary Shares);
 - (vii) the Final Repayment Date in respect of the Loan Amount;
 - (viii) Forfeiture Events; and
 - (ix) any other information the Board considers relevant.
- (c) The Offer will include or be accompanied by:
- (i) a copy of this Plan;
 - (ii) a copy of the Constitution; and
 - (iii) a Disclosure Document (unless a relevant exemption from issuing a Disclosure Documents exists under the Corporations Act).

4.2 Acceptance

Within 14 days (or such other period as the Board may, in its sole discretion, determine) of the date of the Offer, an Ownership Plan Participant may accept the Offer by delivering to the Company a duly signed Acceptance Form. By executing the Acceptance Form and returning it to the Company, the Ownership Plan Participant will be deemed to have acknowledged that:

- (a) they have read the Disclosure Document (if any);
- (b) they have read, and agree to be bound by the terms of the Plan, the Offer and the Constitution;
- (c) they are solvent;
- (d) the Company has made the Loan Amount available to them in order for them to satisfy the Issue Price in respect of the VCR Ordinary Shares;
- (e) on receipt of the duly executed Acceptance Form, the Company will apply the Loan Amount towards the acquisition of VCR Ordinary Shares on their behalf;
- (f) they understand the repayment terms in relation to the Loan Amount; and
- (g) they understand that if the Loan Amount is not repaid in accordance with the terms of the Plan, the Company may buy-back or cause the forfeiture of the Restricted Ordinary Shares issued to them.

4.3 Issue

Upon receipt of a duly signed Acceptance Form from the Ownership Plan Participant as referred to in clause 4.2 the Company will, subject to clause 4.4, issue to the Ownership Plan Participant the VCR Ordinary Shares applied for and will dispatch to the Ownership Plan Participant a certificate for those VCR Ordinary Shares within 15 Business Days of the Issue Date.

4.4 Tranches

VCR Ordinary Shares issued to an Ownership Plan Participant in accordance with clause 4.3 may be divided into Tranches. The number of Tranches into which the VCR Ordinary Shares issued to a Ownership Plan Participant will be divided will be outlined in the Offer.

4.5 Cessation of employment

The Company will not be required to issue VCR Ordinary Shares to an Ownership Plan Participant if that Ownership Plan Participant is no longer employed by the Company.

5 Issue Price

5.1 Determination

The Issue Price in respect of each VCR Ordinary Share will be equal to the value of each Ordinary Share at the date the VCR Ordinary Share is issued, as determined by the Board.

5.2 Payment of Issue Price

In order to facilitate payment of the Issue Price, the Company may loan to each Ownership Plan Participant who executes an Acceptance Form and returns it the Company in accordance with clause 4.2 an amount equal to the Issue Price in respect of those VCR Ordinary Shares ("**Loan Amount**"). By executing the Acceptance Form and returning it to the Company, an Ownership Plan Participant will be deemed to have

authorised the Company to apply the Loan Amount towards satisfaction of the Issue Price in respect of the VCR Ordinary Shares.

5.3 Repayment

Subject always to the terms of this Plan including without limitation, clause 5.4, the Ownership Plan Participant must repay the outstanding portion (if any) of the Loan Amount to the Company by the Final Repayment Date. Repayment of the Loan Amount by the Ownership Plan Participant to the Company may be effected by:

- (a) an Ownership Plan Participant repaying part or all of the outstanding portion of the Loan Amount to the Company from time to time; and/or
- (b) the Company setting off an unpaid part of the Loan Amount equal to the Redemption Amount against the Redemption Amount in accordance with clause 7.2 against; and/or
- (c) the Company setting off an unpaid part of the Loan Amount equal to the Buy-back Price against the Buy-back Price in accordance with clause 9.2.

5.4 Recourse

Notwithstanding anything to the contrary, in the event that the Loan Amount is not repaid by a Ownership Plan Participant within 30 days of the Final Repayment Date, the Company, in its absolute discretion, may, affect repayment of the Loan Amount, by way of a buy-back of the Restricted Ordinary Shares for an amount equal to the Issue Price in respect of those Restricted Ordinary Shares.

6 Vesting of VCR Ordinary Shares

6.1 Vesting Conditions

The Board may from time to time set and/or amend the Vesting Conditions in respect of an unvested Tranche of VCR Ordinary Shares issued to an Ownership Plan Participant. It is intended that the Board will set Vesting Conditions in respect of each unvested Tranche of VCR Ordinary Shares at least one year prior to their Vesting Date.

6.2 Vesting Date

Subject to clause 7, each Tranche of VCR Ordinary Shares will vest on its respective Vesting Date provided that:

- (a) the Vesting Conditions in respect of that Tranche have been satisfied; and
- (b) a Forfeiture Event has not occurred in respect of that Ownership Plan Participant.

6.3 Conversion on Vesting

VCR Ordinary Shares that have vested in accordance with clause 6.1 shall convert into Ordinary Shares (and shall be Restricted Ordinary Shares) on the relevant Vesting Date in accordance with clause 8.

6.4 Restrictions

VCR Ordinary Shareholders may not Dispose of their VCR Ordinary Shares without the prior written consent of the Board.

7 Redemption

7.1 Redemption

In the event that the Vesting Conditions in respect of a Tranche of VCR Ordinary Shares have not been satisfied by the relevant Vesting Date, the Company may redeem the relevant Tranche or Tranches of VCR Ordinary Shares to which those Vesting Conditions apply from an Ownership Plan Participant for the Redemption Amount by delivering a Redemption Notice to that Ownership Plan Participant. Failure by the Company to redeem a Tranche of VCR Ordinary Shares that have not vested by the relevant Vesting Date does not constitute a waiver by the Company of its right to do so.

7.2 Redemption Amount

Payment of the Redemption Amount in respect of each Tranche of VCR Ordinary Shares redeemed by the Company in accordance with clause 7.1 will be effected by the Company offsetting an unpaid amount of the Loan Amount in respect of a Tranche of VCR Ordinary Shares equal to the Redemption Amount, against the Redemption Amount. In the event that an Ownership Plan Participant has prepaid an amount of the Loan Amount in respect of a Tranche of VCR Ordinary Shares being redeemed, the Company shall pay to that Ownership Plan Participant the amount by which the Redemption Amount exceeds the unpaid amount of the Loan Amount.

7.3 Redemption Date

VCR Ordinary Shares redeemed by the Company in accordance with clause 7.1 will be deemed to have been redeemed on the Redemption Date.

7.4 Forfeiture Event

In the event that any of the Forfeiture Events occur in respect of an Ownership Plan Participant, all VCR Ordinary Shares of that Ownership Plan Participant may be immediately redeemed by the Company. Failure by the Company to redeem any or all Tranches of VCR Ordinary Shares of a Ownership Plan Participant immediately if a Forfeiture Event occurs in respect of that Ownership Plan Participant does not constitute a waiver by the Company of its right to do so.

7.5 Insolvency Event

If an Insolvency Event occurs in relation to the Company, all VCR Ordinary Shares shall automatically be redeemed on the occurrence of that Insolvency Event for an amount equal to the Issue Price in respect of those VCR Ordinary Shares, and the proceeds of redemption applied in repayment of outstanding Loan Amounts for the holders of such VCR Ordinary Shares.

7.6 General

For the avoidance of doubt, the Company is entitled to redeem some or all of the VCR Ordinary Shares issued to an Ownership Plan Participant without having to redeem a

corresponding amount of VCR Ordinary Shares issued to all Ownership Plan Participants.

8 Conversion of VCR Ordinary Shares

8.1 Conversion

Subject to clause 7, any VCR Ordinary Shares that have vested in accordance with clause 6.1, shall on the relevant Vesting Date, automatically convert into Ordinary Shares (as Restricted Ordinary Shares).

8.2 Rights on conversion

Each Ordinary Share issued on conversion of the VCR Ordinary Shares will rank in all respects pari passu with the Ordinary Shares then on issue.

8.3 Disposal Restrictions

An Ownership Plan Participant may not Dispose of its Ordinary Shares that result from the conversion of VCR Ordinary Shares under clause 8.1 without the written consent of the Board (such consent may be withheld at the Board's absolute discretion) during the period beginning on the relevant Vesting Date of those Ordinary Shares and ending on the last to occur of:

- (a) the Restriction Termination Date in respect of those Shares; and
- (b) the date on which the Loan Amount in respect of those Shares has been repaid in full.

8.4 Holding statement

Within 15 Business Days from the conversion of VCR Ordinary Shares into Ordinary Shares, the Company will issue an Ownership Plan Participant with a holding statement in respect of those Ordinary Shares. Each Ownership Plan Participant agrees to the application of a holding lock (as defined for the purposes of the ASX Listing Rules) to the Restricted Ordinary Shares.

9 Buy-back

9.1 Requirements on Cessation Event (Good)

During the Buy-back Period, on the occurrence of a Cessation Event (Good), the Company may at any time following the occurrence of the Cessation Event (Good) buy back, or require the forfeiture of, the Restricted Ordinary Shares held by an Ownership Plan Participant on the occurrence of the Cessation Event (Good), in accordance with clause 11, for the Buy-back Price.

9.2 Buy-back Price

- (a) Payment of the Buy-back Price in respect of any Restricted Ordinary Shares bought back by the Company in accordance with clause 9.1, will be effected by the Company offsetting an unpaid amount of the Loan Amount in respect of the

Restricted Ordinary Shares that are the subject of the Buy-back equal to the Buy-back Price, against the Buy-back Price.

- (b) In the event that an Ownership Plan Participant has prepaid an amount of the Loan Amount in respect of the Restricted Ordinary Shares that are the subject of the Buy-back, the Company shall pay to that Ownership Plan Participant the amount by which the Buy-back Price exceeds the unpaid amount of the Loan Amount.

10 Rights and Obligations on Cessation Event (Bad)

On the occurrence of a Cessation Event (Bad), the Company may at any time following the occurrence of the Cessation Event (Bad) buy back, or require the forfeiture of the Ownership Plan Participant's Restricted Ordinary Shares for a nominal aggregate consideration (namely \$10 in aggregate).

11 Process

11.1 Attorney

Each Ownership Plan Participant irrevocably appoints each Director of the Company as its attorney to sign any transfer, redemption requests or any other documents of whatever nature, and to do all things which the attorneys may consider necessary or desirable in order to give effect to the provisions of this Plan and in particular, clauses 9 and 5.4 and 13, and any two Directors acting jointly may exercise this power of attorney.

11.2 Buy Back

In any circumstances where the Company has the right or obligation to buy back Restricted Ordinary Shares:

- (a) this Plan will constitute agreement on the part of the Ownership Plan Participant to such buy back;
- (b) the buy back will be completed within a period to be notified by the Company to the relevant Ownership Plan Participant ("**Buyback Notice**") (which period shall not be less than 14 days nor more than 90 days from the date of the Buyback Notice);
- (c) on completion of the buy back, the holder of the Restricted Ordinary Shares being bought back shall deliver to the Company an executed transfer in respect of such shares in exchange for payment of the Buy back Price for such Restricted Ordinary Shares; and
- (d) the relevant Ownership Plan Participant agrees to sign all documents, and exercise all powers and rights available to it under this Plan or at law in order to approve or otherwise procure such buy back.

11.3 Forfeiture

In any circumstances where the Company has the right to require the forfeiture of Restricted Ordinary Shares under clause 10:

- (a) this Plan will constitute agreement on the part of the relevant Ownership Plan Participant to such forfeiture;
- (b) the forfeiture will be completed within a period to be notified by the Company to the relevant Ownership Plan Participant ("**Forfeiture Notice**") (which period shall not be less than 14 days nor more than 90 days from the date of the Forfeiture Notice);
- (c) on completion of the forfeiture, the holder of the Restricted Ordinary Shares being forfeited shall deliver to the Company all share certificates respect of such Restricted Ordinary Shares in consideration of the consideration paid for such forfeiture; and
- (d) the relevant Ownership Plan Participant agrees to sign all documents, and exercise all powers and rights available to it under this Plan or at law in order to approve or otherwise procure such forfeiture.

12 Disposal Restrictions in case of a takeover or scheme of arrangement

12.1 Release from Disposal Restrictions

The disposal restrictions under clause 8.3 shall not apply if:

- (a) the conditions in clause 12.2 are satisfied; and
- (b) either:
 - (i) there is a takeover bid in respect of the Company and the relevant Ownership Plan Participant wishes to accept an offer under such a takeover bid; or
 - (ii) the relevant Ownership Plan Participant wishes to have its Restricted Ordinary Shares transferred or cancelled, for full value and in their entirety, as part of a merger by way of a scheme of arrangement under Part 5.1 of the Corporations Act.

12.2 Conditions for release from Disposal Restrictions

The release from the disposal restrictions under clause 8.3 in respect of any of the Relevant Individual's Ordinary Shares will only operate if, to the extent they are applicable, all of the following conditions are met:

- (a) in the case of a takeover bid, the offer is for all of the Ordinary Shares in the Company; and
- (b) in the case of a takeover bid, the holders of at least half of the Ordinary Shares in the Company that are not subject to any disposal restrictions under any agreement have accepted.

In the case of an off-market bid, if the offer is conditional, the Ownership Plan Participant's Restricted Ordinary Shares that are not purchased by the bidder will remain subject to the relevant disposal restrictions.

In the case of a scheme of arrangement under Part 5.1 of the Corporations Act, the Ownership Plan Participant's Restricted Ordinary Shares will remain subject to the relevant disposal restrictions if the merger does not take effect.

12.3 Alteration of Vesting Conditions in the event of a takeover, scheme

If there is a takeover bid in respect of the Company or a scheme of arrangement under Part 5.1 of the Corporations Act is proposed involving the Company, the Board may, but is not required to, vary the Vesting Dates and/or the Vesting Conditions in respect of VCR Ordinary Shares then on issue, having regard to the terms and conditions of such bid or scheme.

13 Individual Shareholder Agreement

Upon repayment of the Loan Amount after the Restriction Termination Date in respect of Restricted Ordinary Shares held by an Ownership Plan Participant:

- (a) the terms of the Individual Shareholder Agreement shall apply to the Ownership Plan Participant, and the Ownership Plan Participant shall be deemed to have executed and agreed to the Individual Shareholder Agreement; and
- (b) within 10 Business Days thereafter, the Ownership Plan Participant shall execute the Individual Shareholder Agreement with the Company and deliver an executed counterpart of the Individual Shareholder Agreement to the Company.

14 Inconsistency

Save as required by law, to the extent to which any of the provisions of this Plan are inconsistent with the provisions of the Constitution, the provisions of the Constitution shall take precedence to the provisions of this Plan.

15 Register

The Company must open and maintain a register in respect of each Ownership Plan Participant that records:

- (a) the date that VCR Ordinary Shares are issued;
- (b) the number of VCR Ordinary Shares issued;
- (c) the Loan Amount;
- (d) the Vesting Date in respect of the VCR Ordinary Shares issued;
- (e) the date that VCR Ordinary Shares have been converted;
- (f) the Restriction Termination Dates in respect of Restricted Ordinary Shares;
- (g) the date that any Restricted Ordinary Shares have been bought back or forfeited;
- (h) the principal amount outstanding under the Loan Amount; and

- (i) any other information relevant to the Ownership Plan Participant's participation in this Plan.

16 Rights of Ownership Plan Participants

Nothing in this Plan:

- (a) confers on any Ownership Plan Participant the right to acquire, subscribe for, or otherwise receive VCR Ordinary Shares;
- (b) affects any rights that the Company may have to terminate the employment of an Ownership Plan Participant;
- (c) may be used to increase damages in any action brought against the Company in respect of any such termination; or

Ownership Plan Participants are advised to take independent advice in relation to any Tax liabilities that may arise in respect of the issue of VCR Ordinary Shares or any other aspects of this Plan. The Company assumes no responsibility and makes no representation or warranty regarding the Tax liabilities that may arise in respect of the issue of VCR Ordinary Shares or any other aspects of this Plan.

17 Notices

Any notice regarding VCR Ordinary Shares or Restricted Ordinary Shares issued under the Plan will be sent to the registered address of the holders of those VCR Ordinary Shares or Restricted Ordinary Shares (as the case may be) as recorded in the register by the Company.

18 Restructure

Notwithstanding anything to the contrary in this Plan, in the event that the Board determines to implement a corporate restructure, amalgamation and/or consolidation in respect of the Company, the Board may require Ownership Plan Participants to exchange their unvested and/or unconverted VCR Ordinary Shares for shares in a different entity, provided always that the terms of issue of the new shares are no less favourable to Ownership Plan Participants than the terms of issue of the unvested and/or unconverted VCR Ordinary Shares.

19 Amendment

- 19.1 Subject to clauses 19.2 and 19.3, the Company may at any time by written instrument or by resolution of the Board, amend all or any of the provisions of this Plan (including this clause 19) or any document or notice issued under this Plan.
- 19.2 Subject to clause 19.3, where a proposed amendment or variation to this Plan will or is likely to, in the reasonable opinion of the Board, have a material adverse effect on the rights or interests of Ownership Plan Participants who have been issued VCR Ordinary Shares, then such amendment or variation shall require the approval of the holders of

more than 50% of the VCR Ordinary Shares and Restricted Ordinary Shares issued by the Company.

- 19.3 Notwithstanding anything to the contrary in clause 19.2, no amendment or variation to this Plan will be deemed by the Board to have a material adverse effect on the rights or interests of Ownership Plan Participants if the amendment or variation is introduced:
- (a) in connection with or in anticipation of an IPO or as required by the Listing Rules of the ASX;
 - (b) in connection with a decision by the Board that the Company will apply to be removed from the official list of the ASX;
 - (c) to comply with or conform to present or future State, Territory or Commonwealth legal requirements governing or regulating the maintenance or operation of the Plan or like plans;
 - (d) to correct any manifest error or mistake;
 - (e) to enable contributions or other amounts paid by the Company in respect of the Plan to qualify as income tax deductions;
 - (f) to enable the Company or the Ownership Plan Participant to reduce the amount of Tax payable in relation to the Plan or matters arising from the Plan;
 - (g) for the purpose of enabling the Ownership Plan Participants generally (but not necessarily each Ownership Plan Participant) to receive a more favourable taxation treatment in respect of their participation in the Plan;
 - (h) to enable the Company to undertake a restructure pursuant to clause 18; or
 - (i) to enable the Company to comply with the Corporations Act.
- 19.4 Subject to the above provisions of this clause 19, any amendment made pursuant to clause 19.1 may be given such retrospective effect as is specified in the written instrument or resolution by which, the amendment is made.

20 Administration of the Plan

- 20.1 The Plan will be administered by the Board in accordance with the terms and conditions of this Plan.
- 20.2 Any power or discretion which is conferred on the Board by this Plan may be exercised by the Board in its absolute discretion.
- 20.3 Any power or discretion which is conferred on the Board by this Plan must be exercised by the Board in the interests or for the benefit of the Company, and the Board is not, in exercising any such power or discretion, under any fiduciary or other obligation to any other person.
- 20.4 Any power or discretion which is conferred on the Board by this Plan may be delegated by the Board to a committee consisting of such Directors and/or other officers and/or employees of the Company as the Board thinks fit.

- 20.5 The decision of the Board as to the interpretation, effect or application of this Plan will be final and conclusive.
- 20.6 The Board may from time to time suspend the operation of the Plan and may at any time cancel the Plan. The suspension or cancellation of the Plan will not prejudice the existing rights of Ownership Plan Participants.

21 Governing law and jurisdiction

This document will be governed by and construed in accordance with the laws in force in the State of Victoria.

SCHEDULE 1 – ACCEPTANCE FORM

To: Company Secretary

Slater & Gordon Ltd (the “**Company**”)

I refer to the Slater & Gordon VCR Ordinary Share Ownership Plan (“**Plan**”), and more specifically, the offer by the Company to me to subscribe for VCR Ordinary Shares (“**Offer Document**”). Unless the context requires otherwise, terms defined in this Form have the meanings attributed to them in the Plan.

I hereby accept the Company’s offer to subscribe for the number of VCR Ordinary Shares outlined in the Offer Document.

By executing this Form and returning it to the Company I acknowledge that:

- (a) I have read the Disclosure Document (if any);
- (b) I have read, and agree to be bound by the terms of the Plan, the Offer Document and the Constitution;
- (c) I am solvent;
- (d) the Company has made the Loan Amount available to me in order for me to satisfy the Issue Price in respect of the VCR Ordinary Shares;
- (e) on receipt of this duly executed Form, the Company will apply the Loan Amount towards the acquisition of VCR Ordinary Shares on my behalf;
- (f) I have received (or have elected not to receive) independent taxation advice in relation to the issue of VCR Ordinary Shares,
- (g) I release the Company from any responsibility for any Tax liability that may arise for me in relation to the Plan;
- (h) I understand the repayment terms in relation to the Loan Amount; and
- (i) I understand that if the Loan Amount is not repaid in accordance with the terms of the Plan, the Company may redeem the VCR Ordinary Shares and/or buy-back or cause the forfeiture of Restricted Ordinary Shares issued to me.

Please issue the VCR Ordinary Shares to me at your earliest convenience.

Dated: _____

Name of Ownership Plan Participant: _____

Signature: _____

SCHEDULE 2 - REDEMPTION NOTICE

To: [insert name of Ownership Plan Participant]

We refer to the Slater & Gordon VCR Ordinary Share Ownership Plan ("**Plan**"). Unless the context requires otherwise, terms defined in this Redemption Notice have the meanings attributed to them in the Plan.

Pursuant to clause 7.1 of the Plan

- (a) We give you irrevocable notice that the Company intends to redeem [insert number] of your VCR Ordinary Shares ("**Redeemed VCR Ordinary Shares**") on the Redemption Date.
- (b) The relevant Redemption Amount in respect of the Redeemed VCR Ordinary Shares is \$[insert amount].
- (c) In order to satisfy payment of the Redemption Amount, the Company will set off an outstanding portion of the Loan Amount equal to the Redemption Amount against the Redemption Amount.

You are not required to do anything in relation to this Redemption Notice.

Dated: _____

Signed for and on behalf
of Slater & Gordon Ltd

Officer's signature

Name (please print)

SCHEDULE 3 - INDIVIDUAL SHAREHOLDER AGREEMENT

[insert name]

and

Slater & Gordon Ltd ACN 097 297 400

Binding Commitment

Individual Shareholder Agreement

EMPLOYEE OWNERSHIP PLAN SHAREHOLDER VERSION

TABLE OF CONTENTS

Page no.

1	Definitions and interpretation	3
1.1	Definitions	3
1.2	Words and expressions	6
1.3	Terms defined in the Constitution	7
1.4	Schedules and annexures	7
2	Relationship with Constituent Documents and the Acts	7
2.1	Conflict	7
2.2	Incorporated Legal Practice	8
3	Dealings in Ordinary Shares	8
3.1	S&G Share Trading Policy	8
3.2	Minimum Holding	8
3.3	Escrow arrangements in case of takeover	8
4	Rights and Obligations on a Cessation Event (Good)	9
4.1	Requirements on Cessation Event (Good) Category 1	9
4.2	Requirements on Cessation Event (Good) Category 2	9
5	Rights and Obligations on Cessation Event (Bad)	10
6	Process	10
6.1	Attorney	10
6.2	Buy Back	11
6.3	Forfeiture	11
7	Obligations of Relevant Individual on ceasing to be an Employee	11
7.1	Restraint	11
7.2	Direct Competition	12
7.3	Period	12
7.4	Area	13
7.5	Acknowledgments	13
7.6	Undertaking	13
7.7	Severable	13
7.8	No operation	13
8	Term and Termination	14
8.1	Term	14
8.2	Termination	14
8.3	Without Prejudice	14
9	Disputes	14
9.1	No arbitration or court proceedings	14
9.2	Notice	14
9.3	Initial Period	14
9.4	Appointment of arbitrator	15
9.5	Role of Expert	15
9.6	Timeframe	15
9.7	Confidentiality	15
9.8	Costs	15
9.9	Breach of this clause	15
10	Notices and serving documents	15
10.1	Method	15
10.2	Receipt	16
10.3	Address of parties	16
11	General	16
11.1	Entire agreement	16
11.2	Counterparts	16
11.3	Amendment	16
11.4	Waivers	17
11.5	Governing Law	17
11.6	Exercising rights in part	17

11.7	Discretion in exercising rights.....	17
11.8	Further assurances	17
SCHEDULE - NOTICE DETAILS		1

PARTIES

[*insert name*] of [*insert address*] ("**Relevant Individual**")

SLATER & GORDON LTD ACN 097 297 400 of 533 Little Lonsdale Street, Melbourne ("the Company")

BACKGROUND

- A The Company carries on business as lawyers in the States of Victoria, New South Wales, Western Australia and the Australian Capital Territory.
- B The Company provides legal services in Queensland and South Australia by Andrew Grech acting as a sole practitioner pursuant to arrangements between Andrew Grech and the Company.
- C It is anticipated that the Company will be admitted to the official list of the Australian Stock Exchange on the Effective Date.
- D The parties have entered into this Agreement to record their intentions with respect to the shares held by the Relevant Individual in the Company.

AGREED TERMS

1 Definitions and interpretation

1.1 Definitions

In this document, unless the context otherwise requires the following words have these meanings:

"Acts" means the *Legal Profession Act (Vic) 2004*, the *Legal Profession Act (NSW) 2004*, and any other corresponding legislation in any other Australian State or Territory in which the Company operates, and includes all regulations for the time being in force under them. Each reference in this Constitution to "the Acts" shall be read both as a reference to the Acts jointly and collectively, and as a separate and independent reference to each Act in relation to the jurisdiction in which it applies.

"ASX" means ASX Limited.

"ASX Listing Rules" means the listing rules of the ASX, as amended from time to time.

"Board" means the Board of Directors of the Company.

"Business" means the legal business of the Company.

"Business Day" means a day on which banks are open for general business in Melbourne but excludes any Saturday or Sunday.

"Cessation Event" means a Cessation Event (Good) or Cessation Event (Bad).

"Cessation Event (Bad)" means where the Relevant Individual's directorship (where applicable) or employment with the Company ceases in any circumstance other than on a Cessation Event (Good). For the avoidance of doubt, if such cessation occurs by reason of a Default, a Cessation Event (Bad) will have occurred.

"Cessation Event (Good)" means if the Relevant Individual is an Employee, where the Relevant Individual's employment with the Company ceases in any of the following circumstances:

- (a) where the Relevant Individual resigns from his or her employment and that resignation has been approved by the Board of Directors (Category 1);
- (b) where the Relevant Individual retires as a result of total and permanent disability that incapacitates him or her from further work (Category 2);
- (c) where the Relevant Individual dies (Category 2); or
- (d) where the Board determines, acting reasonably, that a Cessation Event (Good) has occurred within 3 months of the cessation of the Relevant Individual's employment (Category 1 or 2, according to the Board's determination).

"Cessation Event (Good) Category 1" means those items and paragraphs of the definition of Cessation Event (Good) that are designated as being "Category 1".

"Cessation Event (Good) Category 2" means those items and paragraphs of the definition of Cessation Event (Good) that are designated as being "Category 2".

"Constituent Documents" means the Constitution of the Company and any other constituent document relating to any entity in the Company.

"Constitution" means the Constitution of the Company.

"Corporations Act" means the *Corporations Act 2001* (Cth).

"Default" means the occurrence of any of the following:

- (a) a serious breach by the Relevant Individual of his or her Employment Agreement (where applicable) sufficient to justify summary dismissal;
- (b) the Relevant Individual being found guilty of misconduct as defined in the legislation governing legal practitioners in any State in which he or she practises;
- (c) the Relevant Individual committing any act of fraud or serious and wilful misconduct;
- (d) the Relevant Individual ceasing to be entitled to practise as a legal practitioner where, on entry into his or her position as Relevant Individual, he or she was a legal practitioner;

- (e) the Relevant Individual being convicted of an indictable offence;
- (f) any Insolvency Event occurring to the Relevant Individual; and/or
- (g) the Relevant Individual and/or Shareholder Group becoming a Disqualified Person.

"Director" means a director for the time being and from time to time of the Company.

"Dispute" and **"Disputant"** have the meaning given to those terms in clause 8.

"Disqualified Person" has the meaning given to that term in the Acts.

"Effective Date" means the date the Company is admitted to the official list of the ASX.

"Employee" means an employee of any entity within the Company.

"Encumbrance" means any mortgage, lien, hypothecation, charge (whether fixed or floating), bill of sale, caveat, pledge, claim, trust arrangement, preferential right, right of set-off, title retention or other form of encumbrance.

"Escrow Period" means the period from the Effective Date to 31 August 2008.

"Financial Statements" means with respect to each entity in the Company, the balance sheets, profit and loss and cashflow statements and the notes to those statements.

"Financial Year" means a period of 12 months commencing on any 1 July and includes any other period determined by the Directors in respect of which Financial Statements are prepared.

"Initial Period" has the meaning given to that term in clause 8.

"Insolvency Event" means the occurrence of any of the following events in relation to any person:

- (a) the person becomes insolvent as defined in the Corporations Act, states that it is insolvent or is presumed to be insolvent under an applicable law;
- (b) the person is wound up, dissolved or declared bankrupt;
- (c) the person becomes an insolvent under administration as defined in the Corporations Act;
- (d) a liquidator, provisional liquidator, controller, receiver, receiver and manager, administrator, trustee for creditors, trustee in bankruptcy or other similar person is appointed to, or takes possession or control of, any or all of the person's assets or undertaking;
- (e) the person enters into or becomes subject to:

- (i) any arrangement or composition with one or more of its creditors or any assignment for the benefit of one or more of its creditors; or
- (ii) any re-organisation, moratorium, deed of company arrangement or other administration involving one or more of its creditors;
- (f) an application or order is made (and, in the case of an application, it is not stayed, withdrawn or dismissed within 30 days), resolution passed, proposal put forward, or any other action taken which is preparatory to or could result in any of (b), (c), (d) or (e) above;
- (g) the person is taken, under section 459F(1) of the Corporations Act, to have failed to comply with a statutory demand;
- (h) the person suspends payment of its debts, ceases or threatens to cease to carry on all or a material part of its business or becomes unable to pay its debts when they fall due; or
- (i) anything occurs under the law of any jurisdiction which has a substantially similar effect to any of the other paragraphs of this definition,

unless the event occurs as part of a solvent reconstruction, amalgamation, merger or consolidation that has been approved by the Board.

"Minimum Number" has the meaning given to that term in clause 3.2.

"Ordinary Share" has the meaning given to that term in the Constitution.

"Redundancy" means that:

- (a) the Company has made a decision that it no longer wishes the job the Employee has been doing to be done by anyone;
- (b) the decision is not due to the ordinary and customary turnover of labour;
- (c) the decision leads to the cessation of the Employee's employment; and
- (d) the cessation of employment is not on account of any personal act or default of the Employee.

"S&G Share Trading Policy" means the document titled, "Slater & Gordon Limited Share Trading Policy", adopted by the Board on or about March 2007.

"Tax Acts" means the *Income Tax Assessment Act 1936 (Cth)* and the *Income Tax Assessment Act 1997 (Cth)*.

1.2 Words and expressions

In this Agreement, unless the context requires otherwise:

- (a) the singular includes the plural and vice versa, and words importing a gender shall (where appropriate) mean and include other genders;
- (b) a reference to any one of an individual corporation partnership, trust or government includes (as the context requires) any other of them;

- (c) the table of contents and headings are for convenience only and do not affect interpretation;
- (d) a reference to any instrument (such as a deed, agreement or document) is to that instrument (or, if required by the context, to a part of it) as amended, novated, substituted or supplemented at any time and from time to time,
- (e) a reference to a party is a reference to a party to this deed and includes that party's executors, administrators, successors and permitted assigns;
- (f) a reference to \$ or dollars is a reference to an amount in Australian currency;
- (g) a reference to a clause, schedule or annexure is to a clause (including sub-clause, paragraph, sub paragraph or further subdivision of a clause), schedule or annexure of or to this deed, and a reference to a paragraph is to a paragraph in a schedule or in the Background;
- (h) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or substitution for, and any subordinate legislation under, that legislation or legislative provision;
- (i) where an expression is defined, another part of speech or grammatical form of that expression has the corresponding meaning;
- (j) where a matter is expressed to be within or to the knowledge of any person the matter is taken to be to the best of the knowledge and behalf of the person after having made reasonable enquiry; and
- (k) including and similar expressions are not, and must not be treated as, words of limitation.

1.3 Terms defined in the Constitution

Any term which is used but not defined in this Agreement but which is given a defined meaning in the Constitution, has that same meaning in this Agreement.

1.4 Schedules and annexures

The schedules and annexures form part of this Agreement.

2 Relationship with Constituent Documents and the Acts

2.1 Conflict

If there is any conflict or inconsistency between the terms of this Agreement and the Constituent Documents, then the terms of this Agreement will prevail, and:

- (a) no party shall, unless prohibited by law, exercise any rights under the Constituent Documents in conflict with the provisions of this Agreement; and
- (b) each party will on request by any other party, do all things necessary (and vote for any required resolutions) to amend the Constituent Documents so that they conform with the provisions of this Agreement.

2.2 Incorporated Legal Practice

The Company is (in the manner in which it operates in Victoria, New South Wales, ACT and Western Australia) an "incorporated legal practice" within the meaning of that term given in the Acts in those States and Territories. The parties will use their reasonable endeavours to procure that the Company at all times complies with the terms of all the relevant Acts.

The Relevant Individual acknowledges that:

- (a) the Company has an obligation to procure that, where possible, the Company fulfils its duty to the Shareholders, to the clients of the Company and to the court; and
- (b) in the case of an inconsistency or conflict between those duties of the Company, that conflict or inconsistency shall be resolved as follows:
 - (i) the duty to the court will prevail over all other duties; and
 - (ii) the duty to the client will prevail over the duty to Shareholders.

3 Dealings in Ordinary Shares

3.1 S&G Share Trading Policy

On or following the Effective Date, it is agreed that the Relevant Individual will be bound by the S&G Share Trading Policy in addition to the provisions of this Agreement. Where any provisions of the S&G Share Trading Policy conflict with any provisions of this Agreement, the more restrictive provisions shall prevail.

3.2 Minimum Holding

The Relevant Individual will be required to hold a minimum number of VCR Ordinary Shares and Ordinary Shares (in aggregate) while he or she remains an Employee ("**Minimum Number**"). The Minimum Number will be assessed on the first day of each Financial Year, and will be the number of shares, the aggregate value of which calculated at the closing price on the last Business Day of the previous Financial Year is equal to the lesser of:

- (a) the number of Shares that represent a value equal to five times the annual salary of the Relevant Individual; and
- (b) 20% of the aggregate number of Shares issued to the Relevant Individual as VCR Ordinary Shares which have vested and been converted to Ordinary Shares under the Company's Employee Ownership Plan prior to the date on which the Minimum Number is being assessed.

For the avoidance of doubt, nothing in this clause 3.2 will require a Relevant Individual to purchase additional Ordinary Shares. Rather this clause 3.2 will operate as an additional restriction on the disposal of Ordinary Shares.

3.3 Escrow arrangements in case of takeover

- (a) The escrow and restraint provisions under clause 3.2 shall not apply if:

- (i) the conditions in clause 3.3(b) are satisfied; and
- (ii) either:
 - (A) there is a takeover bid in respect of the Company and the Relevant Individual wishes to accept an offer under such a takeover bid; or
 - (B) the Relevant Individual wishes to have its Ordinary Shares transferred or cancelled, for full value and in their entirety, as part of a merger by way of a scheme of arrangement under Part 5.1 of the Corporations Act.
- (b) The release from escrow and restraint under clause 3.3(a) in respect of any of the Relevant Individual's Ordinary Shares will only operate if, to the extent they are applicable, all of the following conditions are met:
 - (i) in the case of a takeover bid, the offer is for all of the Ordinary Shares in the Company; and
 - (ii) in the case of a takeover bid, the holders of at least half of the Ordinary Shares in the Company that are not subject to any escrow provisions under any agreement have accepted.

In the case of an off-market bid, if the offer is conditional, any of the Relevant Individual's Ordinary Shares that are not purchased by the bidder will be subject to the escrow and restraint provisions under clause 3.2 when the offer lapses.

In the case of a scheme of arrangement under Part 5.1 of the Corporations Act the Relevant Individual's Ordinary Shares will be subject to the escrow and restraint provisions under clause 3.2 if the merger does not take effect.

4 Rights and Obligations on a Cessation Event (Good)

4.1 Requirements on Cessation Event (Good) Category 1

On the occurrence of a Cessation Event (Good) Category 1:

- (a) the Company may at any time following the occurrence of the Cessation Event (Good) Category 1 buy back, or require the forfeiture of, the Minimum Number of Ordinary Shares held by that Relevant Individual on the occurrence of the Cessation Event (Good) Category 1, in accordance with clause 6, for nominal aggregate consideration (namely \$10 in aggregate) or such consideration as determined by the Board in its sole discretion; and
- (b) the Relevant Individual's Ordinary Shares beyond the Minimum Number will not be affected by the Cessation Event (Good) Category 1.

4.2 Requirements on Cessation Event (Good) Category 2

On the occurrence of a Cessation Event (Good) Category 2, the Relevant Individual's Ordinary Shares (including the Minimum Number) will not be affected by the Cessation Event (Good) Category 2.

5 Rights and Obligations on Cessation Event (Bad) & provision of information for the purposes of the Acts

5.1 Cessation Event (Bad)

On the occurrence of a Cessation Event (Bad), the Company must as soon as practicable following the occurrence of the Cessation Event (Bad) and in any event within 30 days, buy back, or require the forfeiture of that Relevant Individual's Minimum Number of Ordinary Shares for nominal aggregate consideration (namely \$10 in aggregate).

5.2 Restrictions

The Relevant Individual and Shareholder Group acknowledge and recognise that:

- (a) the exercise by the Company of its powers under this clause 5:
 - (i) is necessary to comply with the Acts;
 - (ii) may cause the Relevant Individual and/or Shareholder Group significant disadvantage;
- (b) the Company may disregard any loss or disadvantage that may be suffered by the Relevant Individual and/or Shareholder Group when exercising its powers under this clause 5; and
- (c) they have no right of action against the Company or the Company for any loss arising, whether directly or indirectly, from the Company's exercise of its power under this clause 5.

5.3 Provision of Information

- (a) The Relevant Individual and Shareholder Group must immediately notify the Company if it becomes or becomes aware that it is a Disqualified Person.
- (b) The Company may from time to time send a Relevant Individual and/or Shareholder Group a notice requiring that Relevant Individual and/or Shareholder Group to provide information to the Company so the Company can determine whether that Relevant Individual and/or Shareholder Group is a Disqualified Person.
- (c) The Company may request the information referred to in clause 5.3(a) in any form it considers appropriate any may require that information to be verified by statutory declaration.

6 Process

6.1 Attorney

The Relevant Individual and each member of the Shareholder Group irrevocably appoint each Director of the Company as its attorney to sign any transfer, redemption requests or any other documents of whatever nature, and to do all things which the attorneys may

consider necessary or desirable in order to give effect to the provisions of this Agreement and in particular, clauses 3.3 and 5, and any two Directors acting jointly may exercise this power of attorney.

6.2 Buy Back

In any circumstances where the Company has the right or obligation to buy back Ordinary Shares under clauses 3.3 and 5:

- (a) this Agreement will constitute agreement on the part of the Relevant Individual and/or Shareholder Group to such buy back;
- (b) the buy back will be completed within a period to be notified by the Company to the Relevant Individual ("**Buyback Notice**") (which period shall not be less than 14 days nor more than 90 days from the date of the Buyback Notice);
- (c) on completion of the buy back, the holder of the Ordinary Shares being bought back shall deliver to the Company an executed transfer in respect of such shares in exchange for payment of the buy back price for such Ordinary Shares, as described in clauses 3.3 and 5; and
- (d) the Relevant Individual, and the Shareholder Group, agree to sign all documents, and exercise all powers and rights available to it under this Agreement or at law in order to approve or otherwise procure such buy back.

6.3 Forfeiture

In any circumstances where the Company has the right to require the forfeiture of Ordinary Shares under clauses 3.3 and 5:

- (a) this Agreement will constitute agreement on the part of the Relevant Individual and/or Shareholder Group to such forfeiture;
- (b) the forfeiture will be completed within a period to be notified by the Company to the Relevant Individual ("**Forfeiture Notice**") (which period shall not be less than 14 days nor more than 90 days from the date of the Forfeiture Notice);
- (c) on completion of the forfeiture, the holder of the Ordinary Shares being forfeited shall deliver to the Company all share certificates respect of such Ordinary Shares in consideration of the consideration paid for such forfeiture, as described in clauses 3.3 and 5; and
- (d) the Relevant Individual, and the Shareholder Group, agree to sign all documents, and exercise all powers and rights available to it under this Agreement or at law in order to approve or otherwise procure such forfeiture.

7 Obligations of Relevant Individual on ceasing to be an Employee

7.1 Restraint

The Relevant Individual represents, covenants and warrants that he/she will not, after termination of his/her employment with the Company, for the periods specified in this Clause and within the area specified in this Clause, either directly or indirectly, by themselves or jointly with or on behalf of any other entity in any capacity (including

without limitation as principal, agent, partner, employee, shareholder, unitholder, joint venturer, director, trustee, beneficiary, manager, consultant or adviser):

- (a) enter into a partnership or ownership arrangement with any one or more members of the partnership or ownership group of a direct competitive firm or be employed or retained by any person or firm that is in direct competition with the Company (except that the Relevant Individual may be retained as a member of Counsel by any person or firm that is in direct competition with the Company if the Relevant Individual is engaged as a member of the Bar);
- (b) undertake work as a legal practitioner for any person or firm that is in direct competition with the Company;
- (c) procure or solicit or encourage any other person to procure or solicit the business of any clients for whom either the Relevant Individual has worked during his or her employment with the Company or clients which were clients of the Company during the term of the Relevant Individual's employment with whom the Relevant Individual had contact or dealings during their employment; and
- (d) undertake or procure any other person to undertake any work for any clients for whom either the Relevant Individual worked during his or her employment with the Company or to clients which were clients of the Company during the term of the Relevant Individual's employment, with whom the Relevant Individual had contact or dealings during their employment.

7.2 Direct Competition

In Clause 7.1 a firm that is in direct competition with the Company is any firm in the business of providing legal services to:

- (a) unions and/or union members in employment/industrial relations matters and with respect to personal injuries claims; or
- (b) clients who seek legal advice in relation to personal injuries or a personal injuries claim(s); or
- (c) any other firm nominated by the Company as a direct competitor for the purposes of this clause by written notice to the Relevant Individual.

7.3 Period

- (a) The relevant period for the purposes of Clause 7.1(a) is:
 - (i) 12 months after termination of the employment, or (if this is held invalid);
 - (ii) 6 months after termination of the employment, or (if this is held invalid);
 - (iii) 3 months after termination of the employment.
- (b) The relevant period for the purposes of Clauses 7.1(b), 7.1(c) and 7.1(d) is:
 - (i) 6 months after termination of the employment, or (if this is held invalid);
 - (ii) 3 months after termination of the employment, or (if this is held invalid);
 - (iii) 1 month after termination of the employment.

7.4 Area

The relevant area for the purposes of Clause 7.1 is:

- (a) the State or Territory in which the Relevant Individual is employed;
- (b) within a 30km radius of the office of the Company in which the Relevant Individual is employed;
- (c) within a 10km radius of the office of the Company in which the Relevant Individual is employed.

7.5 Acknowledgments

- (a) The Relevant Individual agrees and acknowledges that the restraint set out in this Clause 7:
 - (i) is fair and reasonable in respect of its extent, duration and reason; and
 - (ii) does not unreasonably restrict his/her right to carry on his/her profession and goes no further than is necessary to protect the legitimate business interests and Confidential Information of the Company.
- (b) The Relevant Individual agrees and acknowledges that in the course of his or her employment under this Agreement, the Relevant Individual will establish contacts, gain reputation and have access to material which, if utilised by any person or firm that is in competition with the Company would prejudice the Company's competitive advantage in respect of that person or firm.

7.6 Undertaking

The Relevant Individual, in his or her capacity as a legal practitioner, personally undertakes to the Company that he or she shall observe and comply with the provisions of this Clause 7 and agrees that such undertaking constitutes an undertaking pursuant to Rule 27 of the **Professional Conduct & Practice Rules 2005 (Vic)** and/or equivalent Rules made pursuant to relevant regulatory provisions in the jurisdiction in which the Relevant Individual is admitted to practice as a legal practitioner.

7.7 Severable

In the event that any part of this Clause 7 is found to be invalid, unenforceable or void, it shall be severed from the Agreement and the remainder of this Clause 7 shall continue to operate with full force and effect.

7.8 No operation

Clause 7.1 has no operation in circumstances where:

- (a) the Relevant Individual's employment has been terminated by reason of redundancy; or
- (b) the Relevant Individual and the Company so agree.

8 Term and Termination

8.1 Term

This Agreement will commence on the Effective Date and will continue until terminated under clause 8.2.

8.2 Termination

Subject to clause 8.3, this Agreement will terminate:

- (a) when neither the Relevant Individual nor the Shareholder Group hold any Ordinary Shares;
- (b) when the Company is wound up by an order of a court;
- (c) when the Company ceases to carry on the Business; or
- (d) by written consent of the Company and the Relevant Individual.

8.3 Without Prejudice

Termination of this Agreement will be without prejudice to any accrued rights of the Relevant Individual.

9 Disputes

9.1 No arbitration or court proceedings

If a dispute arises out of or in relation to this document ("**Dispute**") no party to the Dispute ("**Disputant**") will start arbitration or court proceedings (except proceedings seeking interlocutory relief) unless it has complied with this clause 8.

9.2 Notice

A party claiming that a Dispute has arisen must notify each other Disputant in writing giving details of the Dispute and its proposal for a resolution.

9.3 Initial Period

- (a) For a 20 day period after a notice is given ("**Initial Period**") each Disputant must use all reasonable endeavours to resolve the Dispute and an authorised representative of each Disputant will meet within the first 14 days of that period with that aim.
- (b) The Disputants must jointly appoint a mediator. If they fail to agree on the appointment within the first 14 days of the Initial, a mediator nominated for that purpose by the President for the time being of the Law Institute of Victoria must be appointed.
- (c) The parties concerned must observe the instructions of the mediator concerning the conduct of the mediation.

9.4 Appointment of arbitrator

If the Dispute remains unresolved at the end of the Initial Period, it must be referred at the request of any Disputant to an arbitrator:

- (a) agreed upon between the Disputants; or
- (b) if they are unable to agree upon an arbitrator then by an arbitrator nominated for that purpose by the President for the time being of the Law Institute of Victoria; or
- (c) failing such nomination, then by a single arbitrator appointed in accordance with the Commercial Arbitration Act 1984 of Victoria.

9.5 Role of Expert

The decision of the arbitrator will be final and binding on all Disputants in the absence of manifest error.

9.6 Timeframe

Each Disputant will use all reasonable endeavours to ensure that the arbitrator is able to make a decision as soon as is practical, including, but not limited to, providing the arbitrator with all information relevant to the Dispute.

9.7 Confidentiality

Any information or documents disclosed by a Disputant under this clause must be kept confidential and may not be used except to attempt to resolve the Dispute.

9.8 Costs

Each Disputant must bear its own costs of complying with this clause 9 and the Disputants must bear equally the arbitrator's costs, unless the decision of the arbitrator states otherwise.

9.9 Breach of this clause

If, in relation to a Dispute, a Disputant breaches any provision of clauses 9.1 to 9.7, each other Disputant need not comply with those clauses in relation to that Dispute.

10 Notices and serving documents

10.1 Method

All notices, requests, demands, consents, approvals, offers, agreements or other communications ("**notices**") given by a party under or in connection with this document must be:

- (a) in writing;
- (b) signed by a person duly authorised by the sender or, where transmitted by e-mail, sent by a person duly authorised by the sender;

- (c) directed to the intended recipient's address (as specified in clause 10.3 or as varied by any notice); and
- (d) hand delivered, sent by prepaid post or transmitted by e-mail or facsimile to that address.

10.2 Receipt

A notice given in accordance with this clause is taken as having been given and received:

- (a) if hand delivered, on delivery;
- (b) if sent by prepaid post:
 - (i) within Australia, on the second Business Day after the date of posting;
 - (ii) to or from a place outside Australia, on the seventh Business Day after the date of posting;
- (c) if transmitted by e-mail, on transmission; or
- (d) if transmitted by facsimile, at the time recorded on the transmission report indicating successful transmission of the entire notice,

but if the delivery or transmission is not on a Business Day or is after 5.00pm (recipient's time) on a Business Day, the Notice is taken to be received at 9.00am (recipient's time) on the next Business Day.

10.3 Address of parties

Unless varied by notice in accordance with this clause 10, the parties' addresses and other details are as shown in the Schedule.

11 General

11.1 Entire agreement

This Agreement sets out the entire agreement between the parties in relation to its subject matter. Accordingly, any thing (such as correspondence, negotiations or representations before this document is executed or an arrangement or understanding) not reflected in this Agreement does not bind the parties and may not be relied on by them.

11.2 Counterparts

This Agreement may be made up of counterparts (that is, more than one copy of the document, each signed by one or more of the parties when taken together, the copies which, between them, are signed by every party are treated as being the one document).

11.3 Amendment

This Agreement may not be amended or varied unless the amendment or variation is in writing signed by all parties.

11.4 Waivers

A provision of this Agreement may only be waived in writing signed by the person who has the benefit of the provision and who is therefore to be bound by the waiver.

11.5 Governing Law

This Agreement is governed by the law in force in Victoria. Each party submits to the non-exclusive jurisdiction of the courts of Victoria.

11.6 Exercising rights in part

If a party does not exercise a right or power or enforce a remedy fully or at a particular time, this does not prevent him from completing the exercise or enforcement later or starting to exercise or enforce it later, unless this Agreement expressly states otherwise. To avoid doubt, if a party exercises a particular right or power or enforces a particular remedy, this does not prevent him from also exercising or enforcing a different right whether separately or at the same time.

11.7 Discretion in exercising rights

A party may exercise a right or power (including giving or withholding his consent), or enforce a remedy, entirely at his discretion (including by imposing conditions), unless this Agreement expressly states otherwise. The party is not liable for loss caused by his exercising, enforcing, delaying in exercising or enforcing, attempting to exercise or enforce or not exercising or enforcing, a right, power or remedy.

11.8 Further assurances

Each party must do everything reasonably necessary (including executing or producing documents, getting documents executed or produced by others and obtaining consents) to give effect to this Agreement (including the transactions contemplated by it),

SCHEDULE - NOTICE DETAILS

1 Addresses for Notices

For the purposes of this schedule, the address, fax and information system details of each party are as follows:

The Relevant Individual

Address [insert]

Fax [insert]

Email [insert]

The Company

Attention The Managing Director

Address PO Box 4864 Melbourne Vic 3001

Fax (03) 9600 0290

EXECUTED as an AGREEMENT

SIGNED by **[SHAREHOLDER]** in the)
presence of)
)

Signature of witness

Peter Gordon

Name of witness (print)

EXECUTED by **SLATER & GORDON LTD**)
)

Signature of Director

Signature of Director / company secretary

Name of Director (print)

Name of Director / company secretary
(print)