

CAPITA GROUP PLC ACQUISITION OF IBS OPENSYSYSTEMS PLC

Main Contents of Capita's Divestiture Package Proposal

1. The total divestiture package proposed by Capita is set out in **Annex 1** to this paper. This package has been carved out in the scenario of a disposal to a trade buyer with suitable financial and operational resources to integrate the IBS R&B business so that it operates broadly as it operates at present.
2. A detailed list of the intellectual property required to operate the IBS R&B division is set out in **Annex 2**. Annex 2 also identifies intellectual property that is shared between the IBS R&B and SH businesses, sets out Capita's proposals in relation to the way in which this shared intellectual property would be assigned or licensed and confirms that there will be no continuing links between Capita and any trade purchaser.
3. For the avoidance of doubt, Capita also confirms that all of the assets and intellectual property set out in the lists in Annexes 1 and 2 will be included in the divestiture package. Any reduction in the divestiture package would be entirely at the discretion of the purchaser.
4. **Annex 3** sets out Capita's proposals for replicating the database used for customers buying both R&B and SH software and related services without placing a burden on those customers.
5. **Annex 4** sets out Capita's proposals for shared customers.
6. **Annex 5** provides information on staff performing functions across the IBS R&B and SH businesses.
7. For the avoidance of doubt, Capita confirms that the divestiture package will include all those staff that the purchaser requires.
8. For the avoidance of doubt, all proposals contained in this paper and its Annexes are subject to the outcome of the purchaser's due diligence.

PROPOSED DIVESTITURE PACKAGE

The proposed divestiture package will include all of the following assets currently used by the Divestment Business:

1. The lease of Fairfax House, Newbury, Berkshire RG14 1JX, the premises in which the IBS R&B business is located, subject to the landlord's prior consent. The lease specifies that consent shall not be unreasonably withheld or delayed.
2. All equipment used in the provision of R&B software and services, including servers (the R&B business uses dedicated servers that are separate from the servers used by the remainder of IBS), PCs, laptops, printers and telephones.
3. An assignment of the OPEN brand name as currently applied by the Divestment Business unit to name some of its products (see Annex 2 below).
4. An assignment of all intellectual property rights and know-how used in providing the R&B products and services to customers, including add-on modules, as detailed in **Annex 2** and together with all supporting documentation.
5. Subject to legal due diligence and prior consent being obtained from customers, a transfer by way of novation of the following main contracts, agreements, leases, commitments and understandings:
 - (a) all contracts for the provision to customers of R&B software and services.
 - For those [✂] customers currently purchasing both IBS R&B and SH products and services under the same contract ("**combined contracts**"), Capita will seek the relevant customer's prior consent to terminate its existing combined contract and enter into separate contracts for R&B and SH products and services, respectively, under terms and conditions identical to those in the current combined contract;
 - (b) all existing supply contracts for products used by IBS in providing R&B software and services, including third party add-on modules.
 - Capita will negotiate with those suppliers that provide goods or services across both R&B and SH businesses (i) to enter into a new arrangement with Capita and (ii) to maintain the existing arrangement with the Divestment Business;
 - (c) all licences for the use of the Progress database in relation to IBS R&B software and services.
 - For those [✂] customers to whom IBS currently sub-licenses under a combined contract the PPD in relation to both R&B and SH software [✂];
6. A transfer of all information relating to bids for new R&B contracts (i) made by IBS in the past or (ii) currently in a bid process.
7. A transfer of all orders for R&B products and add-ons which have not been fulfilled at the time of completion.

8. A transfer of all R&B customer records, including helpdesk records.
9. All financial records and the management accounts for the last 5 years for the Divestment Business.¹
10. All IBS business plans and other records relating to marketing, sales and product development in the Divestment Business. There are no pending joint marketing, sales and product development plans or records shared between the Divestment Business and the remainder of IBS at present.
11. The staff of the Divestment Business [✂].
12. Administrative contracts such as rates and utilities contracts—water, gas, electricity and telecommunications.
13. Working capital, debtors and work in progress.

¹Financial records and the management accounts are prepared separately for each IBS business and so no separation is required.

Schedule to Annex 1

Staff of the Divestment Business

1. Organisational chart



2. Table showing details by job description



SHARED INTELLECTUAL PROPERTY RIGHTS

1. All intellectual property rights required:

The intellectual property rights (including industrial property rights, know how, copyright and neighbouring rights) required by the Divestment Business in order to operate as a business, and to be included in the divestiture package, relate to the following. Within IBS, these rights are clearly delineated from the intellectual property rights required by the remaining IBS businesses and the software to which they attach is developed and maintained by the R&B product team.

- (a) Software code used for the people and property database (the “**PPD**”) used in providing the core OPEN Revenues products.
- (b) Software code used for producing the screen to manage people, properties and security settings used in the system used with the IBS R&B products and rights to the format and look and feel of the screen.
- (c) Software code for the following modules:
 - OPEN Revenues
 - OPEN Access
 - OPEN Mobile²
 - OPEN Exec³
 - OPEN Vision⁴
 - Housing Benefit Overpayment Debtors Recovery
 - Sundry Debtors
 - OPEN Workflow
 - Fraud Case Management
 - Benefit Appeals
 - e-Benefits
 - OPEN Query
 - Benefit Quality Check
 - e-Billing

²A separate OPEN Mobile is developed by IBS Housing business unit, with different software code and related intellectual property rights.

³A separate OPEN Exec is developed by IBS Housing business unit, with different software code and related intellectual property rights.

⁴This is the CRM element unique to IBS R&B business unit.

- e-Notifications
- HB Display for Housing Staff
- Payment Cards
- LLPG Interface
- BACSTel IP
- e-BARS

2. Shared intellectual property rights and know how

The intellectual property rights belonging to IBS and shared between the IBS R&B and SH products and services are limited to the rights set out in the table. There is no shared know how that requires separation.

| IPR | Proposals for separation | No continuing links |
|---|--|---|
| Software code used for the people and property database | The code will be split by way of an assignment to the Divested Business of all rights to use the code save in relation to the Retained Business. Capita will retain the rights to use the code in relation to the SH business by way of an assignment of the rights in the code for this limited purpose. | There will be no continuing links [✂]. |
| Software code used for producing the Person & Property screen | The code will be split by way of an assignment to the Divested Business of all rights to use the code save in relation to the SH business. Capita will retain the rights to use the code in relation to the SH business either by way of an assignment of the rights in the code for this limited purpose or by way of a perpetual non-exclusive licence from the Purchaser. | There will be no continuing links [✂]. |
| OPEN Workflow / document management | OPEN Workflow is part of the Divestment Business. It is also sold as an add-on module to a few customers for IBS SH products and services. ⁵ | SH customers will be given the following options: (i) Capita to obtain licence for OPEN Workflow on commercial |

⁵Subject to contract due diligence, Capita believes that fewer than [✂] IBS SH customers use OPEN Workflow.

| IPR | Proposals for separation | No continuing links |
|-----|--------------------------|---|
| | | <p>terms from the Divestment Business,</p> <p>(ii) Capita to replace OPEN Workflow with a Capita add-on module, or</p> <p>(iii) Capita to replace OPEN Workflow with another third party add-on module.</p> <p>The choice between these options will ultimately depend on the outcome of commercial negotiations with the purchaser and those IBS SH customers using OPEN Workflow.</p> |

DATABASE REPLICATION

1. The IBS PPD is the only database shared between the Divestment Business and the remainder of IBS. It consists of an individual record for each person responsible for council tax, each person entitled to receive housing benefit and each property subject to non-domestic rates.
2. Replication of the PPD would be required in relation to all customers currently purchasing both R&B and SH software and services from IBS and using a single database. Capita understands that there are [REDACTED] customers in this position.
3. Details of database replication for those customers and Capita's proposed methods of resolving any replication issues without placing a burden on them are as follows:
[REDACTED]
 - Once duplication is achieved, the Divestment Business, on the one hand, and the remainder of IBS, on the other, will have the ability to develop the database individually on site according to their customers' requirements.
 - There will therefore be no continuing links between the purchaser of the Divestment Business and Capita.
4. Capita will guarantee that [REDACTED].
5. No issues arise in relation to third party applications, as these will continue to operate in the same way as before in the Divestment Business and in the SH business.
6. Capita will ensure that [REDACTED].

SHARED CUSTOMERS



SHARED STAFF

1. The divestiture package will include all such staff as are required by the purchaser. Outline proposals suggested by IBS are set out in **Annex 1**.
2. IBS staff performing functions across R&B and SH business units are currently as follows: [REDACTED].
3. No IBS employee retained by Capita is expected to have an in-depth knowledge of any commercially sensitive information in relation to the Divestment Business. [REDACTED]
4. [REDACTED]
5. [REDACTED]
6. In order to address any asset risk in relation to staff uncertainty, Capita will commit to complete the divestiture process as soon as practically possible, in accordance with a timetable to be agreed with the CC.