

PA CONSULTING GROUP LIMITED

2015 Carlyle Investment

TAX INFORMATION – US

PREPARED: 6 November 2015

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This document is intended for:

- **People who held legacy PA Ordinary shares who were not directors, employees or linked shareholders (spouse/ trust etc.) of any member of the PA Group as of 1 August 2015 or who had given or received notice of termination of their employment prior to 1 August 2015.**

This document summarises the information that PA has received from external lawyers and tax advisers in relation to the personal tax implications of the Carlyle Investment which completed on 11 December 2015 when all legacy PA shares were purchased in exchange for a mix of cash, Vendor Loan Notes and new equity.

The information contained herein assumes you are employed and tax resident in the US. Whilst every effort has been made to ensure the accuracy of the tax information provided, PA does not take any responsibility for personal tax obligations which remain with you the taxpayer and with your personal tax adviser if you have one.

Disclaimers:

PA gives no undertaking to update this document. The issue of the document shall not be deemed to be any form of commitment on the part of PA to proceed with any Investment.

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References in this document to the value of securities are to the value of such securities for the purposes of the Scheme of Arrangement implementing the proposed Carlyle investment only. The value for which such securities may be able to be disposed of may be different, and can fall as well as rise.

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ABBREVIATIONS

PACG	PA Consulting Group Limited. This was the company in which legacy PA shares were held. It was renamed PA Consulting Holdings Limited on 11 December following the Carlyle investment.
PACG Ordinary share	The legacy Ordinary shares in PA Consulting Group Limited
Investment	The proposal from the Carlyle Group to purchase all issued PACG Ordinary shares through a UK court approved scheme of arrangement.
Loan Note (VLN)	This is your vendor (i.e. seller) loan to the new PA group.
EBT	The PA 2004 ESOP. This is PA's Jersey employee benefit trust which holds the PACG shares not currently held by employees.

SUMMARY

The Investment was approved by legacy PACG Ordinary shareholders and the court, and became effective on 11 December 2015.

You can review your Personal communication (attached to the email sent to you by PA's Share Plans team on 17 December 2015) of what your legacy share and/or share options delivered as a result of the Investment happening on 11 December.

1. [You paid income tax, Social Security and Medicare on the shares gifted to you by PA's Employee Benefit Trust.](#)
2. [Capital gains tax treatment applied on the new consideration you received on exchange of your legacy PA shareholding held for more than one year.](#)
3. [Future tax charges on your Loan Note](#)

1. You paid income tax, Social Security and Medicare on the shares gifted to you by PA's Employee Benefit Trust.

Legacy PA shares which were not held directly by employees or covering share options and therefore could be regarded as 'excess' under a 100% employee ownership model, were held in an EBT. The EBT gave current and former employee shareholders one of its shares for every four PA shares and options (in your name or linked holding) you held. As you did not pay anything for these shares, you paid income tax and Social Security on the full value (£23.89) of each share gifted to you.

Example 1

You hold 400 PACG shares

100 (1 for 4 held) PACG shares are gifted to you by PA's EBT

100 x £23.89 Investment value per share = £2,389 total value gifted

Estimated payroll taxes cost you will pay as a result of you receiving the 100 shares = £2,389 x (25% federal plus 5.2% state (if MA resident) plus 6.2% Social Security and plus 1.45% Medicare) = £904.24

The gifted value was reported through payroll. Applicable payroll taxes on the gifted value were covered by the upfront cash proceeds due to you. The final income tax you paid on receiving share value from the EBT depended upon your marginal federal and state tax rates for the 2015 tax year.

As you paid income tax on the £23.89 value of each share given to you by the EBT, the £23.89 amount becomes the base cost of these new shares.

2. Capital gains tax treatment applied on the new consideration you received on exchange of your legacy PA shareholding held for more than one year.

Each legacy PACG Ordinary share you held (including those given to you by the EBT) was exchanged for the following consideration:

- £11.1234 Cash (value)
- £12.7700 Loan note (value)

At the date of the Investment the following was triggered:

- a. the apportionment of your legacy PACG shares base cost between your cash and Loan Note; and,
- b. a gain on the cash and Loan Note components of your consideration on which a tax liability may arise.

a. the apportionment of the base cost between your cash and Loan Note;

The apportioned base cost will be determined as follows.

(A) Consideration:	(B) Cash	(C) Loan Note
£23.89 split to:	£11.12	£12.77
Existing base cost x	B/A	C/A
Continuing with Example 1 above, this leads to base cost of £7.98 being allocated as follows:	£3.71	£4.27

Important: You must calculate your base cost in your respective PACG shares before you can allocate this to the new consideration.

b. a gain on the cash and Loan Note components of your consideration on which a tax liability may arise.

The taxable gain on the cash and Loan Note consideration will then be:

Cash component:

(Cash consideration of £11.12 - the apportioned Base cost applicable to your Cash consideration) x *the number of shares exchanged*

Loan Note component:

(Loan Note consideration of £12.77- the apportioned Base cost applicable to your Loan Note consideration) x *the number of shares exchanged*

Example 1 continued

You have a pool of 500 PACG shares (which includes 100 shares gifted to you). Of these 500 PACG shares, 400 PACG shares have a base cost of £7.98 and the 100 gifted PACG shares have a base cost of £23.89.

At the date of the Investment you will receive:

- £5,560 Cash (£11.12 initial value x 500 shares)
- £6,385 Loan Note (£12.77 initial value x 500 shares)

Your gain per share on your cash consideration will be:

400 PACG shares

£2,964 Gain = [$£11.12$ cash consideration per share - $£3.71$ apportioned base cost (i.e. $£7.98 \times (£11.12 / £23.89)$)] x 400 shares

100 gifted PACG shares

£0 Gain = [$£11.12$ cash consideration per share - $-£11.12$ apportioned base cost (i.e. $£23.89 \times (£11.12 / £23.89)$)] x 100 shares

Total capital gain on Cash consideration = £2,964 + £0 = £2,964

Please note that the full £11.12 of cash consideration is taken into account when computing the gain even though you will repay any outstanding share purchase loans from the cash consideration value.

Your gain per share on your Loan Note consideration will be:

400 PACG shares

£3,400 Gain = [$£12.77$ Loan Note consideration per share - $£4.27$ apportioned base cost (i.e. $£7.98 \times (£12.77 / £23.89)$)] x 400 shares

100 gifted PACG shares

£0 Gain = [$£12.77$ Loan Note consideration per share - $-£12.77$ apportioned base cost (i.e. $£23.89 \times (£12.77 / £23.89)$)] x 100 shares

Total capital gain on Loan Note consideration = £3,400 + £0 = £3,400

You were required to disclose in your tax return gains on your cash and Loan Note considerations, and pay taxes due by April 15, 2016.

Depending on the holding period of your PACG shares, such gain may have been taxed at capital gain or ordinary income tax rate plus applicable state ordinary income tax rate. A 3.8% net investment income tax may apply if your modified adjusted gross income for the year is above certain threshold.

With respect to the timing triggering a tax charge on the Loan Note, we discussed the instalment method (i.e., taxable in the year when the Loan Note is paid out to you instead of the year when the Investment takes place) with US advisers but their view was this may be disallowed based on the proposed corporate structure. Reporting share gains is however a personal matter for you which you may want to consider further with your own tax adviser.

3. Future tax charges on your Loan Note

Interest

Interest is payable on your Loan Note amount each September at a fixed annual rate of 5% and also on the amount of any repayment of Loan Note at the time it is repaid.

Any interest payments made in respect of the Loan Note will be taxed at the ordinary income tax rate. You will need to report the amount as interest income on your tax return. Note that a 3.8% net investment income tax may apply if your modified adjusted gross income for the year is above certain threshold.

Capital repayment

From the total £200 million total issued Vendor Loan Notes,

- £20 million was repaid on 31 March 2017
- £30 million was repaid on 15 December 2017
- £30 million was repaid on 28 September 2018
- £40 million was repaid on 11 April 2019
- £40 million was repaid on 28 June 2019
- £40 million was repaid on 6 December 2019

Together these payments equate to 100% of each holder's total Loan Note amount.

If you as we expect followed our tax guidance in December 2015, you will already have paid all taxes due on the Vendor Loan Note capital amounts and will not then suffer any further tax charge on the repayments.