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If you sell or have sold or otherwise transferred all of your CULS, please forward this document, together with the blue Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or transferred or otherwise disposed of only part of your CULS in the Company, you should retain this document and enclosures and consult the stockbroker, bank or other agent through whom the sale, transfer or disposal was effected.

Winterflood Securities Limited, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting solely for the Company and for no one else in connection with the Proposals and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Winterflood Securities Limited or for affording advice in relation to the Proposals or any other matter referred to in this document. Winterflood Securities Limited is not responsible for the contents of this document. This does not exclude or limit any responsibilities which Winterflood Securities Limited may have under the Financial Services and Markets Act 2000 or the regulatory regime established thereunder.

THE CAYENNE TRUST PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 2774914)
(An investment company under section 833 of the Companies Act 2006)*

Directors

Jonathan Agnew (*Chairman*)
Christopher Jones
Sir Laurence Magnus

Registered Office

Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

30 December 2010

Dear Stockholder

Extension of Maturity of CULS and Placing of Further CULS and Notice of Meeting

Introduction

On 3 December 2010, the Company announced proposals to extend the life of the CULS from maturity in 2011 to maturity in 2016. In conjunction with this, the Company proposes a placing of further CULS in order to increase the amount of CULS in issue up to a maximum of £15 million through a placing with institutional investors.

The purpose of this document is to explain the Proposals to Stockholders and to convene a Stockholder Meeting to be held at 3.45 p.m. on 24 January 2011 (or as soon thereafter as the General Meeting convened for 3.30 p.m. on 24 January 2011 is concluded or adjourned). At the Stockholder Meeting, the Extraordinary Resolution will be put to Stockholders to seek their sanction of the Proposals.

The Proposals are conditional on Shareholders at the General Meeting *inter alia* approving the deferral of the continuation vote which the Company is currently obliged to hold at the AGM in 2011 to the AGM in 2016, approving the amendment to the Conversion Rate described below and granting the Directors authority to allot further CULS. A circular has therefore been issued to Shareholders today explaining what is proposed and calling the General Meeting (the “**Shareholder Circular**”). A copy of the Shareholder Circular is enclosed with this document for information.

In addition, a prospectus will be made available in due course in connection with the Placing (the “**Prospectus**”).

The Proposals will not be implemented unless Shareholders and Stockholders both vote in favour of the resolutions put to them at the meetings to be held on 24 January 2011.

You should read this entire document which contains important information in relation to the Proposals, and explains why the Board is recommending that you vote in favour of the Extraordinary Resolution.

The Proposals

A. *Amendment to the terms of the CULS*

Stockholders are reminded that under the current Trust Deed constituting the existing CULS, CULS may be converted into Ordinary Shares on 31 January and 31 July in each year. Any CULS not converted, repaid or purchased will be redeemed at par on 31 July 2011, together with interest accrued up to and including the date of redemption.

The Conversion Rights under the existing CULS may be exercisable by sending to the registered office of the Company at any time during the months of January and July (so as to be received on or prior to the last day of the relevant Conversion Period) the relevant CULS certificate together with a conversion notice duly completed and signed.

The next date on which Stockholders are entitled to exercise their Conversion Rights is 31 January 2011. Further details of the Conversion Rights of Stockholders on this date are set out in the First Schedule to this document which shall be deemed a formal reminder to Stockholders pursuant to Condition 5(B)(ii) of the Trust Deed.

The Proposals involve a number of changes to the terms and conditions of the existing CULS. These changes are summarised as follows:

- to extend their maturity date from 31 July 2011 to 31 July 2016;
- to revise the Conversion Rate from 73.85 Ordinary Shares per £100 nominal of CULS to such number of Ordinary Shares per £100 nominal of CULS as reflects a Conversion Price of 110 per cent. of the Net Asset Value per Ordinary Share of the Company taken as at 5.00 p.m. on the Calculation Date (such Conversion Rate to be rounded upwards if necessary to two decimal places). This has been designed by the Company to reflect the additional period until maturity of the CULS. For illustrative purposes only, using the NAV as at the Latest Practicable Date, this would result in a Conversion Price of 145.38p and a Conversion Rate of 69.79 Ordinary Shares per £100 nominal of CULS. The new Conversion Rate is expected to be announced on the day of the Stockholder Meeting;
- to pay interest on the CULS by quarterly instalments (on 30 April, 31 July, 31 October and 31 January in each year) rather than half-yearly;
- to delay until 31 January 2012 the first time the Company may exercise its right to serve notice of redemption on Stockholders, in accordance with the Trust Deed, if the NAV per Ordinary Share for at least 20 dealing days is at least 30 per cent. above the Conversion Price;
- to allow for quarterly (on 30 April, 31 July, 31 October and 31 January in each year) not half yearly conversion;
- to remove the requirement of the Company to issue a reminder to Stockholders of their Conversion Rights in respect of each Conversion Period; and
- to remove references to C Shares as these shares are no longer in issue by the Company.

In order to implement these changes, the Extraordinary Resolution is required to sanction an amendment to the existing Trust Deed. Paragraph (a) of the Extraordinary Resolution set out in the Notice sets out the changes in more detail. Subject to such Stockholder approval, the amendment will be effected by execution of a supplemental trust deed (the “**Supplemental Trust Deed**”) between the Trustee and the Company.

B. Further Issue of CULS – the Placing

Conditional on Stockholders voting to approve the amendment to the terms of the CULS, the Company proposes to extend the gearing in the Company by issuing further CULS, with the revised terms described above, through a placing with institutional investors which will take place on or around the date of the Stockholder Meeting. The Placing is also conditional upon Shareholder approval of the Proposals at the General Meeting and to the Placing Agreement between the Company, the Manager and Winterflood Investment Trusts becoming wholly unconditional (save as to Admission) and not being terminated in accordance with its terms prior to Admission, and Admission occurring by 8.00 a.m. on 28 February 2011.

The Placing will involve the placing of CULS up to a maximum amount, when aggregated with the amount of the existing CULS, of £15 million.

Section 2(c) of the Trust Deed enables the Company to create and issue further CULS provided it gives the Trustee at least 14 days’ written notice of its intention to do so. The CULS issued pursuant to the Placing will rank *pari passu* in all respects so that they can be consolidated and form a single series with the existing CULS. Such further CULS may, with the consent of the Trustee, be constituted by a trust deed supplemental to the Trust Deed. Accordingly, the Supplemental Trust Deed will contain provisions constituting the CULS to be issued pursuant to the Placing.

To the extent that following the Placing the maximum amount of CULS of £15 million has not been issued, the Company retains its power under the Trust Deed to issue further CULS from time to time, and intends to seek opportunities to issue CULS up to that maximum level in the future. The issue authority being sought from Shareholders at the General Meeting would permit the Company to issue CULS up to a maximum nominal amount of £10 million, pursuant to the Placing or, if the Placing is not fully subscribed, from time to time thereafter. For the avoidance of doubt, the maximum aggregate amount of CULS in issue shall not exceed £15 million.

It is expected that the further CULS placed in the Placing will be admitted to the Official List and to trading on the Main Market of the London Stock Exchange. It is also expected that Admission in respect of the further CULS will occur, and that dealings will commence in such CULS, at 8.00 a.m. on or around 28 January 2011. The CULS will be issued in registered form and will be capable of being held in certificated or uncertificated form. Fractions of CULS will not be issued.

Interest will be paid at the normal rate to 31 January 2011 to Stockholders on the Register on 31 December 2010. Assuming that the Proposals are adopted, the next interest period will be to 30 April 2011. In order to reflect the date of the Placing, and as an additional benefit to existing Stockholders, the interest period to 30 April 2011 will be deemed to have commenced on 28 January 2011.

C. Repurchases of CULS

Condition 2 of the Trust Deed currently provides that the Company can repurchase issued CULS on the London Stock Exchange. Any such repurchase of CULS must be at a price (inclusive of accrued interest but exclusive of all costs of purchase) which will not exceed the average of the middle market quotations therefor on the Main Market (calculated by reference to the Daily Official List) during the period of 5 dealing days immediately preceding the date of purchase. Any CULS repurchased shall be cancelled and shall not be re-sold or re-issued.

In order to facilitate an exit for Stockholders who do not wish to participate in the modified CULS, the Company will be prepared, in normal market conditions, to repurchase CULS in the market at a price of 100p during the weeks leading up to the date on which the amendment to the terms of the CULS (including its extended maturity) becomes effective, expected to be 24 January 2011. Such repurchases will be subject to the requirements of the Listing Rules and the Trust Deed.

Benefits of the Proposals for existing Stockholders

The Board believe that the Proposals will have the following benefits for existing Stockholders:

- offering them the opportunity to continue their investment in the Company for a further period of over 5 years to 31 July 2016 and providing the potential for Stockholders to convert their CULS over that extended period (albeit at a higher Conversion Price);
- paying interest and providing conversion dates quarterly rather than semi-annually and paying an additional 4 days' worth of interest to existing Stockholders for the period ending 30 April 2011;
- increasing the number of CULS in issue which may improve the liquidity of CULS for Stockholders; and
- facilitating an exit for Stockholders who do not wish to hold the revised CULS as described under the heading "*Repurchases of CULS*" above.

Benefits of the Proposals for Shareholders

As set out in more detail in the Shareholder Circular, the Directors believe that the Proposals will benefit existing Shareholders by continuing for a further period of 5 years the gearing on the Ordinary Shares provided by the CULS, extending the amount of that gearing and removing the potential requirement to refinance or repay CULS in July 2011. The Proposals will set the revised Conversion Price at a level that reflects the additional period until maturity. Furthermore, the Placing is intended to increase the size of the Company and position the Company for growth if the existing CULS and further CULS issued in the Placing are converted into Ordinary Shares in due course, which may have consequential benefits for the liquidity of the Ordinary Shares. The Placing will also introduce new investors to the Company.

The Directors have therefore recommended to Shareholders that they vote in favour of the special resolution to be proposed at the General Meeting.

Taxation

It is anticipated that the proposed amendments to the terms and conditions of the existing CULS forming part of the Proposals will be treated as a conversion of securities for the purposes of section 132 of the Taxation of Chargeable Gains Act 1992 and that individual Stockholders will not be treated as having made a disposal of their CULS for the purposes of capital gains tax. Individual Stockholders are recommended to seek their own professional advice in this regard.

Corporate Stockholders are strongly recommended to seek their own professional advice in relation to the UK corporation tax treatment of the proposed amendments to the terms and conditions of the existing CULS, as this treatment may vary materially depending on the individual circumstances of the Stockholder and, in particular, the manner in which the Stockholder will reflect the amendments to the terms and conditions of the existing CULS in its accounts.

Risk Factors

Stockholders should be aware of the following risk factors which apply in relation to the Company and the Proposals:

- assuming the Proposals are adopted, the Company will not be required to issue a reminder to Stockholders of their Conversion Rights on each quarterly conversion date. This may result in Stockholders failing to exercise their right to convert their CULS to their individual detriment;

- if the NAV per Ordinary Share, for at least 20 dealing days during any period of 30 consecutive dealing days, is at least 30 per cent. or more above the Conversion Price prevailing at the end of such period, the Company will, effectively, be able to require Stockholders to exercise or redeem their CULS. In this situation, Stockholders would not be able to hold their CULS until the extended final maturity date of the CULS of 31 July 2016. However, the Company may not exercise its right to serve such notice of redemption on Stockholders before 31 January 2012;
- the market value of the CULS will be influenced by a number of factors, including the supply and demand for the CULS, the price, NAV and dividend yield of the Shares into which the CULS are convertible, prevailing interest rates, market conditions and general investor sentiment. There can be no guarantee that the market value of the CULS will fully reflect any value inherent in their convertibility into Shares. This is particularly the case for new CULS which have a maturity of over 5 years as opposed to the existing CULS, which (if the Proposals are not implemented) have a maturity of just over 6 months; and
- changes in economic conditions (including, for example, interest rates and rates of inflation), industry conditions, competition, political and diplomatic events and trends and tax laws, environmental laws and other factors can substantially and either adversely or favourably affect the Company's prospects and the value of the Company's investment portfolio.

Costs and expenses

The costs and expenses of the Proposals are estimated, assuming that the Placing results in a total nominal amount of £15 million of CULS, to be approximately £250,000.

The Trustee

In accordance with normal practice, the Trustee expresses no opinion as to the merits of the Extraordinary Resolution or the Proposals, nor does it accept any responsibility for the accuracy or completeness of this or any other document prepared in connection with the Proposals, the terms of which were not negotiated by it. It has, however, authorised it to be stated that, on the basis of the information contained in this document (which it advises Stockholders to read carefully), it has no objection to the Extraordinary Resolution being put to Stockholders for their consideration.

The Trustee has, however, not been involved in formulating the Proposals and makes no representation that all relevant information has been disclosed to Stockholders in this document. Accordingly, the Trustee urges Stockholders who are in doubt as to the impact of the implementation of the Proposals to seek their own independent financial advice.

Consent

Winterflood Investment Trusts, which is authorised and regulated by the FSA, has given and not withdrawn its written consent to the issue of this document with the inclusion of its name and references to it in the form and context in which they appear.

Stockholder Meeting

You will find on pages 13 and 15 of this document a notice convening the Stockholder Meeting. At the Stockholder Meeting, the Extraordinary Resolution will be proposed. In order to be passed, the Extraordinary Resolution requires at least three-quarters of the votes cast to be in favour of it. The quorum requirement for the Stockholder Meeting is one or more holders representing a clear majority in nominal value, present in person or by proxy. Accordingly you are requested to complete and return the blue Form of Proxy, as detailed below.

The Extraordinary Resolution is conditional on the special resolution being passed by the Shareholders at the General Meeting.

The Stockholder Meeting will be held at The Crowne Plaza Hotel, 45-51 Buckingham Gate, London SW1E 6AF, at 3.45 p.m. on 24 January 2011 or as soon thereafter as the Company's General Meeting is concluded or adjourned.

A copy of the current Trust Deed together with the Supplemental Trust Deed will be available for inspection at the Company's registered office and the offices of Maclay, Murray & Spens LLP, the Company's legal advisers at One London Wall, London EC2Y 5AB from the date hereof and at the venue of the Stockholder Meeting for at least 15 minutes prior to the Stockholder Meeting, in all cases until the end of the Stockholder Meeting.

Action to be taken

Stockholders will find enclosed with this document a blue Form of Proxy for use at the Stockholder Meeting. Alternatively, Stockholders who are CREST members may utilise the CREST appointment services. **Whether or not you intend to attend the Stockholder Meeting you are requested to complete the blue Form of Proxy, or to utilise the CREST electronic proxy appointment services, in each case in accordance with the instructions printed on the blue Form of Proxy and in the Notice set out on pages 13 and 15 of this document. The completed blue Form of Proxy, and/or instruction made through the CREST electronic proxy appointment services, should be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 3.45 p.m. on 22 January 2011.** Completion of a blue Form of Proxy or appointing a proxy through the CREST electronic appointment services will not prevent you from subsequently attending and voting in person at the Stockholder Meeting.

Recommendation

The Board, which has received financial advice from Winterflood Investment Trusts, considers the Extraordinary Resolution to be in the best interests of the Stockholders and the Company as a whole. In providing its financial advice, Winterflood Investment Trusts has taken into account the Board's commercial assessment of the Proposals. Accordingly, the Board unanimously recommends all Stockholders to vote in favour of the Extraordinary Resolution.

Sir Laurence Magnus, the only Director who holds CULS, intends to vote in favour of the Extraordinary Resolution in respect of his beneficial holding of £35,000 nominal in CULS.

Yours faithfully

Jonathan Agnew
Chairman

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“Admission”	the admission of the CULS to the Official List and to trading on the London Stock Exchange’s Main Market becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards;
“Admission and Disclosure Standards”	the requirements contained in the publication “Admission and Disclosure Standards” dated 6 April 2010 containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s markets for listed securities;
“AGM”	an annual general meeting of the Company;
“Board” or “Directors”	the directors of the Company, whose names appear on page 1 of this document;
“C Shares”	convertible shares of 100p each in the capital of the Company;
“Calculation Date”	the business day immediately preceding the date of approval by Stockholders of the amended Conversion Price, such business day expected to be 21 January 2011;
“Capita”	a trading name of Capita Registrars Limited;
“certificated” or “in certificated form”	CULS or other securities which are not in uncertificated form (that is, not held in CREST);
“Company”	The Cayenne Trust plc;
“Conditions”	the conditions of the CULS set out in the First Schedule to the Trust Deed and any reference in this document to a specified Condition shall be construed accordingly;
“Conversion Period”	such month and any other period during which Conversion Rights may be exercised;
“Conversion Price”	the nominal amount of CULS required for conversion into one Ordinary Share from time to time;
“Conversion Rate”	the rate at which £100 nominal of CULS would convert into Ordinary Shares, currently £100 nominal for 73.85 Ordinary Shares, and, following the implementation of the Proposals, £100 nominal for such number of Ordinary Shares (rounded upwards if necessary to two decimal places) as reflects a Conversion Price of 110 per cent. of the Net Asset Value per Share taken as at 5.00 p.m. on the Calculation Date;
“Conversion Rights”	the rights for the conversion of the CULS into Shares in accordance with the Trust Deed;
“CREST”	the computerised settlement system (as defined in the Regulations) to facilities the paperless settlement of trades in securities and the holding of securities in uncertificated form operated by Euroclear;

“CREST Member ID Account”	the identification code or number used in CREST to identify a particular CREST member or other CREST participant;
“CREST Participant ID Account”	the identification code or membership number used in CREST to identify a particular CREST member or CREST participant;
“CULS”	3.25 per cent. convertible unsecured loan stock 2011 of the Company constituted by the Trust Deed, and following implementation of the Proposals, 3.25 per cent. convertible unsecured loan stock 2016 of the Company constituted by the Trust Deed as amended and supplemented by the Supplemental Trust Deed;
“Daily Official List”	the official list of share prices produced every day by the London Stock Exchange;
“Euroclear”	Euroclear UK & Ireland Limited;
“Extraordinary Resolution”	the extraordinary resolution to be put to Stockholders at the Stockholder Meeting;
“Financial Services and Markets Act”	the Financial Services and Markets Act 2000, as amended;
“Financial Services Authority” or “FSA”	the Financial Services Authority in the UK;
“Form of Proxy”	the relevant blue form of proxy for use by Stockholders at the Stockholder Meeting;
“General Meeting”	the extraordinary general meeting of Shareholders of the Company to be held at 3.30 p.m. on 24 January 2011, or any adjournment thereof;
“Latest Practicable Date”	the latest practicable date prior to the publication of this document, being 24 December 2010;
“Listing Rules”	the rules and regulations made by the FSA under Part VI of the Financial Services and Markets Act;
“London Stock Exchange”	London Stock Exchange plc;
“Main Market” or “London Stock Exchange’s Main Market”	the London Stock Exchange’s market for larger and established companies;
“Manager”	Cayenne Asset Management Limited, being the investment manager of the Company;
“Net Asset Value” or “NAV”	the net asset value of the Company calculated in accordance with its applicable accounting policies and in determining the revised Conversion Rate following implementation of the Proposals valuing the existing CULS at nominal value;
“Net Asset Value per Share” or “NAV per Ordinary Share”	the Net Asset Value divided by the number of Ordinary Shares in issue;
“Notice”	the notice of the Stockholder Meeting set out at pages 13 to 15 of this document;
“Official List”	the Official List of the UK Listing Authority;
“Ordinary Shares” or “Shares”	ordinary shares of 25p each in the capital of the Company;

“Placing”	the placing of CULS pursuant to the Placing Agreement;
“Placing Agreement”	the agreement to be entered into between the Company, the Manager and Winterflood Investment Trusts in respect of the placing of further CULS;
“Proposals”	the extension of the maturity of the CULS and the Placing of further CULS, as more fully described in the section of this document headed “ <i>Proposals</i> ”;
“Register”	the register of Stockholders of the Company;
“Registrars”	Capita;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“Shareholder(s)”	a holder of Ordinary Shares;
“Stockholder(s)”	a holder of CULS who is entered in the Register;
“Stockholder Meeting”	the meeting of the Stockholders to be held at 3.45 p.m. (or as soon thereafter as the General Meeting has concluded or been adjourned) on 24 January 2011;
“Supplemental Trust Deed”	the supplemental trust deed proposed to be entered into by the Company and the Trustee on or around 24 January 2011;
“Trust Deed”	a trust deed dated 25 April 2006 (as amended by deed of amendment dated 1 July 2009) entered into between the Company and the Trustee constituting the CULS and to be amended by the Supplemental Trust Deed;
“Trustee”	The Law Debenture Trust Corporation p.l.c.; and
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland.

FIRST SCHEDULE

THE CAYENNE TRUST PLC (the “Company”)

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 2774914)
(An investment company under section 833 of the Companies Act 2006)*

CONVERSION RIGHTS REMINDER

The Conversion Rate for conversion of £100 of CULS into Ordinary Shares is 73.85 Ordinary Shares for each £100 nominal of CULS.

Considerations for Stockholders

Whether or not existing Stockholders decide to convert their CULS and issue a conversion notice (a “**Conversion Notice**”) will depend, among other things, on their own individual circumstances including their tax position. The following factors may be of relevance for existing Stockholders when considering whether or not to convert their CULS:

Market value

The market value of the Ordinary Shares into which CULS would convert differs from the market value of the CULS. By way of example, £100 nominal of CULS, based on its mid-market price at 1 December 2010, would have had a value of £100.00. £100 nominal of CULS would convert into 73.85 Ordinary Shares which at their mid-market price for the same day would have had a value of approximately £90.46.

Income

Ordinary Shares into which CULS would convert are currently estimated to pay significantly lower income than CULS. Based on its coupon of 3.25 per cent, £100 nominal of CULS generates an income of £3.25 per annum. The Board declared a dividend of 2.20p per Ordinary Share in respect of the Company’s financial year ended 31 January 2010. £100 nominal of CULS converting into 73.85 Ordinary Shares would therefore have generated a dividend income of £1.62 for that year.

Taxation

Stockholders, and shareholders, are advised to consult their own professional advisors as to the tax implications of exercising or not exercising their Conversion Rights, as tax treatment will depend on their individual circumstances.

Under current UK legislation, both interest and dividends received by individuals resident or ordinarily resident in the UK are chargeable to UK income tax. Dividends received by UK corporate shareholders will be subject to UK corporation tax unless they fall within one of the exempt cases listed in Part 9A of the Corporation Tax Act 2009.

Interest on the CULS is paid without deduction of UK income tax at source. As far as the Company is aware, conversion of CULS into Ordinary Shares will not constitute a disposal for the purposes of UK taxation of capital gains. Ordinary Shares arising from conversion will be treated as having been acquired by the individual at the same time/base cost at which the CULS was acquired. The tax treatment of Stockholders within the charge to UK corporation tax will depend on the treatment of the CULS in the Stockholders’ accounts.

Conversion Procedure

The Conversion Date will be **31 January 2011 (“2011 Conversion Date”)** and the latest time and date for lodgement of conversion notices or instructions is 5.00 p.m. on 31 January 2011.

If you wish to convert all or part of your holding of CULS into Ordinary Shares you need to complete the relevant Conversion Notice on the certificate(s) representing your CULS and lodge it with the Company's Registrars, Capita, at Redemptions Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU between 2 January 2011 and 31 January 2011 (both dates inclusive). Once lodged, a Conversion Notice is irrevocable except with the written authority of the Company.

If you wish to nominate any other person(s) as the holder(s) of the Ordinary Shares arising from conversion, you should apply to the Registrars for appropriate form(s) of nomination which must be completed, executed and lodged with the duly completed Conversion Notice and your CULS certificate(s).

If any of your CULS certificate(s) are lost, destroyed or defaced and you wish to exercise your rights, you will need to write to the Registrars notifying your intention to convert. The Registrars will send you a form of indemnity in respect of the lost, destroyed or defaced certificate(s), which will need to be completed, executed and returned to the Registrars before conversion can be effected.

Uncertificated conversions

CREST members should refer to the CREST manual for information on the CREST procedures and authentication required to effect conversion. CREST sponsor members should refer to their CREST sponsor for information on the action they need to take to effect conversion.

The prescribed form of uncertificated 2011 Conversion Notice is an Unmatched Stock Event instruction ("**USE Instruction**") which, on settlement, will have the effect of crediting a stock account of the Registrar under the details specified below. The USE instruction must be properly authenticated in accordance with CREST's specifications and must contain the following details in addition to any other information required:

- (a) the amount of stock to be converted;
- (b) the participant ID of the Stockholder;
- (c) the member account ID of the Stockholder from which the CULS is to be debited;
- (d) the Registrar's participant ID (RA10);
- (e) the Registrar's member account ID (TCTP);
- (f) the corporate action number, which will be allocated by CREST and can be found by viewing the relevant corporate action details in CREST;
- (g) the corporate action ISIN (GB00B11H1Q91); and
- (h) the intended settlement date (31 January 2011).

Further Information

Ordinary Shares allotted on conversion at the 2011 Conversion Date will rank *pari passu* with existing Ordinary Shares in relation to entitlement to future dividends or distributions declared and paid by the Company (if any) by reference to record dates after, but not before, the 2011 Conversion Date.

Application will be made to the UK Listing Authority for any Ordinary Shares issued pursuant to the exercise of the Conversion Rights to be admitted to the Official List. It is anticipated that dealings in these Ordinary Shares will commence approximately 16 days after the 2011 Conversion Date.

Ordinary Shares arising on conversion will be sent in certificated form where the CULS being converted is held in certificated form, and in uncertificated form where the CULS is held in uncertificated form. Certificates for Ordinary Shares and the balance of any CULS not converted will be despatched to holder(s) in accordance with their instructions not later than 14 days after the 2011 Conversion Date.

The Registrar will instruct CREST to credit the CREST Participant ID Account and CREST Member ID Account as specified in validly received uncertificated Conversion Notices with the number of Ordinary Shares arising on conversion by not later than the date upon which dealings in the new Ordinary Shares is due to commence.

Price comparisons of CULS and Ordinary Shares are set out in the table below*:

<i>2010</i>	<i>CULS Price</i>	<i>Ordinary Share Price</i>
1 July	100.00p	115.00p
2 August	100.00p	113.80p
1 September	100.00p	113.50p
1 October	100.00p	117.50p
1 November	100.00p	120.80p
1 December	100.00p	122.50p

* *The above prices are mid-market prices derived from the Daily Official List.*

Registered office
Springfield Lodge
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Chelmsford
Essex CM2 5PW

SECOND SCHEDULE

THE CAYENNE TRUST PLC (the “Company”)

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 2774914)
(An investment company under section 833 of the Companies Act 2006)*

NOTICE OF MEETING OF THE HOLDERS OF THE £10,000,000 3.25 PER CENT. CONVERTIBLE UNSECURED LOAN STOCK DUE 2011 OF THE COMPANY PRESENTLY OUTSTANDING (the “Stockholders” and the “CULS” respectively)

NOTICE IS HEREBY GIVEN that a meeting of the Stockholders (the “Meeting”) convened by the Company will be held at The Crowne Plaza Hotel, 45-51 Buckingham Gate, London SW1E 6AF on 24 January 2011 at 3.45 p.m. (London time) (or as soon thereafter as the Company’s General Meeting convened for 3.30 p.m. on the same date is concluded or adjourned) for the purposes of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed dated 25 April 2006, as amended by deed of amendment dated 1 July 2009 (the “Trust Deed”) constituting the CULS and made between the Company and The Law Debenture Trust Corporation p.l.c. (the “Trustee”) as trustee for the Stockholders:

EXTRAORDINARY RESOLUTION

“THAT this Meeting of Stockholders hereby:

- (a) approves the following amendments to the Trust Deed:
 - (i) to increase the size of the CULS in issue from “£10,000,000” to “£15,000,000” (Clause 2(A) of the Trust Deed);
 - (ii) to extend the maturity date of the CULS from “31 July 2011” to “31 July 2016” (Clause 2(B) and form of certificate and Condition 1(A) of the First Schedule to the Trust Deed);
 - (iii) to revise the Conversion Rate from 73.85 Ordinary Shares per £100 nominal of CULS to such number of Ordinary Shares per £100 nominal of CULS (rounded upwards if necessary to two decimal places) as reflects a Conversion Price of 110 per cent. of the Net Asset Value per Ordinary Share of the Company taken as at 5.00 p.m. on the business day preceding the date of approval by Stockholders of the amended Conversion Price (Condition 5(A) of the First Schedule to the Trust Deed);
 - (iv) to pay interest on the CULS by quarterly instalments (on 30 April, 31 July, 31 October and 31 January in each year) (Clause 2(B) of the Trust Deed and form of certificate of the First Schedule to the Trust Deed);
 - (v) to allow for quarterly (on 30 April, 31 July, 31 October and 31 January in each year) conversion (Condition 5(A) of the First Schedule to the Trust Deed);
 - (vi) not to require the Company to issue a reminder to Stockholders of their Conversion Rights that are exercisable (other than on deemed Conversion Dates (as defined in the Trust Deed) under Conditions 1(B), 5(H), 5(J), 5(K), 6(A) and 6(C) set out in the First Schedule to the Trust Deed) (Condition 5(B)(ii) of the First Schedule to the Trust Deed);
 - (vii) to delay until 31 January 2012 the first time the Company may exercise its right to serve notice of redemption on Stockholders, in accordance with the Trust Deed, if the NAV per Ordinary Share for at least 20 dealing days is at least 30 per cent. above the Conversion Price (Condition 1(B) of the First Schedule to the Trust Deed); and
 - (viii) remove references to C Shares throughout the Trust Deed (Clause 1 (A) and Clause 8(F) and Conditions 5(E)(1) and 10 of the First Schedule to the Trust Deed).

- (b) authorises, directs, requests and empowers the Trustee to concur in the amendment referred to in paragraph (a) of this Extraordinary Resolution and, in order to give effect thereto and to implement the same, forthwith to execute a supplemental trust deed in the form of the draft produced at this Meeting and for the purpose of identification signed by the chairman thereof with such amendments (if any) thereto as the Trustee shall require and concur in, and to execute and do all such other deeds, instruments, acts and things as may be necessary or appropriate in the sole opinion of the Trustee in order to carry into effect this Extraordinary Resolution;
- (c) sanctions each and every abrogation, modification, compromise or arrangement in respect of the rights of the Stockholders appertaining to the CULS against the Company, whether or not such rights arise under the Trust Deed, involved in or resulting from or to be effected by this Extraordinary Resolution and its implementation;
- (d) discharges and exonerates the Trustee from all liability for which it may have become or may become responsible under the Trust Deed in respect of any act or omission in connection with the amendment referred to in paragraph (a) of this Extraordinary Resolution, its implementation or this Extraordinary Resolution; and
- (e) declares that this Extraordinary Resolution shall be in all respects conditional on the special resolution to be put to the Shareholders of the Company at an extraordinary general meeting of the Company held at 3.30 p.m. on 24 January 2011 being passed at such meeting and that if such special resolution is not passed at such meeting, this Extraordinary Resolution shall be of no effect.”

The attention of the Stockholders is particularly drawn to the quorum required for the Meeting and for an adjourned meeting which is set out in note 8 below.

Save as otherwise defined above, words and expressions used in this Extraordinary Resolution shall have the meanings given to them in the Trust Deed (including the Conditions of the CULS).

By order of the Board
Phoenix Administration Services Limited
Company Secretary

Registered office
Springfield Lodge
Colchester Road
Chelmsford
Essex CM2 5PW

Dated 30 December 2010

Notes:

1. Information about this meeting is available from the Company's website: <http://www.thecayennetrust.com>
2. A Stockholder entitled to attend and vote at the Meeting may appoint one or more proxies to attend and, on a poll, vote on his behalf. A proxy need not be a Stockholder of the Company.
3. A blue Form of Proxy for use at the meeting is enclosed with this document. To be valid, the blue Form of Proxy (together with the power of attorney or other authority, if any, under which it is executed, or a notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power of attorney or authority) must be completed, signed and lodged with Capita Registrars, PXS, 34 Beckenham Road, Kent BR3 4TU not later than 48 hours before the time for holding the meeting. Deposit of a form of proxy will not preclude a Stockholder from attending the meeting and voting in person should he so wish.
4. The blue Form of Proxy must be (in the case of an individual) signed by the individual or his attorney duly authorised in writing or (in the case of a corporation) either executed under its common seal or signed on its behalf by a duly authorised officer or attorney of the corporation.
5. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
6. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that to be entitled to attend and vote at the meeting (and for the purposes of determination by the Company of the number of votes they may cast), Stockholders must be entered on the Company's register of Stockholders by 6.00 p.m. on 22 January 2011. Changes to entries on the register of Stockholders after 6.00 p.m. on that date shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders; for this purpose, seniority shall be determined by the order in which the names stand in the register of Stockholders in respect of the joint holding.
8. The provisions governing the convening and holding of a meeting are set out in the Third Schedule to the Trust Deed a copy of which is available for inspection by the Stockholders during normal business hours at the offices of Maclay, Murray & Spens LLP, One London Wall, London, EQY 5AB. The quorum required for the meeting is one or more persons being Stockholders

present in person or by proxy or (in the case of a corporation) by its duly authorised representative holding or representing in the aggregate a clear majority by nominal value of the outstanding CULS. If a quorum is not present within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman of the meeting may decide) from the time appointed for the meeting, it will be adjourned to such time, being not more than 42 days thereafter, and to such place as may be appointed by the Chairman of the meeting. At such adjourned meeting, one or more persons being Stockholders present in person or by proxy or (in the case of a Corporation) by its duly authorised representative (whatever the nominal amount of CULS held by them) will form a quorum. At least 7 days' notice of any such adjourned meeting will be given to Stockholders.

