

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or what action you should take, you are strongly recommended to consult your independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your Shares in Jupiter Dividend & Growth Trust PLC (the 'Company'), please send this document, together with the accompanying documents, at once to the purchaser or transferee or stockbroker, bank or other agent through whom the sale or transfer was made, for onward transmission to the purchaser or transferee. However such documents should not be forwarded in or into any jurisdiction other than the United Kingdom. Shareholders who are resident in, or citizens of the United States, Canada, Australia, Japan or the Republic of South Africa should read the sections entitled 'Overseas ZDP Shareholders' in Parts III and VIII of this document.

A copy of this document, which comprises a prospectus relating to the Company and a circular seeking Shareholder approval for the matters summarised on page 3 and set out in full in the accompanying Notice of General Meeting, prepared in accordance with the Listing Rules and Prospectus Rules, has been filed with the FSA in accordance with rule 3.2 of the Prospectus Rules.

The Directors, whose names appear on page 16 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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## **JUPITER DIVIDEND & GROWTH TRUST PLC**

*(Incorporated and registered in England and Wales with number 3852295)  
(an investment company within the meaning of section 833 of the Companies Act 2006)*

**Managed by Jupiter Asset Management Limited  
Sponsored by BDO Corporate Finance**

### **Recommended Reconstruction Proposals**

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Application will be made to the UK Listing Authority for up to 1,559,613,250 ZDP Exit Shares and up to 91,675,333 Common Shares to be created or issued under the Proposals. The redesignated Common Shares and ZDP Exit Shares will be admitted to or amended on the Official List and an application will be made to the London Stock Exchange for such shares to be admitted to or amended on the Main Market. It is expected that Amendment will occur, and that dealings in the Shares to be amended pursuant to the Proposals, will commence, on 1 November 2010 (in respect of the ZDP Exit Shares) and that Admission will occur, and that dealings in Shares to be admitted pursuant to the Proposals will commence on 1 November 2010 (in respect of the Common Shares to premium listing) and 16 November 2010 (in respect of the ZDP Exit Shares issued pursuant to the Bonus Issue to standard listing).

BDO Corporate Finance, a division of BDO LLP, Chartered Accountants, which is authorised and regulated by the Financial Services Authority, is acting exclusively for Jupiter Dividend & Growth Trust PLC and no-one else in connection with the Proposals described in this document and will not be responsible to anyone other than Jupiter Dividend & Growth Trust PLC for providing the protections afforded to its clients or for providing advice in relation to the contents of this document or any matters referred in this document.

The Proposals described in this document are conditional, *inter alia*, on Shareholder approval. Notices of a General Meeting of the Company and separate Class Meetings for both Ordinary Income Shareholders and ZDP Shareholders to be held at 1 Grosvenor Place, London SW1X 7JJ on 29 October 2010 are set out at the end of this document. Shareholders are therefore requested to complete and return the enclosed Forms of Proxy as soon as possible. To be valid, each Form of Proxy should be completed and returned, in accordance with the instructions printed thereon, so as to be received by the Company's Registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the relevant meeting. Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting in person at the meeting.

**ZDP Shareholders holding their shares in certificated form who wish to make an Election in respect of all or a proportion of the ZDP Shares held by them should also complete and return the enclosed Form of Election so as to be received by 11.00am on 27 October 2010. ZDP Shareholders who are members of CREST and who wish to make an Election should follow the procedures detailed on page 34. All Elections will be irrevocable.** Your attention is drawn to Part III of this document on pages 34 to 39 which gives further details of the action to be taken by Shareholders. The attention of Shareholders who hold their Shares through the Jupiter Savings Scheme or ISA is drawn to Part III of this document on page 37 which gives further details of the action to be taken by them.

Dated 6 October 2010

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## Reconstruction Proposals

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### ■ Summary

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*This summary should be read as an introduction to this document. Any investment decision relating to the Proposals should be based on the consideration of this document as a whole. Where a claim relating to the information contained in this document is brought before a Court, a claimant investor might, under the national legislation of the EEA States, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translations of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document. Unless defined herein, all capitalised terms used in this summary are defined in the section headed 'Definitions' on page 86.*

#### Introduction

At inception, the Company's capital structure was designed to provide ZDP Shareholders with a pre-determined capital entitlement of 90p per ZDP Share on 30 November 2010. At an extraordinary general meeting of Shareholders on 9 January 2009, the life of the Company was extended from 30 November 2010 to 30 November 2017. In the context of those proposals, the Board agreed to put forward proposals to all Shareholders for approval on or before 30 November 2010 for a tender offer to ZDP Shareholders at 90p per share or at formula asset value in the event that the Net Asset Value of the ZDP Shares, less any associated costs of the tender offer, is less than 90p on that date.

The proposals described in this document replace the tender offer indicated in January 2009 with an alternative mechanism for providing an equivalent, unlimited cash exit for ZDP Shareholders while at the same time reducing costs for the Company and providing an alternative option to ZDP Shareholders to continue their investment in the form of Common Shares, which are designed to have equivalent economic rights (to both income and capital) to the ordinary shares in a conventional, ungeared investment trust.

#### The Company

The Company was launched in November 1999. It is an established investment trust whose Shares are listed on the Official List and traded on the London Stock Exchange's Main Market. The Company has to date conducted its affairs so as to enable it to qualify as an investment trust for the purposes of Chapter 4 of Part 24 CTA and intends to continue to do so. The Company is an investment company within the meaning of section 833 of the 2006 Act.

#### Investment Objective

The investment objective of the Company is to provide Ordinary Income Shareholders with a high and rising income together with the possibility of capital appreciation and to provide ZDP Shareholders with a predetermined level of capital growth. Upon implementation of the Proposals, the Company will have the additional investment objective to produce a high and rising income together with the possibility of capital appreciation for Common Shares.

#### Summary of Investment Policy

The investment policy of the Company is to invest mainly in a portfolio of UK listed equities, UK equity-related securities (such as convertible securities, preference shares, convertible unsecured loan stock, warrants and other similar securities) and UK fixed interest securities. The equities selected as suitable for the portfolio are generally those judged to be lowly valued by the Investment Manager, typically offering an attractive dividend yield with sufficiently strong cash generation from their operational activities to grow the dividend to Shareholders over a number of years.

## Reconstruction Proposals

### Summary

#### The Shares

The Company currently has two classes of shares, Ordinary Income Shares and ZDP Shares. Upon implementation of the Proposals the Company's issued share Classes will be as follows:

#### *Continuing ZDP Shares*

- A holder of Continuing ZDP Shares had an initial capital entitlement of 66.5p per share at 1 December 2005. The Continuing ZDP Shares are designed to provide a pre-determined capital entitlement of 150p on 30 November 2017 (extended from an entitlement to 90p on 30 November 2010 at a general meeting held on 9 January 2009).
- The Continuing ZDP Shares are not entitled to income and their entire return will take the form of capital.
- Continuing ZDP Shares rank in priority to the Ordinary Income Shares, alongside the Common Shares in relation to the latter's Fixed Capital Entitlement, but behind creditors on a winding-up.
- Continuing ZDP Shares are not a protected or guaranteed investment.
- The Continuing ZDP Shares entitle their holders to vote at all general meetings of the Company. In addition, they carry the right to vote as a class in certain circumstances.

#### *Ordinary Income Shares*

- The Ordinary Income Shares are designed to provide holders with income and the possibility of capital growth.
- Ordinary Income Shareholders are entitled to share in the Company's surplus assets. They are entitled to a sum equal to the Ordinary Income Share Proportion of the surplus assets (after payment of the Company's creditors) after satisfying the entitlements of the Continuing ZDP Shares from that sum on the planned winding-up date of 30 November 2017. This payment ranks, in priority, after payment of the Fixed Capital Entitlements of the Common Shares and the Continuing ZDP Shares.
- The Ordinary Income Shares are geared by the Continuing ZDP Shares both in terms of income, where the Continuing ZDP Shares have no entitlement, and capital, where the Continuing ZDP Shares have a fixed entitlement. A positive Net Asset Value for the Ordinary Income Shareholders will be dependent on the Company's assets being sufficient to meet the prior capital entitlements of the Continuing ZDP Shares on the Winding-Up Date. To the extent that the number of Continuing ZDP Shares in issue is reduced pursuant to the Proposals, the current gearing of the Ordinary Income Shares will be commensurately reduced.
- The Ordinary Income Shares rank alongside the Common Shares, but are not geared by the Common Shares as to their entitlements to either capital or income.

#### *Common Shares*

- The Common Shares are designed to provide holders with income and the possibility of capital growth. They are designed to have the economic characteristics of ordinary shares in an ungeared, conventional investment trust.
- Common Shareholders rank equally with the Continuing ZDP Shares as to their Fixed Capital Entitlement on the planned winding-up date of 30 November 2017. They further rank to share in the Common Share Proportion in the Company's surplus assets (after payment of the Company's creditors) in any excess once their Fixed Capital Entitlement has been met from that sum.
- Common Shares will only receive dividends to the extent that the Company has net revenue profits available for that purpose. Their entitlement to dividends is in the Common Share Proportion.
- The distributable revenues generated in the current financial year to 4 October 2010 equate to an annualised yield of 2.9 per cent. on the Company's Total Assets as at that date. Had the Common Shares been in issue throughout that period then their dividend yield would have been approximately the same. This figure is provided for illustrative purposes only and does not represent nor should it be taken as a forecast of profits.

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## Reconstruction Proposals

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### Summary

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#### The Shares continued

##### *Common Shares* continued

- The Common Shares are neither geared by the Continuing ZDP Shares nor de-geared by Ordinary Income Shares whether in terms of income or capital.
- Common Shareholders have the right to vote at general meetings of the Company. In addition, they will carry the right to vote as a class in certain circumstances.

#### Details of the Proposals

- The Proposals involve the reconstruction of the Company's share capital.
- The Proposals provide for a mechanism whereby ZDP Shareholders may realise their investment for cash on 30 November 2010 or continue their investment in a tax efficient manner in either Continuing ZDP Shares or in a newly created class of Common Shares. There will be no scaling back of elections made under the Proposals.
- Ordinary Income Shares will have no option for a cash exit nor a reclassification into Common Shares under the Proposals.
- If the Proposals are implemented, the investment objective and the investment policy of the Company will take account of the creation of the Common Shares but will otherwise continue to be the same as prior to implementation of the Proposals.
- The Company will continue to have a planned winding up date of 30 November 2017.
- The Proposals require the approval of Shareholders at separate Class Meetings and at the General Meeting.
- The Proposals are conditional (amongst other things) upon no more than 75 per cent. of the ZDP Shareholders electing to receive cash for their ZDP Shares and the Directors not otherwise having by 29 November 2010 exercised their discretion not to proceed with the implementation of the Proposals. If the Proposals do not become unconditional the Company will be liquidated.

#### Benefits of the Proposals

- For those ZDP Shareholders who wish to realise their investment in the Company, the Proposals provide the opportunity to realise their investment and take a cash payment without penalty.
- For those ZDP Shareholders who wish to remain invested, the Proposals provide the opportunity for a continuation of their investment in the Company in either Continuing ZDP Shares or new Common Shares without crystallising an immediate charge to UK capital gains tax.
- ZDP Shareholders may make Elections for all or part of their holdings.
- For Ordinary Income Shareholders the continuation of the Company will provide continued geared exposure to the Company's investment portfolio for a further seven years with the prospect of a continued dividend stream and capital recovery.
- The Proposals involve a lower estimated cost than would be incurred on a tender offer (as anticipated under the Articles) or on liquidating the Company whilst at the same time offering ZDP Shareholders choice.

#### The ZDP Exit Shares

- ZDP Shareholders who elect for cash will receive an amount equal to 90p, or if lower, FAV per ZDP Share.
- The Cash Elected Shares will be redesignated as ZDP Exit Shares.

## Reconstruction Proposals

### Summary

#### The ZDP Exit Shares continued

- On a date, expected to be 16 November 2010, prior to the date on which the claim for the Reduction of Capital is to be heard by the Court, the Directors will (by capitalising part of the share premium account and the Special Reserve Account of the Company) make the Bonus Issue of ZDP Exit Shares to the holders of the ZDP Exit Shares.
- The share capital of the Company will then be reduced by the cancellation of the ZDP Exit Shares. On the Reduction of Capital becoming effective, the ZDP Exit Shares will be cancelled and assets of the Company will be converted into cash with cheques being sent for the relevant amounts to the former ZDP Exit Shareholders.
- This mechanism will be applied so that the payment of cash to those ZDP Shareholders who elect to exit should not result in a distribution that would be considered taxable as income. For this to apply capital treated as paid up on the ZDP Exit Shares must not be less than the value of the cash received.

#### Packaged Units

- Irrespective of whether the Proposals become unconditional, all Packaged Units in the Company were deemed to have been permanently split into their constituent Shares on 28 September 2010.

#### Default Provisions

- ZDP Shareholders who do not make a valid election under the Proposals will be deemed to have elected to retain their investment in the Company, in the form of Continuing ZDP Shares.

#### Summary of Risk Factors

The past performance of the Company is not a guide to the future performance of the Company.

There can be no guarantee that any appreciation in the value of the Company's investments will occur and investors may not get back the full value of their investment. There can be no guarantee that the investment objectives of the Company will be met.

The different rights and expectations of Common Shares, Ordinary Income Shares and Continuing ZDP Shares may give rise to conflicts of interest between them. In such circumstances, the Directors may find it impossible to meet fully all sets of expectations.

The Common Shares, Ordinary Income Shares, Continuing ZDP Shares and the ZDP Exit Shares are only suitable for investors:

- for whom an investment in such shares constitutes part of a diversified investment portfolio; and
- who fully understand and are willing to assume the risks involved in investing in the Company.

Risks if the Proposals are not approved:

- if the Proposals are not approved by Shareholders a simple liquidation of the Company will be put to Shareholders and the Company will be wound up on 30 November 2010;
- if the Resolutions are passed but the Proposals are not implemented then the Company will be wound up on 30 November 2010;
- a liquidation would involve additional professional fees and costs.

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## Reconstruction Proposals

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### **Risk Factors**

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*Any holding of Shares is subject to a number of risks. Prior to investing in the relevant Shares, investors should consider carefully the factors and risks associated with such an investment and the investment objectives of the Company, together with all other information contained in this document including, in particular, the risk factors described below, which are all of the material risks currently known to the Company. Additional risks and uncertainties relating to the Company that are not currently known to the Company, or that it currently deems immaterial, may also have an adverse effect on the Company's financial condition and investment performance. If this occurs, the price of the Shares may decline and investors could lose all or part of their investment. Investors should consider carefully whether an Election in the relevant Shares is suitable for investors in light of the information in this document and their personal circumstances.*

#### **Risks involved in investing in investment companies**

An investment in the Company is only suitable for those who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment, which may include the total amount invested. An investment in the Company will not be suitable for those seeking an index-linked return on their investment.

#### **Risks specific to the Company**

The Shares in the Company are designed to be held over the medium to long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's investments will occur and those may not get back the full value of their investment. There can be no guarantee that the investment objectives of the Company will be met. Meeting its objectives is a target but the existence of such objectives should not be considered as an assurance or guarantee that they can or will be met in relation to the Company's portfolio in general or in relation to any part of it.

An investment in the Company is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may be equal to the whole amount invested) which may result from such an investment.

Investors should be aware that the policy of charging the performance fee together with certain expenses to capital as referred to in this document will by itself result in a diminution in the Net Asset Value of the Company.

The past performance of the Investment Manager and other assets managed by Jupiter are not guides to the future performance of the Company.

Changes in economic conditions in the United Kingdom and other countries in which the Company may invest (including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors) could substantially and adversely affect stocks and the Company's prospects, including the value of Shares.

The market value of, and, in the case of Ordinary Income Shares and Common Shares, income derived from, the Shares can fluctuate and may not always reflect their underlying Net Asset Value.

#### **Assumptions**

The Assumptions referred to in Part IV may not be fulfilled in practice.

**The illustrative statistics mentioned in this document are based on the Assumptions, which are assumptions only and may or may not be realised. The Assumptions and the illustrative statistics should not be regarded as profit forecasts.**

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## Risk Factors

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### Risks specific to the Company continued

#### *Ordinary Income Shares*

The Company's capital structure is such that the underlying value of assets attributable to the Ordinary Income Shares will be geared on the performance of the Company's assets relative to the rising capital entitlements of the Continuing ZDP Shares. The Ordinary Income Shares are therefore geared by the Continuing ZDP Shares – a positive net asset value for the Ordinary Income Shareholders will be dependent upon the Company's assets being sufficient to meet those prior entitlements. The rights of the Common Shares to income and capital will neither gear nor degear the rights of the Ordinary Income Shares.

The Ordinary Income Shares rank for repayment of capital after the Continuing ZDP Shares and the Fixed Capital Entitlement of the Common Shares and any creditors.

The Company will only pay dividends to the extent that it has net revenue profits available for that purpose. A reduction of income from the Company's portfolio would adversely affect the yield on the Ordinary Income Shares. Such a reduction could arise, for example, from lower rates of dividend or interest paid on investments. Falls in the value of its investments could result in cuts in dividends paid by the Company.

The Ordinary Income Shareholders, together with the Common Shareholders, will be entitled to share in the income of the Company (after fees, expenses and tax) resolved to be distributed. Dividend growth from the Ordinary Income Shares will depend on growth in the Company's income from its portfolio of investments. The net asset value of the Ordinary Income Shares will be determined by the performance of the Company's portfolio as geared by the Continuing ZDP Shares. Ordinary Income Shareholders will benefit from any out-performance and will suffer any under-performance in respect of the Company's portfolio.

Any change in the tax treatment of dividends paid or income received by the Company may reduce the dividends paid to the holders of the Ordinary Income Shares.

Ordinary Income Shares are only an appropriate investment for potential investors who understand that, on a winding-up of the Company, they may receive an amount less than the price paid for their Shares and that, if there is insufficient growth in Total Assets, they may receive no distribution on a winding-up of the Company.

#### *Continuing ZDP Shares*

The Continuing ZDP Shares are designed to provide a predetermined level of capital return ranking in priority to the Ordinary Income Shares but alongside the Common Shares in relation to the Fixed Capital Entitlement of the Common Shares. Continuing ZDP Shareholders will have no entitlement to income and the whole of their return will take the form of capital. Continuing ZDP Shareholders had an initial capital entitlement of 66.5 pence per Share on 30 November 2005 growing to 150 pence on the Winding-Up Date, equivalent to a Redemption Yield of approximately 7.0 per cent. on an issue price of 66.5 pence.

The Company's policy is to distribute substantially all of its net revenue (after payment of expenses and taxation) in the form of dividends paid in sterling. Accordingly, the Company may continue to pay dividends in circumstances where the Continuing ZDP Shares are uncovered or where the holders of Continuing ZDP Shares have little or no prospect of receiving their final capital entitlement.

Should the Company be wound up prior to the Winding-Up Date, holders of Continuing ZDP Shares (alongside the holders of the Common Shares) would only receive their accrued entitlement to the date of winding-up. This would be less than the final capital entitlement.

The Continuing ZDP Shares, whilst ranking for payment in priority to the Ordinary Income Shares and alongside the Fixed Capital Entitlement of the Common Shares, rank behind any creditors of the Company for the capital repayment of 150 pence per Continuing ZDP Share on 30 November 2017.

Continuing ZDP Shares are not a protected or guaranteed investment. (On the basis of the Assumptions, a fall in Initial Total Assets by 100 per cent. to zero would result in the Continuing ZDP Shareholders receiving nothing in respect of their Shares).

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## Reconstruction Proposals

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### **Risk Factors**

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#### Risks specific to the Company continued

##### **Common Shares**

The Common Shares are designed to provide an equivalent economic return to that of an ordinary share in a conventional investment trust. Given that the Company will continue to have both Continuing ZDP Shares and Ordinary Income Shares in issue following the Effective Date, this will be achieved by giving the Common Shares (1) an entitlement to income alongside the Ordinary Income Shares in the Common Share Proportion; (2) an entitlement to capital ranking alongside the Continuing ZDP Shares growing from their issue price (equal to their opening Net Asset Value) to 150 pence on the Winding-Up Date and (3) a share in any excess capital on the Winding-Up Date (after the entitlements of creditors have been met) in the Common Share Proportion, after the final entitlement to 150 pence of the Common Shares has been met from that sum.

The Company's policy is to distribute substantially all of its net revenue (after payment of expenses and taxation) in the form of dividends paid in sterling. Accordingly, the Company may continue to pay dividends in circumstances where the Common Shares are uncovered or where the holders of Common Shares (and Continuing ZDP Shares) have little or no prospect of receiving their Fixed Capital Entitlement.

The Company will only pay dividends to the extent that it has net revenue profits available for that purpose. A reduction of income from the Company's portfolio would adversely affect the yield on the Common Shares. Such a reduction could arise, for example, from lower rates of dividend or interest paid on investments. Falls in the value of its investments could result in cuts in dividends paid by the Company.

Any change in the tax treatment of dividends paid or income received by the Company may reduce the dividends paid to the holders of the Common Shares (together with that paid to the holders of the Ordinary Income Shares).

Should the Company be wound up on 30 November 2010, holders of Common Shares would have an entitlement to capital of 90 pence per Common Share ranking alongside the Continuing ZDP Shares. This amount may be lower if there are insufficient net assets in the Company on such winding up to meet this entitlement in full.

Upon a subsequent liquidation, the Common Shares, whilst ranking for payment alongside Continuing ZDP Shares as to their Fixed Capital Entitlement and Ordinary Income Shares (for their non Fixed Capital Entitlement), rank behind any creditors of the Company.

Common Shares are not a protected or guaranteed investment. (Again, on the basis of the Assumptions, a fall in Initial Total Assets by 100 per cent. to zero would result in the Common Shareholders receiving nothing in respect of their Shares).

##### **ZDP Exit Shares**

The cash entitlement of ZDP Shareholders who elect for cash will be the equivalent of 90p per ZDP Share or, if the FAV per ZDP Share on the Calculation Date is less than 90p, such lesser amount. If, due to increases in value of the Company's portfolio, the FAV per ZDP Share were to increase from such lesser amount between the Calculation Date and the Effective Date, under the Proposals the cash entitlement would not be increased after the Calculation Date.

##### **Individual Fund Manager**

There can be no guarantee that any individual fund manager referred to in this document will remain with the Investment Manager. The departure of a key fund manager such as Anthony Nutt may have an adverse effect on the performance of the Company.

##### **Portfolio**

The Company invests (*inter alia*) in equity securities which are subject to volatility in the equity markets. The Company will also seek to invest in securities which the Investment Manager believes to be undervalued. Whilst investment in undervalued securities offers opportunities for above-average capital appreciation, identification of such investments is a difficult task and there can be no assurance that such opportunities will be successfully recognised.

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## Reconstruction Proposals

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### **Risk Factors**

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#### **Portfolio** continued

Debt instruments held by the Company will be affected by general changes in interest rates that will in turn result in increases and decreases in the market value of those instruments. As interest rates have declined the value of the Company's investments in fixed rate debt obligations have risen and if interest rates rise, the value of those investments may decline.

To the extent that the Company invests in below investment grade debt and other securities, the Company may realise a higher current yield than the yield offered by investment grade securities, but investment in such securities involves a greater volatility of price and a greater probability of default by the issuers of such securities with consequent loss of interest payment and principal. Sub-investment grade securities will have, in the judgement of a rating agency, uncertainties or risk exposures to adverse conditions and are speculative with respect to an issuer's capacity to meet interest payments and repay principal in accordance with the terms of its obligations.

The Company may also invest in unlisted investments. Such investments, by their nature, involve a higher degree of valuation uncertainties and liquidity risks than investments in quoted securities and may be more difficult to realise.

#### **Correlation Risk**

The Company's portfolio will be managed without reference to the composition of any stock market index. Therefore, it is likely that there will be periods when the Company's performance will be quite unlike that of any index (which may or may not be to the advantage to Shareholders). The Shares are an unsuitable investment for those who seek investments in some way correlated to a stock market index.

#### **Share Price Fluctuations**

The market price of the Shares may fluctuate significantly and it may not be possible to resell the Shares at or above the price at which they are acquired. Factors that may cause the price of the Shares to fluctuate comprise:

- changes in the Company's financial performance and prospects or in the financial performance and prospects of companies engaged in businesses that are similar to the Company's business;
- changes in the underlying values and trading volumes of the investments within the Company's portfolio;
- the termination of the Investment Management Agreement or the departure of some or all of the Investment Manager's investment professionals;
- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company's business;
- sales of Shares;
- general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events;
- speculation in the press or investment community regarding the Investment Manager's business or investments, or factors or events that may directly or indirectly affect its business or investments;
- a future issuance of Shares; and
- lack of timely information concerning the performance of investments within the Company's portfolio.

Securities markets in general have experienced extreme volatility that has often been unrelated to the operating performance of particular companies or partnerships. Any broad market fluctuations may adversely affect the trading price of the Shares.

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## Reconstruction Proposals

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### **Risk Factors**

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#### **Shareholders have no right to redemption**

Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Shareholders wishing to realise their investment in the Company will be required to dispose of their Shares on the stock market. Accordingly, the ability of Shareholders to realise the Net Asset Value of, or any value in respect of, their Shares is dependent on the existence of a liquid market in the Shares and the market price of such Shares.

#### **The Shares may trade at a discount to Net Asset Value**

The Shares may trade at a discount to their Net Asset Value for a variety of reasons, including due to market conditions, liquidity concerns or the actual or expected performance of the Company. There can be no guarantee that attempts by the Company to mitigate any such discount will be successful or that the use of discount control mechanisms will be possible or advisable.

Market liquidity in the shares of investment companies may be less than market liquidity in the shares issued by other companies on the London Stock Exchange.

#### **Risks if the Proposals are not approved**

The Proposals represent an alternative for Shareholders to the tender offer for ZDP Shares contemplated by article 175 of the existing Articles or to a simple liquidation.

If the Proposals are not approved by Shareholders at the General Meeting, the General Meeting will be reconvened for 30 November 2010 where a simple liquidation will be proposed, which could involve additional costs such as the fees of any liquidators appointed, realisation costs for the Company's entire investment portfolio, the legal and other advisory fees associated with such a proposal and the value of any liquidators' retention which may be deemed necessary by the appointed liquidators.

Shareholders should also note that, in the event that the Resolutions are passed but the Proposals are not for any reason implemented, the Company will proceed to wind-up in accordance with the Articles as amended by the Resolutions. In such event Shareholders' entitlements may for technical reasons differ slightly from those that would apply had the Resolutions not been passed as a result of any Bonus Issue of ZDP Exit Shares. It is not expected that any such difference will be material.

#### **Exchange Risks**

The Company may invest in securities which are not necessarily denominated or quoted in sterling. The Net Asset Value of the Ordinary Income Shares, the Continuing ZDP Shares and the Common Shares will be reported in sterling and all returns on the Ordinary Income Shares, the Continuing ZDP Shares and the Common Shares will be paid in sterling. The movement of exchange rates between sterling and other currencies in which the Company's investments are denominated may have a separate effect, unfavourable as well as favourable, on the return otherwise experienced on an investment in Ordinary Income Shares, Continuing ZDP Shares and Common Shares. It is not intended to hedge this exposure, although the ability to do so is reserved. Any hedging arrangements relating to foreign currency returns and exposures may or may not have the desired effect.

#### **Taxation**

Any change in the Company's tax status or in taxation legislation could affect the value of the investments held by it, affect the Company's ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders. It is not possible to guarantee that the Company will remain non-close, so as to maintain status as an investment trust (see further under Part VI under the heading 'Taxation'), as the Shares are freely transferable. The Company has undertaken that in the event that it becomes aware that it is a close company it will, as soon as reasonably practicable, notify Shareholders of this fact. The value of tax reliefs available will depend on individual circumstances. The taxation of an investment in the Company depends on the individual circumstances of investors and those who are in any doubt should consult their own tax advisers before making their investment. Representations in this document concerning the taxation of investors in any Class of shares are based upon current tax law and practice which is in principle subject to change and the value of tax reliefs available will depend on the individual circumstances of investors.

## Reconstruction Proposals

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### ■ Risk Factors

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#### Taxation continued

Any change in the tax treatment of dividends or interest received by the Company may reduce the returns to Shareholders.

Any failure by the Company to satisfy the requirements of Chapter 4 of Part 24 CTA (investment trust status) or any change in the Company's tax status or in taxation legislation could affect the value of the investments held by and the performance of the Company, the Company's ability to provide returns to its Shareholders, or alter the post-tax returns to its Shareholders. Representations in this document concerning the taxation of investors in Shares are based upon current tax law and practice which are subject to change.

As noted above, additional risks and uncertainties not presently known to the Directors, or that the Directors currently deem immaterial, may also have an adverse effect on the Company's business.

**If you are in any doubt as to the consequences of your Election, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser.**

## Reconstruction Proposals

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**Expected Timetable**


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2010

Packaged Units split into Ordinary Income Shares and ZDP Shares in CREST	28 September
Record date for circulation of this document (court process)	Close of business on 1 October
New share certificates issued to those former Packaged Unit Holders holding shares in certificated form	5 October
Latest time and date for receipt of the Forms of Direction from investors in the Jupiter Savings Scheme and ISA	11.00am on 19 October
Latest time and date for receipt of the Forms of Proxy for the:	
ZDP Shareholders Meeting	10.30am on 27 October
Ordinary Income Shareholders Meeting	10.35am on 27 October
General Meeting	10.40am on 27 October
Latest time and date for receipt of Forms of Election (from ZDP Shareholders holding shares in certificated form) and TTE Instructions (from ZDP Shareholders holding shares in uncertificated form)	11.00am on 27 October
Holding of ZDP Shareholders Meeting	10.30am on 29 October
Holding of Ordinary Income Shareholders Meeting	10.35am on 29 October
Holding of General Meeting	10.40am on 29 October
ZDP Share Register closes	5.00pm on 29 October
Redesignation of Cash Elected Shares as ZDP Exit Shares and ZDP Shares which have so elected into Common Shares	29 October
Amendment of the standard listing on the Official List in respect of the reclassification of ZDP Exit Shares. Admission to a premium listing on the Official List in respect of the redesignation of ZDP Shares as Common Shares and trading commences in Common Shares and ZDP Exit Shares	8.00am on 1 November
Crediting CREST accounts for holdings of ZDP Shares in uncertificated form with Common Shares	1 November
Despatch of share certificates to holders of Common Shares and/or Continuing ZDP Shares	week commencing 8 November
Third Interim Dividend to Ordinary Income Shareholders	15 November
Calculation Date	15 November
Bonus Issue of ZDP Exit Shares	16 November
Admission of ZDP Exit Shares created by Bonus Issue to a standard listing on the Official List and to trading on the London Stock Exchange's Main Market and Dealings in ZDP Exit Shares created by Bonus Issue commence	8.00am on 16 November
Court Hearing for Reduction of Capital	17 November
Effective Date	30 November
Listing and trading of ZDP Exit Shares cancelled	before 8.00am on 30 November
ZDP Exit Shares cancelled	30 November
Reconvened General Meeting (in the event of failure of the Proposals only)	7.00am on 30 November

## Reconstruction Proposals

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### ■ Expected Timetable

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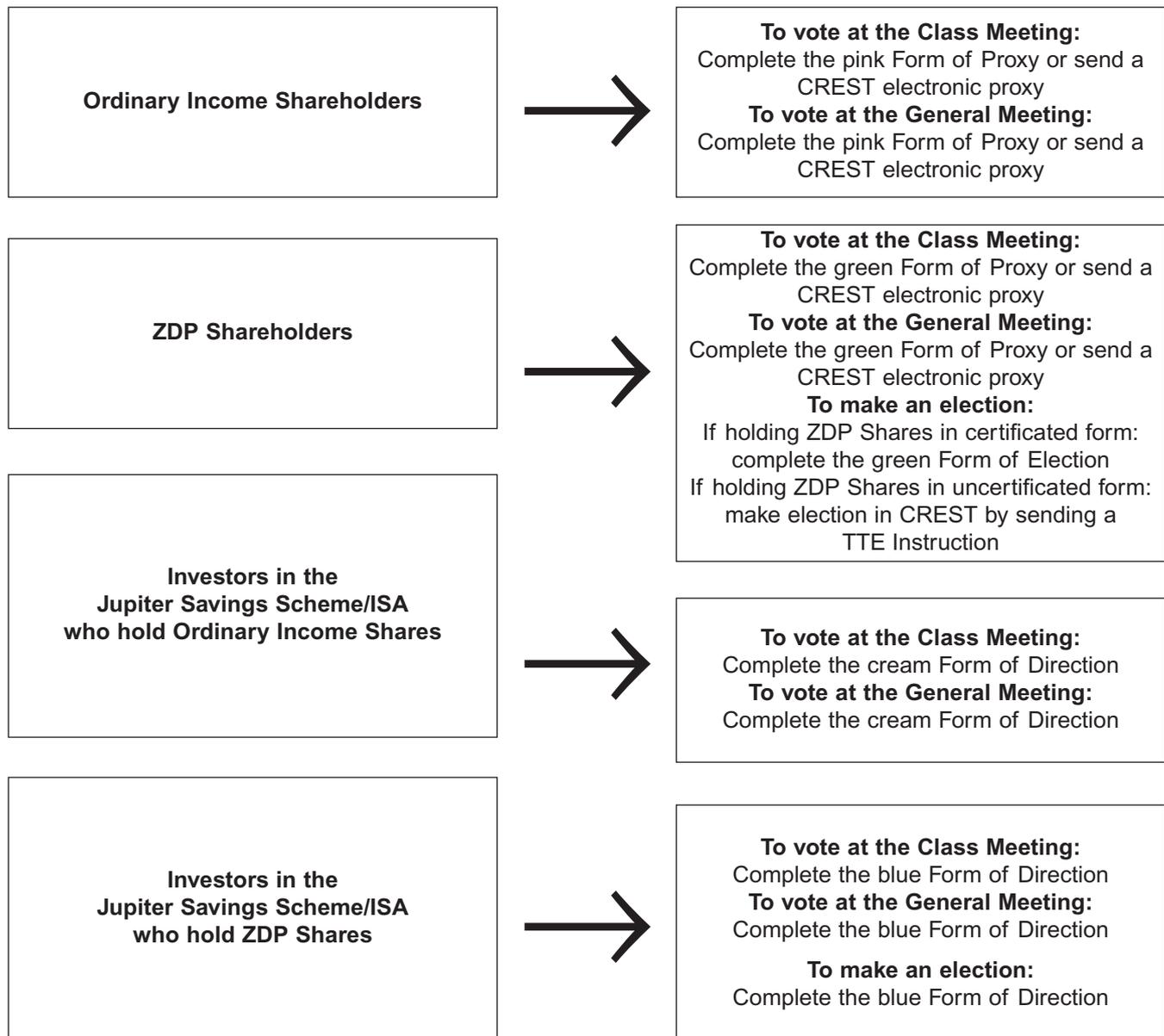
2010

Despatch of cheques to ZDP Shareholders in respect of cash elections	30 November or as soon as practicable thereafter
Crediting Shareholders holding ZDP Shares in uncertificated form who have elected for Cash Option with their cash entitlements	30 November or as soon as practicable thereafter
Despatch of cheques and confirmations of holdings to investors in the Jupiter Savings Scheme and ISA	week commencing 13 December

Reconstruction Proposals

**Action to be taken**

Enclosed with this document is a personalised Form of Proxy and, in respect of the ZDP Shareholders only, a personalised Form of Election. Forms of Election should be completed by ZDP Shareholders who hold their shares in certificated form. Those ZDP Shareholders holding their shares in uncertificated form should follow the procedures set out on page 34. The forms to be used by Shareholders and by investors through the Jupiter Savings Scheme and ISA can be identified by the following colours:



Full details of the action to be taken by Shareholders are set out in Part III of this document and in the instructions on the Forms of Proxy and Forms of Election/Direction. The attention of Overseas ZDP Shareholders is drawn to the sections headed 'Overseas ZDP Shareholders' in Parts III and VIII of this document.

## Reconstruction Proposals

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**Part I Letter from the Chairman**


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**Jupiter Dividend & Growth Trust PLC**
*(Incorporated and registered in England and Wales with number 3852295)*
**Directors:**

Martin Boase  
 Keith Bray  
 Reef Hogg  
 The Rt. Hon. The Lord Hamilton of Epsom

**Registered office:**

1 Grosvenor Place  
 London SW1X 7JJ

6 October 2010

To Ordinary Income and ZDP Shareholders

Dear Shareholder

**RECOMMENDED RECONSTRUCTION PROPOSALS**
**Introduction**

The Company was launched in November 1999 with a planned life until 30 November 2005. In 2005 the Company was restructured with a planned life until 30 November 2010. In January 2009, the Board recommended proposals to Shareholders for a further extension of the Company's life by seven years to 30 November 2017. This was conditional on allowing for a tender offer to all ZDP Shareholders on or around 30 November 2010 at the ZDP Share tender price, being 90 pence, equal to the final capital entitlement of ZDP Shareholders on 30 November 2010 under the then current articles of association (or, in the event that the Net Asset Value of the ZDP Shares, less any associated costs of such tender offer was less than 90 pence on that date, at a lower formula asset value).

The Board remains of the view that, taking into account the latest Net Asset Values of the Ordinary Income Shares and the ZDP Shares and the UK economic outlook, it would be in the best interests of Shareholders as a whole to continue the life of the Company in order to give the Investment Manager an opportunity to manage the Company's investment portfolio for recovery through the recession.

As at 4 October 2010 the final entitlement of the existing ZDP Shares of 150p on 30 November 2017 was 0.6 times covered by the Company's estimated net assets. Accordingly, certain ZDP Shareholders may consider the opportunity for a cash exit at 90p on 30 November 2010, with the associated flexibility to reinvest the proceeds elsewhere, to be an attractive option. Currently the ZDP Shareholders do not participate in the revenues generated from the Company's investment portfolio, nor are they entitled to any capital returns over and above their fixed maximum entitlement of 150p on 30 November 2017. Relative to the flexibility afforded by a cash exit, such ZDP Shareholders may consider continuation to represent a transfer of prospective value (in the form of the future right to dividends and to share in excess capital returns over 150p) to the continuing Ordinary Income Shareholders. ZDP Shareholders may, nevertheless, have significant accrued capital gains on their investments in the Company. An investor who held 7,000 ZDP Shares at launch should now hold 17,276 ZDP Shares (calculated on the basis that each original ZDP Share rolled over into approximately 2.47 continuing ZDP Shares pursuant to the reconstruction in November 2005). Together these would have had an aggregate accrued entitlement on a liquidation of £16,122.80 as at 30 November 2010, representing a gain of £9,122.80.

The Board considers that ZDP Shareholders may, therefore, be interested in an opportunity to continue their investment in the Company, in a manner which will not crystallise a capital gain, in a new class of shares which will enable them to participate in all of the income (after fees, expenses and tax) generated from their share in the Company's Total Assets (in the form of dividends) and all of the capital return potential from their share in the Company's Total Assets (irrespective of whether that sum exceeds their current capital entitlement of 150p on 30 November 2017). These new Common Shares (named as such to distinguish them from the continuing Ordinary Income Shares) are designed to have exactly the same economic characteristics as ordinary shares in a conventional investment trust, managed with the same investment policies as those which have been applied by Tony Nutt in the management of the Company (and the Investment Manager's other equity income products) to date. It is intended that an election for Common Shares will entail no potential transfer of value (as described above) to Ordinary Income Shares on 30 November 2010.

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## Reconstruction Proposals

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### ■ Part I Letter from the Chairman

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#### Introduction continued

The Ordinary Income Shares will continue be entitled to all the income of the Company (after fees, expenses and tax) resolved to be distributed arising from the assets attributable to the Continuing ZDP Shares and the Ordinary Income Shares (but not in respect of the assets attributable to the Common Shares). Similarly, the Net Asset Value of the Ordinary Income Shares will continue be determined by the performance of the Company's portfolio as geared by the capital entitlement of the Continuing ZDP Shares (but excepting the assets attributable to the Common Shares). Ordinary Income Shareholders will continue to benefit from any excess return on those assets over and above the final entitlement of the Continuing ZDP Shares of 150p on 30 November 2017.

The proportion of the Total Assets attributable to the Common Shares and to the Continuing ZDP Shares and Ordinary Income Shares will be determined as at 1 December 2010 as described in more detail in Part II of this document under the heading 'Determination of the Ordinary Income Share Proportion and the Common Share Proportion with effect from implementation of the Proposals'.

If all of the ZDP Shares were to elect for cash it is probable that the Company would be of an insufficient size to be viable as a going concern. The net assets attributable to the Ordinary Income Shares on 4 October 2010 was £999,436 and the net assets attributable to the ZDP Shares was £84,655,520. As such, the Board considers that it is in the interests of Ordinary Income Shareholders to support the Proposals insofar as the value of any Continuing ZDP Shares will represent a prospect of future dividends and potential for capital recovery in those shares.

In considering the past performance of the Company's Ordinary Income Shares since launch, the Board believes that it is helpful to take into account that the aggregate of dividends declared on the Company's original Ordinary Income Shares between launch in November 1999 and the Company's reconstruction on 30 November 2005 amounted to 41.075 pence (net) per original Ordinary Income Share. A total of 17.40 pence (net) in further dividends on each continuing Ordinary Income Share has been declared in respect of the period from the reconstruction of the Company on 30 November 2005 up to and including the third interim dividend declared in respect of the current financial year.

By way of illustration, an investment in 7,000 of the Ordinary Income Shares at launch in November 1999 at £1.00 each would now have produced a total of £2,875.25 (net) in dividends up to 30 November 2005 (i.e. 41.075p (net) per Ordinary Income Share) and a further £1,187.55 (net) since 30 November 2005 (i.e. 17.40p per continuing Ordinary Income Share held), producing a total of £4,062.80 (net) in dividends from launch up to the third interim dividend declared today on their continuing investment.

An investor who held 7,000 Ordinary Income Shares at launch (and who did not reinvest their dividends) should now hold 6,825 Ordinary Income Shares and 1,688 ZDP Shares (calculated on the basis that each original Ordinary Income Share rolled over into approximately 0.734 continuing Ordinary Income Shares and 0.241 Packaged Units pursuant to the reconstruction in November 2005). Together these would have had an aggregate Net Asset Value of £1,626 as at 4 October 2010.

#### The Proposals

The purpose of this document is to provide you with details of the Proposals, which are conditional, *inter alia*, on the approval by ZDP Shareholders and Ordinary Income Shareholders of the resolutions to be proposed at the Class Meetings and at the General Meeting which have each been convened for 29 October 2010.

In structuring the Proposals, the Board has sought to provide a mechanism to continue the Company whilst also recognising that ZDP Shareholders should be entitled to realise their investment in the Company in full for cash on 30 November 2010 as previously indicated. The Proposals do not, however, involve the tender offer mechanism anticipated in the circular to Shareholders issued in December 2008 since a tender offer attracts both brokerage fees and stamp duty (at 0.5 per cent. of the value of the Shares tendered). Stamp duty on all of the ZDP Shares in issue, were they to be tendered at 90p, would amount to approximately £413,000 alone. Instead, the Proposals replace the tender offer with a different mechanism for providing cash payments to ZDP Shareholders on the basis that it achieves the same effect for ZDP Shareholders but it is more cost effective.

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## Reconstruction Proposals

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### ■ Part I Letter from the Chairman

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#### The Proposals continued

The Proposals also provide an alternative option to ZDP Shareholders in addition to a cash exit whereby ZDP Shareholders may exchange their Shares for new Common Shares in the Company, and thereby participate in both income and capital returns on the Company's portfolio.

The Proposals are set out in detail in Part V of this document. In summary they involve the following:

- The continuation of the Company in a cost-effective manner.
- ZDP Shareholders being given the opportunity to realise some or all of their holding in the Company by electing to receive cash.
- ZDP Shareholders wishing to retain all or part of their existing shareholding in the Company being able to do so either in the form of Continuing ZDP Shares and/or in the form of a newly created class of Common Shares.

The choices available to, and action to be taken by, each class of Shareholder are set out in Part III of this document.

ZDP Shareholders, (including Overseas ZDP Shareholders) who do not make a valid election under the Proposals will be deemed to have elected to retain their ZDP Shares as Continuing ZDP Shares.

If the Proposals are not approved by Shareholders at the Class Meetings or at the General Meeting, or if the other Conditions are not satisfied, resolutions will be proposed at the General Meeting (re-convened for 30 November 2010 for such purpose), to wind up the Company voluntarily at the end of its planned life in accordance with the existing Articles or the Revised Articles, as applicable. Both Ordinary Income Shareholders and ZDP Shareholders are entitled to vote on the Winding-Up Resolutions and those Shareholders who vote in favour of the resolution will collectively be deemed to have such number of votes as is one more than the number of votes necessary to carry each resolution. If the Proposals are approved at the Class Meetings and the General Meeting and if the other Conditions are satisfied, the General Meeting will end without consideration of the Winding-Up Resolutions.

The choice between the various options available under the Proposals will be a matter for each ZDP Shareholder to decide and will be influenced by his or her investment objectives and by his or her personal, financial and tax circumstances. Accordingly, ZDP Shareholders should carefully read all the information in this document before making any election.

Shareholders who are in any doubt as to the contents of this document or as to the action to be taken should seek their own independent personal financial advice from their independent financial adviser.

#### Benefits of the Proposals

The Board believes that the Proposals are in the best interests of Shareholders as they give each Ordinary Income Shareholder the potential to continue to receive revenue through possible future dividends and each ZDP Shareholder a choice between remaining invested in the Company either through Continuing ZDP Shares or Common Shares, which will be managed by the Investment Manager, or receiving cash. In particular, the Board believes that the Proposals have the following beneficial features:

##### *For all Shareholders*

- The continuation of the Company is in the best interests of Shareholders. The Proposals involve the Company incurring lower estimated transaction costs compared with the estimated costs of providing a tender offer to ZDP Shareholders and/or liquidating the Company (based on the Assumptions).

##### *For ZDP Shareholders*

- For those ZDP Shareholders who wish to realise their investment in the Company, the Proposals should provide the opportunity for ZDP Shareholders to receive cash in an amount of 90p per ZDP Share, being their full entitlement under the Company's existing Articles, or the FAV of their ZDP Shares, if lower.
- For those Shareholders who remain invested, the Proposals provide ZDP Shareholders with a greater range of choices than would be the case if the Company were simply wound up.

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## Reconstruction Proposals

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### Part I Letter from the Chairman

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#### Benefits of the Proposals continued

##### *For ZDP Shareholders* continued

- For those ZDP Shareholders who wish to remain invested, the Proposals provide the opportunity to remain invested in either Continuing ZDP Shares or Common Shares, without crystallising an immediate charge to UK capital gains tax.
- For those ZDP Shareholders who wish to remain invested and elect for Common Shares, the Common Shares will provide an opportunity to retain a capital return whilst also potentially receiving dividends alongside the Ordinary Income Shareholders.
- ZDP Shareholders who wish to remain invested will be able to avoid the costs that would be associated with the reinvestment in the secondary market of the proceeds of a liquidation.

##### *For Ordinary Income Shareholders*

- The continuation of the Company will provide continued geared exposure to the Company's investment portfolio for a further seven years with the prospect of a continued dividend stream and capital recovery.

#### Risks of the Proposals

Shareholders should note that the Proposals are conditional upon Shareholder approval at the Class Meetings and the General Meeting. Without Shareholder approval, the Proposals will not proceed and the Company will be wound up. It is not the intention of the Board to put alternative tender offer proposals to ZDP Shareholders as the Proposals have been prepared as a more cost efficient substitution for the tender offer proposals previously communicated to Shareholders. Further, Shareholders should note that the continuation is subject to the Conditions being met including that no more than 75 per cent. of the ZDP Shareholders elect to receive cash.

#### The Size of the Company

The size of the Company following the Proposals will be determined by the elections made (and deemed to be made) under the Proposals.

The Investment Manager will endeavour to place any ZDP Shares which are expected to be elected for cash with other Shareholders and/or new investors but there can be no guarantee that this will be possible.

The cancellation of ZDP Shares under the Proposals will alter the ratio between ZDP Shares and Ordinary Income Shares in the Company's capital structure. A reduced number of Continuing ZDP shares for each Ordinary Income Share will reduce the capital gearing on the Ordinary Income Shares on the Effective Date and may have a material impact on their projected final capital entitlements on the Winding-Up Date in 2017.

#### Costs of the Proposals

The costs of the Proposals are expected to be approximately £400,000 (plus VAT, where applicable and portfolio realisation costs) and will be borne by the Company which will appropriate cash and assets to meet such costs. In working with BDO Corporate Finance, as opposed to a full service broker, in developing these proposals, the Board has been able to make a material cost saving in terms of the fees payable. If the Proposals are not approved by Shareholders, such costs will in any event be borne by the Company. In addition, the Company will also bear any dealing costs incurred in disposing of assets in order to meet elections made for cash.

By way of comparison the Directors have been advised that a tender offer would have incurred costs of approximately £290,000 (plus VAT, where applicable, portfolio realisation costs and stamp duty of up to a further £413,000). A s110 Scheme would have incurred costs of approximately £420,000 (plus VAT, where applicable, portfolio realisation costs and an additional liquidators' retention of £150,000). The cost of a simple liquidation of the Company would have been approximately £240,000 (plus VAT, where applicable, portfolio realisation costs and an additional liquidators' retention of £150,000).

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## Reconstruction Proposals

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### ■ Part I Letter from the Chairman

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#### Costs of the Proposals continued

The basis for the Board's assertion that the costs of continuation will be less than those which might be incurred in a tender offer for all of the ZDP Shares in issue is that a tender offer attracts both brokerage fees and stamp duty (at 0.5 per cent. of the value of the Shares tendered). Stamp duty on all of the ZDP Shares in issue, were they to be tendered, would amount to approximately £413,000 alone.

Similarly, the basis for the Board's assertion that the costs of continuation will be less than those which might be incurred in a simple members' voluntary liquidation is that the cost of realisation of the Company's investment portfolio for cash will be reduced to the extent that ZDP Shareholders elect or are deemed to have elected to continue their investment rather than themselves exiting for cash. The costs of portfolio realisation are not taken into account in the above cost estimates. If the assets continued within the Company were to amount to £60 million and portfolio realisation costs are estimated at 0.15 per cent., the cost saving to Shareholders of not having to sell those assets in the market would be £90,000.

If the Company were to enter into a s110 Scheme, Shareholders who elected to roll over into a new closed ended investment fund would bear a proportion of the launch costs for that rollover vehicle. A conservative estimate of those additional costs would be £380,000 (excluding stamp duty and any placing fees).

#### Gearing

If the Proposals are implemented, the entitlement of holders of Ordinary Income Shares to a return of capital on the Winding-Up Date of the Company on 30 November 2017 ranks behind the fixed entitlements of the holders of Continuing ZDP Shares and alongside the rights of the holders of Common Shares. Since the Common Shares rank alongside the Ordinary Income Shares as to both capital and income, the Ordinary Income Shares will not be structurally geared (or degeared) as a consequence of their creation. Even though no structural bank borrowing will be entered into, the Ordinary Income Shares will be geared by the assets attributable to the Continuing ZDP Shares.

The effect of gearing is that in rising markets the asset value of Ordinary Income Shares will benefit from any out-performance of the Company's investment portfolio over and above the cost of the fixed entitlements of the Continuing ZDP Shares. Conversely, in falling or flat markets, the Ordinary Income Shares will suffer to the extent of any shortfall between the return on the Company's investment portfolio and the cost of those fixed entitlements.

#### The Cash Option

ZDP Shareholders who elect for cash will become entitled to receive 90p per ZDP Share or, if lower, an amount per existing ZDP Share equal to the FAV per ZDP Share.

However, if more cash is paid per ZDP Exit Share than the amount of capital attributable to those shares for UK tax purposes, the excess would be subject to income tax in the hands of a UK resident individual as if it were a dividend. A Bonus Issue of additional ZDP Exit Shares will therefore be made by capitalising part of the share premium account and the Special Reserve Account of the Company and those Bonus Shares will also be cancelled and repaid as part of the court-sanctioned Reduction of Capital. This is intended to have the effect that no part of the cash paid to those ZDP Shareholders who elect to exit should be taxable as income.

ZDP Shareholders who wish to receive cash in respect of some or all of their holding should elect, accordingly, for the Cash Option (i) if you hold your shares in certificated form on their Form of Election and/or (ii) if you hold your shares in uncertificated form by TTE Instruction. Cash entitlements will be sent to the registered address held by the Company's Registrar, or, if different, the address inserted on your Form of Election. Cheques are expected to be despatched in respect of the cash amounts due to ZDP Shareholders and CREST entitlements are expected to be credited on 30 November 2010, or as soon as practicable thereafter. All cheques will be sent at ZDP Shareholders' own risk.

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## Reconstruction Proposals

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### ■ Part I Letter from the Chairman

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#### Share Certificates and CREST Deliveries

Share certificates in respect of ZDP Shares and Ordinary Income Shares arising from the splitting of the Packaged Units were despatched on 5 October 2010 (with CREST deliveries of uncertificated holdings on the same day). Shareholders holding Shares in uncertificated form are expected to have their CREST accounts credited, on or as soon as practicable after 1 November 2010. Share certificates in respect of balancing holdings of Continuing ZDP Shares and Common Shares created pursuant to the Proposals are expected to be despatched to Shareholders holding Shares in certificated form on the week commencing 8 November 2010.

#### Taxation

ZDP Shareholders who retain their investment in the Company should not, under current law and practice, be treated as making a disposal of their ZDP Shares as a result of the Proposals. ZDP Shareholders who elect to receive cash will, however, be treated as making a disposal of their ZDP Shares for UK tax purposes. The necessary clearances were given by HMRC under section 749 CTA and section 701 Income Tax Act 2007 by way of letter dated 25 August 2010. Further details are set out in Part VI of this document.

#### Non-UK Shareholders

The attention of Shareholders who are resident in, or citizens of, territories outside the United Kingdom, the Channel Islands or the Isle of Man is drawn to paragraph 11 of Part VIII of this document.

#### Shareholder Approval

The Proposals were approved by a resolution of the Board passed on 1 October 2010. Implementation of the Proposals requires the passing of special resolutions at separate Class Meetings of Ordinary Income Shareholders and ZDP Shareholders and the passing by Shareholders of the Resolutions at the General Meeting. Notices of the Class Meetings and the General Meeting, which have been convened for 29 October 2010, are set out at the end of this document. The notice of the General Meeting includes notice of the Winding-Up Resolutions which will be required only if the Resolutions are not approved and on which all Shareholders are entitled to vote. Descriptions of the Resolutions to be proposed at the Meetings are set out below.

#### Resolutions to be proposed at the Class Meetings

The special resolutions to be proposed at the Class Meetings will, if passed, sanction the passing of the first two resolutions to be proposed at the General Meeting.

#### Resolutions to be proposed at the General Meeting

A resolution which is to be proposed as a special resolution (as set out in the notice of General Meeting at the end of this document) will:

- (a) approve the Proposals and direct their implementation by the Directors;
- (b) adopt changes to the Articles to give effect to the Proposals;
- (c) grant the Directors authority to allot Shares up to a maximum nominal amount of £68,480,683, *inter alia*, in order to cover the allotment of the Bonus Shares, such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company or, if earlier, on 30 November 2011;
- (d) in substitution for any existing authority, grant the Directors power to allot equity securities (up to an aggregate nominal amount of £411,748), as if pre-exemption rights did not apply to such allotment, such authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company or, if earlier, on 30 November 2011;
- (e) sub-divide and consolidate the Cash Elected Shares and reclassify such shares as ZDP Exit Shares with new share rights;

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## Reconstruction Proposals

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### ■ Part I Letter from the Chairman

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#### Resolutions to be proposed at the General Meeting continued

- (f) authorise the Directors to redesignate ZDP Shares as Common Shares in accordance with Elections made under the Proposals;
- (g) reduce the share capital of the Company by cancelling and extinguishing the ZDP Exit Shares in consideration of the payment of cash to the former ZDP Exit Shareholders;
- (h) grant the Director's authority, in substitution for all existing authorities, to repurchase up to 14.99 per cent. of the Company's Ordinary Income Shares, Continuing ZDP Shares and Common Shares, such authority to expire on the date of the next annual general meeting of the Company;
- (i) approve the amendment to the investment objective of the Company to take account of the new class of Common Shares.

Other than in connection with the Proposals and, in particular the proposed Bonus Issue of ZDP Exit Shares to the holders of ZDP Exit Shares (as described in more detail in Part V of this document), the Directors have no current intention of exercising any authority to allot further shares in the capital of the Company.

#### Winding-Up Resolutions

Please note that, by another special resolution, the General Meeting will be adjourned until 30 November 2010, unless the Resolutions at the Class Meetings and the first resolution at the General Meeting are approved and a Stock Exchange announcement has been made to the effect that the Conditions have been satisfied. If such adjournment takes place, at the reconvened meeting resolutions will be proposed to wind-up the Company voluntarily in accordance with the Articles, to appoint liquidators, to set their remuneration and to authorise them to exercise their statutory powers. All Shareholders are entitled to vote on the Winding-Up Resolutions. For the avoidance of doubt, the final entitlement of ZDP Shareholders in this event shall be to the lesser of 90 pence and NAV which in those circumstances would take into account the costs of the Proposals and any additional costs involved in the voluntary winding-up of the Company.

#### Third Interim Dividend

Irrespective of whether the Proposals become unconditional, the Company will pay a third interim dividend on 15 November 2010, to all Ordinary Income Shareholders on the Register on 15 October 2010, of 0.65p, representing an amount comprising substantially all of the revenue profits of the Company (including accumulated revenue reserves) available for distribution on the payment date.

The total of dividends paid in respect of the current financial year will therefore amount to 11.1p.

Cheques in payment of the third interim dividend are expected to be despatched on 15 November 2010. It is expected that Ordinary Income Shareholders who hold their Shares in uncertificated form will receive payment of the third interim dividend through the CREST system on the same day.

#### Action to be taken

Your attention is drawn to Part III of this document on page 34 onwards which sets out the action to be taken by Shareholders in relation to the Proposals, in particular, the Class Meetings and the General Meeting.

#### Election by ZDP Shareholders

This letter is not intended to convey a recommendation by the Directors as to whether or not ZDP Shareholders should or should not make an Election or realise their investment or how ZDP Shareholders wishing to realise their investment should elect in Forms of Election (if they hold their shares in certificated form) or by TTE Instruction (if they hold their shares in uncertificated form). ZDP Shareholders' course of action will, *inter alia*, depend on their investment requirements and their personal tax position. If ZDP Shareholders require advice, they should contact an independent financial adviser authorised under the Financial Services and Markets Act 2000.

## Reconstruction Proposals

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### ■ Part I Letter from the Chairman

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#### Recommendation

The Board, who have been advised by BDO Corporate Finance, consider that the Proposals and the resolutions are in the best interests of Shareholders as a whole. In providing advice to the Board, BDO Corporate Finance has taken into account the Board's commercial assessment of the Proposals.

Accordingly, the Board unanimously recommend you to vote in favour of all of the Resolutions to be proposed at the Class Meetings and the General Meeting (other than the Winding-Up Resolutions), as they have undertaken to do in respect of their aggregate beneficial holdings of 66,184 Ordinary Income Shares and 37,079 ZDP Shares (together representing 0.56 per cent. of the total voting rights in the Company). In the event that the Proposals are not implemented and the Winding-Up Resolutions are considered, the Board believes they are in the best interests of Shareholders as a whole and unanimously recommend you to vote in favour of the Winding-Up Resolutions as they have undertaken to do in respect of their aggregate beneficial holdings as aforesaid.

Yours faithfully

Martin Boase  
*Chairman*

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Investment Objective

The investment objective of the Company is to provide Ordinary Income Shareholders with a high and rising income together with the possibility of capital appreciation and to provide ZDP Shareholders with a pre-determined level of capital growth. Upon implementation of the Proposals, the Company will have the additional investment objective to produce a high and rising income together with the possibility of capital appreciation for Common Shares.

#### Investment Policy

The investment policy of the Company will continue to be to invest mainly in a portfolio of UK listed equities, UK equity-related securities (such as convertible securities, preference shares, convertible unsecured loan stock, warrants and other similar securities) and UK fixed interest securities.

The equities selected as suitable for the portfolio will generally be those judged to be lowly valued by the Investment Manager, typically offering an attractive dividend yield with sufficiently strong cash generation from their operational activities to grow the dividend to shareholders over a number of years. Such equities are likely to be considered by the Investment Manager to be undervalued by the stock market at the time of purchase and will offer scope for capital gains.

The Investment Manager selects each stock on its individual merits as an investment rather than replicating the relevant company's weighting within its benchmark, the FTSE All-Share Index. The portfolio is therefore unlikely to represent the constituents of its Benchmark, but instead is intended to offer a well diversified investment strategy focused on maximising returns from the prevailing economic background.

The Investment Manager has complete flexibility to invest any proportion of the Company's investment portfolio in debt securities from time to time. Investment in debt securities will be in convertible bonds, corporate bonds and other debt securities (such as gilts) considered by the Investment Manager to be quasi-cash instruments. Investment in bonds issued by corporate issuers will generally be in those of issuers which are either rated as 'investment grade' issuers or are considered by the Investment Manager to have an equivalent grade. The Investment Manager may also invest in sub-investment grade corporate bonds where it considers that their ratings are likely to improve. The percentage of the portfolio invested in debt securities at any given time will primarily be driven by tactical considerations but will also depend upon the outlook for interest rates and the scope for improved debt ratings.

The Company may invest in unlisted securities (up to a maximum of 5 per cent. of Total Assets) and derivatives but it is not the Investment Manager's present intention to do so (save, in respect of derivatives for the purposes of efficient portfolio management).

It is the Company's policy to invest in no more than 15 per cent. of its gross assets in other UK listed closed-ended investment funds.

Any material change in the investment policy of the Company described above may only be made with the approval of Shareholders by an ordinary resolution and the separate Class approval of ZDP Shareholders.

The Directors intend to continue to conduct the affairs of the Company so as to enable it to seek approval as an investment trust in respect of each accounting period and to apply annually to HMRC for such approval. The Company intends that its income will consist wholly or mainly of eligible investment income as defined in Chapter 4 of Part 24 CTA. Approval is granted retrospectively. Under current legislation, the Company will be exempt from UK tax on capital gains realised during each accounting period for which approval is obtained.

#### *Specific policies*

The Company may make use of short term borrowings such as an overdraft facility for liquidity and investment purposes in order to gear the returns on the Company's investment portfolio but in any event borrowings will not exceed, at any one time, 25 per cent. of Total Assets without Shareholder approval by ordinary resolution. It is not currently the Investment Manager's intention to use bank borrowings at all for investment purposes.

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Investment Restrictions

The Company observes the investment restrictions imposed from time to time by the Listing Rules which are applicable to investment companies with shares listed on the Official List of the UKLA under Chapter 15. The Company will, in accordance with these investment restrictions, adhere to the following:

- the Company manages an adequate spread of investment risk, with no one investment making up more than 10 per cent. of the Total Assets of the Company at the time of investment;
- no more than 10 per cent., in aggregate, of the value of the Total Assets of the Company will be invested in other listed closed-ended investment funds or closed-ended investment funds other than those which themselves have published investment policies to invest no more than 15 per cent. of their total assets in other closed-ended investment funds; and
- the Company does not, principally, invest its funds in another company or fund which invests in a portfolio of investments.

In addition, in accordance with Chapter 15 of the Listing Rules, the Company must at all times invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with its published investment policy.

The Board has sufficient and appropriate experience in the management of investments of a scale and type in which the Company invests as set out in this document. In accordance with the Listing Rules, the Company manages and invests its assets in accordance with the Company's investment policy as set out on page 24 of this document.

In the event of any breach of the investment restrictions applicable to the Company, Shareholders will be informed of the remedial actions taken or to be taken by the Investment Manager by an announcement issued through a Regulatory Information Service approved by the FSA.

#### Regulatory Status

The Company is not authorised or regulated by the FSA. As the Shares are admitted to the Official List of the UK Listing Authority with a premium and standard listing and are admitted to trading on the Main Market, the Company is subject to the Listing Rules and is nevertheless subject to regulation by the Financial Services Authority in this capacity.

#### Investor Profile

The typical investor for whom the Company is designed will be an institutional investor or a professionally advised private investor. Investors should consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser before making an investment in the Company or making a decision regarding an Election. Investment in the Company should be regarded as long-term in nature and may not be suitable as a short-term investment. In making an Election, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser before doing so.

#### Capital structure

##### *Introduction*

The share capital of the Company consists of Ordinary Income Shares and ZDP Shares. Currently both Ordinary Income Shares and ZDP Shares are listed on the Official List and these are traded on the London Stock Exchange's Main Market. Application will be made to the UK Listing Authority for Amendment to the standard listing on the Official List in respect of the reclassification of Cash Elected Shares as ZDP Exit Shares and the Admission to a premium listing on the Official List in respect of the redesignation of ZDP Shares as Common Shares.

In addition, application will be made for the ZDP Exit Shares to be issued pursuant to the Bonus Issue to be admitted to a standard listing on the Official List and to trading on the London Stock Exchange's Main Market.

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Capital structure continued

##### *Introduction* continued

Shares in the Company are designed to appeal to institutional and professionally advised private investors, to be held over the medium to long-term, and may not be suitable as short term investments.

##### ***Determination of the Ordinary Income Share Proportion and the Common Share Proportion with effect from implementation of the Proposals***

The Ordinary Income Share Proportion and the Common Share Proportion will be determined by the Investment Manager on or as soon as practicable after 1 December 2010. The determination will be reviewed by the Auditors (although such review shall not constitute an audit). The Ordinary Income Share Proportion and the Common Share Proportion determine the proportions in which, after implementation of the Proposals, the Ordinary Income Shares and Common Shares will share in any dividends or other income distributions paid by the Company and any capital distributions, including the remaining net assets on the winding up of the Company after payment of creditors and the Fixed Capital Entitlement of the Common Shares and Continuing ZDP Shares.

The Ordinary Income Share Proportion, which is defined in the Revised Articles, is the proportion, expressed as a percentage, of the Total Assets as at opening of business on 1 December 2010 which equals the aggregate of the Net Asset Value of the Continuing ZDP Shares and the Ordinary Income Shares as at that date.

The Common Share Proportion, which is defined in the Revised Articles, is the proportion, expressed as a percentage, of the Total Assets as at opening of business on 1 December 2010 which equals the Net Asset Value of the Common Shares as at that date.

Any revenues and expenses accrued during the current financial year will be allocated in proportion to these ratios.

The Revised Articles provide that the Ordinary Income Share Proportion and the Common Share Proportion will be adjusted in the event of either the cancellation or the new issue of Shares in the future. The same methodology will be applied in calculating any such adjustment(s).

The first table below illustrates the Ordinary Income Share Proportion and the Common Share Proportion which would result by reference to different examples of Elections being made to remain invested under the Proposals. The second and third tables below illustrate the revised Ordinary Income Share Proportion and Common Share Proportion which would result after adjustment for a future new issue of Common Shares and a future repurchase for cancellation of Continuing ZDP Shares, respectively.

## Reconstruction Proposals

## Part II The Company

## Capital structure continued

**Determination of the Ordinary Income Share Proportion and the Common Share Proportion with effect from implementation of the Proposals** continued**Illustrative Ordinary Income and Common Share Proportions pursuant to elections to remain invested under the Proposals:**

NAV of Continuing ZDP Shares on Effective Date £	Illustrative NAV of Ordinary Income Shares on Effective Date £	NAV of new Common Shares on Effective Date £	Total Assets on Effective Date £	Ordinary Income Share Proportion %	Common Shares Proportion %
60,000,000	2,500,000	0	62,500,000	100	0
50,000,000	2,500,000	10,000,000	62,500,000	84	16
40,000,000	2,500,000	20,000,000	62,500,000	68	32
30,000,000	2,500,000	30,000,000	62,500,000	52	48
20,000,000	2,500,000	40,000,000	62,500,000	36	64
10,000,000	2,500,000	50,000,000	62,500,000	20	80
0	2,500,000	60,000,000	62,500,000	4	96

**Illustrative revised Ordinary Income and Common Share Proportions pursuant to a future new issue of Common Shares:**

Accrued entitlement of Continuing ZDP Shares on new issue date £	Illustrative NAV of Ordinary Income Shares on new issue date £	Illustrative NAV of new Common Shares on new issue date £	New Issue of Common Shares £	Total Assets on new issue date £	New Ordinary Income Share Proportion %	New Common Shares Proportion %
60,000,000	2,500,000	0	10,000,000	72,500,000	86	14
50,000,000	2,500,000	10,000,000	10,000,000	72,500,000	72	28
40,000,000	2,500,000	20,000,000	10,000,000	72,500,000	59	41
30,000,000	2,500,000	30,000,000	10,000,000	72,500,000	45	55
20,000,000	2,500,000	40,000,000	10,000,000	72,500,000	31	69
10,000,000	2,500,000	50,000,000	10,000,000	72,500,000	17	83
0	2,500,000	60,000,000	10,000,000	72,500,000	3	97

## Reconstruction Proposals

## Part II The Company

### Capital structure continued

#### *Determination of the Ordinary Income Share Proportion and the Common Share Proportion with effect from implementation of the Proposals* continued

#### Illustrative revised Ordinary Income and Common Share Proportions pursuant to a future repurchase of Continuing ZDP Shares:

Accrued entitlement of Continuing ZDP Shares on repurchase date £	ZDP Shares repurchased for cancellation £	Illustrative NAV of Ordinary Income Shares on repurchase date £	Illustrative Common Shares on repurchase date £	NAV of Total Assets post repurchase £	New Ordinary Share Proportion %	New Common Shares Proportion %
60,000,000	10,000,000	2,500,000	0	52,500,000	100	0
50,000,000	10,000,000	2,500,000	10,000,000	52,500,000	81	19
40,000,000	10,000,000	2,500,000	20,000,000	52,500,000	62	38
30,000,000	10,000,000	2,500,000	30,000,000	52,500,000	43	57
20,000,000	10,000,000	2,500,000	40,000,000	52,500,000	24	76
10,000,000	10,000,000	2,500,000	50,000,000	52,500,000	5	95

The projections set out above are provided for illustrative purposes only and do not represent forecasts.

#### *Ordinary Income Shares after implementation of the Proposals*

Ordinary Income Shares are entitled to receive the Ordinary Income Share Proportion of the revenue profits of the Company available for distribution and resolved to be distributed by way of interim or final dividend. The Company's policy is to distribute substantially all its net revenue (after payment of expenses and taxation) in the form of dividends paid in sterling.

On a winding-up, Ordinary Income Shares are entitled to a sum equal to the Ordinary Income Share Proportion of the surplus assets (after payment of the Company's creditors) after satisfying the entitlements of the Continuing ZDP Shares from that sum. This payment ranks, in priority, after payment of the entitlements of the Continuing ZDP Shares and the Fixed Capital Entitlement of the Common Shares.

Ordinary Income Shares will continue to carry the right to vote at general meetings of the Company.

#### *Continuing ZDP Shares after implementation of the Proposals*

The Continuing ZDP Shares are designed to provide a pre-determined final capital entitlement on 30 November 2017 which ranks alongside the Fixed Capital Entitlement of the Common Shares, behind the Company's creditors (if any) but in priority to the Ordinary Income Shares and the non Fixed Capital Entitlement of the Common Shares. They will carry no entitlement to income and the whole of their return will therefore take the form of capital.

The Continuing ZDP Shares to be retained under the Proposals will have a capital entitlement (ranking alongside the Fixed Capital Entitlement of the Common Shares) growing to 150 pence on the Winding-Up Date, equivalent to a Redemption Yield of approximately 7.0 per cent. per annum on their issue price of 66.5 pence on 30 November 2005. As at 30 November 2010 their accrued capital entitlement on this basis would be 93.3248 pence.

Continuing ZDP Shares are not a guaranteed or protected investment and the Company will have no long-term structural gearing ranking for payment ahead of the Continuing ZDP Shares. Therefore, a fall in the Initial Total Assets of the Company of 100 per cent. during the period from the Effective Date to the Winding-Up Date would result in Continuing ZDP Shareholders receiving nothing in the winding-up of the Company.

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Capital structure continued

##### *Continuing ZDP Shares after implementation of the Proposals* continued

Continuing ZDP Shares will continue to carry the right to vote at all general meetings of the Company. In addition, they will continue to carry the right to vote as a Class on certain proposals which would be likely to materially affect their position.

##### *Common Shares after implementation of the Proposals*

The Common Shares are designed to provide an equivalent economic return to that of an ordinary share in a conventional investment trust. Given that the Company will continue to have both Continuing ZDP Shares and Ordinary Income Shares in issue following the Effective Date, this will be achieved by giving the Common Shares (1) an entitlement to income alongside the Ordinary Income Shares in the Common Share Proportion; (2) an entitlement to capital ranking alongside the Continuing ZDP Shares growing from their issue price (equal to their opening Net Asset Value) to 150 pence on the Winding-Up Date and (3) a share in any excess capital on the Winding-Up Date (after the entitlements of any creditors have been met) in the Common Share Proportion, after the final entitlement to 150 pence of the Common Shares has been met from that sum.

The Common Shares to be issued under the Proposals will be effectively issued at an issue price equivalent to the accrued entitlement of the ZDP Shares or their NAV, if lower, on the Effective Date. If the Proposals are implemented, as at 30 November 2010 the accrued capital entitlement of the ZDP Shares will be 93.3248 pence.

The Company's policy is to distribute substantially all its net revenue (after payment of expenses and taxation) in the form of dividends paid in sterling. Under the Proposals Ordinary Income Shares and Common Shares will be entitled to share in such dividends in the Ordinary Income Share Proportion and Common Share Proportion respectively.

The Common Shares carry the right to vote at all general meetings of the Company. In addition, they carry the right to vote as a Class on certain proposals which would be likely to materially affect their position.

The distributable revenues generated in the current financial year to 4 October 2010 equate to an annualised yield of 2.9 per cent. on the Company's Total Assets as at that date. Had the Common Shares been in issue throughout that period then their dividend yield would have been approximately the same. This figure is provided for illustrative purposes only and does not represent nor should it be taken as a forecast of profits.

#### *General*

Further details of the rights attached to the Ordinary Income Shares, the Common Shares and the Continuing ZDP Shares are set out in Part VIII.

#### **Borrowings**

The Directors do not currently intend to incur any borrowings other than those of a short-term nature (such as an overdraft facility) which may be used for short-term liquidity purposes. The Directors do not intend to enter into fixed or long-term gearing facilities.

#### **Investment Manager**

The Investment Manager is Jupiter Asset Management Limited, a company incorporated in England under the 1985 Act, a wholly owned subsidiary of Jupiter Investment Management Group Limited which is itself a subsidiary of Jupiter Fund Management plc.

The Investment Manager is authorised and regulated by the Financial Services Authority and is subject to its rules in the conduct of investment business. Pursuant to the Investment Management Agreement between the Company and the Investment Manager, the Investment Manager has been appointed as investment manager of the Company's assets. Such appointment is terminable on 12 months' notice by either party. Further details of the Investment Management Agreement are contained in paragraph 10.1 of Part VIII of this document.

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Investment Manager continued

The individual responsible for the day to day management of the portfolio is Anthony Nutt. Mr. Nutt, a director of Jupiter Asset Management Limited. He is responsible for the management of two of Jupiter's flagship unit trusts, the Jupiter Income Trust and the Jupiter High Income Fund and a number of other discretionary institutional mandates. He has been managing institutional investment funds since 1983. Mr Nutt has managed the Company's investment portfolio since launch in November 1999.

#### Directors

The Directors of the Company, all of whom are non-executive and independent of the Investment Manager have the overall responsibility for the Company's ongoing activities and are listed below:

**Martin Boase** (*Chairman*), formed the advertising agency Boase Massimi Pollitt plc in 1968, which was floated on the London Stock Exchange in 1983. He was chairman of The Advertising Association from 1987 to 1992. He was chairman of Herald Investment Trust plc until the end of September 2009.

**Keith Bray**, is a Chartered Public Finance Accountant and management consultant. He was the director of Financial Services at the City and County of Cardiff and prior to that was the director of Financial Services at the South Glamorgan Country Council.

**The Rt. Hon. The Lord Hamilton of Epsom**, was previously a Member of Parliament and Defence Minister. He is a director of Australian Property Management (Bermuda) Ltd and Global Property Management (Bermuda) Ltd, Managing the Service Business Limited, Hot Rocks Energy Limited, Australian Property Management (Bermuda) Ltd and Global Property Management (Bermuda) Limited.

**Reef Hogg**, is a solicitor and a director of Jupiter and various other companies within Jupiter's group of companies. He is also a director of Jupiter Offshore Portfolio Fund Limited, Jupiter Adria London Limited and Jupiter Hyde Park Hedge Fund.

The Directors are responsible for the Company's investment strategy and its activities. The Company has, however, entered into an investment management agreement with Jupiter Asset Management Limited who manages the Company's investments on a discretionary basis, subject to the overall supervision of the Directors.

#### Fees and expenses

##### *Investment management*

The Investment Manager will continue pursuant to the Investment Management Agreement to be entitled to a management fee payable quarterly in arrears at a rate equivalent to 0.75 per cent. per annum of Total Assets. In the event that investments are made by the Investment Manager on behalf of the Company in units or shares of open and closed-ended funds or investment companies managed or advised by Jupiter Group companies and from which those companies receive their own management fees, the value of those units or shares will be deducted from the Total Assets for the purpose of calculating the management fee.

The management fee will continue to be charged wholly to the revenue account.

As set out in the Investment Management Agreement, the Investment Manager may also become entitled to a performance related fee if the Total Assets (after adding back any dividends paid by the Company and any accrual for unpaid performance fee and after deducting any borrowings) (the '**Adjusted Total Asset Value**') at the end of any given accounting period have increased above the greatest of three 'high watermarks': (i) the Total Assets as at 30 November 2005; (ii) the Total Assets on the last business day of a calculation period in respect of which a performance fee was last paid (after deduction of any performance fee paid to the Investment Manager in respect of that period); and (iii) 1.10 multiplied by the Total Assets on the last business day of the previous calculation period (after deduction of any performance fee paid to the Investment Manager in respect of that period).

In such circumstances, the performance fee will amount to 15 per cent. of any such excess.

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Fees and expenses continued

##### *Investment management* continued

The Investment Management Agreement provides that in the event of, *inter alia*, a reduction of capital or bonus issue the calculation of the performance fee shall be adjusted in such a manner as the Auditors shall determine is appropriate to take account of such events.

The performance fee will be calculated by reference to the Adjusted Total Asset Value as at the last day of the relevant calculation period. The total amount of any management fees and performance fees payable in respect of any 12 month period is capped so that it will not exceed 4.99 per cent. of the Net Asset Value (as at the last business day of the relevant calculation period). Thereafter, calculation periods will correspond to the accounting periods of the Company, with the final calculation period ending on 30 November 2017. The performance fee will accrue at the end of the accounting period, be payable within 30 days of the end of the accounting period. The performance fee will be charged in full to the capital account.

##### VAT

Management fees, performance fees and administration fees payable by the Company are under current tax legislation exempt from VAT. Should this position be amended, VAT at the applicable UK rate will be added to the fees due as calculated on the terms set out above. This may result in increased costs to the Company.

##### *Administration*

At launch the Company entered into an administration agreement with Jupiter Administration Services Limited, a wholly owned subsidiary of Jupiter Group, pursuant to which Jupiter Administration Services Limited is currently entitled to a fee of £97,835 per annum which will be adjusted each year in line with the Retail Prices Index. This agreement may be terminated by either party giving not less than 12 months' prior notice in writing at any time.

##### *Annual running expenses*

The Company will pay all other fees and expenses incurred in the operation of its business including, without limitation, brokerage and other transaction charges, expenses for custodial, registrar, legal, auditing and other professional services, the ongoing costs of maintaining the listing of the Ordinary Income Shares, the Common Shares and the Continuing ZDP Shares, secretarial and administration expenses, any borrowing costs, the cost of Directors' insurance, promotional expenses (including those incurred as a result of inclusion of the Company in the Investment Manager's Savings and ISA schemes, membership of any industry bodies approved by the Board and other marketing initiatives) and the fees and out-of-pocket expenses of the Directors. On the basis of the Assumptions, these fees and expenses are estimated to amount to approximately £416,000 or 0.7 per cent. per annum (excluding VAT) of assumed Initial Total Assets of £60 million. These operational costs will be charged in full to the revenue account.

##### **Dividend Policy**

Dividends on the Ordinary Income Shares (and, if the Proposals become effective, the Common Shares) (if any) will continue to be paid in sterling quarterly in arrears. From time to time, subject to the requirements of Chapter 4 of Part 24 CTA, the Directors may retain income in the revenue reserves of the Company with a view to producing a consistent level of dividends for Ordinary Income Shareholders (and, if the Proposals become effective, the Common Shareholders) in subsequent accounting periods.

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Duration

Subject to the Proposals becoming unconditional, the Company will have a fixed life ending on 30 November 2017. However, before the end of this period the Directors will examine the means whereby holders of Continuing ZDP Shares, Common Shares and Ordinary Income Shares may effectively continue their investment in a capital gains tax efficient manner. It is the Directors' intention to provide an opportunity for the then shareholders to roll over into a continuing/new company at that time assuming this remains possible. A general meeting will be convened on 30 November 2017 (or, if that day is not a business day, on the immediately preceding business day) at which a resolution will be proposed for the voluntary winding-up of the Company. As this proposal is designed to ensure that the Ordinary Income Shareholders, the ZDP Shareholders and Common Shareholders will be entitled to realise their investment, the voting arrangements are such that this resolution will be passed if any Shareholder votes in favour. However, the Directors may be released from the obligation to call such a meeting if a special resolution has been passed (and approved by the Shareholders) to that effect not earlier than 30 November 2017.

#### Reports to Shareholders

Annual accounts of the Company will continue to be made up to 31 December in each year, the next audited annual accounts being prepared for the period to 31 December 2010. A copy of the annual report and accounts will be sent to each Shareholder within four months of the Company's financial year end.

Holders of Continuing ZDP Shares, Common Shares and Ordinary Income Shares will also continue to receive an unaudited interim report covering the six month period to 30 June in each year. The unaudited interim report covering the period from 1 January 2010 to 30 June 2010 was published in August 2010.

In addition, interim management statements are released each year via a Regulatory Information Service by an announcement in respect of the quarters to 31 March and 30 September respectively.

#### Accounting Policies

The Company's financial statements are prepared in accordance with UK GAAP and the SORP for investment companies issued by the Association of Investment Companies (AIC) in January 2009.

#### Publication of Net Asset Values

Net asset values are calculated by Jupiter Asset Management Limited in accordance with the Company's normal accounting policies. Details of the weekly Net Asset Value per Ordinary Income Share, Common Share and Continuing ZDP Share will be notified by way of Regulatory Information Service announcement upon calculation. A fact sheet is available from the Investment Manager on a monthly basis from its website, [www.jupiteronline.co.uk](http://www.jupiteronline.co.uk), and on request from the company secretary.

#### ISAs

In so far as is possible, the Company intends to manage its affairs so that the Ordinary Income Shares, the Common Shares and the Continuing ZDP Shares will continue to qualify for inclusion within an ISA. Stocks and Shares ISAs may consist of Stocks and Shares whereas Cash ISAs may only be invested in cash (although only one Cash ISA and one Stocks and Shares ISA may be subscribed for in any one tax year). Under the current ISA Regulations and based on the current portfolio of investments, the Ordinary Income Shares, the Common Shares and the Continuing ZDP Shares will each qualify as ISA eligible investments.

It has been agreed with the Investment Manager that Ordinary Income Shares, Common Shares and Continuing ZDP Shares will be eligible for inclusion in the savings schemes and the dedicated investment companies Stocks and Shares ISA plan operated by the Investment Manager.

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## Reconstruction Proposals

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### ■ Part II The Company

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#### Further Share issues

The Directors of the Company have the authority and power to issue further Ordinary Income Shares, Common Shares and Continuing ZDP Shares following the Proposals becoming effective. Shareholders' pre-emption rights over any unissued share capital have been disapplied up to a nominal amount of £411,748 (which is 3.47 per cent. of the existing share capital of the Company) so that the Directors will not be obliged to offer the further Ordinary Income Shares, Common Shares or Continuing ZDP Shares to Ordinary Income Shareholders, Common Shareholders or Continuing ZDP Shareholders on a *pro rata* basis. The reason for this is to retain the flexibility to issue further Ordinary Income Shares, Common Shares and/or Continuing ZDP Shares to investors. A new issue of Continuing ZDP Shares might be considered, for example, if the Company's Total Assets had grown to such an extent that the effective gearing on the Ordinary Income Shares was deemed insufficient by the Board. Such Shares will only be issued in circumstances where the issue will not dilute the Net Asset Value per Share of existing holders of Ordinary Income Shares.

If there is a new issue of Shares the Common Share Proportion and Ordinary Income Share Proportion would be adjusted as described under the heading 'Determination of the Ordinary Income Share Proportion and the Common Share Proportion with effect from implementation of the Proposals' above in this Part II of this document.

#### Repurchase of Shares

The Directors will consider repurchasing Ordinary Income Shares, Common Shares and/or Continuing ZDP Shares in the market if they believe it to be in Shareholders' best interests and as a means of seeking to correct any imbalance between the supply of and demand for Shares. Any purchase of Shares by the Company will be in accordance with the Articles or the Revised Articles (as the case may be) and the Listing Rules in force at the time.

Purchases of Shares will only be made through the market at a combined price (i.e. the aggregate of the price paid for all classes of Shares repurchased) that is below the prevailing combined Net Asset Value of such Shares and otherwise in accordance with guidelines established from time to time by the Board.

The decision as to whether the Company repurchases any Ordinary Income Shares, Common Shares or Continuing ZDP Shares will be at the absolute discretion of the Directors. Purchases of Shares will be made within the maximum price permitted by the UK Listing Authority.

The Board is not obliged to make any purchase of Ordinary Income Shares, Common Shares and Continuing ZDP Shares in the same proportions as exist immediately following implementation of the Proposals.

Under the current Listing Rules, the maximum price that may be paid by the Company on the repurchase of any Ordinary Income Shares pursuant to a general authority is 105 per cent. of the average of the middle-market quotations of the Ordinary Income Shares for the five business days immediately preceding the date of purchase. This restriction also applies to the Common Shares but does not apply to repurchases of Continuing ZDP Shares.

As part of resolution 1 set out in the notice of general meeting of the Company on page 96, it is proposed to grant the Directors authority to repurchase up to 14.99 per cent. of the Ordinary Income Shares, the Continuing ZDP Shares and the Common Shares during the period expiring at the Company's next annual general meeting. Renewal of this buy-back authority will continue to be sought at each annual general meeting.

If there is a repurchase and/or cancellation of Shares the Common Share Proportion and Ordinary Income Share Proportion would be adjusted as described under the heading 'Determination of the Ordinary Income Share Proportion and the Common Share Proportion with effect from implementation of the Proposals' above in this Part II of this document.

UK companies are permitted to hold shares acquired by way of market purchase in treasury, rather than having to cancel them. Such Shares may be subsequently cancelled or sold for cash. Accordingly, the Company's issued share capital purchased pursuant to share buy backs may be held in treasury. This would continue to give the Company the ability to sell Shares from treasury quickly and in a cost efficient manner, and would continue to provide the Company with additional flexibility in the management of its capital base. Before issuing any Shares out of treasury, the Board will publish its adopted policy on the reissue of treasury shares.

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## Reconstruction Proposals

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### ■ Part III Action to be taken by Existing Shareholders

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#### Elections

##### *Ordinary Income Shareholders*

Ordinary Income Shareholders do not make elections but are encouraged to vote at the Class and General Meetings either in person or by completing their Form of Proxy.

##### *ZDP Shareholders who wish to continue – Continuing ZDP Shares*

ZDP Shareholders wishing to retain their existing shareholding (which will be retained as a Continuing ZDP Share on the Effective Date) should not submit a Form of Election or send a TTE Instruction if their shares are held in CREST but are encouraged to complete and return the enclosed Form of Proxy for use at the Class Meeting and the General Meeting to enable the Proposals to be effected as recommended by your Directors.

##### *ZDP Shares held in certificated form (that is, not in CREST) – Election for Common Shares*

ZDP Shareholders holding ZDP Shares in certificated form wishing to retain an investment in the Company but who would like to hold some or all of their ZDP Shares as Common Shares should complete and sign the Form of Election in accordance with the instructions printed thereon and return it, to Capita Registrars, Corporate Actions Department 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and in any event by 11.00am on 27 October 2010. In addition, ZDP Shareholders electing for Common Shares are encouraged to complete and return the enclosed Form of Proxy for use at the Class Meeting and the General Meeting to enable the Proposals to be effected as recommended by your Directors.

##### *ZDP Shares held in uncertificated form (that is, in CREST) – Election for Common Shares*

If your ZDP Shares are held in uncertificated form and you wish to retain an investment in the Company but would like to hold some or all of your ZDP Shares as Common Shares you should send (or, if you are a CREST personal member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of ZDP Shares to be transferred to an escrow account;
- the ISIN for the ZDP Shares, which is GB00B0M3G202;
- your member account ID;
- your participant ID;
- the relevant Participant ID of the CREST Receiving Agent, which is RA10;
- the member account of the Receiving Agent which is 27195COM for the Common Shares election;
- the corporate action number for the Proposals, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and, in any event, no later than 11.00am on 27 October 2010;
- contact name and telephone number inserted at the beginning of the shared notes field; and
- input with standard delivery instruction priority of 80.

##### *ZDP Shares held in certificated form (that is, not in CREST) – Election for Cash*

ZDP Shareholders holding ZDP Shares in certificated form who wish to receive cash in respect of some or all of their ZDP Shares should complete and sign the Form of Election in accordance with the instructions printed thereon and return it, to Capita Registrars, Corporate Actions Department 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, as soon as possible and in any event by 11.00am on 27 October 2010.

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## Reconstruction Proposals

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### ■ Part III Action to be taken by Existing Shareholders

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#### Elections continued

ZDP Shareholders who fail to submit a valid Form of Election by 11.00am on 27 October 2010 will be deemed to have elected to continue holding Continuing ZDP Shares.

ZDP Shareholders are encouraged to complete and return the enclosed Form of Proxy for use at the Class Meeting and the General Meeting to enable the Proposals to be effected as recommended by your Directors.

#### *ZDP Shares held in uncertificated form (that is, in CREST) – Election for Cash*

If your ZDP Shares are held in uncertificated form you should not complete and return a Form of Election as described under 'ZDP Shares held in certificated form (that is, not in CREST)' above. You should, however, take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of ZDP Shares in respect of which you are making an Election to an escrow balance, specifying Capita Registrars in its capacity as a CREST Receiving Agent (under its participant ID referred to below) as the escrow agent, as soon as possible and, in any event, so that the transfer to escrow settles not later than the time and date referred to below.

If you are a CREST personal member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your ZDP Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to the ZDP Shares which you wish to elect for.

If you wish to elect for cash in respect of some or all of your holding of ZDP Shares, you should send (or, if you are a CREST personal member, procure that your CREST sponsor sends) a TTE Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of ZDP Shares to be transferred to an escrow account;
- the ISIN for the ZDP Shares, which is GB00B0M3G202;
- your member account ID;
- your participant ID;
- the relevant Participant ID of the CREST Receiving Agent, which is RA10;
- the member account of the Receiving Agent which is 27195CAS for the Cash Option;
- the corporate action number for the Proposals, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and, in any event, no later than 11.00am on 27 October 2010;
- contact name and telephone number inserted at the beginning of the shared notes field; and
- input with standard delivery instruction priority of 80.

**Shareholders who hold ZDP Shares in CREST and who wish to retain their ZDP Shares as Continuing ZDP Shares in respect of all their holding of ZDP Shares need take no action, as this is the default option for which ZDP Shareholders will be deemed to have elected unless an alternative Election is made.**

If you hold ZDP Shares in certificated form, but under different designations, you should complete a separate Form of Election in respect of each designation. If you hold ZDP Shares in CREST but under different member account IDs, you should send a separate TTE Instruction in respect of each member account ID.

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## Reconstruction Proposals

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### ■ Part III Action to be taken by Existing Shareholders

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#### Elections continued

##### *Validity of Elections*

Forms of Election or TTE Instructions not completed in accordance with the instructions printed thereon or in this document will not be valid. Subject to the specific provisions of this and the following paragraph, the Directors may treat as valid in whole or in part a Form of Election or TTE Instruction which is received by Capita Registrars or otherwise on behalf of the Company which is not entirely in order or in correct form or which is not accompanied by other relevant document(s) or is received by it at any place or places or in any other form or manner determined by either Capita Registrars or the Company otherwise than as set out in this document or in the Form of Election. In that event cheques or cash payments in respect of cash Elections will not be issued until after indemnities satisfactory to the Company have been received by Capita Registrars.

Each former Packaged Unit Holder will receive one ZDP Share Form of Election (which includes a Form of Proxy) and one Ordinary Income Share Form of Proxy. The Packaged Units were permanently split into their constituent securities as at 28 September 2010.

##### *Forms of Election*

In completing a Form of Election, a ZDP Shareholder will be deemed to have agreed with, warranted and undertaken to the Company that:

- (a) his ZDP Shares are and will at all times until implementation of the Proposals be free from all liens, equities, charges, encumbrances and other security interests;
- (b) such holder of ZDP Shares is entitled to make the Election in respect of those ZDP Shares and complete a Form of Election and, in particular, to give the warranties by the completion and signing of such Form of Election;
- (c) the Election and all contracts arising pursuant to it and the Form of Election and all action taken or deemed to be taken under any of the foregoing shall be governed by and construed in accordance with English law;
- (d) that the execution of a Form of Election constitutes such holder of ZDP Shares' submission, in relation to all matters arising out of the Election and the Form of Election, to the jurisdiction of the courts of England and such holder's agreement that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with the Election and the Form of Election in any other manner permitted by law or in any court of competent jurisdiction;
- (e) if such holder of ZDP Shares is not resident in or is outside the United Kingdom, that such holder of ZDP Shares has observed all relevant laws of any relevant territory in connection with the making of an Election and the completion of a Form of Election and has obtained all requisite governmental or other consents and observed any other request formalities;
- (f) representations and warranties in the form set out in paragraph 11.5 of Part VIII of this document are deemed to have been given by such holder of ZDP Shares;
- (g) in making an Election such holder of ZDP Shares is not relying on any information or representation other than as may be contained in this document and, accordingly, that no person responsible solely or jointly for this document or any part of it shall have any liability for any information or representation not contained in this document;
- (h) if a person signs the Form of Election on behalf of somebody else or on behalf of a corporation, such person has due authority to do so on behalf of that other person or corporation and that other person or corporation will also be bound accordingly and will be deemed also to have given the confirmation, warranties and undertakings contained in these terms and conditions and undertakes to enclose his power of attorney or a copy of it duly certified by a solicitor; and
- (i) having had the opportunity to read this document, such holder of ZDP Shares shall be deemed to have had notice of all information and representations concerning the Company and the Proposals contained in it.

## Reconstruction Proposals

### Part III Action to be taken by Existing Shareholders

#### Elections continued

##### *Further Terms*

All communications, notices and remittances to be delivered by or sent to or from Shareholders will be delivered by or sent to or from them (or their designated agents) at their risk. No acknowledgement of receipt of any Form of Election will be given by or on behalf of the Company.

##### *The Class Meetings and the General Meeting*

Shareholders holding Shares in certificated form will find enclosed Forms of Proxy for use at the Class Meetings and/or the General Meeting where they have an entitlement to vote (note that all Shareholders are entitled to attend and vote at the General Meeting on the Resolutions and all Shareholders are entitled to attend and vote at the General Meeting (re-convened if necessary to 30 November 2010) in respect of the Winding-Up Resolutions). Whether or not you intend to attend the Meetings in question, if you hold your Shares in certificated form, you are requested to complete and return the relevant Form of Proxy so as to be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for holding the relevant Meeting. Completion and return of the Form of Proxy will not prevent you from attending and voting in person at the relevant Meeting should you wish to do so.

The quorum for each of the Class Meetings shall be two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant share class. In the case of an adjourned Class Meeting, if after 10 minutes the above-mentioned quorum is not present at such Class Meeting, the quorum shall be one person holding shares in the relevant share class who is present in person or by proxy.

The quorum of the General Meeting shall be two persons entitled to attend and vote, each being a member or a proxy of a member or a duly-authorised representative of a corporation which is a member. In the case of an adjourned General Meeting, if after 10 minutes the above-mentioned quorum is not present, then the quorum shall be one.

#### **INVESTORS IN THE JUPITER SAVINGS SCHEME OR ISA**

**The following information has been provided by Jupiter Asset Management Limited in order to assist investors in understanding the impact of the Proposals on their Jupiter Savings Scheme and/or ISA account(s).**

Investors in ZDP Shares in the Jupiter Savings Scheme or ISA may participate in the Proposals and the elections available to them are the same as those available to Shareholders. Investors should therefore refer to the sections above, depending on whether they hold Ordinary Income Shares or ZDP Shares.

#### ***Action to be taken***

##### *To make an election*

Investors in ZDP Shares in the Jupiter Savings Scheme or ISA will find enclosed with this document a Form of Direction to enable them to make an election under the Proposals. Investors who wish to make an election should complete and return the Form of Direction in accordance with the instructions printed thereon and using the enclosed reply-paid envelope, so as to be received by the Investment Manager c/o Capita Registrars, Corporate Actions Department 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00am on 19 October 2010.

Investors in the Jupiter ISA should note that the Common Shares and the Continuing ZDP Shares are qualifying investments for the purposes of a Stocks and Shares ISA. It has been agreed with the Investment Manager that the Common Shares and the Continuing ZDP Shares will be eligible for inclusion in the Jupiter Savings Scheme and the ISA plans operated by the Investment Manager.

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## Reconstruction Proposals

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### Part III Action to be taken by Existing Shareholders

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#### Elections continued

##### *Voting on the Proposals*

Investors in the Jupiter Savings Scheme or ISA holding Ordinary Income Shares and ZDP Shares will find enclosed with this document Form(s) of Direction. The Forms of Direction fulfil the same purpose as the proxy cards, in that they enable investors to direct the Investment Manager how to vote at the relevant Meetings.

Investors are requested to complete and return the relevant Form of Direction in accordance with the instructions printed thereon, and using the enclosed reply-paid envelope, so as to be received by the Investment Manager c/o Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU no later than 11.00am on 19 October 2010.

##### **Terms and Conditions**

The Terms and Conditions attached to your ISA or Jupiter Savings Scheme will not change with the reconstruction and your account number with the Investment Manager will remain the same. From 30 November 2010 your account will be maintained in exactly the same way. During October and November 2010 however, due to practical limitations resulting from the reconstruction timetable, certain processing activities will be altered as described in the relevant paragraphs below.

##### **Maintaining the ISA status of your investment**

**UK holders** If you hold ZDP Shares within an ISA and elect or are deemed to have elected to retain/rollover into Continuing ZDP Shares and/or Common Shares, respectively, then the new holding will remain within the ISA. If however you elect for the Cash Option please be aware that there is a further election to be made. You can elect to receive a cheque payment from the Investment Manager but this will mean that your investment will lose its ISA status. The Investment Manager does, however, offer an alternative choice whereby you can elect for the Cash Option but keep it on account inside your ISA with the Investment Manager, pending re-investment. Please be aware that according to HMRC guidance this is only a temporary arrangement until you instruct the Investment Manager as to how you would like it to be invested. If after three months no instruction has been received, the Investment Manager retains the right to close your account and pay to you your cash balance. Please also be aware that in accordance with the terms and conditions of these products, interest is not payable on cash balances held on your account.

**Overseas ZDP Shareholders** Notwithstanding the terms as stated in paragraph 11 of Part VIII of this document, those Overseas ZDP Shareholders who elect for cash will not be paid such cash within an ISA but rather cash will be held on account with the Investment Manager in order to retain the ISA status. Please be aware that according to HMRC guidance this is only a temporary arrangement until you instruct the Investment Manager as to how you would like it to be invested. If after three months no instruction has been received, Jupiter retains the right to close your account and pay to you your cash balance. Please also be aware that in accordance with the terms and conditions of these products, interest is not payable on cash balances held on your account.

##### **Direct debits**

If you make monthly direct debit payments these will be collected from your bank account as normal on 11 October 2010 and 9 November 2010. Those amounts due to invest in Ordinary Income Shares will be invested as normal on 21 October 2010 and 22 November 2010 respectively but, due to the reconstruction, this will not be possible for those due to invest in ZDP Shares. The Investment Manager will instead hold on account the amount related to ZDP Shares and invest it into your elected stock on the first day of trading. The Investment Manager will continue to collect direct debits from your bank account and invest them into your chosen option going forward after the reconstruction unless you instruct it otherwise in writing. If however you make the election to take cash, the Investment Manager will combine your October and November 2010 contributions with your liquidation proceeds and distribute this, along with any other uninvested cash held on your behalf according to your instructions. Those amounts due to invest in Packaged Units will be split into their Ordinary Income Share and ZDP Share components and will be invested as normal or held and invested on the first day of trading or returned with your proceeds accordingly. Note that the above comments apply only in respect of existing monthly contributions for the Company.

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## Reconstruction Proposals

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### ■ Part III Action to be taken by Existing Shareholders

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#### Elections continued

If you currently make monthly investments into any other Jupiter investment trust then those investments will continue to be processed in the normal way.

#### Reinvestment and payment of income

Should income arise during the reconstruction period, it will be either invested or paid out to you at the next monthly point in accordance with our terms and conditions and your current choice of income preference. Going forward, the Investment Manager will reinvest or pay out your income according to the instruction it currently has on record unless you instruct it otherwise in writing.

#### ISA management fees

If you hold an ISA your management fees have been calculated as normal on the closing mid-market value of your stock holding as at 5 October 2010. If these fees are usually collected from your bank account by direct debit or paid from cash on your account at Jupiter Asset Management Limited this will happen in the normal way on 25 November 2010, unless you elect for the Cash Option, in which case the fees will be deducted from your proceeds. If you normally pay these fees from cash on your account with the Investment Manager, on 5 October, the collection will happen in the normal way.

#### Biannual statements

The Investment Manager will supply you as normal with a transaction report and valuation statement as at 5 October 2010, no later than 25 business days from that date. You will receive separate confirmation of your reconstruction transactions on completion of the action.

#### Dealing Deadline

The final deadline for the receipt of dealing instructions regarding the ZDP Shares held via Jupiter ISA and Savings Schemes is 11.00am on 19 October 2010.

#### Actions to be taken

You will receive one pack of information for each product that you hold with the Investment Manager, these products being ISA and Jupiter Savings Scheme. Within each pack you will receive a set of Forms of Direction for each class of Share that you hold. The deadline for the return of your Forms of Direction is 11.00am on 19 October 2010. All forms should be returned to Jupiter Asset Management Limited c/o Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. No written acknowledgement of receipt of your forms will be issued but you will receive confirmation of your reconstruction transactions on completion of the action.

There are no dealing charges on the reconstruction transactions.

#### Further questions

If you are in any doubt about the contents of the information provided in this pack or as to the action to be taken you should immediately seek advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have any further questions, please contact the Investment Manager's Customer Services Team on 0844 620 7602 between 9.00am and 5.30pm weekdays or email [investmentcompanies@jupiter-group.co.uk](mailto:investmentcompanies@jupiter-group.co.uk). Please note that these contacts are only available for administrative queries and that the Investment Manager is unable to offer personal financial or tax advice. Telephone calls may be recorded for monitoring and training purposes.

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## Reconstruction Proposals

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### Part IV Assumptions and Potential Conflicts of Interest

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#### Assumptions

The statistics contained in this document relating to the Ordinary Income Shares, the Common Shares and the Continuing ZDP Shares have been calculated on the following principal bases and assumptions:

- 1 The Proposals become effective and there are Initial Total Assets of £40 million;
- 2 The expenses in connection with the implementation of the Proposals (excluding VAT) are £400,000 (plus VAT, where applicable and portfolio realisation costs) (representing 0.47 per cent. of the indicative Total Assets as at 4 October 2010 of £85,654,956). The costs of implementation of the Proposals will be charged to capital and will be reflected in the FAV per ZDP Share.
- 3 The Company does not incur any borrowings during its life following implementation of the Proposals.
- 4 The basic management fee is 0.75 per cent. per annum of Total Assets, is payable quarterly in arrears and is charged 100 per cent. to the revenue account. Any performance fee which may become payable has been taken into account.
- 5 The annual running expenses of the Company (excluding VAT and management fees and finance costs) are approximately £505,000 and are charged wholly to the revenue account. Management and finance costs are charged wholly to the revenue account and performance fees are assumed to be charged wholly to the capital account.
- 6 The rights attached to the Ordinary Income Shares, the Common Shares and the Continuing ZDP Shares as set out in the Revised Articles, as the case may be, are not altered and the Company does not issue any further Shares or repurchase any Shares.
- 7 The accrual rate of the capital entitlement of the Continuing ZDP Shares and the Fixed Capital Entitlement of the Common Shares of approximately 7.0 per cent. per annum compounded is accounted for on a daily basis as to 100 per cent. to the capital reserve.
- 8 All unfranked income of the Company can be offset by allowable expenses so that no corporation tax is payable; no corporation tax or capital gains tax is payable by the Company; no other changes occur in the relevant taxation law and practice; the allocation of certain expenses to the capital account does not result in a notional transfer of tax relief from the revenue account to the capital account.
- 9 The whole of the net revenue of the Company available for distribution in each year is distributed.
- 10 The Company is wound up on the Winding-Up Date and the surplus assets available to Shareholders on such winding up are distributed on the Winding-Up Date.
- 11 No provision is made for any taxation charges on the Company or any diminution in the value of Total Assets arising from its winding-up or for the expenses incurred by the Company by reason of or in connection with such winding-up.
- 12 No account has been taken of exchange rate differences in respect of investments denominated in currencies other than sterling.
- 13 The Company qualifies as an investment trust under Chapter 4 of Part 24 CTA for all accounting periods.

#### Forward-Looking Statements

All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations or statements relating to expectations in relation to shareholder returns, dividends or any statements preceded by, followed by or that include the words 'targets', 'believes', 'expects', 'aims', 'intends', 'plans', 'will', 'may', 'anticipates', 'would', 'could' or similar expressions or the negative thereof, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance, achievements of or dividends paid by, the Company to be materially different from future results, performance or achievements, or dividend payments expressed or implied by such forward looking statements. Such forward looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future.

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## Reconstruction Proposals

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### ■ Part IV Assumptions and Potential Conflicts of Interest

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#### Forward-Looking Statements continued

These forward-looking statements speak only as of the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto, any new information or any change in events, conditions or circumstances on which any such statements are based, unless required to do so by law or any appropriate regulatory authority including FSMA, the Listing Rules, the Prospectus Rules and the Disclosure and Transparency Rules.

The potential investment opportunities referred to in this document cannot be guaranteed and it may be the case that only some or even none of these come to fruition.

#### Potential conflicts of interest

The holding company of the Investment Manager and the Company's administrator, Jupiter Administration Services Limited, is Jupiter Investment Management Group Limited, which is itself a subsidiary of Jupiter Fund Management PLC.

It is possible that Jupiter Asset Management Limited, whilst acting as the investment manager and as investment manager or adviser for other clients, may encounter potential conflicts of interest. The rules of the FSA require it to ensure fair treatment of all its clients. Furthermore, the activities of the Investment Manager in its capacity as investment manager are subject to the overall direction and review of the Directors. Subject to the overriding principles of suitability, best execution and the rules of the FSA, under the terms of the Investment Management Agreement, the Investment Manager may effect transactions which could involve a potential conflict with its duty to the Company.

Subject to any restrictions adopted by the Board, any member of the Jupiter Group may provide services to, or effect transactions in the ordinary course of their respective businesses with or for, the Company with respect to which it has a material interest or a relationship of any description with another party which may involve an actual or potential conflict with the Investment Manager's duties to the Company.

For example, such potential conflicts may arise because:

- (a) the relevant Jupiter Group company undertakes business for other customers;
- (b) any of the relevant Jupiter Group company's directors or employees is a director of, holds or deals in securities of, or is otherwise interested in, any company the securities of which are held by or dealt in on behalf of the Company;
- (c) the transaction relates to an investment in or in respect of which the relevant Jupiter Group company may benefit from a commission, fee, mark-up or mark-down payable otherwise than by the Company;
- (d) a Jupiter Group company may act as agent for the Company in relation to transactions in which it is also acting as agent for the account of other customers of the Jupiter Group;
- (e) a Jupiter Group company may deal in investments and/or currencies as principal with the Company or the holders of its securities;
- (f) the transaction is in units or securities of a collective investment scheme or any company of which any Jupiter Group company is the manager, operator, banker, adviser or trustee; or
- (g) a Jupiter Group company may effect transactions for the Company involving placings and/or new issues with another Jupiter Group company which may be acting as principal or for which it may be receiving agent's commission.

The services and transactions referred to above will be provided and effected only on terms that are generally comparable with the terms available from unconnected companies in the markets concerned, and best execution of securities transactions will be sought. Without prejudice to these obligations, the Investment Manager has undertaken to the Company that it shall act in the best interests of the Company in the performance of its duties under the Investment Management Agreement subject to the FSA's Conduct of Business Rules.

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## Part IV Assumptions and Potential Conflicts of Interest

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### Potential conflicts of interest continued

The Investment Manager or any of its affiliates or any person connected with the Investment Manager may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by the Company. Neither the Investment Manager nor any of its affiliates nor any person connected with it is under any obligation to offer investment opportunities of which any of them becomes aware to the Company or to account to the Company in respect of (or share with the Company or inform the Company of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the Company and other clients.

### *Structural Conflicts of Interest*

The different rights and expectations of the share classes may give rise to conflicts of interest between them. Holders of Continuing ZDP Shares can be expected to have little or no interest in the revenue produced by the Company's portfolio save to the extent that the Company's operating costs exceed that revenue. Continuing ZDP Shareholders and Common Shareholders can be expected to want the capital value of the portfolio to be sufficient to repay the final capital entitlement of the Continuing ZDP Shares and Common Shares on the Winding-Up Date but the Continuing ZDP Shareholders can be expected to have little or no interest in any growth in capital in excess of that amount. Conversely, holders of Ordinary Income Shares and Common Shares can be expected to be interested in both the revenue that the portfolio produces (and hence the level of dividends which will be capable of being paid on the Ordinary Income Shares and Common Shares) and increases in the capital value of the portfolio in the period to the Winding-Up Date in excess of the final capital entitlement of the Continuing ZDP Shares and the Fixed Capital Entitlement of the Common Shares (since this will form the basis of the capital entitlement of the Ordinary Income Shares and the non Fixed Capital Entitlement of the Common Shares).

Whilst the Company's investment objective and policy will need to seek to balance the interests of the Continuing ZDP Shareholders and Common Shareholders in meeting their defined final capital entitlement with as little capital risk as possible and as regards the Continuing ZDP Shareholders only with little focus on revenue generation other than to meet the Company's operating expenses, there can be no guarantee that such a balance can be achieved.

Accordingly, in certain circumstances, such as a major fall in the capital value of the portfolio such that the final capital entitlement of the Continuing ZDP Shares and the Fixed Capital Entitlement of the Common Shares is significantly uncovered but where the portfolio is still generating revenue, the interests of the Continuing ZDP Shareholders, the Common Shareholders and the Ordinary Income Shareholders may conflict. The Continuing ZDP Shareholders may wish the portfolio to be re-balanced or more revenue to be retained in order to meet their final capital entitlement whilst the Ordinary Income Shareholders may recognise that they then have little prospect of a sizeable capital return and so may be more concerned with maximising dividends in the period to the Winding-Up Date. In such circumstances the Directors may find it impossible to meet fully all sets of expectations and so will need to act in a manner which they consider to be fair and equitable to all classes of Shareholders but having regard to the entitlements of each class under the Revised Articles.

If there is a material fall in the value of the portfolio, the Company may find itself in a position where the growth in net assets required to repay the final capital entitlement of the Continuing ZDP Shareholders and the Common Shareholders on the Winding-Up Date is, in normal market conditions, unachievable, yet income is still being generated on the portfolio. If the Company retains revenue and so fails to pay dividends in any financial year of at least 85 per cent. of the Company's net eligible income, it may forfeit its investment trust and/or investment company status which may adversely affect the Company's ability to pay dividends in future financial periods and/or cause the Company to be liable for tax on future capital gains on its assets. However, the Company would not lose investment trust and/or investment company status in a situation where it was legally prohibited from paying dividends of the required amount, and the effect of the Company's capitalisation of the share premium account (which is subject to the approval of the Court) immediately prior to Amendment and Admission (or shortly thereafter) (and, to the extent necessary, the Special Reserve Account) pursuant to the Bonus Issue of ZDP Exit Shares described on pages 45 and 46 will be to minimise the situations in which the Company would legally be unable to pay dividends of the required amount.

## Reconstruction Proposals

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### ■ Part IV Assumptions and Potential Conflicts of Interest

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#### *Structural Conflicts of Interest* continued

The Directors, however, reserve the right not to pay dividends of the required amount and so forfeit investment trust and/or investment company status where they believe it is in the best interests of the Company and all classes of Shareholders to do so but again having regard to the entitlements of Shareholders under the Revised Articles.

If there is a material fall in the value of the Company's assets the Company may find that its asset base is so small that it is impracticable for the Company to carry on, for instance, if the Company's operating costs exceed its income.

#### **Use of Dealing Commission**

The Investment Manager may from time to time receive goods and services which are paid for out of broker commissions provided that they relate to execution and research services which meet the criteria laid down by the FSA Rules.

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## Reconstruction Proposals

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### Part V Details of the Proposals

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#### Summary of the Mechanics of the Proposals

- Upon the passing of the Resolutions and with effect from the Amendment and Admission, the ZDP Shares in respect of which the holder has made a valid election to receive Common Shares will be redesignated as Common Shares and the Cash Elected Shares will be redesignated as ZDP Exit Shares. The ZDP Exit Shares and the Common Shares will, until implementation of the Proposals on the Effective Date, generally rank *pari passu* with the existing ZDP Shares.
- On the Calculation Date the cash entitlement for the Cash Elected Shares will be calculated as described in paragraph 3 below and the following day the Bonus Issue described in paragraph 4 below will take place.
- The share capital of the Company will be reduced by the cancellation of the ZDP Exit Shares. On the Reduction of Capital becoming effective, the ZDP Exit Shares will be cancelled and cheques will be sent for the relevant amounts to the former ZDP Exit Shareholders.
- As soon as practicable after the Effective Date the Investment Manager will determine the Common Share Proportion and the Ordinary Income Share Proportion in accordance with the Revised Articles.

#### 1 Conditions

Implementation of the Proposals is conditional upon:

- 1.1 the passing of the Resolutions;
- 1.2 ZDP Shareholders holding not more than 75 per cent. of the ZDP Shares electing for cash;
- 1.3 the Amendment of the standard listing on the Official List in respect of the reclassification of ZDP Shares as ZDP Exit Shares and the Admission to a premium listing on the Official List in respect of the redesignation of ZDP Shares as Common Shares;
- 1.4 the UK Listing Authority agreeing to admit the ZDP Exit Shares resulting from the Bonus Issue to the Official List and the London Stock Exchange's Main Market agreeing to admit such ZDP Exit Shares to trading on or before 16 November 2010;
- 1.5 Court Approval of the Reduction of Capital; and
- 1.6 the Directors not having by 29 November 2010 exercised their discretion not to proceed with the implementation of the Proposals.

#### 2 Elections (including deemed elections) and cash entitlements under the Proposals

2.1 Positive elections may be made pursuant to the Proposals as follows:

- (a) ZDP Shareholders may elect in respect of some or all of their ZDP Shares (i) for some or all of their ZDP Shares to be re-classified as Common Shares and/or (ii) to be exchanged for cash;
- (b) Ordinary Income Shareholders may not make an election.

2.2 Under the Proposals, Elections will be deemed to be made as follows:

- (a) a ZDP Shareholder (including an Overseas Shareholder) who, in respect of all or part of his holding of ZDP Shares, fails to submit a Form of Election or TTE Instruction by the due date or submits a Form of Election or sends a TTE Instruction which has not been duly completed, will be deemed to have elected to retain their ZDP Shares (as Continuing ZDP Shares) in respect of such holding or part holding; and
- (b) if no number of ZDP Shares, or a number of ZDP Shares which (when added to the holding indicated on any other Forms of Election submitted by such holder) is greater than the ZDP Shareholder's actual holding, as set out in Box 1 of the relevant Form of Election, then any election made or deemed to be made by any such holder shall be deemed to be in respect of the whole of his actual holding.

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## Reconstruction Proposals

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### Part V Details of the Proposals

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#### 2 Elections (including deemed elections) and cash entitlements under the Proposals continued

2.3 In accordance with the Proposals, ZDP Shareholders who elect for cash will receive 90p per ZDP Share or, if the FAV per ZDP Share on the Calculation Date is less than 90p per ZDP Share, such lesser amount. Cash entitlements due to each ZDP Shareholder in respect of his/her entire holding of ZDP Shares will be rounded down to the nearest whole penny.

Shareholders will have the choice of remaining investors in the Company or realising all or part of their investment and electing to receive cash.

2.4 Upon the passing of the Resolutions, each of those ZDP Shares in respect of which valid Elections have been made for cash, will be sub-divided into two shares of 1.9838525 pence each and every two such shares of 1.9838525 pence each will be consolidated into one ZDP Exit Share.

It is anticipated that the listing of the ZDP Exit Shares on the Official List and their trading on the London Stock Exchange's Main Market will be cancelled on 30 November 2010.

A more detailed description of the rights and restrictions attaching to the ZDP Exit Shares is set out in paragraph 3.3 of Part VIII of this document.

#### 3 Calculation of FAV per ZDP Share and cash entitlement of Cash Elected Shares

On or as soon as practicable after the Calculation Date, the Investment Manager shall calculate the FAV per ZDP Share. The Auditors shall review the calculation of FAV per ZDP Share (but such review will not constitute an audit).

The FAV per ZDP Share shall be the Net Asset Value attributable to a ZDP Share on the Calculation Date, reduced (on a *pro rata* basis) by an amount estimated by the Board to be equal to the costs and expenses incurred and to be incurred by the Company in formulating and implementing the Proposals.

For the avoidance of doubt, the Net Asset Value per ZDP Share shall be calculated on the basis of a Winding Up Date of 30 November 2017 in accordance with the Articles.

ZDP Shareholders who elect for cash will receive an amount equal to the lower of 90p per ZDP Share and the FAV per ZDP Share calculated as described above.

#### 4 Capitalisation of the Share Premium Account/Special Reserve Account and Bonus Issue of ZDP Exit Shares

On the date prior to the date on which the claim for the Reduction of Capital is to be heard by the Court, the Directors will (by capitalising all or part of the share premium account and (in the event that amounts standing to the credit of the share premium account are insufficient) the Special Reserve Account of the Company) make a bonus issue of ZDP Exit Shares to the holders of ZDP Exit Shares.

The ZDP Exit Shares to be issued by way of bonus issue will be issued to the holders of the ZDP Exit Shares on the register of members at close of business on the date prior to the date on which the claim for the Reduction of Capital is to be heard by the Court, and will be issued *pro rata* to the existing holdings of ZDP Exit Shares at that time.

The number of ZDP Exit Shares to be issued by way of bonus issue will be such that, immediately following their issue, the nominal value of those ZDP Exit Shares when aggregated with the nominal value of the ZDP Exit Shares created through the sub-division, consolidation and re-designation of Cash Elected Shares as ZDP Exit Shares, will at least equal the aggregate cash entitlement of the Cash Elected Shares as determined in accordance with paragraph 3 of this Part V. Accordingly, the amounts available to be repaid as capital on the ZDP Exit Shares for the purposes of section 1000(1) B CTA will be not less than the net asset value of the assets attributable to the ZDP Exit Shares in question.

Consequently, the payment of cash in accordance with ZDP Shareholders' elections should not give rise to any distribution taxable as income under section 383 of the Income Tax (Trading and Other Income) Act 2005 because the capital treated, for tax purposes, as paid up on the ZDP Exit Shares should not be less than the value of the cash received by those shareholders.

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## Reconstruction Proposals

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### ■ Part V Details of the Proposals

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#### 4 Capitalisation of the Share Premium Account/Special Reserve Account and Bonus Issue of ZDP Exit Shares continued

Application will be made to the UK Listing Authority for the ZDP Exit Shares to be issued pursuant to the capitalisation of all or part of the Company's share premium account (or out of the Special Reserve Account in the event that amounts standing to the credit of share premium account are insufficient), as described above, to be admitted to a standard listing on the Official List of the UK Listing Authority and to the London Stock Exchange for such shares to be admitted to trading on the Main Market. It is expected that such Admission of the Bonus Issue will become effective, and that dealings in these ZDP Exit Shares will commence, on 16 November 2010.

#### 5 Reduction of Share Capital

With the sanction of the Court, the ZDP Exit Shares will be cancelled. It is currently expected that Court Approval will be sought at a hearing on 17 November 2010 and, if it is granted on that date, the Reduction of Capital is expected to become effective on 30 November 2010. For the purpose of obtaining Court Approval, the Company will need to give certain undertakings to the Court for the protection of those creditors of the Company that have not consented to the Reduction of Capital. For this purpose each of the Investment Manager, Stephenson Harwood, BDO Corporate Finance and certain other advisers to the Company and each of the Directors has consented or have indicated that they will consent to the Reduction of Capital and the Company intends to give to the Court the undertakings required for the protection of any other creditors.

On the Reduction of Capital becoming effective, assets of the Company will be converted into cash and cash will be paid to ZDP Exit Shareholders on the Register on the Effective Date in accordance with their cash entitlements save that no payment of less than £5.00 shall be made to any one ZDP Exit Shareholder. Any such residual amounts will be aggregated and paid to a charity of the chairman's choice.

#### 6 Costs

The net costs of the Proposals will be met by the Company and are estimated to amount to approximately £400,000 (plus VAT, where applicable and portfolio realisation costs).

#### 7 Settlement and Dealings

Subject to the passing of the Resolutions, the Cash Elected Shares will be sub-divided, consolidated and re-designated as ZDP Exit Shares. This is currently expected to occur on 29 October 2010.

The bonus issue of ZDP Exit Shares referred to in paragraph 4 of this Part V is expected to occur on 16 November 2010, being the date prior to the date on which the claim for the Reduction of Capital is to be heard by the Court.

The ZDP Exit Shares arising out of the sub-division, consolidation and re-designation of the Cash Elected Shares, and the ZDP Exit Shares to be issued as part of the capitalisation of part of the Company's share premium account (or Special Reserve Account as the case may be), will be in registered form.

It is not proposed to issue share certificates in respect of the ZDP Exit Shares, whether arising as a result of the sub-division, consolidation and re-designation of the Cash Elected Shares or as a result of the issue of shares by way of capitalisation of part of the Company's share premium account and/or Special Reserve Account.

Any ZDP Exit Shares arising out of the sub-division, consolidation and re-designation of Cash Elected Shares held in uncertificated form, and any ZDP Exit Shares issued in respect of the ZDP Exit Shares by way of capitalisation of part of the Company's share premium account and/or Special Reserve Account, will be held in uncertificated form in the escrow account of Capita Registrars acting in its capacity, for the purpose of the Proposals, as escrow agent.

Dealings are expected to commence in the ZDP Exit Shares arising on the sub-division, consolidation and re-designation of Cash Elected Shares on 1 November 2010 and dealings in those ZDP Exit Shares arising as a result of the capitalisation of the Company's share premium account and/or Special Reserve account are expected to commence on 16 November 2010.

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## Reconstruction Proposals

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### ■ Part V Details of the Proposals

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#### 7 Settlement and Dealings continued

Subject to the passing of the Resolutions, the ZDP Shares in respect of which the holder has made a valid election to receive Common Shares will be redesignated as Common Shares. This is currently expected to occur on 29 October 2010. Dealings are expected to commence in such redesignated Common Shares on 1 November 2010. Until the Proposals are implemented in full on the Effective Date the Common Shares will generally rank *pari passu* with the existing ZDP Shares. Share certificates, in respect of Common Shares, will be issued on and CREST accounts will be credited on the week commencing 8 November 2010.

Dealings in all Shares shall be possible until the Effective Date; however, dealings taking place between 1 November 2010 and the Effective Date shall be subject to special settlement arrangements.

#### 8 Notification

The definitive amount of Common Shares, Continuing ZDP Shares and Ordinary Income Shares to be in issue after implementation of the Proposals will be announced as soon as practicable on or after the Effective Date by way of a Regulatory Information Service notification. It is expected that ZDP Shareholders holding ZDP Shares in uncertificated form will be credited with their entitlements to Common Shares on 1 November 2010. It is expected that share certificates will be despatched to holders of Common Shares in the week commencing 1 November 2010. In respect of elections for cash, it is expected that cheques will be despatched to ZDP Shareholders (or, where appropriate, CREST accounts credited) as soon as is practicable on or after 30 November 2010.

The Common Share Proportion and the Ordinary Income Share Proportion will be announced as soon as practicable after the calculation thereof in accordance with the Revised Articles by way of a Regulatory Information Service notification.

#### 9 Failure of the Proposals

If the Conditions set out in paragraphs 1.1 to 1.4 above have not been satisfied by close of business on 16 November 2010, or the remaining Conditions set out in paragraphs 1.5 and 1.6 above have not been satisfied by close of business on 29 November 2010, the Proposals will lapse and the Company will proceed to re-convene the General Meeting for 30 November 2010 at which re-convened meeting resolutions to appoint liquidators and to wind-up the Company will be proposed. For the avoidance of doubt, the final entitlement of ZDP Shareholders, Common Shareholders and ZDP Exit Shareholders in this event shall be to the lesser of 90 pence and NAV which in these circumstances would take into account the costs of the Proposals and any additional costs involved in the winding up of the Company.

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## Reconstruction Proposals

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### ■ Part VI Taxation

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The following statements are intended only as a general guide to current United Kingdom tax legislation and to the current practice of HMRC and may not apply to certain Shareholders, such as dealers in securities. The following statements do not constitute tax advice. Except where expressly stated, the following statements apply only to persons who are resident in the UK for UK tax purposes. They are based upon, and constitute a non-exhaustive summary of, the law and practice currently in force and are subject to changes therein.

**Any person who is in any doubt as to his tax position, who may be subject to tax in a jurisdiction other than the United Kingdom or who requires more detailed information than the general outline below should consult his professional advisers.**

#### The Company

The Directors intend to continue to conduct the Company's affairs so as to satisfy the conditions for approval as an investment trust under Chapter 4 of Part 24 CTA. The implementation of the Proposals should not prevent the Company from satisfying those conditions.

In respect of each accounting period for which approval is granted, the Company will be exempt from UK taxation on its capital gains. The Company will, however, be liable to UK corporation tax on its income (excluding dividends) in the normal way. Income and gains arising from any overseas investments may be subject to foreign withholding tax.

#### Shareholders

##### (i) *Shareholders remaining invested in the Company*

The reorganisation of the Company's capital structure, and the receipt by ZDP Shareholders of Common Shares or the retaining of Continuing ZDP Shares, should not constitute a disposal of such Shareholders' Shares for the purposes of taxation of chargeable gains. The Common Shares and/or Continuing ZDP Shares received by a ZDP Shareholder will be treated as the same asset as his ZDP Shares, acquired at the same time and for the same consideration.

##### (ii) *Bonus Issue of ZDP Exit Shares and Reduction of Capital*

The issue of ZDP Exit Shares to Shareholders pursuant to the Bonus Issue will be paid up from the Company's existing share premium account and the Special Reserve Account and so should not constitute a distribution for UK tax purposes.

The receipt by Shareholders of cash on the Reduction of Capital should not constitute an income distribution for UK tax purposes provided that the capital treated as paid up for tax purposes on the ZDP Exit Shares of such ZDP Shareholders is not less than the value of the cash received. The cancellation of ZDP Exit Shares pursuant to the Reduction of Capital will constitute a disposal of such ZDP Exit Shares for the purposes of taxation of chargeable gains, and Shareholders may, depending upon their personal circumstances, have a liability to tax accordingly.

A Shareholder who holds ZDP Exit Shares within the stocks and shares component of an ISA should be able to continue to hold those ZDP Exit Shares within their ISA until the date when they are cancelled.

##### (iii) *Clearance under Section 749 CTA and Section 701 Income Tax Act 2007*

Shareholders are advised that clearance under section 749 CTA and section 701 Income Tax Act 2007 has been granted by HMRC by way of a letter dated 25 August 2010 in respect of the Proposals. On the basis of such clearance, neither section 746 CTA nor section 698 Income Tax Act 2007 (which enables HMRC to cancel certain tax advantages arising from transactions in securities) will apply to the Proposals.

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## Part VI Taxation

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### Shareholders continued

#### *Dividends*

No United Kingdom tax will be withheld from dividend payments by the Company. This applies whether the recipient is resident or not resident in the UK for UK tax purposes.

An individual holder of Shares who is resident in the United Kingdom for tax purposes will generally be entitled to a tax credit in respect of any dividend received from the Company and will be taxable on the aggregate of the dividend and the tax credit (the 'gross dividend'). The tax credit is equal to one ninth of the net dividend which equates to 10 per cent. of the gross dividend.

United Kingdom resident holders of Shares will not generally be able to claim any repayment from HMRC in respect of the tax credit.

In the case of United Kingdom resident individual holders of Shares who are not liable to income tax at the dividend upper rate, the tax credit will match their tax liability (if any) in respect of the dividend and there will be no further tax to pay.

United Kingdom resident individual holders of Shares who are liable to income tax at the dividend upper rate (42.5 per cent. of the gross dividend in 2010/11), will be subject to income tax at that rate to the extent that such sum falls above the threshold for higher rate income tax. (Dividend income tax will be treated as the top slice of an individual's income). The 10 per cent. tax credit will be set against part of this liability. The likely effect will be a net charge to tax equal to 36.11 per cent. (2010/11), of the net dividend received.

United Kingdom resident corporate holders of Shares will generally not be subject to corporation tax in respect of dividends paid by the Company.

A holder of Shares who is not resident in the United Kingdom for tax purposes should consult an appropriate professional adviser concerning their tax liabilities on dividends received. Such Shareholders should note that they may not be entitled to any payment from HMRC in respect of the tax credit on dividends.

#### *Gains arising on sales or other disposals*

Shareholders who are resident, ordinarily resident or temporarily non-resident in the UK may, depending on their personal circumstances, be liable to taxation in respect of gains arising from the sale or other disposal of their Shares (including a disposal on a winding-up).

Shareholders other than those referred to above will not be liable to UK taxation of chargeable gains on a sale or other disposal of the Shares except in the case where the Shares in question are held as an asset of a trade, profession or vocation carried on through a branch or agency in the UK.

#### *Stamp duty and stamp duty reserve tax*

This applies whether or not the holder of the Shares is resident in the UK.

Contracts for sales of Shares held within CREST will be subject to Stamp Duty Reserve Tax (currently at the rate of 0.5 per cent. of the consideration). Transfers of Shares held outside CREST will also be subject to UK stamp duty reserve tax unless a stock transfer form is stamped with stamp duty (currently at the rate of 0.5 per cent. with a rounding up to the nearest £5).

#### *Individual Savings Accounts (ISAs)*

The Shares are a qualifying investment for the stocks and shares component of an ISA provided that they are acquired by an ISA manager through an offer to the public or in the market.

## Reconstruction Proposals

## Part VI Taxation

### Nature of financial information

There is hereby incorporated by reference the report of independent auditors referred to below together with the financial statements to which they relate for each of the years ended 31 December 2009, 31 December 2008 and 31 December 2007, together with unaudited interim financial statements for the six months to 30 June 2010. Statutory accounts of the Company for the financial years ended 31 December 2009, 31 December 2008 and 31 December 2007 in respect of which the Company's auditors, Ernst & Young LLP, Registered Auditors, made unqualified reports under section 235 of the 1985 Act and section 495 of the 2006 Act were prepared in accordance with UK GAAP and have been delivered to the Registrar of Companies and such reports did not contain any statements under section 237(2) or (3) of the 1985 Act or section 498(2) of the 2006 Act.

### Cross-reference list

The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document:

- (a) Published financial statements for the year ended 31 December 2007 and audit report thereon – auditors' report on pages 29 and 30 and dividend information on page 40.
- (b) Published financial statements for the year ended 31 December 2008 and audit report thereon – auditors' report on page 21 and dividend information on page 29.
- (c) Published financial statements for the year ended 31 December 2009 and audit report thereon – auditors' report on page 21 and dividend information on page 29.

### Significant Gross Change

The Proposals, if implemented, will not constitute a significant gross change in relation to the Company for the purposes of the Prospectus Rules.

### Selected Financial Information

	Total Assets £'000	Net Asset Value per Ordinary Income Share p	Net Asset Value per ZDP Share p
31 December 2007	105,123	39.23	75.44
31 December 2008	76,235	3.00	80.16
31 December 2009	81,914	1.64	87.72
30 June 2010 (unaudited)	76,723	0.00	83.69
4 October 2010 (unaudited, latest practicable date)	85,654,956	1.09	92.34

Source: The Company's audited financial statements unless described as 'Unaudited', in which case the source is unaudited interim accounts dated 30 June 2010 or management accounting information.

## Reconstruction Proposals

**Part VII Financial Information****Selected Financial Information** continued

Financial Year end	Total Dividends Pence
31 December 2007	2.9
31 December 2008	5.275
31 December 2009	3.775
Current Financial Year (unaudited)	2.55

**Operating and Financial Review**

The Total Assets of the Company declined by 1.4 per cent. in the period from 31 December 2009 to 30 September 2010. This compares with a decline in the FTSE All-Share Index over the same period of 2.3 per cent. Since the Company's reconstruction in November 2005 the Total Assets have declined by 10.8 per cent. to 30 September 2010 compared to a decline in the FTSE All-Share Index of 1.6 per cent.

The middle market price of the Company's Ordinary Income Shares decreased by 28.8 per cent. in the period from 1 January 2009 to 30 September 2010.

During the period covered by the historical financial information set out in this Part VII, there have been no significant factors (including unusual or infrequent events or new developments), materially affecting the Company's income from operations; neither have there been any governmental, economic, fiscal, monetary or political policies or factors which have materially affected, or could materially affect, directly or indirectly the Company's operations (although as described in the section headed 'Risk Factors' beginning on page 7, future changes in economic, fiscal, monetary or political policies or factors may impact on the Company's operations).

Unless otherwise expressly indicated, the financial information in this Operating and Financial Review is unaudited management accounting information.

**Dividends**

The Company's revenues after tax in the six months to 30 June 2010 were £1,216,000.

The aggregate of dividends declared on the Company's original Ordinary Income Shares between launch in November 1999 and the Company's reconstruction on 30 November 2005 amounted to 41.075 pence (net) per original Ordinary Income Share. A total of 17.40 pence (net) in further dividends on each continuing Ordinary Income Share has been declared in respect of the period from the reconstruction of the Company on 30 November 2005 up to and including the third interim dividend declared in respect of the current financial year.

**Market Outlook**

Central banks in the US, the UK and elsewhere have been conducting massive experimental operations such as 'quantitative easing' to avert a depression. These short-term measures have worked, but at the cost of an explosion in government debt. The latter has diverted capital away from where it is most needed, i.e. to back small and medium sized businesses in order to create new jobs and boost economic growth. Recovery is therefore likely to be neither V-shaped nor a double-dip as widely feared, but simply a slow protracted affair, i.e. a period of subpar economic growth.

US GDP growth faltered fast in the second quarter after some stimulus measures such as the 'cash for clunkers' incentive were withdrawn. This was enough to send investors scurrying to the perceived safety of government bonds, pushing ten-year yields decisively below 3 per cent.

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■ **Part VII Financial Information**

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**Operating and Financial Review** continued

**Market Outlook** continued

In contrast, many of the companies in the Company's investment portfolio are upbeat about prospects for their own sales, margins and profits. There is scope for significant dividend growth in the next couple of years and this is not currently priced into equities. Since the main component of long-term equity returns comes via dividends and their growth, the Board believes holding fairly valued, internationally diversified businesses paying good-quality dividends is appropriate in this sluggish environment.

There is hereby incorporated by reference the manager's report, chairman's statement and notes to the audited accounts for each of the years ended 31 December 2009, 31 December 2008 and 31 December 2007, together with the chairman's statement and unaudited interim accounts for the six month period to 30 June 2010.

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## Reconstruction Proposals

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### Part VIII General Information

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#### 1 Responsibility

- 1.1 The Directors, whose names appear in paragraph 2.1 below, and the Company itself, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 Application has been made to the UK Listing Authority for (a) the Common Shares to be admitted pursuant to the Proposals to a premium listing on the Official List and (b) the ZDP Exit Shares created pursuant to the Bonus Issue to be admitted pursuant to the Proposals to a standard listing on the Official List and for admission to trading of such Shares under the London Stock Exchange's Admission and Disclosure Standards.

#### 2 The Directors of the Company

- 2.1 The names of the Directors, all of whom are non executive, are as follows:
- Martin Boase (*Chairman*), appointed 30 September 1999  
Keith Bray, appointed 30 September 1999  
The Rt. Hon. The Lord Hamilton of Epsom, appointed 30 September 1999  
Reef Hogg, appointed 22 November 2000
- 2.2 The Articles of the Company contain provisions requiring a certain proportion of the Directors to retire by rotation at every annual general meeting. However, all Directors retiring pursuant to these provisions are eligible for re-election.

#### 3 Incorporation and Share Capital

- 3.1 The Company was incorporated in England and Wales with registered number 3852295 on 28 September 1999, as a public limited company under the 1985 Act. The Company no longer has any subsidiaries following the dissolution of JDGT Securities Limited on 24 May 2005.
- 3.2 The Company currently maintains an authorised share capital. The authorised share capital of the Company as at the date of this document is £65,000,000 divided into 445,298,080 Ordinary Income Shares of 8.982747 pence each and 630,087,166 ZDP Shares of 3.967705 pence each, of which 91,675,333 Ordinary Income Shares of 8.982747 pence each and 91,675,333 ZDP Shares of 3.967705 pence each are respectively in issue, fully paid.
- 3.3 Following the passing of the Resolutions, the Company will no longer maintain an authorised share capital. ZDP Shares will remain as Continuing ZDP Shares and/or be re-classified into Common Shares and/or ZDP Exit Shares, depending on the Elections made (or deemed to be made) by the holders of ZDP Shares. The Ordinary Income Shares, Continuing ZDP Shares, Common Shares and the ZDP Exit Shares shall have the following rights in the Revised Articles (as more fully set out in the Resolutions appearing in the Notice of the General Meeting at the end of this document):

##### ***Rights attaching to the Ordinary Income Shares***

###### ***(a) Income***

Provided that the Proposals have been implemented and with effect from 1 December 2010, the Ordinary Income Shares carry the right to receive the Ordinary Income Share Proportion, *pari passu* with the Common Shares in respect of the Common Share Proportion, of the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim or final dividend at such times as the Directors of the Company may determine.

If the Proposals are not implemented by 30 November 2010 and, in any event, until such date, the Ordinary Income Shares carry the right to receive all the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim or final dividend at such times as the Directors of the Company may determine.

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**Part VIII General Information**

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**3 Incorporation and Share Capital** continued***Rights attaching to the Ordinary Income Shares*** continued(b) *Capital*

The surplus assets of the Company available for distribution on a winding-up or other return of capital of the Company, after payment of all debts and satisfaction of all liabilities of the Company (including the costs of winding-up, if appropriate) but before payment to the holders of the Continuing ZDP Shares (as described in paragraph (b) of 'Rights attaching to the Continuing ZDP Shares' below and the Common Shares (as described in paragraph (b)(A)(i) or paragraph (b)(B) of 'Rights attaching to the Common Shares', as the case may be) are referred to hereinafter as the "**Surplus Assets**".

On a winding-up or other return of capital of the Company, the holders of Ordinary Income Shares shall be entitled to share in the Surplus Assets as follows:

- (i) if the Proposals have been implemented, an amount equal to the Ordinary Income Share Proportion of the Surplus Assets less the entitlements to payment of the holders of the Continuing ZDP Shares as described in paragraph (b) of 'Rights attaching to the Continuing ZDP Shares' below will be paid to the holders of the Ordinary Income Shares (and distributed among such holders rateably according to the amounts paid or credited as paid up on the Ordinary Income Shares held by them respectively) *pari passu* with the entitlement of the holders of Common Shares as described in paragraph (b)(A)(ii) of 'Rights attaching to the Common Shares'; and
- (ii) if the Proposals have not been implemented, all of the Surplus Assets after payment to the holders of the Continuing ZDP Shares (as described in paragraph (b) of 'Rights attaching to the Continuing ZDP Shares' below), the Common Shares (as described in paragraph (b)(B) of 'Rights attaching to the Common Shares') and the ZDP Exit Shares (as described in paragraph (b) of 'Rights attaching to the ZDP Exit Shares'), will be paid to the holders of the Ordinary Income Shares (and distributed among such holders rateably according to the amounts paid or credited as paid up on the Ordinary Income Shares held by them respectively).

(c) *Voting*

The holders of Ordinary Income Shares shall have the right to receive notice of, to attend, speak and vote at any general meeting of the Company. Every holder of an Ordinary Income Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall, on a show of hands, have one vote and on a poll every such holder present in person or by proxy shall have one vote in respect of each Ordinary Income Share held.

***Rights attaching to the Continuing ZDP Shares***(a) *Income*

The Continuing ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Company.

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**Part VIII General Information**

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**3 Incorporation and Share Capital** continued*Rights attaching to the Continuing ZDP Shares* continued(b) *Capital*

On a winding-up or other return of capital of the Company (excluding, for the avoidance of doubt, the Reduction of Capital) after payment of all debts and satisfaction of all liabilities of the Company there shall be paid to the holders of the Continuing ZDP Shares from the surplus assets of the Company either (a) if the Proposals are implemented by 30 November 2010, *pari passu* with the entitlement of the holders of Common Shares referred to in paragraph (b)(A)(i) of 'Rights attaching to the Common Shares' (and in priority to any payment to the holders of Ordinary Income Shares described in paragraph (b)(i) of 'Rights attaching to the Ordinary Income Shares' and the holders of Common Shares as described in paragraph (b)(A)(ii) of 'Rights attaching to the Common Shares'), an amount equal to 66.5p per Continuing ZDP Share as increased at such rate compounded daily from 30 November 2005 as will give an entitlement of 150 pence on 30 November 2017 or, (b) if the Proposals are not implemented by 30 November 2010, *pari passu* with the entitlement of the holders of Common Shares and ZDP Exit Shares referred to in paragraph (b)(B) of 'Rights attaching to the Common Shares' and paragraph (b) of 'Rights attaching to the ZDP Exit Shares' respectively (and in priority to any payment to the holders of Ordinary Income Shares as described in paragraph (b)(ii) of 'Rights attaching to the Ordinary Income Shares'), an amount equal to 66.5p per Continuing ZDP Share as increased at such rate compounded daily from 30 November 2005 as will give an entitlement to 90p per ZDP Share on 30 November 2010.

(c) *Voting*

- (i) The holders of the Continuing ZDP Shares shall have the right to receive notice of, and the right to attend, speak and vote at any general meeting of the Company. Every holder of a Continuing ZDP Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall on a show of hands have one vote and on a poll every such holder present in person or by proxy or (being a corporation) by a corporate representative shall have one vote in respect of each fully paid Continuing ZDP Share held.
- (ii) Save as provided in paragraphs (c)(iii) and (c)(iv) of 'Rights attaching to the Continuing ZDP Shares' below, the Company shall not without the previous sanction of a special resolution of the holders of the Continuing ZDP Shares passed at a separate meeting of such holders convened and held in accordance with the provisions of the Revised Articles:
  - (A) issue any further shares or rights to subscribe or convert any securities into shares in the Company or reclassify issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital in priority to, or *pari passu* with, the Continuing ZDP Shares, save that the Company may, subject as provided in the Revised Articles, issue further shares, rights or securities provided that the Directors shall have calculated and the Auditors shall have reported to the Directors on such calculations within 60 days prior to the proposed issue or reclassification that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, those Continuing ZDP Shares in issue immediately thereafter would have a Cover equal to or in excess of that which the Continuing ZDP Shares in issue immediately prior to such issue had. For this purpose, the Cover of Continuing ZDP Shares shall, at a given date, be the number of times by which the Ordinary Income Share Proportion of the share capital and reserves (excluding revenue reserves) of the Company as at that date exceed the aggregate amount to which the holders of the Continuing ZDP Shares as a class would be entitled on the Winding-Up Date, after account is taken of the Company's liabilities;

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**Part VIII General Information**

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**3 Incorporation and Share Capital** continued*Rights attaching to the Continuing ZDP Shares* continued(c) *Voting* continued

- (B) pass a resolution releasing the Directors from their obligations to convene a general meeting at which a resolution will be proposed requiring the Company to be wound up voluntarily; or
  - (C) pass a resolution to reduce the capital of the Company (including undistributable reserves and uncalled capital) or share premium account in any manner and including any resolution authorising the Company to purchase shares in the Company; or
  - (D) pass a resolution for the voluntary winding-up of the Company, such winding-up to take effect prior to the Winding-Up Date; or
  - (E) alter any objects set out in the Revised Articles of the Company; or
  - (F) increase the borrowing limit under the Revised Articles or sanction the exceeding of such limit; or
  - (G) pass any resolution which authorises the Directors to pay a dividend or other distribution out of the capital reserves of the Company; or
  - (H) issue any debenture stock or other loan capital; or
  - (I) make any material alteration to its investment strategy.
- (iii) Notwithstanding the provisions of paragraphs (c)(i) and (c)(ii) of 'Rights attaching to the Continuing ZDP Shares' above, if all the holders of the Continuing ZDP Shares receive an offer (whether from the Company or any other person) which is or has become unconditional prior to the Winding-Up Date and before the general meeting referred to in Article 175 is due to be held, which offer would give such holders (or holders other than the offeror and/or persons acting in concert with the offeror) not later than seven days after the date on which the said general meeting is due to be held an amount in cash not less than that to which they would be entitled on a winding-up at the date on which the said general meeting is due to be held, then (whether or not such offer is accepted in any particular case) holders of such Continuing ZDP Shares shall not thereafter be entitled to vote at any general meeting and the previous sanction of a special resolution of the holders of the Continuing ZDP Shares shall not be required in any case in which it would otherwise be required by the Revised Articles, provided that where, notwithstanding the foregoing, such sanction is required in any case by the 2006 Act, all holders of such Continuing ZDP Shares present in person or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such Continuing ZDP Shares) vote in favour of any resolution or resolutions recommended by the Directors and where any vote is not cast or is cast against any such resolution or resolutions it shall be deemed to have been cast in favour, save that the preceding provisions relating to general meetings and class resolutions shall cease to apply as regards any Continuing ZDP Shareholder if any material term of the contract resulting from his acceptance of such offer is broken by the other party and the Directors consider that such default is material in the context of the offer as a whole.
- (iv) Notwithstanding the provisions of paragraphs (c)(i) and (c)(ii) of 'Rights attaching to the Continuing ZDP Shares' above, if at the general meeting referred to in Article 175 at which a resolution will be proposed requiring the Company to be wound up voluntarily or at any other general meeting held within the previous 45 days there is proposed a resolution to sanction any arrangement (including, without limitation, an arrangement under section 110 of the Insolvency Act 1986), then as long as this provides for the holders of the Continuing ZDP Shares to receive their entitlement on such winding-up in cash or near cash (ignoring any option any of these holders may be given to elect to receive their entitlement otherwise than in cash) the holders of the Continuing ZDP Shares shall not be entitled to vote on such resolution to wind-up the Company or sanction such arrangement.

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**Part VIII General Information**

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**3 Incorporation and Share Capital** continued***Rights attaching to the Common Shares*****(a) *Income***

Provided that the Proposals have been implemented, and with effect from 1 December 2010, the Common Shares carry the right to receive the Common Share Proportion, *pari passu* with the Ordinary Income Shares in respect of the Ordinary Income Share Proportion, of the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim or final dividend at such times as the Directors of the Company may determine.

If the Proposals are not implemented by 30 November 2010 and, in any event, until such date, the Common Shares carry no rights to receive dividends out of the revenue or any other profits of the Company.

**(b) *Capital***

On a winding-up or other return of capital of the Company (excluding for the avoidance of doubt, the Reduction of Capital) after payment of all debts and satisfaction of all liabilities of the Company there shall be paid to the holders of Common Shares from the surplus assets of the Company either:

(A) if the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010:

- (i) *pari passu* with the entitlement of the holders of Continuing ZDP Shares referred to in paragraph (b) of 'Rights attaching to the Continuing ZDP Shares' (and in priority to any payment to the holders of Ordinary Income Shares as described in paragraph (b)(i) of 'Rights attaching to the Ordinary Income Shares' and the holders of Common Shares as described in paragraph (b)(A)(ii) of 'Rights attaching to the Common Shares'), an amount equal to 66.5p per Common Share as increased at such rate compounded daily from 30 November 2005 as will give an entitlement to 150p on 30 November 2017; and
- (ii) an amount equal to the Common Share Proportion of the Surplus Assets (as defined in paragraph (b) of 'Rights attaching to the Ordinary Income Shares'), less the entitlements to payments of the holders of the Common Shares described in paragraph (b)(A)(i) of 'Rights attaching to the Common Shares' above, (which amount shall be distributed among the holders of Common Shares rateably according to the amounts paid or credited as paid up on the Common Shares held by them respectively) *pari passu* with the entitlement of the holders of Ordinary Income Shares described in paragraph (b)(i) of 'Rights attaching to the Ordinary Income Shares'; or

(B) if the Proposals are not implemented, *pari passu* with the entitlement of the holders of Continuing ZDP Shares referred to in paragraph (b)(b) of 'Rights attaching to the Continuing ZDP Shares' and ZDP Exit Shares in paragraph (b) of 'Rights attaching to the ZDP Exit Shares' respectively (and in priority to any payment to the holders of Ordinary Income Shares as described in paragraph (b)(ii) of 'Rights attaching to the Ordinary Income Shares'), an amount equal to 66.5p per Common Share as increased at such rate compounded daily from 30 November 2005 as would give an entitlement to 90p per Common Share on 30 November 2010.

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## Reconstruction Proposals

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### Part VIII General Information

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#### 3 Incorporation and Share Capital continued

##### *Rights attaching to the Common Shares* continued

###### (c) *Voting*

- (i) The holders of Common Shares shall have the right to receive notice of, and the right to attend, speak and vote at any general meeting of the Company. Every holder of a Common Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall, on a show of hands, have one vote and on a poll every such holder present in person or by proxy or (being a corporation) by a corporate representative shall have one vote in respect of each Common Share held.
- (ii) If the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010, save as provided in paragraphs (c)(iii) and (c)(iv) of 'Rights attaching to the Common Shares' below, the Company shall not without the previous sanction of a special resolution passed at a separate meeting of the holders of Common Shares convened and held in accordance with the provisions of the Revised Articles:
  - (A) pass a resolution releasing the Directors from their obligations to convene a general meeting at which a resolution will be proposed requiring the Company to be wound up voluntarily; or
  - (B) pass a resolution to reduce the capital of the Company (including undistributable reserves and uncalled capital) or share premium account in any manner and including any resolution authorising the Company to purchase shares in the Company; or
  - (C) pass a resolution for the voluntary winding-up of the Company, such winding-up to take effect prior to the Winding-Up Date; or
  - (D) alter any objects set out in the Revised Articles of the Company; or
  - (E) increase the borrowing limit under the Revised Articles or sanction the exceeding of such limit; or
  - (F) pass any resolution which authorises the Directors to pay a dividend or other distribution out of the capital reserves of the Company; or
  - (G) issue any debenture stock or other loan capital; or
  - (H) make any material alteration to its investment strategy.
- (iii) If the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010, notwithstanding the provisions of paragraphs (c)(i) and (c)(ii) of 'Rights attaching to the Common Shares' above, if all the holders of the Common Shares receive an offer (whether from the Company or any other person) which is or has become unconditional prior to the Winding-Up Date and before the general meeting referred to in Article 175 is due to be held, which offer would give such holders (or holders other than the offeror and/or persons acting in concert with the offeror) not later than seven days after the date on which the said general meeting is due to be held an amount in cash not less than that to which they would be entitled on a winding-up at the date on which the said general meeting is due to be held, then (whether or not such offer is accepted in any particular case) holders of such Common Shares shall not thereafter be entitled to vote at any general meeting and the previous sanction of a special resolution of the holders of the Common Shares shall not be required in any case in which it would otherwise be required by the Revised Articles, provided that where, notwithstanding the foregoing, such sanction is required in any case by the 2006 Act, all holders of such Common Shares present in person or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such Common Shares) vote in favour of any resolution or resolutions recommended by the Directors and where any vote is not cast or is cast against any such resolution or resolutions it shall be deemed to have been cast in favour, save that the preceding provisions relating to general meetings and class resolutions shall cease to apply as regards any Common Shareholder if any material term of the contract resulting from his acceptance of such offer is broken by the other party and the Directors consider that such default is material in the context of the offer as a whole.

## Reconstruction Proposals

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**Part VIII General Information**


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**3 Incorporation and Share Capital** continued***Rights attaching to the Common Shares*** continued(c) *Voting* continued

- (iv) If the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010, notwithstanding the provisions of paragraphs (c)(i) and (c)(ii) of 'Rights attaching to the Common Shares' above, if at the general meeting referred to in Article 175 at which a resolution will be proposed requiring the Company to be wound up voluntarily or at any other general meeting held within the previous 45 days there is proposed a resolution to sanction any arrangement (including, without limitation, an arrangement under section 110 of the Insolvency Act 1986), then as long as this provides for the holders of the Common Shares to receive their entitlement on such winding-up in cash or near cash (ignoring any option any of these holders may be given to elect to receive their entitlement otherwise than in cash) the holders of the Common Shares shall not be entitled to vote on such resolution to wind-up the Company or sanction such arrangement.
- (v) If the Proposals are not implemented by 30 November 2010 and, in any event, until such date, so long as any Common Shares remain in issue no resolution shall be passed at a general meeting of the Company whereby (i) the rights attaching to the Common Shares shall be varied or abrogated or (ii) any redemption or repurchase of shares shall be approved, except in any such case with the sanction of a special resolution passed at a separate meeting of the holders of the Common Shares passed in accordance with the provisions of the Revised Articles.

***Rights attaching to the ZDP Exit Shares***(a) *Income*

The ZDP Exit Shares carry no rights to receive income out of the revenue or other profits of the Company.

(b) *Capital*

On a winding up or other return of capital of the Company including (for the avoidance of doubt) the Reduction of Capital, after payment of all debts and satisfaction of all liabilities of the Company, if the Bonus Issue of ZDP Exit Shares shall have taken place in accordance with the Proposals prior to such winding-up, the holders of the ZDP Exit Shares shall be entitled from the surplus assets of the Company only to a repayment of the nominal amount of paid up capital in respect thereof. If the Bonus Issue shall not have taken place by the date of such winding-up, the holders of the ZDP Exit Shares shall be entitled, *pari passu* with the entitlement of the holders of Continuing ZDP Shares referred to in paragraph (b)(b) of 'Rights attaching to the Continuing ZDP Shares' and Common Shares in paragraph (b)(B) of 'Rights attaching to the Common Shares', to receive an amount equal to 66.5p per ZDP Exit Share as increased at such rate compounded daily from 30 November 2005 as would give an entitlement to 90p per ZDP Exit Share on 30 November 2010.

On the Reduction of Capital by the cancellation of the ZDP Exit Shares pursuant to the Proposals, the rights of the holders of the ZDP Exit Shares shall be satisfied by the payment of cash amounts to the holders of the ZDP Exit Shares in the amount of their respective entitlements.

(c) *Voting*

The holders of the ZDP Exit Shares shall have the right to receive notice of, to attend, speak and vote at any general meeting of the Company.

The aggregate number of votes which may be cast in respect of all the ZDP Exit Shares in issue (the 'Aggregate Number') shall be equal to the number of ZDP Exit Shares created in accordance with the provisions of resolution 1(E) as set out in the notice of the General Meeting set out at page 96.

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## Reconstruction Proposals

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### Part VIII General Information

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#### 3 Incorporation and Share Capital continued

##### *Rights attaching to the ZDP Exit Shares* continued

##### (c) *Voting* continued

Every holder of a ZDP Exit Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall on a show of hands have one vote and on a poll every such holder present in person or by proxy shall have in respect of each ZDP Exit Share held by him such proportion of one vote as is equal to the Aggregate Number divided by the total number of ZDP Exit Shares in issue at the commencement of the relevant meeting.

##### (d) *Variation of rights*

So long as any ZDP Exit Shares remain in issue no resolution shall be passed at a general meeting of the Company whereby (i) the rights attaching to the ZDP Exit Shares shall be varied or abrogated or (ii) any redemption or repurchase of shares shall be approved, except in any such case with the sanction of a special resolution passed at a separate meeting of the holders of the ZDP Exit Shares passed in accordance with the provisions of the Revised Articles.

#### 3.4 Pursuant to the Resolutions to be proposed at the General Meeting:

- (a) the existing ZDP Shares in respect of which valid Elections for cash are made will be sub-divided into two shares of 1.9838525 pence each and every two such shares of 1.9838525 pence each will be consolidated into one ZDP Exit Share;
- (b) the existing ZDP Shares will be retained as Continuing ZDP Shares or redesignated as Common Shares;
- (c) the Company's Articles will be amended in order to create the ZDP Exit Shares and to create the Common Shares, to amend the ZDP Shareholder and Ordinary Income Shareholder rights and remove references to the tender offer;
- (d) the Directors will be authorised to give effect to the provisions of the Proposals;
- (e) the Directors will be generally and unconditionally authorised, for the purposes of section 551 of the 2006 Act, to allot Shares up to a maximum nominal amount of £68,480,683 in order, *inter alia*, to effect the capitalisation of part of the Company's share premium account and/or Special Reserve Account as described in paragraph 4 of Part V of this document. This authority will expire on the first anniversary of the passing of the Resolution as set out in the notice of General Meeting;
- (f) the Directors will be authorised to allot equity securities pursuant to paragraph 3.4(e) (above) up to an aggregate nominal amount of £411,748 as if section 561(1) of the 2006 Act did not apply to such allotment. This authority to expire (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company or, if earlier, on 30 November 2011;
- (g) the Company will no longer be required to maintain an authorised share capital;
- (h) the approval of the amendment to the investment objective of the Company to take account of the new class of Common Shares.

#### 3.5 The number of ZDP Exit Shares arising on the sub-division, consolidation and re-designation of Cash Elected Shares, as referred to in paragraph 3.4(a) to (c) above, will depend upon the number of ZDP Shares in respect of which valid Elections are made.

The number of ZDP Exit Shares to be issued as part of the Proposals by way of Bonus Issue cannot be determined as at the date of this document but will be such that, immediately following their issue, the nominal value of those ZDP Exit Shares when aggregated with the nominal value of the ZDP Exit Shares created through the sub-division, consolidation and re-designation of the Cash Elected Shares, will at least equal the aggregate cash entitlement of the Cash Elected Shares as determined in accordance with paragraph 3 of Part V.

## Reconstruction Proposals

## Part VIII General Information

### 3 Incorporation and Share Capital continued

- 3.6 The existing Shares are, and the ZDP Exit Shares will be, in registered form. The Common Shares and Continuing ZDP Shares are capable of being held in uncertificated form. No share certificates will be issued in respect of the ZDP Exit Shares. The ZDP Exit Shares will be issued in uncertificated form to those holders of Cash Elected Shares who held such shares in uncertificated form. Those holders of ZDP Exit Shares deriving their holdings from Cash Elected Shares which were held in certificated form will not receive share certificates in respect of their holdings of ZDP Exit Shares and may not elect to hold their ZDP Exit Shares in certificated form.
- 3.7 The ZDP Exit Shares will, as a class, have the right to cast such number of votes at a general meeting of the Company as is equal to the number of votes which would have been capable of being cast in aggregate in respect of the Cash Elected Shares prior to the sub-division, consolidation and re-designation of them into ZDP Exit Shares.
- 3.8 Application is being made to the UK Listing Authority for the ZDP Exit Shares to be redesignated or issued under the Proposals to be admitted to the Official List of the UK Listing Authority, and to the London Stock Exchange for such shares to be admitted to trading on the Main Market. No application is being made for the ZDP Exit Shares to be listed, or dealt in, on any other stock exchange or investment exchange.
- 3.9 The Company's Registrar in respect of the Proposals is Capita Registrars, Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire HD8 0GA and the Receiving Agent to Capita Registrars, Corporate Actions Department 1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- 3.10 The Shares listed below will have the following ISINs:

Continuing ZDP Shares	GB00B4KXYX79
Common Shares	GB00B4MW8K78
ZDP Exit Shares	GB00B4N77487
Ordinary Income Shares	GB00B0M3FZ66

- 3.11 Save as summarised in paragraph 13.4(B) of this Part VIII, the Shares will be freely transferable.

### 4 Interests of Directors/PDMRs and persons connected to Directors/PDMRs

As at 5 October 2010 (being the latest practicable date before the publication of this document), save as referred to below, none of the Directors/PDMRs has notified the Company of any transactions conducted on their own account in relation to the Shares which are required to be notified to the Company pursuant to Rule 3.1 of the Disclosure and Transparency Rules and no person connected with the Directors/PDMRs made such notification to the Company so far as the existence of which is known to, or could with reasonable diligence be ascertained by, the Directors/PDMRs:

Name of Director	Number of Ordinary Income Shares	Percentage of issued share capital and voting rights	Number of ZDP Shares	Percentage of issued share capital and voting rights
Martin Boase	–	–	24,680	0.013
Keith Bray	13,132	0.007	12,399	0.007
The Rt. Hon. The Lord Hamilton of Epsom	53,052	0.03	–	–
Reef Hogg	–	–	–	–

## Reconstruction Proposals

## Part VIII General Information

### 4 Interests of Directors/PDMRs and persons connected to Directors/PDMRs continued

- 4.1 The Company's major Shareholders will not have any different voting rights from other Shareholders.
- 4.2 The Directors have been appointed subject to the Articles and are entitled to an annual fee for their services for each Director. The Directors will also be entitled to be reimbursed their expenses properly incurred in connection with business of the Company. None of the Directors have service contracts with the Company. Further details are set out at paragraph 5 below.
- 4.3 None of the Directors has or has had any interest in any transaction which is or was unusual in its nature and conditions or significant to the business of the Company which has been affected by the Company since incorporation.
- 4.4 It is estimated that the total aggregate of the remuneration payable and benefits in kind granted to the Directors for the financial year ending 31 December 2010, being the current financial year of the Company, under the arrangements in force on the date of this document, will be approximately £80,000 in respect of the Company.
- 4.5 No loan or guarantee has been granted or provided by the Company to any Director.
- 4.6 Save as set out in paragraph 6, as at the date of this document, the Company is not aware of any persons who, immediately following the passing of the Proposals, will be directly or indirectly interested in 3 per cent. or more of the issued Ordinary Income Share capital of the Company or who would, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 4.7 As at 4 October 2010, the Company was not aware of any person who, directly or indirectly, jointly or severally, exercised or could exercise control over the Company. For this purpose joint control means control exercised by two or more persons who have concluded an agreement which may lead to their adopting a common policy in respect of the Company.
- 4.8 In addition to their directorships of the Company, the Directors hold or have held the following directorships, and are or were members of the following partnerships, over or within the past five years:

#### Company/Partnership

#### Past or current

##### Martin Boase

##### Current

Board of Finance Limited  
The Advertising Standards Board of Finance Limited  
The Broadcast Advertising Standards

##### Previous

Herald Investment Trust PLC  
The Maiden Group PLC  
New Star Investment Trust PLC  
JIT Securities Limited  
Titan Outdoor Group Limited  
Joint Venture Travel Limited

##### Keith Bray

##### Current

The Bray Partnership

##### Previous

None

##### Hon. The Lord Hamilton of Epsom

##### Current

Australian Property Management (Bermuda) Limited  
Global Property Management (Bermuda) Limited  
Hot Rocks Energy Limited  
Managing The Service Business Limited

##### Previous

Leafield Engineering Limited  
Specialised Risk Management Holdings Limited

## Reconstruction Proposals

## Part VIII General Information

### 4 Interests of Directors/PDMRs and persons connected to Directors/PDMRs continued

#### Company/Partnership

#### Past or current

#### Reef Hogg

##### Current

Comasman Limited  
 Jupiter Administration Services Limited  
 Jupiter Adria London Limited  
 Jupiter Asset Management Limited  
 Jupiter Hyde Park Hedge Fund Limited  
 Jupiter Investment Management Group Limited  
 Jupiter Offshore Portfolio Fund Limited  
 Kingshill Investments Limited  
 The Knightsbridge Trust Limited  
 Tyndall Holdings Limited  
 Tyndall Investments Limited

##### Previous

Development Finance Corporation Limited  
 Jupiter Asset Management Group Limited  
 Jupiter Fund Management Group Limited  
 Jupiter Fund Management plc  
 Jupiter Green Century Investment Limited  
 Lawrence Messer & Co Limited  
 Queen Anne's Gate Asset Management Limited  
 South East Asia Properties Limited

4.9 The business address of the Directors is 1 Grosvenor Place, London SW1X 7JJ.

4.10 Reef Hogg is a director of both the Investment Manager and Jupiter Administration Services Limited. Accordingly, Mr Hogg is interested in the agreement summarised at paragraph 10.1 of this Part VIII and the administration agreement described on page 31. Save as aforesaid, no Director has or has had any interest in any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and which (i) has been effected by the Company during the current or immediately preceding financial year, or (ii) is or was effected by the Company during any earlier financial year and which remains in any respect outstanding or unperformed.

4.11 Save as disclosed in paragraphs 4 and 5 of this Part VIII, no agreement, arrangement or understanding (including any compensation agreement) exists between any of the Directors, recent directors, Shareholders or recent Shareholders of the Company having any connection with or dependence upon the Proposals and none of the Directors has, or has had, any conflict of interest between any duties to the Company and their private interests and/or any other duties that they owe.

4.12 As at the date of this document, none of the Directors:

- (a) has been a member of an administrative, management or supervisory body or partner of any company or partnership at any time during the five years immediately preceding the date of this document;
- (b) has any convictions in relation to fraudulent offences in the five years immediately preceding the date of this document;
- (c) has been associated with any bankruptcies, receiverships or liquidations in the five years immediately preceding the date of this document; or
- (d) has been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including any designated professional body) nor has he been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer, in the five years immediately preceding the date of this document.

For the purpose of this paragraph 4, 'issuer' means a legal person who issues or proposes to issue anything which is a transferable security for the purposes of the Council Directive of 10 May 1993 on investment services in the securities field (No. 93/22/EEC) other than money market instruments for the purposes of that directive which have a maturity of less than 12 months.

## Reconstruction Proposals

## Part VIII General Information

### 4 Interests of Directors/PDMRs and persons connected to Directors/PDMRs continued

4.13 None of the Directors has any potential conflicts of interest between their duties to the Company and their private interests or duties.

4.14 As at the close of business on 4 October 2010 (the latest practicable date prior to the printing of this document), BDO Corporate Finance has not had any interest in the Shares.

### 5 Directors' service agreements

None of the Directors has a service contract or letter of appointment with the Company; accordingly there are no contractual provisions in relation to any of the Directors providing for benefits on termination. Fees at the rate of £18,000 per annum are paid to each of the Directors other than the Chairman (£25,000) and it is intended that this should be continued following implementation of the Proposals. The aggregate remuneration and benefits in kind of each of the Directors, in respect of the Company's current financial year to 31 December 2010, is not expected to exceed these amounts.

### 6 Substantial and other share interests

As at 4 October 2010 (being the latest practicable date prior to publication of this document), the Company had been notified or was aware of the following interests in three per cent. or more of its issued share capital:

Shareholder	Ordinary Income Shares	% of Ordinary Income Shares
Jupiter ISA and Savings Scheme	32,064,980	34.98%
Jupiter Asset Management	10,971,992	11.97%
Henderson Global Investors	7,100,000	7.74%

Shareholder	ZDP Shares	% of ZDP Shares
Jupiter ISA and Savings Scheme	13,857,385	15.12%
Bestinvest Stockbrokers	11,720,463	12.78%
Rensburg Sheppards Investment Management	7,118,950	7.77%
Brooks Macdonald	6,196,101	6.76%

## Reconstruction Proposals

## Part VIII General Information

### 7 Details of the Portfolio

7.1 The information on the Company's portfolio contained in this paragraph 7 is based on unaudited information.

7.2 As at 4 October 2010 (the latest practicable date prior to the printing of the document), the investment portfolio of the Company included the following (based on unaudited management accounting information):

	Market Value £	Percentage of Portfolio	Book Cost £	Holdings
1 ROYAL DUTCH SHELL 'B' SHS	6,124,623	7.2	5,335,402.39	328,398
2 VODAFONE GROUP	5,134,315	6.0	4,302,099.91	3,229,129
3 BP ORD USD0.25	5,093,451	5.9	6,438,497.49	1,184,248
4 ASTRAZENECA	4,802,670	5.6	3,821,974.67	149,546
5 GLAXOSMITHKLINE	4,256,336	5.0	4,586,338.71	340,916
6 LLOYDS BANKING GROUP	3,652,982	4.3	7,591,846.50	4,983,604
7 MAJESTIC WINE	2,298,490	2.7	1,407,745.40	696,512
8 TULLET PREBON PLC	2,044,014	2.4	1,818,300.16	506,571
9 BREWIN DOLPHIN HOLDINGS	1,908,198	2.2	1,833,132.00	1,375,278
10 WINCANTON ORD GBP0.10	1,845,749	2.2	1,841,637.73	1,765,884
<b>Total</b>	<b>37,160,828</b>	<b>43.5</b>		

7.3 The following are summaries of the Company's key investments (including its largest ten), including investments of the Company with a value of greater than 5 per cent. of the Company's gross assets as at 4 October 2010 being the latest available date prior to the publication of this document.

Company	% of Total Assets
1 ROYAL DUTCH SHELL 'B' SHS	7.2
2 VODAFONE GROUP	6.0
3 BP ORD USD0.25	5.9
4 ASTRAZENECA	5.6
5 GLAXOSMITHKLINE	5.0
6 LLOYDS BANKING GROUP	4.3
7 MAJESTIC WINE	2.7
8 TULLET PREBON PLC	2.4
9 BREWIN DOLPHIN HOLDINGS	2.2
10 WINCANTON ORD GBP0.10	2.2
<b>Total</b>	<b>43.5</b>

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**Part VIII General Information**


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**7 Details of the Portfolio** continued

7.4 As at 4 October 2010 (the latest practicable date prior to printing of this document), the distribution of the investment portfolio of the Company was broken down as follows:

	% of Total Assets
United Kingdom	83.0
Europe	2.0
North America	–
Other	–
Cash and Fixed Interest	15.0

**8 Cross Holdings in other Investment Companies**

As at 4 October 2010, none of the Company's total assets were invested in the securities of other UK listed investment companies. It is the Company's stated policy that this exposure should not be permitted to exceed 15 per cent. of gross assets.

**9 Capitalisation and Indebtedness**

9.1 Subject to the provisions of the Articles, the Directors may exercise all the powers of the Company to borrow money and to mortgage, or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the provisions of the 1985 Act and the 2006 Act, to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

**9.2 Working capital statement**

The Company, in its opinion, has sufficient working capital for its present requirements (that is, for the twelve months following the date of this document).

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### 9 Capitalisation and Indebtedness continued

#### 9.3 Capitalisation and Indebtedness

The table below sets out the Company's total equity attributable to Shareholders and its net indebtedness as at 4 October 2010.

	4 October 2010 (unaudited management accounting information) £'000
<b>Capitalisation</b>	
Total Current Debt	–
Guaranteed	–
Secured (ZDP Shares)	84,656
Unguaranteed/Unsecured (Bank loan and other creditors)	121
Total Non-Current Debt	–
Guaranteed	–
Secured	–
Unguaranteed/Unsecured	–
Shareholders' Equity	
(a) Share Capital	8,235
(b) Legal Reserve	21,864
(c) Other Reserves	29,111
<b>Total</b>	<b>143,987</b>
<b>Indebtedness</b>	
Cash	12,334
Cash equivalent	–
Trading Securities	–
<b>Liquidity</b>	<b>12,334</b>
<b>Current Financial Receivable</b>	<b>–</b>
Current Bank Debt	–
Current portion of non-current debt	–
Other current financial debt (ZDP Shareholders and other creditors)	84,777
<b>Current Financial Debt</b>	<b>84,777</b>
<b>Net Current Financial Indebtedness</b>	<b>72,443</b>
Non current bank loans	–
Bonds issued	–
Other non-current loans	–
<b>Non-Current Financial Indebtedness</b>	<b>–</b>
<b>Net Financial Indebtedness</b>	<b>72,443</b>

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### Part VIII General Information

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#### 10 Material Contracts

The following are the contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Company during the two years prior to the date of this document or will subsequently be entered into, and are, or may be, material or are contracts, not being contracts entered into in the ordinary course of business, entered into by the Company and which contain provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document. Other than as set out below, the Company has not entered into any other contract (not being a contract entered into in the ordinary course of business) which contains any obligation or entitlement which is material to the Company as at the date of this document:

10.1 The Investment Management Agreement dated 5 October 2005 between the Company and the Investment Manager whereby the Investment Manager agreed (subject to the overall supervision and discretion of, and guidance established by, the Directors) to manage the assets of the Company and to act as company secretary in return for a management fee and a performance fee. Under the terms of the Investment Management Agreement, the Company consented to The Northern Trust Company acting as custodian of the Company's assets pursuant to a custody agreement dated 21 November 2001 (as amended) between The Northern Trust Company and the Investment Manager.

Details of the management fee are set out on page 30. The management fee is pro-rated with respect to any period which is not a complete quarter. The Investment Manager may also become entitled to a performance fee as described in Part II. The total amount of any management and performance fees payable in respect of any 12 month period will not exceed 4.99 per cent. of Total Assets (as at the last day of the relevant calculation period). This maximum will be pro-rated (upwards or downwards) in respect of any period longer or shorter than 12 months.

The Investment Management Agreement may be terminated by either party giving to the other at least two years prior notice in writing at any time. The Investment Management Agreement may also be terminated by either the Investment Manager or the Company if the other party has gone into liquidation (except a voluntary liquidation for the purposes of reconstruction or amalgamation upon terms previously agreed in writing by the other party), administration or receivership (or if some event having an equivalent effect occurs) or is unable to pay its debts as they fall due or has committed a material breach of the Investment Management Agreement and fails to remedy the same within 30 days of notice of such breach being given. It may also be terminated by the Company if the Investment Manager ceases to be authorised under FSMA (or any equivalent legislation) to manage the portfolio. The Investment Management Agreement contains provisions for the indemnification by the Company of the Investment Manager against claims by third parties made against the Investment Manager in connection with its services under the Investment Management Agreement except to the extent that the claim arises as a direct result of the negligence, wilful default or fraud of the Investment Manager.

#### 11 Overseas ZDP Shareholders

11.1 No person receiving a copy of this document in any territory other than the UK, the Channel Islands and the Isle of Man may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Shares nor should he in any event acquire, subscribe for or purchase Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the UK wishing to acquire, subscribe for or purchase Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities. No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken.

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**11 Overseas ZDP Shareholders** continued

- 11.2 The sub-division, consolidation and re-designation of Cash Elected Shares as ZDP Exit Shares and the amendment of the rights attaching to the ZDP Shares pursuant to the Proposals may, in some jurisdictions, be treated as an issue of shares to a Non-UK Shareholder requiring compliance with certain laws of such jurisdiction. This document is being made available to Non-UK Shareholders solely for the purpose of giving them notice of and information regarding the Meetings and it may not be re-distributed by any such Non-UK Shareholder in circumstances that would require the Company to take any action to register or qualify the Shares arising as a consequence of the Proposals in any jurisdiction other than the United Kingdom. To the extent that any action would be required by the Company to comply with such laws, Non-UK Shareholders in any such jurisdiction will not be regarded as having made a valid Election, whether or not such ZDP Shareholder has completed a Form of Election or a TTE Instruction (as the case may be).
- 11.3 The Shares arising as a result of the Proposals have not been and will not be registered under the US Securities Act of 1933, as amended, and such shares may not be offered, re-offered or sold within the United States or to US persons unless such shares are registered under the US Securities Act of 1933, as amended, or exempt from it. Consequently, the re-designation of ZDP Shares held by a US person and/or the issue of any ZDP Exit Shares arising as a result of the Proposals to any US person will only be undertaken in reliance on one or more exemptions from registration under the US Securities Act of 1933, as amended. ZDP Shareholders with registered addresses in the United States will be deemed not to have made a valid Election unless one of such exemptions applies and the Company, in its absolute discretion, is prepared to act on the basis of any such exemption.
- 11.4 The relevant clearances have not been, nor will they be, obtained from the securities commission of any province or territory of Canada in respect of the Shares arising as a result of the Proposals; no prospectus has been lodged with, or registered by, the Australian Securities and Investments Commission, the Japanese Ministry of Finance or any regulatory body or authority in the Republic of South Africa; and the Shares arising as a result of the Proposals have not been, nor will they be, registered under or offered in compliance with applicable securities laws of any state, province, territory or jurisdiction of Canada, Australia, Japan or the Republic of South Africa. Accordingly, no Election may be made by or on behalf of an Overseas Shareholder unless the Company is satisfied (in its absolute discretion) that an exemption under relevant securities laws is applicable.
- 11.5 By signing a Form of Election or sending a TTE Instruction the registered holder(s):
- (a) will be confirming that it has not received or sent copies of this document, a Form of Election or any related documents, in, into or from the United States, Canada, Australia, Japan or the Republic of South Africa and has not otherwise utilised in connection with the Proposals, directly or indirectly, the use of the mails of or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce of, or any facilities of a national securities exchange of, the United States, Canada, Australia or Japan; was outside the United States, Canada, Australia, Japan or the Republic of South Africa when the Form of Election was completed and despatched or the TTE Instruction was sent and at the time of making the Election, and in respect of the ZDP Shares to which the Form of Election or the TTE Instruction relates, is not an agent or fiduciary acting on a non-discretionary basis for a principal who has given any instructions with respect to the Proposals from within the United States, Canada, Australia, Japan or the Republic of South Africa; and the Form of Election has not been mailed or otherwise sent in, into or from the United States, Canada, Australia, Japan or the Republic of South Africa or signed in the United States, Canada, Australia, Japan or the Republic of South Africa and such registered holder(s) is making an Election from outside the United States, Canada, Australia, Japan or the Republic of South Africa; and

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## Part VIII General Information

### 11 Overseas ZDP Shareholders continued

- (b) will be confirming that it is not a US person or a Canadian person or a person located in Australia, Japan or the Republic of South Africa, does not hold any ZDP Shares on behalf of a US person or a Canadian person or a person located in Australia, Japan or the Republic of South Africa, and will not hold or acquire any ZDP Exit Shares to which he may become entitled pursuant to the Proposals for the account or benefit of a US or Canadian person or a person located in Australia, Japan or the Republic of South Africa with a view to the offer, sale or delivery, directly or indirectly, of any ZDP Exit Shares in or into the United States, Canada, Australia, Japan or the Republic of South Africa or to or for the account or benefit of a US person or a Canadian person or a person located in Australia, Japan or the Republic of South Africa or any other person whom such registered holder(s) has reason to believe is purchasing for the purpose of such offer, sale or delivery.

11.6 For the purposes of this paragraph 11, 'US person' means any natural person resident in the United States; any partnership or corporation organised or incorporated under the laws of the United States; any estate of which any executor or administrator is a US person; any trust of which any trustee is a US person; any agency or branch of a foreign entity located in the United States; any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a US person; any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or (if an individual) resident in the United States; and any partnership or corporation if: (i) organised or incorporated under the laws of any foreign jurisdiction; and (ii) formed by a US person principally for the purpose of investing in securities not registered under the US Securities Act 1933, as amended, unless it is organised or incorporated, and owned, by accredited investors (as defined in Rule 501(a) of Regulation D under such Act) who are not natural persons, estates or trusts. 'Canadian person' means any individual, corporation or partnership or other entity resident in Canada or created or organised under the laws of Canada or any estate or trust the income of which is subject to Canadian taxation regardless of its source.

### 12 Market Quotations

The following table shows the middle market quotations for ZDP Shares and Ordinary Income Shares as derived from the Daily Official List of the London Stock Exchange for the first dealing day in each of the six months immediately prior to the date of this document, including 4 October 2010 (the latest practicable date prior to the printing of this document):

Relevant Dates	ZDP Shares Mid market Price/p	Ordinary Income Shares Mid Market Price/p
4 May 2010	80	16
1 June 2010	79	14.25
1 July 2010	71.5	12.75
2 August 2010	79.5	12.75
1 September 2010	81.5	11.75
1 October 2010	84.5	7.5
4 October 2010	84.5	7.5

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**13 Memorandum and Existing Articles of Association**

The Articles of the Company provide that the Company's principal object is to carry on the business of an investment trust company. The objects of the Company are set out in clause 4 of the memorandum of association (as annexed to the Articles) which is available for inspection at the address set out in paragraph 16 below.

For the purposes of this paragraph 13, 'Statutes' means the 2006 Act and, where the context requires, every other statute from time to time in force concerning companies and affecting the Company. The existing articles of association ('Articles') of the Company, which were adopted by special resolution on 9 January 2009, contain provisions, *inter alia*, to the following effect:

**13.1 Rights attaching to the Ordinary Income Shares under the existing Articles****(A) Income**

The Ordinary Income Shares carry the right to receive all the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim and/or final dividend at such times as the Directors may determine.

**(B) Capital**

On a winding-up or other return of capital of the Company, the assets of the Company available for distribution after payment of all debts and satisfaction of all liabilities of the Company (including the costs of winding-up, if appropriate) and payment to holders of the ZDP Shares (as described in paragraph 13.2(B) below), will be paid to the holders of the Ordinary Income Shares (and distributed among such holders rateably according to the amounts paid or credited as paid up on the Ordinary Income Shares held by them respectively).

**(C) Voting**

The Ordinary Income Shareholders shall have the right to receive notice of, attend, speak and vote at any general meeting of the Company. Whenever the holders of Ordinary Income Shares are entitled to vote at a general meeting of the Company, upon any resolution proposed at such a general meeting, on a show of hands every holder thereof who is present in person or by proxy or (being a corporation) by a representative shall have one vote and on a poll every holder thereof who is present in person or by proxy or (being a corporation) by a representative shall have one vote in respect of each fully paid Ordinary Income Share registered in the name of such holder.

**13.2 Rights attaching to the ZDP Shares under the existing Articles****(A) Income**

The ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Company.

**(B) Capital**

On a winding-up or other return of capital of the Company, after payment of all debts and satisfaction of all liabilities of the Company there shall be paid to holders of the ZDP Shares from the surplus assets of the Company an amount equal to 66.5p per ZDP Share as increased at such rate compounded daily from 30 November 2005 as will give an entitlement to 150p per ZDP Share on 30 November 2017.

**(C) Voting**

(1) The holders of the ZDP Shares shall have the right to receive notice of, attend, speak and vote at any general meeting of the Company. Every holder of a ZDP Share present in person or (being a corporation) by a corporate representative at a meeting shall, on a show of hands and on a poll, have one vote in respect of each fully paid ZDP Share held.

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**Part VIII General Information****13 Memorandum and Existing Articles of Association** continued**13.2 Rights attaching to the ZDP Shares under the existing Articles** continued(C) *Voting* continued

- (2) In addition, the Company may not, without the previous sanction of a special resolution passed at a separate general meeting of the ZDP Shareholders convened and held in accordance with the provisions of the Articles:
- (a) issue any further shares or rights to subscribe or convert any securities into shares in the Company or reclassify issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital in priority to, or *pari passu* with, the ZDP Shares, save that the Company may, subject as provided in the Articles, issue further shares, rights or securities provided that the Directors shall have calculated and the Auditors shall have reported to the Directors on such calculations within 60 days prior to the proposed issue or reclassification that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, those ZDP Shares in issue immediately thereafter would have a Cover in excess of that which the ZDP Shares in issue immediately prior to such issue had. For this purpose, the Cover of ZDP Shares shall, at a given date, be the number of times by which the share capital and reserves of the Company as at that date exceed the aggregate amount to which the holders of the ZDP Shares as a class would be entitled on the Winding-Up Date, after account is taken of the Company's liabilities and the repayment entitlement of any prior ranking capital but unless otherwise stated before taking into account any expenses charged to capital account; or
  - (b) pass a resolution releasing the Directors from their obligations to convene a general meeting at which a resolution will be proposed requiring the Company to be wound up voluntarily in accordance with the provisions of the Articles; or
  - (c) pass a resolution to reduce the capital of the Company (including undistributable reserves and uncalled capital) or share premium account in any manner and including any resolution authorising the Company to purchase shares in the Company; or
  - (d) pass a resolution for the voluntary winding-up of the Company, such winding-up to take effect prior to the Winding-Up Date; or
  - (e) alter any objects set out in the memorandum of association of the Company; or
  - (f) increase the borrowing limit under the Articles or sanction the exceeding of such limit; or
  - (g) pass any resolution which authorises the Directors to pay a dividend or other distribution out of the capital reserves of the Company; or
  - (h) issue any debenture stock or other loan capital; or
  - (i) make any material alteration to its investment strategy.

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### Part VIII General Information

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#### 13 Memorandum and Existing Articles of Association continued

##### 13.2 *Rights attaching to the ZDP Shares under the existing Articles* continued

###### (C) *Voting* continued

- (3) Notwithstanding the provisions of paragraphs 13.2(C)(1) and 13.2(C)(2) above, if all the holders of the ZDP Shares receive an offer (whether from the Company or any other person) which is or has become unconditional prior to the Winding-Up Date and before the general meeting to be held on the Winding-Up Date is due to be held, which offer would give such holders (or holders other than the offeror and/or persons acting in concert with the offeror) not later than seven days after the date on which the said general meeting is due to be held an amount in cash not less than that to which they would be entitled on a winding-up at the date on which the said general meeting is due to be held, then (whether or not such offer is accepted in any particular case) holders of such ZDP Shares shall not thereafter be entitled to vote at any general meeting and the previous sanction of a special resolution of the holders of the ZDP Shares shall not be required in any case in which it would otherwise be required by the Articles, provided that where, notwithstanding the foregoing, such sanction is required in any case by the Statutes, all holders of such ZDP Shares present in person or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such ZDP Shares) vote in favour of any resolution or resolutions recommended by the Directors and where any vote is not cast or is cast against any such resolution or resolutions it shall be deemed to have been cast in favour, save that the preceding provisions relating to general meetings and class resolutions shall cease to apply as regards any ZDP Shareholder if any material term of the contract resulting from his acceptance of such offer is broken by the other party and the Directors consider that such default is material in the context of the offer as a whole.
- (4) Notwithstanding the provisions of paragraphs 13.2(C)(1) and 13.2(C)(2) above, if at the general meeting to be held on the Winding-Up Date at which a resolution will be proposed requiring the Company to be wound up voluntarily or at any other general meeting held within the previous 45 days there is proposed a resolution to sanction any arrangement (including, without limitation, an arrangement under section 110 of the Insolvency Act 1986), then as long as this provides for the holders of the ZDP Shares to receive their entitlement on such winding-up in cash or near cash (ignoring any option any of these holders may be given to elect to receive their entitlement otherwise than in cash) the holders of the ZDP Shares shall not be entitled to vote on such resolution to wind-up the Company or sanction such arrangement.

##### 13.3 *Tender offer to holders of ZDP Shares under the existing Articles*

In the event that (1) proposals whereby the holders of ZDP Shares are entitled to tender their shares for repurchase pursuant to a tender offer (the 'Tender Offer'), at a tender price per ZDP Share of the lower of 90p and formula asset value at that time, are not approved by Shareholders before 31 October 2010, or (2) the ZDP Shares the subject of the Tender Offer have not been contracted for repurchase by the Company for settlement on or before 30 November 2010, the provisions of Articles 176-179 'Winding Up' shall apply as if the 'Winding-Up Date' was 30 November 2010 and the final entitlement of the ZDP Shares under paragraph 13.2(B) was 90p.

##### 13.4 *Share Capital and Transfer of Shares*

###### (A) *Share Capital*

The Company in general meeting may from time to time by ordinary resolution:

- (1) increase its share capital by such sum, to be divided into shares of such amount, as the resolution prescribes;

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**13 Memorandum and Existing Articles of Association** continued**13.4 Share Capital and Transfer of Shares** continued**(A) Share Capital** continued

- (2) consolidate, or consolidate and divide all or any of its share capital into shares of larger nominal amount than its existing shares;
- (3) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the amount of the shares so cancelled; and
- (4) convert any unissued shares from one Class into another Class or otherwise alter or vary the rights attaching to any unissued shares.

Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner. The Company may also, subject to the provisions of the Statutes, purchase any of its own shares of any Class.

**(B) Transfer of Shares**

- (1) Each member may transfer all or any of his shares by instrument of transfer, in the case of certificated shares, in writing in any usual form or in any form approved by the Board. Such instrument shall be signed by or on behalf of the transferor and, in the case of partly paid shares, by or on behalf of the transferee. In relation to uncertificated shares, references in the Articles to instruments of transfer include instructions and/or notifications made in accordance with the relevant system relating to the transfer of such shares.
- (2) The Board may, in its absolute discretion but giving reason(s) for a refusal to register any share transfer together with, if required, providing such further information as the transferee may reasonably request, refuse to register a transfer unless:
  - (a) it is in respect of a share which is fully paid up;
  - (b) it is in respect of a share upon which the Company has no lien;
  - (c) it is in respect of only one Class of share;
  - (d) it is in favour of a single transferee or not more than four joint transferees;
  - (e) it is duly stamped (if so required);
  - (f) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied, except in the case of a transfer by a recognised person where a certificate has not been issued, by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or, if the transfer is executed by some other person on his behalf, the authority of that person to do so.
- (3) The Board may also refuse to register a transfer of uncertificated shares in such other circumstances as may be permitted or required by the Uncertificated Securities Regulations 2001 (**'Regulations'**) and the relevant system.
- (4) If a member or any other person appearing to be interested in shares held by that member has been issued with a notice under section 793 of the 2006 Act and is in default in relation to any shares (the **'default shares'**) for the prescribed period in supplying the information thereby required, unless the Board otherwise determines, where the default shares represent at least 0.25 per cent. of their class, no transfer of any shares held by the member shall be registered (unless within defined exceptions under the Articles of the Company).

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### Part VIII General Information

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#### 13 Memorandum and Existing Articles of Association continued

##### 13.4 *Share Capital and Transfer of Shares* continued

###### (C) *Variation of rights and alteration of capital*

Whenever the share capital of the Company is divided into different Classes of shares, the special rights attached to any Class may, subject to the provisions of the Statutes and the Articles be varied or abrogated either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that Class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that Class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. All the provisions of the Statutes and of the Articles relating to general meetings of the Company and the proceedings thereat shall, so far as applicable, apply to any such separate general meeting except that the necessary quorum at such meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of that Class (except at an adjourned meeting when the quorum shall be any holder of shares of that Class present in person or by proxy (or, in the case of a corporation, its representative). Any holder of shares of the relevant Class present in person or by proxy (or, being a corporation, by representative) may demand a poll and every such holder shall on a poll have one vote for every share of that Class held by him.

##### 13.5 *Directors*

- (A) Unless otherwise determined by the Company by ordinary resolution, the number of Directors (other than any alternate Directors) shall not be less than two nor more than ten.
- (B) The Directors (other than alternate Directors) shall be entitled to receive by way of fees for their services as Directors such sum as the Board may from time to time determine provided that the aggregate amount paid to Directors by way of fees shall not exceed £150,000, in any financial year, or such greater sum as may be determined from time to time by ordinary resolution of the Company. The Directors shall also be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in or about the performance of their duties as Directors, including expenses incurred in attending meetings. If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.
- (C) At each annual general meeting of the Company, one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not less than one third, shall retire from office save that each Director shall retire from office at or before the date of the third annual general meeting following his last appointment.
- (D) A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any arrangement, transaction or proposal in which he has an interest which may reasonably be regarded as likely to give rise to a conflict of interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply and the Director may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:
  - (1) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;
  - (2) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;

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## Reconstruction Proposals

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### Part VIII General Information

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#### 13 Memorandum and Existing Articles of Association continued

##### 13.5 *Directors* continued

- (3) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- (4) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
- (5) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- (6) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the terms is used in Part 22 of the 2006 Act) in one per cent. or more of the issued equity share capital of any class of such body corporate (calculated exclusive of any shares of that class in that company held as treasury shares) nor one per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning the Disclosure and Transparency Rules) in such body corporate;
- (7) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangements relates;
- (8) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors; or
- (9) any proposal concerning the funding of expenditure for the purposes of the fees provided to Directors for their services and/or the receipt of reasonable expenses incurred in attending meetings or doing anything to enable such Director or Directors to avoid incurring such expenditure.

##### 13.6 *Borrowing powers*

Subject as provided in the Articles of the Company, the Board may exercise all the powers of the Company to borrow money, to guarantee and to mortgage or charge its undertaking, property (present or future) and uncalled capital of the Company and, subject to the provisions of the 2006 Act, to create and issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

##### 13.7 *Reserves*

The Board may, before recommending any dividend whether preferential or otherwise, but having regard to Chapter 4 of Part 24 CTA, carry to reserves out of the profits of the Company such sums as it thinks fit. All sums standing to reserves may be applied from time to time, at the discretion of the Board, for any purpose to which profits of the Company may properly be applied and, pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board thinks fit.

##### 13.8 *Capitalisation of reserves*

The Board may with the authority of an ordinary resolution of the Company but subject to any special rights attaching to any shares:

- (A) subject as provided in the Articles, resolve to capitalise any undivided profits of the Company (whether or not they are available for distribution) or any part of any sum standing to the credit of the Company's share premium or capital redemption reserve or other undistributable reserve;

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**Part VIII General Information**

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**13 Memorandum and Existing Articles of Association** continued**13.8 Capitalisation of reserves** continued

- (B) appropriate the profits or sum resolved to be capitalised to the holders of shares in proportion in which such profits or sum would be divisible amongst them had the same been applied or been applicable in paying dividends on the shares held by them on such date as shall be fixed by or in accordance with such resolution, and to apply such profits or sum on their behalf, either in or towards paying up the amounts (if any) for the time being unpaid on any shares held by them respectively, or in the paying up in full of unissued shares or debentures of the Company of a nominal amount equal to such profits or sum, and allot the shares or debentures credited as fully paid to those members, in those proportions, or partly in one way and partly in the other, provided that, first, the share premium account, the capital redemption reserve and any profits which are not available for distribution may only be applied in paying up unissued shares to be allotted to members credited as fully paid and, secondly, in a case where any sum is applied in paying amounts for the time being unpaid on any shares of the Company or in paying up in full debentures of the Company, the amount of the net assets of the Company at that time is not less than the aggregate of the called up share capital of the Company and its undistributable reserves as shown in the latest audited accounts of the Company or such other accounts as may be relevant and would not be reduced below that amount by the payment of such sums; and
- (C) resolve that any shares allotted to holders of any partly paid shares shall, so long as such shares remain partly paid, rank for dividends only to the extent that such partly paid shares rank for dividends.

**13.9 Distribution of realised capital profits**

The Board shall establish a reserve to be called the capital reserve. All surpluses arising from the realisation or revaluation of investments and all other monies realised on or derived from the realisation, payment off of or other dealing with any capital asset in excess of the book value thereof and all other monies which are considered by the Board to be in the nature of accretion to capital reserves shall be credited to the capital reserve. Subject to the Statutes, the Board may determine whether any amount received by the Company is to be dealt with in the income account or capital reserve or partly one way and partly the other. Any losses realised on the realisation or payment off of or other dealing with any investments or other capital assets and, subject to the Statutes, any expenses, loss or liability (or provision therefor) which the Board considers to relate to a capital reserve item or which the Board otherwise considers appropriate to be debited to the capital reserve shall be carried to the debit of the capital reserve. All sums carried and standing to the credit of the capital reserve may be applied for any of the purposes for which sums standing to any revenue reserve are applicable except and provided that notwithstanding any other provision of the Articles, no part of the capital reserve or any other money in the nature of accretion to capital reserves shall be available for distribution as dividend. During any period when the Company has given notice in the prescribed form (which has not been revoked) to the Registrar of Companies of its intention to carry on business as an investment company, distribution of the Company's capital profits (within the meaning of section 833(2)(c) of the Act 2006) is prohibited, except to the extent that the requirements for investment company status under section 833 of the 2006 Act do not require a company to prohibit the distribution of its capital profits in its memorandum or articles of association.

**13.10 Distribution of assets**

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company.

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**Part VIII General Information**

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**13 Memorandum and Existing Articles of Association** continued**13.11 Uncertificated shares**

- (a) Any shares in the Company may be issued, held, registered, converted, transferred or otherwise dealt with in uncertificated form in accordance with the Uncertificated Securities Regulations 2001 (the '**Regulations**') and practices instituted by the operator of the relevant system.
- (b) Without prejudice to the generality and effectiveness of the foregoing:
  - (i) the Company shall enter on the register of members the number of shares which are held by each member in uncertificated form and in certificated form and shall maintain the register in each case as is required by the Regulations and the relevant system and, unless the Board otherwise determines, holdings of the same holder or joint holders in certificated form and uncertificated form shall be treated as separate holdings;
  - (ii) subject to the Statutes, the Board may issue shares as certificated shares or as uncertificated shares in its absolute discretion; and
  - (iii) the Board may make such arrangements or regulations (if any) as it may from time to time in its absolute discretion think fit in relation to the evidencing and transfer of uncertificated shares (subject always to the Regulations and the facilities and requirements of the relevant system concerned).
- (c) All transfers of shares in uncertificated form shall be made in accordance with and be subject to the Regulations and the facilities and requirements of the relevant system concerned.

**13.12 Dividends**

- (a) Subject to the provisions of the Statutes and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, no dividend shall exceed the amount recommended by the Board and no dividend may be paid out of capital gains.
- (b) Subject to the provisions of the Statutes, the Board may declare and pay such interim dividends as appears to the Board to be justified by the profits of the Company available for distribution.
- (c) Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. All dividends unclaimed for a period of twelve years after having been declared or become due for payment shall, at the discretion of the Board, be forfeited and shall cease to remain owing by the Company.

**13.13 General Meetings**

Each year the Company must hold an annual general meeting. The Board will decide when and where to hold the annual general meeting.

The Board may convene a general meeting at any time.

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## Reconstruction Proposals

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### Part VIII General Information

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#### 13 Memorandum and Existing Articles of Association continued

##### 13.13 *General Meetings* continued

###### (A) *Notice of general meetings*

- (1) Subject to the Statutes, an annual general meeting shall be convened by not less than 21 clear days' notice in writing and a meeting (other than an annual general meeting) shall be convened by not less than 14 clear days' notice in writing. The notice shall specify whether the meeting is an annual general meeting or a general meeting, the place, day and time of meeting, and, in the case of special business, the general nature of that business, and if the meeting is convened to consider a special resolution, the intention to propose the resolution as such together with the full text of the proposed special resolution and there shall appear with reasonable prominence in every such notice a statement to the effect that a member entitled to attend, speak and vote is entitled to appoint one or more proxies to attend, speak and, on a show of hands or a poll, vote instead of him and that a proxy need not be a member of the Company. The notice convening an annual general meeting shall specify the meeting as such. Subject to the provisions of the Statutes, notice of every general meeting shall be given in the manner specified in the Articles to all members other than those who, under the provisions of the Articles or of any restrictions imposed on any shares, are not entitled to receive such notices from the Company, and also to the Auditors.
- (2) Notwithstanding that a meeting of the Company is called by shorter notice than that specified in this paragraph, it shall be deemed to have been duly called if it is so agreed:
  - (a) in the case of a meeting called as an annual general meeting, by all the members entitled to attend and vote at it; and
  - (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.
- (3) The accidental omission to send notice of a meeting or (in cases where instruments of proxy are sent out with the notice) the accidental omission to send any such instrument of proxy to, or the non-receipt of notice of a meeting or of such an instrument of proxy by, any person entitled to receive any such notice shall not invalidate the proceedings at that meeting.

##### 13.14 *Electronic Communications*

The Articles reflect the provisions of the 2006 Act in force as at the date of this document. Accordingly, the Articles will permit the Company to deliver, *inter alia*, notices of meeting and any other documentation (which will include the Company's annual report and accounts) to Shareholders either in electronic form or by publishing such notices or documentation on the Company's website. If the Company publishes a notice or any document required to be delivered to Shareholders on the Company's website then, if the Shareholder has agreed either in advance, or is deemed to have agreed in accordance with Schedule 5 of the 2006 Act, notice will be treated as given 48 hours after such an electronic communication is sent to the Shareholder notifying them that such notice is on the Company's website.

The Articles also provide that the Directors may choose that proxies can be delivered electronically by Shareholders to the Company if they are in respect of securities which are in an uncertificated form.

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## Part VIII General Information

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### 14 Disclosure of Ownership

Section 793 of the 2006 Act provides a public company with the statutory means to ascertain the persons who are or who have within the last three years been interested in its relevant share capital and the nature of those interests.

The Articles provide that if any member has been duly issued with a notice pursuant to section 793 of the 2006 Act, or any person appearing to be interested in shares held by that member, and has failed in relation to any shares (the **'default shares'**) to give the Company the information thereby required within the prescribed period from the date of service of the notice, the following sanctions shall apply unless the Board otherwise determines: that, in respect of the shares in relation to which the default shares, the member shall not be entitled to vote at a general meeting or meeting of the holders of any class of shares of the Company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares of the Company. Where the default shares represent at least 0.25 per cent. of the class of shares concerned, then the direction notice may additionally direct that in respect of the default shares, any dividend shall be retained by the Company without any liability to pay interest thereon. No transfer other than an approved transfer of any of the shares held by such member shall be registered unless (i) the member is not himself in default as regards supplying the information required, and (ii) the member proves to the satisfaction of the Board that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer. Any direction notice shall have effect in accordance with its terms for as long as the default, in respect of which the direction notice was issued, continues but shall cease to have effect in relation to any shares which are transferred by such member by means of a transfer approved by the Board or at the end of the period of 7 days (or such shorter period as the Board may determine) following receipt by the Company of the information required by the notice and the Board being fully satisfied that such information is full and complete. The prescribed period in respect of any particular member is 28 days from the date of service of the said notice under section 793 except where the default shares represent at least 0.25 per cent. of the class of shares concerned, in which case such period shall be 14 days. A transfer of shares is an approved transfer if it is a transfer of shares to an offeror by way of or pursuant to acceptance of a takeover offer in respect of shares in the Company (Section 974 of 2006 Act) or the Directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the member and with other persons appearing to be interested in such shares or the transfer results from a sale made through a recognised investment exchange or any stock exchange outside the United Kingdom on which the Company's shares are normally traded.

### 15 General

- 15.1 The annual accounts of the Company in respect of the financial year ended 31 December 2009 have been audited and have received an unqualified audit opinion.
- 15.2 Save for the movement in the Net Asset Value per Ordinary Income Share from 0.00p as at 30 June 2010 to 1.09p as at 4 October 2010, there has been no significant change in the financial or trading position of the Company since 30 June 2010, the date to which the latest published interim financial information in respect of the Company has been made up.
- 15.3 There have been no governmental, legal or arbitration proceedings during the previous twelve months which may have or have had in the recent past, a significant effect on the Company's financial position or profitability. So far as the Company is aware, no such governmental, legal or arbitration proceedings are pending or threatened.
- 15.4 As at 4 October 2010 (the last practicable date before the printing of this document), the Company had no outstanding loan capital or loan capital created but unissued, or any term loans or any mortgages, charges, borrowings or indebtedness in the nature of borrowings, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or obligations under any acceptance credits, hire purchase commitments, finance leases, contingent liabilities or guarantees.
- 15.5 The ZDP Exit Shares are not being offered to the public. The ZDP Exit Shares are to be in registered form.

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**Part VIII General Information**

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**15 General** continued

- 15.6 The maximum amount of share capital which the Directors will have authority to allot in relation to the Bonus Issue is £68,068,934.
- 15.7 No application is being made for Common Shares to be listed, or dealt in, on any stock exchange or investment exchange other than the London Stock Exchange.
- 15.8 The Net Asset Value of the Company is calculated by the Investment Manager applying its normal accounting policies.
- 15.9 The Directors may at any time temporarily suspend the calculation of the Net Asset Value during:
- (A) any period when any of the principal markets or stock exchanges on which a substantial part of the investments of the Company are quoted is closed, otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended;
  - (B) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Directors, disposal or valuation of a substantial part of the investments of the Company is not reasonably practicable without this being seriously detrimental to the interests of the Shareholders, or in the opinion of the Directors the Net Asset Value per Share cannot be fairly calculated;
  - (C) any breakdown in the means of communication normally employed in determining the value of the investments of the Company or when for any reason the current prices on any market of a substantial part of the investments of the Company cannot be promptly and accurately ascertained; or
  - (D) any period during which the Directors are unable to repatriate funds required for the purpose of making payments due on redemption or during which the transfer of funds involved in the acquisition or realisation of investments or payments due on redemption cannot, in the opinion of the Directors, be effected at normal prices or normal rates of exchange.
- Any such suspension will be notified to the London Stock Exchange via a Regulatory Information Service notification without delay if, in the opinion of the Directors, it is likely to exceed 14 days and, where possible, all reasonable steps will be taken to bring any period of suspension to an end as soon as possible.
- 15.10 BDO Corporate Finance has given and has not withdrawn its written consent to the inclusion of its name and reference to it in this document in the form and context in which they appear. BDO Corporate Finance is authorised and regulated by the Financial Services Authority.
- 15.11 Ernst & Young LLP were appointed as the Company's auditors on 30 November 1999, and are a member of the Institute of Chartered Accountants in England and Wales.
- 15.12 The Company does not hold any treasury shares as at the date of this document.
- 15.13 The Investment Manager has given and has not withdrawn its written consent to the inclusion of its name and reference to it in this document in the form and context which it appears.
- 15.14 The information contained in this document which is sourced from third parties has been accurately reproduced, and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the information inaccurate or misleading.
- 15.15 No person has been authorised to give any information or to make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised. This document does not constitute an offer to sell or the solicitation of an offer to buy any securities in any circumstances in which such offer or solicitation is unlawful. The publication or delivery of this document shall not under any circumstances imply that the information contained herein is correct as at any time subsequent to the date hereof or that there has not been any change in the affairs of the Company since the date hereof.

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## Part VIII General Information

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### 15 General continued

15.16 Since its incorporation the Company has complied fully with the corporate governance regime in England and Wales. The Board has put in place arrangements which it considers appropriate for a closed-end company to ensure proper corporate governance and to enable the Company to continue to comply with the recommendations of the Combined Code.

15.17 The maximum amount of fees which are payable by the Company which are or may be material, are calculated by reference to the assets of the Company, as set out above, and cannot therefore be quantified.

15.18 There are no arrangements under which future dividends are waived or agreed to be waived.

15.19 No Shares are offered for sale.

15.20 There is no over-allotment or green-shoe facility.

15.21 The ZDP Exit Shares being issued pursuant to the Bonus Issue will be issued on a non-pre-emptive basis to allow the Company to pursue its investment objective.

### 16 Documents on Display

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of Stephenson Harwood, One St. Paul's Churchyard, London EC4M 8SH up to and including the close of business on 30 November 2010:

16.1 this Prospectus;

16.2 the memorandum and articles of association of the Company and the Revised Articles;

16.3 the audited report and accounts of the Company for the financial periods ended 31 December 2007, 31 December 2008 and 31 December 2009 and the unaudited interim accounts of the Company for the period ended 30 June 2010;

16.4 the contract described in paragraph 10 above;

16.5 the consents referred to in paragraphs 15.10 and 15.13 above;

16.6 the Forms of Election, Forms of Direction and Forms of Proxy; and

16.7 the clearance under section 701 Income Tax Act 2007 and section 749 CTA granted by HMRC by letter dated 25 August 2010 in respect of the Proposals, referred to in Part VI of this document.

### *Availability of Prospectus*

Copies of this document are available for viewing at the National Storage Mechanism on the following link [www.hemscott.com/nsm.do](http://www.hemscott.com/nsm.do). Copies of this document may also be collected, free of charge, during normal business hours from the registered office of the Company and are available for electronic download from [www.jupiterassetmanagement.co.uk](http://www.jupiterassetmanagement.co.uk), or on request from the Investment Manager by telephone on +44 (0)845 30 60 100 or by email to [investmentcompanies@jupiter-group.co.uk](mailto:investmentcompanies@jupiter-group.co.uk).

## Reconstruction Proposals

## Part IX Documentation Incorporated by Reference

The Unaudited Interim Accounts for the six months ended 30 June 2010 and the Annual Report and Accounts of the Company for each of the financial years ended 31 December 2007, 2008 and 2009 are available for inspection in accordance with Part VIII of this document. The Interim Accounts for the six months ended 30 June 2010 and the Annual Report and Accounts for the financial year ended 31 December 2009, are also available on the Company's website at [www.jupiteronline.co.uk](http://www.jupiteronline.co.uk).

The table below sets out the various sections of the documents that are incorporated by reference into this document so as to provide information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information, that according to the particular nature of the Company and the Proposals, is necessary to enable Shareholders to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company.

Document	Section	Page numbers in such document
<b>2010 Interim Accounts</b>	Interim Financial Statements for the six months to 30 June 2010 (including the comparative financial information for six months to 30 June 2009) and Notes to the Accounts	16-23
	Chairman's statement	7-8
	Manager's review	9-10
<b>2009 Annual Report and Accounts</b>	2009 Financial Statements (including the comparative financial information for 2008) and Notes to the Accounts	22-38
	2009 Report of the Auditors	21
	Corporate Governance	15-17
	Chairman's statement	8
	Managers Review	9
<b>2008 Annual Report and Accounts</b>	2008 Financial Statements (including the comparative financial information for 2007) and Notes to the Accounts	22-38
	2008 Report of the Auditors	21
	Chairman's statement	8
	Managers Review	9
<b>2007 Annual Report and Accounts</b>	2007 Financial Statements (including the comparative financial information for 2006) and Notes to the Accounts	31-49
	2007 Report of the Auditors	29-30
	Chairman's statement	6-7
	Managers Review	8-9

## Reconstruction Proposals

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**■ Directors, Investment Manager and Advisers**


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<b>Directors of the Company</b>	Martin Boase Keith Bray Reef Hogg The Rt. Hon. The Lord Hamilton of Epsom all of 1 Grosvenor Place, London SW1X 7JJ
<b>Registered Office</b>	1 Grosvenor Place London SW1X 7JJ
<b>Sponsor</b>	BDO Corporate Finance 55 Baker Street London W1 U 7EU
<b>Auditors</b>	Ernst & Young LLP 1 More London Place London SE1 2AF
<b>Registrars</b>	Capita Registrars Northern House Woodsome Park Fenay Bridge Huddersfield West Yorkshire HD8 0GA Telephone 0871 664 0300 (Lines are open from 8.30am to 5.00pm Monday to Friday. Calls cost 10 pence per minute plus network charges) Tel (overseas): +44 208 639 3399 Fax: 020 8639 2342 Email: <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a> Website <a href="http://www.capitaregistrars.com">www.capitaregistrars.com</a>
<b>Receiving Agent</b>	Capita Registrars Corporate Actions Department 1 The Registry 34 Beckenham Road Beckenham Kent BR3 4TU Telephone 0871 664 0300 (Lines are open from 8.30am to 5.00pm Monday to Friday. Calls cost 10 pence per minute plus network charges) Tel (overseas): +44 208 639 3399 Fax: 020 8639 2342 Email: <a href="mailto:ssd@capitaregistrars.com">ssd@capitaregistrars.com</a> Website <a href="http://www.capitaregistrars.com">www.capitaregistrars.com</a>
<b>Investment Manager and Secretary</b>	Jupiter Asset Management Limited 1 Grosvenor Place London SW1X 7JJ <a href="http://www.jupiteronline.co.uk">www.jupiteronline.co.uk</a> <a href="mailto:investmentcompanies@jupiter-group.co.uk">investmentcompanies@jupiter-group.co.uk</a> Authorised and regulated by the Financial Services Authority Telephone: 020 7412 0703 Facsimile: 020 7314 4873

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## Reconstruction Proposals

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### ■ Directors, Investment Manager and Advisers

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**Solicitors to the Company**

Stephenson Harwood  
One, St. Paul's Churchyard  
London EC4M 8SH

**Administrator**

Jupiter Administration Services Limited  
1 Grosvenor Place  
London SW1X 7JJ

**Custodian**

The Northern Trust Company Limited  
50 Bank Street  
Canary Wharf  
London E14 5NT  
Telephone: 020 7982 2000

**Stockbrokers to the Company**

Cenkos Securities plc  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

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## Reconstruction Proposals

### Definitions

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

'1985 Act'	the Companies Act 1985, as amended
'2006 Act'	the Companies Act 2006
'Admission'	the date upon which the ZDP Shares to be redesignated as Common Shares are admitted to a premium listing on the Official List and to trading on the London Stock Exchange's Main Market and the ZDP Exit Shares to be issued pursuant to the Bonus Issue, are admitted to a standard listing on the Official List and to trading on the London Stock Exchange's Main Market of such ZDP Exit Shares to be issued pursuant to the Bonus Issue becoming effective in accordance with the Listing Rules and the LSE Admission Standards respectively
'Amendment'	the amendment of the Official List of the UK Listing Authority in respect of the ZDP Shares
'Articles'	the articles of association of the Company
'Assumptions'	the principal bases and assumptions set out in Part IV
'Auditors'	Ernst & Young LLP, the auditors of the Company
'BDO Corporate Finance'	BDO Corporate Finance, a division of BDO LLP, Chartered Accountants, which is authorised and regulated in the UK by the FSA to carry on investment business
'Benchmark Index'	FTSE All Share Index
'Bonus Issue'	the bonus issue of ZDP Exit Shares to be made on or around 16 November 2010 in accordance with the Proposals and in particular as described in paragraph 4 of Part V
'business day'	a day (not being Saturday or Sunday) on which banks are open for business in London
'Calculation Date'	the time and date determined by the Directors for the calculation of FAV per ZDP Share expected to be at close of business on 15 November 2010
'Capita Registrars'	a trading division of Capita Registrars Limited
'Cash Elected Shares'	the ZDP Shares in respect of which the holder has made a valid election to receive cash under the Proposals
'Cash Option'	the option being made available under the Proposals for ZDP Shareholders to receive cash in respect of some or all of their holding
'certificated' or 'in certificated form'	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)
'Class'	a class of shares in the capital of the Company, the rights attaching to which are set out in the Articles from time to time
'Class Meetings'	the Ordinary Income Shareholders Meeting and the ZDP Shareholders Meeting

## Reconstruction Proposals

## Definitions

'Commission'	the Securities Exchange Commission
'Common Shareholders'	holders of Common Shares
'Common Shares'	the common shares of par value 3.967705 pence each in the capital of the Company, having the rights set out in the Revised Articles
'Common Share Proportion'	the proportion of dividends and capital distributions to which Common Shares are entitled to share <i>pari passu</i> with Ordinary Income Shares after implementation of the Proposals, as defined in the Revised Articles and described in Part II of this document under the heading 'Capital Structure'
'Company'	Jupiter Dividend & Growth Trust PLC
'Conditions'	the conditions attaching to the implementation of the Proposals, namely those set out in paragraph 1 of Part V of this document
'Continuing ZDP Shareholders'	holders of Continuing ZDP Shares
'Continuing ZDP Shares'	the zero dividend preference shares of par value 3.967705 pence each in the capital of the Company, having amended rights pursuant to the implementation of the Proposals
'Court'	the High Court of Justice
'Court Approval'	confirmation by the Court of the Reduction of Capital
'CREST'	the relevant system (as defined in the Uncertificated Securities Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear
'CTA'	Corporation Tax Act 2010
'Custodian'	The Northern Trust Company Limited
'Directors' or 'Board'	the directors of the Company for the time being or the board of directors from time to time of the Company, as the case may require
'Disclosure and Transparency Rules'	the disclosure and transparency rules of the UKLA
'EEA States'	states which are members of the European Economic Area
'Effective Date'	the date on which the Proposals become effective, which is expected to be 30 November 2010
'Election'	a valid election to receive cash and/or Common Shares under the Proposals
'Euroclear'	Euroclear UK & Ireland Limited, a company incorporated in England and Wales with registered number 02878738
'Fixed Capital Entitlement of the Common Shares'	the entitlement of the Common Shares set out in the Revised Articles to receive a fixed capital entitlement <i>pari passu</i> with the Continuing ZDP Shares on the Winding-Up Date of 150p
'Forms of Direction'	the forms of direction for use by investors in the Jupiter Savings Scheme or ISA in connection with the Proposals and 'Form of Direction' shall be construed accordingly

## Reconstruction Proposals

## Definitions

'Forms of Election'	the forms of election for use by registered ZDP Shareholders (holding ZDP Shares in certificated form) in connection with the Proposals and 'Form of Election' shall be construed accordingly
'Forms of Proxy'	the forms of proxy for use by Shareholders in connection with the Proposals, and 'Form of Proxy' shall be construed accordingly
'FAV per ZDP Share'	the Net Asset Value attributable to a ZDP Share on the Calculation Date, reduced (on a <i>pro rata</i> basis) by an amount estimated by the Board to be equal to the costs and expenses incurred and to be incurred by the Company in formulating and implementing the Proposals
'FSA'	the Financial Services Authority
'FSA Rules'	the Conduct of Business Rules of the FSA
'FSMA'	the UK Financial Services and Markets Act 2000, as amended
'FTSE All Share Index'	the Financial Times Stock Exchange All-Share Index, as calculated and announced by FTSE International (and which includes any successor index compiled by FTSE International) under the name FTSE All-Share
'General Meeting'	the general meeting convened for 10.40am on 29 October 2010 (or any adjournment thereof), notice of which is set out at the end of this document
'HMRC'	Her Majesty's Revenue & Customs
'Initial Total Assets'	the value of the Total Assets attributable to the Continuing ZDP Shares, the Ordinary Income Shares and the Common Shares immediately following the Effective Date
'Investment Management Agreement'	the agreement entered into between the Company and the Investment Manager dated 5 October 2005 pursuant to which the Investment Manager manages the assets of the Company
'Investment Manager'	Jupiter Asset Management Limited
'ISA Regulations'	the Individual Savings Account Regulations 1998 SI 1998/1870 (as amended by the Individual Savings Account (Amendment) Regulations 2009 SI 2009/1550 or otherwise further amended)
'ISA'	an individual savings account maintained in accordance with the ISA Regulations
'Jupiter Savings Scheme'	the savings scheme administered by the Investment Manager
'Jupiter' or 'Jupiter Group'	Jupiter Fund Management PLC and/or its subsidiaries or any of them
'Listing Rules'	the listing rules made by the UKLA under Section 73A of FSMA
'London Stock Exchange'	London Stock Exchange plc
'London Stock Exchange's Main Market' or 'Main Market'	London Stock Exchange's market for larger and established companies
'LSE Admission Standards'	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for securities admitted to the Official List

## Reconstruction Proposals

## Definitions

'Meeting'	any of the Class Meetings and the General Meeting as the context requires
'Net Asset Value' and 'NAV'	the value of the assets of the Company less its liabilities, determined in accordance with the accounting principles and policies adopted by the Company from time to time or, as the context requires, the Net Asset Value of each ZDP Share and/or Ordinary Income Share and/or Common Share and/or Continuing ZDP Share calculated in accordance with the Company's accounting principles and policies
'Non-UK Shareholder'	any Shareholder who has an address on the Register that is outside the United Kingdom, the Channel Islands or the Isle of Man
'Official List'	the official list of the UK Listing Authority
'Ordinary Income Shareholders'	holders of Ordinary Income Shares
'Ordinary Income Shareholders Meeting'	the separate general meeting of the Ordinary Income Shareholders convened for 10.35am on 29 October 2010, notice of which is set out at the end of this document (or any adjournment thereof)
'Ordinary Income Shares'	the ordinary income shares of par value 8.982747 pence each in the capital of the Company, having amended rights pursuant to implementation of the Proposals
'Ordinary Income Share Proportion'	the proportion of dividends and capital distributions to which Ordinary Income Shares are entitled to share <i>pari passu</i> with the Common Shares after implementation of the Proposals, as defined in the Revised Articles and described in Part II of this document under the heading 'Capital Structure'
'Overseas ZDP Shareholder'	any ZDP Shareholder who has an address on the Register that is in the United States, Canada, Japan, Australia or the Republic of South Africa
'Packaged Unit Holders'	holders of Packaged Units
'Packaged Units'	packaged units in the Company, each comprising one Ordinary Income Share and one ZDP Share which are separately tradeable (but not listed in their own right)
'PDMRs'	persons discharging managerial responsibilities, defined in Section 96B of FSMA as a Director of the Company who: (i) has regular access to inside information relating directly or indirectly to the Company, and (ii) has the power to make managerial decisions affecting the future development and business prospects of the Company
'Proposals'	the proposals relating to the reconstruction of the Company described in this document, including the Reduction of Capital
'Prospectus Rules'	the prospectus rules made by the UKLA under Section 84 of FSMA
'Receiving Agent'	Capita Registrars
'Redemption Yield'	in respect of a ZDP Share, the annually compounded rate of interest at which the discounted final capital entitlement equates to its actual or assumed value at the date of calculation
'Reduction of Capital'	the reduction of the share capital of the Company by the cancellation of the ZDP Exit Shares as described in this document

## Reconstruction Proposals

## Definitions

'Register'	the register of members of the Company
'Registrar'	the Company's registrar, Capita Registrars
'Regulatory Information Service' or 'RIS'	a regulatory information service that is on the list of regulatory information services maintained by the FSA
'Resolutions'	the resolutions to be proposed at the Class Meetings and at the General Meeting other than the Winding-Up Resolutions
'Revised Articles'	the Articles of the Company to be proposed at the General Meeting
's110 Scheme'	a scheme of reconstruction on voluntary liquidation pursuant to section 110 Insolvency Act 1986
'Shareholder'	a registered holder of Shares (or, as the context requires a holder of Shares whether registered or holding through the Jupiter Savings Scheme or ISA)
'Shares'	Ordinary Income Shares, ZDP Shares, Continuing ZDP Shares, Common Shares and/or ZDP Exit Shares as the context requires
'Special Reserve Account'	the special reserve account of the Company appearing in the most recent audited accounts of the Company
'Sponsor'	BDO Corporate Finance
'Total Assets'	the total assets of the Company (and subsidiary undertaking if any) from time to time which, for the avoidance of doubt, shall include any drawn down borrowings less current liabilities (excluding contingent liabilities), and shall also include the value of the ZDP Shares or Continuing ZDP Shares or Common Shares (as appropriate) regardless of their classification on the Company's balance sheet
'TTE Instruction'	a transfer to escrow instruction (as described in the CREST Manual issued by Euroclear)
'UKLA' or 'UK Listing Authority'	the Financial Services Authority acting in its capacity as competent listing authority for listing in the United Kingdom pursuant to Part VI of the Financial Services and Markets Act 2000
'Uncertificated Securities Regulations'	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
'uncertificated' or 'in uncertificated form'	a share or other security title to which is recorded in the relevant register of the share or security as being held in uncertificated form, in CREST, and title to which, by virtue of the Uncertificated Securities Regulations, may be transferred by means of CREST
'United States', 'USA' or 'US'	the United States of America, its territories and possessions, including the states and the District of Columbia
'Winding-Up Date'	30 November 2017
'Winding-Up Resolutions'	the resolutions to wind up the Company, appoint liquidators and related matters, to be proposed as special resolutions which will be proposed at the General Meeting only if the Resolutions are not passed
'ZDP Exit Shares'	the ZDP Shares in respect of which the holder has made a valid election to receive cash under the Proposals

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## Reconstruction Proposals

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### ■ Definitions

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'ZDP Exit Shareholders'	the holders of the ZDP Exit Shares
'ZDP Shareholders Meeting'	the separate general meeting of the ZDP Shareholders convened for 10.30am on 29 October 2010, notice of which is set out at the end of this document (or any adjournment thereof)
'ZDP Shareholders'	holders of ZDP Shares
'ZDP Shares'	the zero dividend preference shares of par value 3.967705 pence each in the capital of the Company

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## Reconstruction Proposals

**Notice of Zero Dividend Preference Shareholders' Meeting****JUPITER DIVIDEND & GROWTH TRUST PLC***(Incorporated and registered in England and Wales with number 3852295)**(An investment company within the meaning of section 833 of the Companies Act 2006)*

NOTICE IS HEREBY GIVEN that a separate general meeting of the holders of zero dividend preference shares of 3.967705 pence each in the Company will be held at 1 Grosvenor Place, London SW1X 7JJ at 10.30am on 29 October 2010 for the purpose of considering and, if thought fit, passing the following resolution as a special resolution, namely:

**SPECIAL RESOLUTION**

THAT the holders of the zero dividend preference shares of 3.967705 pence each in the Company ('ZDP Shares') hereby sanction and consent to:

- (A) the passing, as special resolutions of the Company, of the first two resolutions set out in the notice convening a general meeting of the Company to be held on 29 October 2010 contained in the circular of the Company dated 6 October 2010 (a copy of which circular has been produced to the meeting and signed for the purpose of identification by the chairman thereof) and the carrying into effect of such resolutions (each as defined in the said circular); and
- (B) any and all variations or abrogations (including any deemed variation or abrogation) of the rights and privileges attached to the said ZDP Shares which will or may result from the passing and the carrying into effect of such resolutions or otherwise as may be effected thereby or involved therein.

*Registered office:*

1 Grosvenor Place  
London SW1X 7JJ

By Order of the Board  
Jupiter Asset Management Limited  
*Company Secretary*

Dated 6 October 2010

**Notes:**

- ZDP Shareholders entitled to attend, speak and vote at the ZDP Shareholders' Meeting are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document. In the case of joint shareholders, only one need sign the Form of Proxy. The vote of the senior joint shareholder will be accepted to the exclusion of the votes of the other joint shareholders. For this purpose, seniority will be determined by the order in which the names of the shareholders appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you from attending and voting in person at the ZDP Shareholders' Meeting should you wish to do so. A proxy need not be a shareholder of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of the form for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act. All forms must be signed and returned in the same envelope.
- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the ZDP Shareholders' Meeting to be held on 29 October 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is

## Reconstruction Proposals

### Notice of Zero Dividend Preference Shareholders' Meeting

a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 10.30am on 27 October 2010 in respect of the ZDP Shareholders' Meeting. Any such messages received before such time will be deemed to have been received at such time.

- 3 You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words 'the Chairman of the Meeting' on the Form of Proxy and insert the full name of your appointee.
- 4 You can instruct your proxy how to vote on each resolution by ticking the 'For' or 'Against' boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked 'Vote Withheld'. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the ZDP Shareholders' Meeting.
- 5 A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.
- 6 The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU at 10.30am on 27 October 2010 in respect of the ZDP Shareholders' Meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time.

On completing the Form of Proxy, sign it and return it to Capita Registrars at the address shown on the reverse of the Form of Proxy. As postage has been pre-paid no stamp is required. You may, if you prefer, return the Form of Proxy in a sealed envelope to the address shown above.

- 7 The total number of ZDP Shares in issue in the Company is 91,675,333. On a vote by a show of hands, every ZDP Shareholder who (being an individual) is present in person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll, every ZDP Shareholder who is present in person or by proxy shall have one vote for every ZDP Share in the Company held by him.
- 8 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to Regulation 41 of the UK Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the ZDP Shareholders' Meeting or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00pm on 27 October 2010 (or 6.00pm on the date two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.

## Reconstruction Proposals

**Notice of Ordinary Income Shareholders' Meeting****JUPITER DIVIDEND & GROWTH TRUST PLC**

*(Incorporated and registered in England and Wales with number 3852295)*

*(An investment company within the meaning of section 833 of the Companies Act 2006)*

NOTICE IS HEREBY GIVEN that a separate general meeting of the holders of Ordinary Income Shares of 8.982747 pence each in the Company will be held at 1 Grosvenor Place, London SW1X 7JJ at 10.35am on 29 October 2010 (or so soon thereafter as the meeting of the holders of zero dividend preference shares of 3.967705 pence each in the Company convened for the same date and place shall have concluded or been adjourned) for the purpose of considering and, if thought fit, passing the following resolution as a special resolution, namely:

**SPECIAL RESOLUTION**

THAT the holders of the ordinary income shares of 8.982747 pence each in the Company ('Ordinary Income Shares') hereby sanction and consent to:

- (A) the passing, as special resolutions of the Company, of the first two resolutions set out in the notice convening a general meeting of the Company to be held on 29 October 2010 contained in the circular of the Company dated 6 October 2010 (a copy of which circular has been produced to the Meeting and signed for the purpose of identification by the chairman thereof) and the carrying into effect of such resolutions (each as defined in the said circular); and
- (B) any and all variations or abrogations (including any deemed variation or abrogation) of the rights and privileges attached to the said Ordinary Income Shares which will or may result from the passing and the carrying into effect of such resolutions or otherwise as may be effected thereby or involved therein.

*Registered office:*

1 Grosvenor Place  
London SW1X 7JJ

By Order of the Board  
Jupiter Asset Management Limited  
*Company Secretary*

Dated: 6 October 2010

**Notes:**

- 1 Ordinary Income Shareholders entitled to attend, speak and vote at the Ordinary Income Shareholders' Meeting are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document. In the case of joint shareholders, only one need sign the Form of Proxy. The vote of the senior joint shareholder will be accepted to the exclusion of the votes of the other joint shareholders. For this purpose, seniority will be determined by the order in which the names of the shareholders appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you from attending and voting in person at the Ordinary Income Shareholders' Meeting should you wish to do so. A proxy need not be a shareholder of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of the form for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act. All forms must be signed and returned in the same envelope.
- 2 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Ordinary Income Shareholders' Meeting to be held on 29 October 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

## Reconstruction Proposals

### Notice of Ordinary Income Shareholders' Meeting

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 10.35am on 27 October 2010 in respect of the Ordinary Income Shareholders' Meeting. Any such messages received before such time will be deemed to have been received at such time.

- 3 You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words 'the Chairman of the Meeting' on the Form of Proxy and insert the full name of your appointee.
- 4 You can instruct your proxy how to vote on each resolution by ticking the 'For' or 'Against' boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked 'Vote Withheld'. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the Ordinary Income Shareholders' Meeting.
- 5 A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.
- 6 The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU at 10.35am on 27 October 2010 in respect of the Ordinary Income Shareholders' Meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time.  
On completing the Form of Proxy, sign it and return it to Capita Registrars at the address shown on the reverse of the Form of Proxy. As postage has been pre-paid no stamp is required. You may, if you prefer, return the Form of Proxy in a sealed envelope to the address shown above.
- 7 The total number of Ordinary Income Shares in issue in the Company is 91,675,333. On a vote by a show of hands, every Ordinary Income Shareholder who (being an individual) is present in person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll, every Ordinary Income Shareholder who is present in person or by proxy shall have one vote for every Ordinary Income Share in the Company held by him.
- 8 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

Pursuant to Regulation 41 of the UK Uncertificated Securities Regulations 2001, in order to be able to attend and vote at the Ordinary Income Shareholders' Meeting or any adjourned meeting (and also for the purpose of calculating how many votes a person may cast), a person must have his/her name entered on the register of members of the Company by 6.00pm on 27 October 2010 (or 6.00pm on the date two days before any adjourned meeting). Changes to entries on the register of members after this time shall be disregarded in determining the rights of any person to attend, speak or vote at the meeting.

## Reconstruction Proposals

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**Notice of General Meeting**


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**JUPITER DIVIDEND & GROWTH TRUST PLC***(Incorporated in England and Wales with number 3852295)**(An investment company within the meaning of section 833 of the Companies Act 2006)*

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at 1 Grosvenor Place, London SW1X 7JJ at 10.40am on 29 October 2010 for the purpose of considering and, if thought fit, passing the following resolutions, of which all of the resolutions will be proposed as special resolutions:

**SPECIAL RESOLUTIONS****THAT:**

- 1 Conditional on the Resolutions to be proposed at the Class Meetings having been approved:
  - (A) terms used in this resolution and not otherwise defined bear the same meanings as in the circular to shareholders in the Company dated 6 October 2010 save where the context otherwise requires;
  - (B) the Proposals be and are hereby approved and that the Directors (or a duly authorised committee of the Directors) be and are hereby directed to implement the Proposals;
  - (C) the Directors be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act'), without prejudice to and in addition to all existing authorities given to them, to exercise all the powers of the Company to allot shares in the Company (within the meaning of section 540 of the Act) up to an aggregate nominal amount of £68,480,683 for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) on the date which is twelve months after the date of the passing of this resolution;
  - (D) in substitution for all existing powers under section 570 of the Act, the Directors be and are hereby empowered pursuant to section 570 of the Act to allot or sell equity securities (as defined in section 560(1) of the Act) for cash pursuant to the authority conferred on the Directors by resolution 1(C), as if section 561(1) of the Act did not apply to such allotment, provided that this power shall be limited to the allotment or sale of equity securities up to an aggregate nominal amount of £411,748, and shall expire at the end of the next annual general meeting of the Company or, if earlier, on 30 November 2011 (unless previously revoked or varied by the Company in general meeting) save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted or sold after such expiry and the Directors may allot or sell equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired;
  - (E) each of the Cash Elected Shares be and is hereby divided into two shares of 1.9838525 pence each, and every two such shares of 1.9838525 pence each shall thereupon be consolidated into one ZDP Exit Share of 3.967705 pence each having the rights set out in the amended articles of association of the Company as set out in resolution 1(G) below (the 'Revised Articles');
  - (F) the Directors be and are hereby authorised to redesignate in accordance with the Proposals ZDP Shares into Common Shares of 3.967705 pence each having the rights set out in the Revised Articles, in accordance with the Elections made pursuant to the Proposals;
  - (G) the Articles of Association of the Company be and are hereby amended by:
    - (1) (i) inserting the following at the end of Article 2: 'The definitions contained in the circular to shareholders in the Company dated 6 October 2010 (the 'Circular') have the same meanings in these Articles save where the context otherwise requires';
    - (ii) by inserting the following definitions:
 

'Common Shares: common shares of 3.967705 pence each in the capital of the Company having the rights set out in these Articles';

'Common Share Proportion: at any time, shall be the Common Share Proportion as determined in accordance with Article 180';

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## Reconstruction Proposals

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### ■ Notice of General Meeting

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‘Ordinary Income Share Proportion: at any time, shall be the Ordinary Income Share Proportion as determined in accordance with Article 180’;

‘ZDP Exit Shares: zero dividend preference exit shares of 3.967705 pence each in the capital of the Company having the rights set out in these Articles’;

(iii) by deleting the definitions of ‘Formula Asset Value’ and ‘Cover’.

(2) the deletion of Article 5 and the substitution therefor of the following new Article 5:

5(A) The Ordinary Income Shares, ZDP Shares, Common Shares and the ZDP Exit Shares shall have attached to them the rights and privileges, and shall be subject to the limitations and restrictions, set out in these Articles.

5(B) *Rights attaching to the Ordinary Income Shares*

(i) Income

Provided that the Proposals (as defined in the Circular) have been implemented and with effect from 1 December 2010, the Ordinary Income Shares carry the right to receive the Ordinary Income Share Proportion, *pari passu* with the Common Shares in respect of the Common Share Proportion, of the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim or final dividend at such times as the Directors of the Company may determine.

If the Proposals are not implemented by 30 November 2010 and, in any event, until such date, the Ordinary Income Shares carry the right to receive all the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim or final dividend at such times as the Directors of the Company may determine.

(ii) Capital

The surplus assets of the Company available for distribution on a winding-up or other return of capital of the Company, after payment of all debts and satisfaction of all liabilities of the Company (including the costs of winding-up, if appropriate) but before payment to the holders of the ZDP Shares (as described in Article 5(C)(ii)) and the Common Shares (as described in Article 5(D)(ii)(A)(i) or 5(D)(ii)(B), as the case may be) are referred to hereinafter as the “**Surplus Assets**”.

On a winding-up or other return of capital of the Company, the holders of Ordinary Income Shares shall be entitled to share in the Surplus Assets as follows:

(a) if the Proposals have been implemented, an amount equal to the Ordinary Income Share Proportion of the Surplus Assets less the entitlements to payment of the holders of the ZDP Shares as described in Article 5(C)(ii) will be paid to the holders of the Ordinary Income Shares (and distributed among such holders rateably according to the amounts paid or credited as paid up on the Ordinary Income Shares held by them respectively) *pari passu* with the entitlement of the holders of Common Shares as described in Article 5(D)(ii)(A)(ii); and

(b) if the Proposals have not been implemented, all of the Surplus Assets after payment to the holders of the ZDP Shares (as described in Article 5(C)(ii)), the Common Shares (as described in Article 5(D)(ii)(B)) and the ZDP Exit Shares (as described in Article 5(E)(ii)), will be paid to the holders of the Ordinary Income Shares (and distributed among such holders rateably according to the amounts paid or credited as paid up on the Ordinary Income Shares held by them respectively).

(iii) Voting

The holders of Ordinary Income Shares shall have the right to receive notice of, to attend, speak and vote at any general meeting of the Company. Every holder of an Ordinary Income

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## Reconstruction Proposals

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### ■ Notice of General Meeting

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Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall, on a show of hands, have one vote and on a poll every such holder present in person or by proxy shall have one vote in respect of each Ordinary Income Share held.

#### 5(C) Rights attaching to the ZDP Shares

(i) Income

The ZDP Shares carry no rights to receive dividends out of the revenue or any other profits of the Company.

(ii) Capital

On a winding-up or other return of capital of the Company (excluding, for the avoidance of doubt, the Reduction of Capital) after payment of all debts and satisfaction of all liabilities of the Company there shall be paid to the holders of the ZDP Shares from the surplus assets of the Company either (a) if the Proposals are implemented by 30 November 2010, *pari passu* with the entitlement of the holders of Common Shares referred to in Article 5(D)(ii)(A)(i) (and in priority to any payment to the holders of Ordinary Income Shares as described in Article 5(B)(ii)(a) and the holders of Common Shares as described in Article 5(D)(ii)(A)(ii)), an amount equal to 66.5p per ZDP Share as increased at such rate compounded daily from 30 November 2005 as will give an entitlement of 150 pence on 30 November 2017 or, (b) if the Proposals are not implemented by 30 November 2010, *pari passu* with the entitlement of the holders of Common Shares and ZDP Exit Shares referred to in Article 5(D)(ii)(B) and Article 5(E)(ii) respectively (and in priority to any payment to the holders of Ordinary Income Shares as described in Article 5(B)(ii)(b)), an amount equal to 66.5p per ZDP Share as increased at such rate compounded daily from 30 November 2005 as will give an entitlement to 90p per ZDP Share on 30 November 2010.

(iii) Voting

(i) The holders of the ZDP Shares shall have the right to receive notice of, and the right to attend, speak and vote at any general meeting of the Company. Every holder of a ZDP Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall on a show of hands have one vote and on a poll every such holder present in person or by proxy or (being a corporation) by a corporate representative shall have one vote in respect of each fully paid ZDP Share held.

(ii) Save as provided in Articles 5(C)(iii)(iii) and 5(C)(iii)(iv) below, the Company shall not without the previous sanction of a special resolution of the holders of the ZDP Shares passed at a separate meeting of such holders convened and held in accordance with the provisions of the Articles:

(A) issue any further shares or rights to subscribe or convert any securities into shares in the Company or reclassify issued share capital into shares of a particular class where such shares rank, or would on issue, conversion or reclassification rank, as to capital in priority to, or *pari passu* with, the ZDP Shares, save that the Company may, subject as provided in the Articles, issue further shares, rights or securities provided that the Directors shall have calculated and the Company's Auditors shall have reported to the Directors on such calculations within 60 days prior to the proposed issue or reclassification that, were the further shares to be issued or the shares to be reclassified or rights of subscription or conversion to be issued and immediately exercised at the date of the report, those ZDP Shares in issue immediately thereafter would have a Cover equal to or in excess of that which the ZDP Shares in issue immediately prior to such issue had. For this purpose, the Cover of ZDP Shares shall, at a given date, be the number of times by which the Ordinary Income Share Proportion of the share capital and reserves (excluding

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- revenue reserves) of the Company as at that date exceed the aggregate amount to which the holders of the ZDP Shares as a class would be entitled on the Winding-Up Date, after account is taken of the Company's liabilities;
- (B) pass a resolution releasing the Directors from their obligations to convene a general meeting at which a resolution will be proposed requiring the Company to be wound up voluntarily; or
  - (C) pass a resolution to reduce the capital of the Company (including undistributable reserves and uncalled capital) or share premium account in any manner and including any resolution authorising the Company to purchase shares in the Company; or
  - (D) pass a resolution for the voluntary winding-up of the Company, such winding-up to take effect prior to the Winding-Up Date; or
  - (E) alter any objects set out in the memorandum of association (as annexed to the Articles of Association) of the Company; or
  - (F) increase the borrowing limit under the Articles or sanction the exceeding of such limit; or
  - (G) pass any resolution which authorises the Directors to pay a dividend or other distribution out of the capital reserves of the Company; or
  - (H) issue any debenture stock or other loan capital; or
  - (I) make any material alteration to its investment strategy.
- (iii) Notwithstanding the provisions of Articles 5(C)(iii)(i) and 5(C)(iii)(ii) above, if all the holders of the ZDP Shares receive an offer (whether from the Company or any other person) which is or has become unconditional prior to the Winding-Up Date and before the general meeting referred to in Article 175 is due to be held, which offer would give such holders (or holders other than the offeror and/or persons acting in concert with the offeror) not later than seven days after the date on which the said general meeting is due to be held an amount in cash not less than that to which they would be entitled on a winding-up at the date on which the said general meeting is due to be held, then (whether or not such offer is accepted in any particular case) holders of such ZDP Shares shall not thereafter be entitled to vote at any general meeting and the previous sanction of a special resolution of the holders of the ZDP Shares shall not be required in any case in which it would otherwise be required by the Articles, provided that where, notwithstanding the foregoing, such sanction is required in any case by the 2006 Act, all holders of such ZDP Shares present in person or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such Shares) vote in favour of any resolution or resolutions recommended by the Directors and where any vote is not cast or is cast against any such resolution or resolutions it shall be deemed to have been cast in favour, save that the preceding provisions relating to general meetings and class resolutions shall cease to apply as regards any ZDP Shareholder if any material term of the contract resulting from his acceptance of such offer is broken by the other party and the Directors consider that such default is material in the context of the offer as a whole.
- (iv) Notwithstanding the provisions of Articles 5(C)(iii)(i) and 5(C)(iii)(ii) above, if at the general meeting referred to in Article 175 at which a resolution will be proposed requiring the Company to be wound up voluntarily or at any other general meeting held within the previous 45 days there is proposed a resolution to sanction any arrangement (including, without limitation, an arrangement under section 110 of the Insolvency Act 1986), then as long as this provides for the holders of the ZDP Shares to receive their entitlement on such winding-up in cash or near cash (ignoring any option any of these

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holders may be given to elect to receive their entitlement otherwise than in cash) the holders of the ZDP Shares shall not be entitled to vote on such resolution to wind-up the Company or sanction such arrangement.

#### 5(D) Rights attaching to the Common Shares

##### (i) Income

Provided that the Proposals have been implemented, and with effect from 1 December 2010, the Common Shares carry the right to receive the Common Share Proportion, *pari passu* with the Ordinary Income Shares in respect of the Ordinary Income Share Proportion, of the revenue profits of the Company (including accumulated revenue reserves) available for distribution and resolved to be distributed by way of interim or final dividend at such times as the Directors of the Company may determine.

If the Proposals are not implemented by 30 November 2010 and, in any event, until such date, the Common Shares carry no rights to receive dividends out of the revenue or any other profits of the Company.

##### (ii) Capital

On a winding-up or other return of capital of the Company (excluding for the avoidance of doubt, the Reduction of Capital) after payment of all debts and satisfaction of all liabilities of the Company there shall be paid to the holders of Common Shares from the surplus assets of the Company either:

(A) if the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010:

- (i) *pari passu* with the entitlement of the holders of Continuing ZDP Shares referred to in Article 5(C)(ii) (and in priority to any payment to the holders of Ordinary Income Shares as described in Article 5(B)(ii)(a) and the holders of Common Shares as described in Article 5(D)(ii)(A)(ii) below), an amount equal to 66.5p per Common Share as increased at such rate compounded daily from 30 November 2005 as will give an entitlement to 150p on 30 November 2017; and
- (ii) an amount equal to the Common Share Proportion of the Surplus Assets (as defined in Article 5(B)(ii)), less the entitlements to payments of the holders of the Common Shares described in Article 5(D)(ii)(A)(i) above, (which amount shall be distributed among the holders of Common Shares rateably according to the amounts paid or credited as paid up on the Common Shares held by them respectively) *pari passu* with the entitlement of the holders of Ordinary Income Shares described in Article 5(B)(ii)(a); or

(B) if the Proposals are not implemented, *pari passu* with the entitlement of the holders of ZDP Shares referred to in Article 5(C)(ii) and ZDP Exit Shares in Article 5(E)(ii) respectively (and in priority to any payment to the holders of Ordinary Income Shares as described in Article 5(B)(ii)(b)), an amount equal to 66.5p per Common Share as increased at such rate compounded daily from 30 November 2005 as would give an entitlement to 90p per Common Share on 30 November 2010.

##### (iii) Voting

- (i) The holders of Common Shares shall have the right to receive notice of, and the right to attend, speak and vote at any general meeting of the Company. Every holder of a Common Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall, on a show of hands, have one vote and on a poll every such holder present in person or by proxy or (being a corporation) by a corporate representative shall have one vote in respect of each Common Share held.

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- (ii) If the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010, save as provided in Articles 5(D)(iii)(iii) and 5(D)(iii)(iv) below, the Company shall not without the previous sanction of a special resolution passed at a separate meeting of the holders of Common Shares convened and held in accordance with the provisions of the Articles:
- (A) pass a resolution releasing the Directors from their obligations to convene a general meeting at which a resolution will be proposed requiring the Company to be wound up voluntarily; or
  - (B) pass a resolution to reduce the capital of the Company (including undistributable reserves and uncalled capital) or share premium account in any manner and including any resolution authorising the Company to purchase shares in the Company; or
  - (C) pass a resolution for the voluntary winding-up of the Company, such winding-up to take effect prior to the Winding-Up Date; or
  - (D) alter any objects set out in the memorandum of association (as annexed to the Articles of Association) of the Company; or
  - (E) increase the borrowing limit under the Articles or sanction the exceeding of such limit; or
  - (F) pass any resolution which authorises the Directors to pay a dividend or other distribution out of the capital reserves of the Company; or
  - (G) issue any debenture stock or other loan capital; or
  - (H) make any material alteration to its investment strategy.
- (iii) If the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010, notwithstanding the provisions of Articles 5(D)(iii)(i) and (ii) above, if all the holders of the Common Shares receive an offer (whether from the Company or any other person) which is or has become unconditional prior to the Winding-Up Date and before the general meeting referred to in Article 175 is due to be held, which offer would give such holders (or holders other than the offeror and/or persons acting in concert with the offeror) not later than seven days after the date on which the said general meeting is due to be held an amount in cash not less than that to which they would be entitled on a winding-up at the date on which the said general meeting is due to be held, then (whether or not such offer is accepted in any particular case) holders of such Common Shares shall not thereafter be entitled to vote at any general meeting and the previous sanction of a special resolution of the holders of the Common Shares shall not be required in any case in which it would otherwise be required by the Articles, provided that where, notwithstanding the foregoing, such sanction is required in any case by the 2006 Act, all holders of such Common Shares present in person or by proxy and entitled to vote at such meeting shall (in respect of the votes attached to all such Shares) vote in favour of any resolution or resolutions recommended by the Directors and where any vote is not cast or is cast against any such resolution or resolutions it shall be deemed to have been cast in favour, save that the preceding provisions relating to general meetings and class resolutions shall cease to apply as regards any Common Shareholder if any material term of the contract resulting from his acceptance of such offer is broken by the other party and the Directors consider that such default is material in the context of the offer as a whole.
- (iv) If the Proposals are implemented by 30 November 2010 and with effect from 1 December 2010, notwithstanding the provisions of Articles 5(D)(iii)(i) and (ii) above,

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if at the general meeting referred to in Article 175 at which a resolution will be proposed requiring the Company to be wound up voluntarily or at any other general meeting held within the previous 45 days there is proposed a resolution to sanction any arrangement (including, without limitation, an arrangement under section 110 of the Insolvency Act 1986), then as long as this provides for the holders of the Common Shares to receive their entitlement on such winding-up in cash or near cash (ignoring any option any of these holders may be given to elect to receive their entitlement otherwise than in cash) the holders of the Common Shares shall not be entitled to vote on such resolution to wind-up the Company or sanction such arrangement.

- (v) If the Proposals are not implemented by 30 November 2010 and, in any event, until such date, so long as any Common Shares remain in issue no resolution shall be passed at a general meeting of the Company whereby (i) the rights attaching to the Common Shares shall be varied or abrogated or (ii) any redemption or repurchase of shares shall be approved, except in any such case with the sanction of a special resolution passed at a separate meeting of the holders of the Common Shares passed in accordance with the provisions of the Articles.

#### 5(E) Rights attaching to the ZDP Exit Shares

(i) Income

The ZDP Exit Shares carry no rights to receive income out of the revenue or other profits of the Company.

(ii) Capital

On a winding up or other return of capital of the Company including (for the avoidance of doubt) the Reduction of Capital, after payment of all debts and satisfaction of all liabilities of the Company, if the Bonus Issue of ZDP Exit Shares shall have taken place in accordance with the Proposals prior to such winding-up, the holders of the ZDP Exit Shares shall be entitled from the surplus assets of the Company only to a repayment of the nominal amount of paid up capital in respect thereof. If the Bonus Issue shall not have taken place by the date of such winding-up, the holders of the ZDP Exit Shares shall be entitled, *pari passu* with the entitlement of the holders of ZDP Shares referred to in Article 5(C)(ii) and Common Shares in Article 5(D)(ii)(B), to receive an amount equal to 66.5p per ZDP Exit Share as increased at such rate compounded daily from 30 November 2005 as would give an entitlement to 90p per ZDP Exit Share on 30 November 2010.

On the Reduction of Capital by the cancellation of the ZDP Exit Shares pursuant to the Proposals, the rights of the holders of the ZDP Exit Shares shall be satisfied by the payment of cash amounts to the holders of the ZDP Exit Shares in the amount of their respective entitlements pursuant to the Proposals.

(iii) Voting

The holders of the ZDP Exit Shares shall have the right to receive notice of, to attend, speak and vote at any general meeting of the Company.

The aggregate number of votes which may be cast in respect of all the ZDP Exit Shares in issue (the 'Aggregate Number') shall be equal to the number of ZDP Exit Shares created in accordance with the provisions of resolution 1(E) as set out in the notice of a general meeting set out in the Circular.

Every holder of a ZDP Exit Share present in person or by proxy or (being a corporation) by a corporate representative at a meeting shall on a show of hands have one vote and on a poll every such holder present in person or by proxy shall have in respect of each ZDP Exit Share held by him such proportion of one vote as is equal to the Aggregate Number divided by the total number of ZDP Exit Shares in issue at the commencement of the relevant meeting.

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(iv) Variation of rights

So long as any ZDP Exit Shares remain in issue no resolution shall be passed at a general meeting of the Company whereby (i) the rights attaching to the ZDP Exit Shares shall be varied or abrogated or (ii) any redemption or repurchase of shares shall be approved, except in any such case with the sanction of a special resolution passed at a separate meeting of the holders of the ZDP Exit Shares passed in accordance with the provisions of the Articles.

(3) the insertion of a new Article 147A after Article 147 as follows:

'147A No revenue profits of the Company (including accumulated revenue reserves) available for distribution shall be resolved to be distributed by way of interim or final dividend by either the Directors or the Company (as the case may be) other than in the Common Share Proportion to the holders of Common Shares and the Ordinary Income Share Proportion to the holders of Ordinary Income Shares in accordance with the rights of the Common Shares and Ordinary Income Shares set out in Article 5.'

(4) the insertion of a new Article 158A after Article 158 as follows:

'158A *Capitalisation of reserves for purposes of Proposals*

'Without prejudice to the generality of Articles 157 and 158 but in addition to the powers of the Board under Articles 157 and 158, the Board may for the purposes of the Proposals (as defined in the Circular) from time to time:

- 158A.1 resolve to capitalise all or any part of the amount for the time being standing to the credit of the Company's share premium account (or out of the Special Reserve Account in the event that amounts standing to the credit of share premium account are insufficient);
- 158A.2 appropriate the sum or sums resolved to be capitalised to the holders of the ZDP Exit Shares in proportion to the nominal amount of the ZDP Exit Shares (whether or not fully paid) held by them and apply that sum on their behalf in or towards paying up in full unissued ZDP Exit Shares of a nominal amount equal to that sum;
- 158A.3 allot the ZDP Exit Shares, credited as fully paid, to the holders of the ZDP Exit Shares (or as they may direct) in those proportions;
- 158A.4 make any provision it considers appropriate in relation to fractional entitlements including disregarding or rounding up or down; and/or
- 158A.5 generally do all acts and things in connection therewith to give effect to the Proposals (as defined in the Circular).'

(5) the deletion of Article 175 and the updating of the numbering of the Articles thereafter.

(6) the deletion of Article 176 and the substitution therefor of the following new Article, renumbered as Article 175

175 *Winding up*

175(A) The Board of the Company shall convene a general meeting of the Company to be held on 30 November 2010 or, in the event that the Proposals are implemented, 30 November 2017 or, if that is not a business day, on the immediately following business day, at which a resolution will be proposed pursuant to section 84 of the Insolvency Act 1986 requiring the Company to be wound up voluntarily, unless the Board of the Company shall have previously been released from its obligations to do so by a special resolution of the Company. Notwithstanding any provisions of the Articles as regards the powers and duties of the Directors, the vote taken on such resolution shall be taken on a poll.

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- (B) At any general meeting called pursuant to Article 175(A) above those holders of ZDP Shares, Common Shares and Ordinary Income Shares who are present in person or by proxy or (being corporations) are present by a representative and entitled to vote and who vote in favour of the resolution proposed to wind-up the Company voluntarily shall collectively have such total number of votes on a poll as is one more than the number of votes which are required to be cast on such poll for the said resolution to be carried, and upon such resolution being passed, then the Company shall be wound up accordingly.
- (7) the insertion of a new Article 180 after Article 179 as follows:

*'180 Ordinary Income Share Proportion and Common Share Proportion*

- (A) In this Article 180 the following definitions will apply:

<b>'Normal Accounting Principles'</b>	means the normal accounting principles adopted by the Company from time to time for the purposes of preparing its annual accounts;
<b>'Net Asset Value per Common Share'</b>	means the net asset value calculated in accordance with the Normal Accounting Principles attributable to a Common Share as at the Operative Date;
<b>'Net Asset Value per Ordinary Income Share'</b>	means the net asset value calculated in accordance with the Normal Accounting Principles attributable to an Ordinary Income Share as at the Operative Date;
<b>'Net Asset Value per ZDP Share'</b>	means the net asset value calculated in accordance with the Normal Accounting Principles attributable to a ZDP Share as at the Operative Date;
<b>'New Issue'</b>	means a further issue or sale of new Ordinary Income Shares and/or ZDP Shares and/or Common Shares after 1 December 2010;
<b>'Operative Date'</b>	means the opening of business on 1 December 2010 (or, if applicable, as provided in Article 180(F));
<b>'Share Repurchase'</b>	means any repurchase and/or cancellation of Ordinary Income Shares, ZDP Shares or Common Shares after 1 December 2010;
<b>'Total Assets'</b>	means the total assets of the Company determined in accordance with the Normal Accounting Principles as at the Operative Date which, for the avoidance of doubt, shall include any drawn down borrowings less current liabilities (excluding contingent liabilities) and shall also include the value of the ZDP Shares and Common Shares regardless of their classification on the Company's balance sheet.

- (B) In these Articles the **'Ordinary Income Share Proportion'** shall be the proportion, expressed as a percentage, of the Total Assets which is represented by the aggregate of the Net Asset Value of all the ZDP Shares and the Net Asset Value of all of the Ordinary Income Shares in existence on the Operative Date.

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- (C) In these Articles the '**Common Share Proportion**' shall mean the proportion, expressed as a percentage, of the Total Assets which is represented by the Net Asset Value of the Common Shares in existence on the Operative Date.
- (D) On or as soon as practicable after the Operative Date the Directors shall procure that (i) the Investment Manager, on behalf of the Company, shall calculate the Total Assets, the Net Asset Value per ZDP Share, the Net Asset Value per Ordinary Income Share, the Net Asset Value per Common Share and determine the Ordinary Income Share Proportion and the Common Share Proportion and (ii) the Auditor shall be requested to review and report to the Directors whether such calculations and determinations are arithmetically correct (provided that such review shall not constitute an audit), whereupon the Ordinary Income Share Proportion and the Common Share Proportion as so determined shall become final and binding on the Company and all members.
- (E) The Directors shall procure that, as soon as practicable following the determination of the Ordinary Income Share Proportion and the Common Share Proportion in accordance with Article 180(D) above, an announcement is made of the same by way of an announcement through a regulatory information service that is on the list of information regulatory information services maintained by the London Stock Exchange.
- (F) In the event that after 1 December 2010 there shall be any New Issue or Share Repurchase then, on any such occasion, the Ordinary Income Share Proportion and the Common Share Proportion shall be adjusted and, for this purpose, shall be recalculated and announced, *mutatis mutandis*, in accordance with Articles 180(A) to (E) above on the basis that the 'Operative Date' in such calculations shall be the business day following any such New Issue or Share Repurchase (the '**New Operative Date**'). The Net Asset Value per Common Share, Net Asset Value per Ordinary Income Share and Net Asset Value per ZDP Share, as the case may be, shall, if applicable, be calculated on the basis of the Ordinary Income Share Proportion and the Common Share Proportion prevailing immediately prior to the New Operative Date.
- (G) Any revised Ordinary Income Share Proportion and Common Share Proportion determined in accordance with Article 180(F) above shall apply with effect from the New Operative Date'
- (H) the share capital of the Company be reduced by cancelling and extinguishing all the ZDP Exit Shares of 3.967705 pence each in the Company in issue as at the date of the order made on the hearing of the claim for confirmation of the reduction, in consideration of the cash payments to be made under the Proposals to the holders of Cash Elected Shares;
- (I) in substitution for all existing powers under section 701 of the Act, the Company be and is hereby authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693 of the Act) of Ordinary Income Shares, Common Shares and ZDP Shares provided that:
- the maximum number of shares authorised to be purchased is 14.99 per cent. of the issued shares of each share class;
  - the minimum price which may be paid for any Ordinary Income Share, Common Share or ZDP Share shall be 0.0001p;
  - the maximum price which may be paid for any Ordinary Income Share is 105 per cent. of the average of the middle-market quotations for the Ordinary Income Shares for the five business days immediately preceding the date of purchase;
  - the maximum price which may be paid for any Common Share is 105 per cent. of the average of the middle-market quotations for the Common Shares for the five business days immediately preceding the date of purchase; and
  - unless renewed, the authority hereby conferred shall expire at the conclusion of the next annual general meeting of the Company save that the Company may, prior to such expiry, enter into a contract to purchase shares which will or may be completed or executed wholly or partly after such expiry;

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### ■ Notice of General Meeting

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- (J) with effect from the implementation of the Proposals the investment objective of the Company shall be as follows:
- ‘The investment objective of the Company is to provide Ordinary Income Shareholders with a high and rising income together with the possibility of capital appreciation and to provide ZDP Shareholders and Common Shareholders with a predetermined level of capital growth and to produce a high, and rising income together with the possibility of capital appreciation for Common Shares; and
- (8) the deletion of paragraph 6 of the memorandum of association (as annexed to the Articles of Association) of the Company.
- 2 THAT the Meeting shall be adjourned forthwith, to the same place at 7.00am on 30 November 2010 for the purposes of considering and, if thought fit, passing the resolutions numbered 3 and 4 set out in the notice convening a general meeting of Shareholders for 29 October 2010, unless:
- (A) the resolutions to be proposed at the Class Meetings have been approved;
- (B) the resolution numbered 1 set out in the notice convening a general meeting of Shareholders for 29 October 2010 has been approved; and
- (C) the Company makes a regulatory information service notification on or prior to 30 November 2010 that the conditions set out at paragraph 1 of Part V of the Circular have been satisfied and that the Proposals are capable of becoming unconditional;
- in which case this Meeting shall be deemed to be at an end.
- 3 THAT, subject to the Company not having made a regulatory information service notification prior to 30 November 2010 that the conditions set out at paragraph 1 of Part V of the Circular have been satisfied and that the Proposals are capable of becoming unconditional;
- (a) the Company be wound up voluntarily and Patrick Joseph Brazzill and Margaret Elizabeth Mills (the ‘Liquidators’) of Ernst & Young LLP, 1 More London Place, London SE1 2AF be and they are hereby appointed Liquidators of the Company with power to act jointly and severally for the purpose of winding up the affairs and distributing the assets of the Company;
- (b) the remuneration of the Liquidators be fixed by reference to the time properly spent by them and their staff in attending to matters arising prior to or during the winding-up of the Company (including, without limitation, any matters outside the statutory duties of the Liquidators and undertaken at the request of the members or a majority of them) and the Liquidators be and are hereby authorised to draw such remuneration monthly or at such longer intervals as they may determine and to pay any expenses properly incurred by them; and
- (c) the Company’s books and records be held by Jupiter Asset Management Limited to the order of the Liquidators until the expiry of 12 months after the date of dissolution of the Company, when they may be disposed of save for financial and trading records which shall be kept for a minimum of 6 years following the vacation of the Liquidators from office.
- 4 THAT subject to the passing of the special resolution numbered 3 set out in the notice convening a general meeting of Shareholders for 30 November 2010, the Liquidators be and are hereby authorised, pursuant to section 165 of the Insolvency Act 1986, to exercise such powers set out in Part 1 of Schedule 4 to the Insolvency Act 1986 as may be necessary or desirable in their judgement.

*Registered office:*

1 Grosvenor Place  
London SW1X 7JJ

By Order of the Board  
Jupiter Asset Management Limited  
*Company Secretary*

Dated: 6 October 2010

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#### Notes:

#### Appointment of Proxies

#### Website address

- Information regarding the General Meeting, including the information required by section 311A of the Companies Act 2006 is available from [www.jupiteronline.co.uk](http://www.jupiteronline.co.uk).

#### Entitlement to attend and vote

- Only those shareholders on the register of members of the Company at 6.00pm on 27 October 2010 (or 6.00pm on the date two days before any adjourned meeting) shall be entitled to attend, speak and vote at the General Meeting. Changes to the register of members after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting.

#### Appointment of Proxies

- Shareholders entitled to attend, speak and vote at the General Meeting (in accordance with Note 2 above) are entitled to appoint one or more proxies to attend, speak and vote in their place. If you wish to appoint a proxy please use the Form of Proxy enclosed with this document or follow the instructions at Note 7 below if you wish to appoint a proxy through the CREST electronic proxy appointment service. In the case of joint shareholders, only one need sign the Form of Proxy. The vote of the senior joint shareholder will be accepted to the exclusion of the votes of the other joint shareholders. For this purpose, seniority will be determined by the order in which the names of the shareholders appear in the register of members in respect of the joint shareholding. The completion and return of the Form of Proxy will not stop you from attending and voting in person at the General Meeting should you wish to do so. A proxy need not be a shareholder of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise the rights attached to a different share or shares held by you. If you choose to appoint multiple proxies use a separate copy of the Form of Proxy for each proxy, and indicate after the proxy's name the number of shares in relation to which they are authorised to act. All forms must be signed and returned in the same envelope.
- You can appoint the Chairman of the Meeting, or any other person, as your proxy. If you wish to appoint someone other than the Chairman, cross out the words 'the Chairman of the Meeting' on the Form of Proxy and insert the full name of your appointee.
- You can instruct your proxy how to vote on each resolution by ticking the 'For' or 'Against' boxes as appropriate (or entering the number of shares which you are entitled to vote). If you wish to abstain from voting on any resolution please tick the box which is marked 'Vote Withheld'. It should be noted that a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of the votes 'For' and 'Against' a resolution. If you do not indicate on the Form of Proxy how your proxy should vote, he/she can exercise his/her discretion as to whether, and if so how, he/she votes on each resolution, as he/she will do in respect of any other business (including amendments to resolutions) which may properly be conducted at the General Meeting.

A company incorporated in England and Wales or Northern Ireland should execute the Form of Proxy under its common seal or otherwise in accordance with Section 44 of the Companies Act 2006 or by signature on its behalf by a duly authorised officer or attorney whose power of attorney or other authority should be enclosed with the Form of Proxy.

#### Appointment of Proxy using Hard Copy Form

- The Form of Proxy and any power of attorney (or a notarially certified copy or office copy thereof) under which it is executed must be received by Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU at 10.40am on 27 October 2010 in respect of the General Meeting. Any Forms of Proxy received before such time will be deemed to have been received at such time.

On completing the Form of Proxy, sign it and return it to Capita Registrars at the address shown on the reverse of the Form of Proxy. As postage has been pre-paid no stamp is required. You may, if you prefer, return the Form of Proxy in a sealed envelope to the address shown above.

#### Appointment of Proxies through CREST

- CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting to be held on 29 October 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com/CREST](http://www.euroclear.com/CREST)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a 'CREST Proxy Instruction') must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (RA10) by the latest time for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

## Reconstruction Proposals

### Notice of General Meeting

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

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.

All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy, which are to be transmitted through CREST, must be lodged at 10.40am on 27 October 2010 in respect of the General Meeting. Any such messages received before such time will be deemed to have been received at such time.

#### Termination of proxy appointments

- 8 In order to revoke a proxy instruction you will need to inform the Company. Please send a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

In the case of a member which is a company, the revocation notice must be executed under its common seal or otherwise in accordance with section 44 of the Companies Act 2006 or by signature on its behalf by an officer or attorney whose power of attorney or other authority should be included with the revocation notice.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified in Note 6 above then, subject to the paragraph directly below, your proxy appointment will remain valid.

Completion of a Form of Proxy will not preclude a member from attending and voting in person. If you have appointed a proxy and attend the General Meeting in person, your proxy appointment will automatically be terminated.

#### Issued Shares and total voting rights

- 9 The total number of shares in issue in the Company is 91,675,333 ZDP Shares and 91,675,333 Ordinary Income Shares. On a vote by a show of hands, every member who (being an individual) is present in person, by proxy or (being a corporation) is present by a duly authorised representative, not being himself a member, shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every Share in the Company held by him.

#### Nominated Persons

- 10 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communication from the Company in accordance with Section 146 of the Companies Act 2006 ('nominated persons'). Nominated persons may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

#### Questions at the Meeting

- 11 Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered any question which relates to the business being dealt with at the meeting unless: answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information; the answer has already been given on a website in the form of an answer to a question; or it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

#### Communication

- 12 Except as provided above, members who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted):

- calling the Registrar's shareholder helpline on 0871 664 0321 (calls cost 10p per minute plus network extras);
- in writing to Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

You may not use any electronic address provided either:

- in this notice of General Meeting; or
- any related documents (including the chairman's letter and Form of Proxy),

to communicate with the Company for any purposes other than those expressly stated.

