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If you have sold or otherwise transferred all of your Ordinary Shares, please forward this document together with any accompanying documents, at once to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward delivery to the purchaser or transferee.

This document does not constitute an offer to buy, acquire or subscribe for, or the solicitation of an offer to buy, acquire or subscribe for any shares or securities, including the LMS Warrants, in Gresham House plc or an invitation to buy, acquire or subscribe for any shares or securities, including the LMS Warrants, in Gresham House plc.

This document does not constitute an admission document drawn up in accordance with the AIM Rules for Companies. It is emphasised that no application is being made for admission of the LMS Warrants to trading on AIM or on any other securities exchange and no such application will be made.

GRESHAM HOUSE PLC

(Incorporated in England with registered number 871)

Proposed appointment of GHAM as external investment manager to LMS

Proposed issue of Ordinary Shares to LMS

Proposed issue of warrants to LMS to subscribe for up to 1,379,409 Ordinary Shares

and

Notice of General Meeting

You are recommended to read the whole of this document but your attention is drawn, in particular, to the letter from the Chairman of the Company which is set out in Part I of this document. This letter explains the background to, and reasons for, the Transaction and contains a recommendation that you vote in favour of the Resolutions to be proposed at the General Meeting.

The Notice convening a General Meeting of the Company, to be held at 3.00 p.m. on 16 August 2016 at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL, is set out at the end of this document. The action to be taken by Shareholders in respect of the General Meeting is set out on page 13 of this document.

If you hold your Ordinary Shares in certificated form, whether or not you plan to attend the General Meeting, you are encouraged to complete the accompanying Form of Proxy and return it in accordance with the instructions printed thereon as soon as possible, but in any event so as to be received by post or, during normal business hours only, by hand by the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands, B63 3DA by no later than 3.00 p.m. on 12 August 2016 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The completion and return of a Form of Proxy will not prevent you from attending and voting at the General Meeting in person should you wish to do so.

If you hold your Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the Notice of General Meeting set out at the end of this document). Proxies submitted via CREST must be received by the Company's agent (ID 7RA11) by no later than 3.00 p.m. on 12 August 2016 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The distribution of this document in or into jurisdictions other than the United Kingdom may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about, and observe such restrictions. Any failure to comply with the applicable restrictions may constitute a violation of the securities laws of any such jurisdiction. Subject to certain exceptions, this document is not for release, publication or distribution, directly or indirectly, in or into the United States, Australia, Canada, the Republic of South Africa, Japan or any jurisdiction where to do so might constitute a violation of local securities laws or regulations.

Liberum Capital Limited ("**Liberum**") is acting exclusively for Gresham House plc in connection with the Transaction and for no-one else and will not be responsible to anyone other than Gresham House plc for providing the protections afforded to the clients of Liberum nor for providing any advice in relation to the Transaction or the contents of this document or any transaction, arrangement or matter referred to herein.

The contents of this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the contents of this document you should consult your own legal adviser, financial adviser or tax adviser for legal, business, financial or tax advice.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	Date
Publication of this document	27 July 2016
Latest time and date for receipt of Forms of Proxy	3.00 p.m. on 12 August 2016
General Meeting	3.00 p.m. on 16 August 2016
LMS General Meeting	3.00 p.m. on 16 August 2016
Making of the Appointment	16 August 2016
Admission of the Tranche 1 Shares to trading on AIM	8.00 a.m. on 17 August 2016
Issue of LMS Warrants	14 October 2016

Each of the times and dates in the above timetable is subject to change, and if the above times and/or dates change, the revised time and/or date will be notified by an announcement through a Regulatory Information Service. All times are London times unless otherwise stated.

IMPORTANT INFORMATION

Forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “anticipates”, “targets”, “aims”, “continues”, “expects”, “intends”, “hopes”, “may”, “will”, “would”, “could” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not facts. They appear in a number of places throughout this document and include statements regarding the Directors’ intentions, beliefs or current expectations concerning, amongst other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements, including, without limitation: ability to find appropriate investments in which to invest and to realise investments held by the Group; conditions in the public markets; the market position of the Group; the earnings, financial position, cash flows, return on capital and operating margins of the Group; the anticipated investments and capital expenditures of the Group; changing business or other market conditions; and general economic conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described herein. Forward-looking statements contained in this document based on past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Subject to any requirement under the Prospectus Rules, the Disclosure and Transparency Rules, the AIM Rules or other applicable legislation or regulation, neither the Company nor Liberum undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. Investors should not place undue reliance on forward-looking statements, which speak only as of the date of this document.

No Profit Forecast

No statement in this document or incorporated by reference into this document is intended to constitute a profit forecast or profit estimate for any period, nor should any statement be interpreted to mean that earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial periods for the Company.

PART I

LETTER FROM THE CHAIRMAN OF THE COMPANY

GRESHAM HOUSE PLC

(Incorporated in England with registered number 871)

Directors:

Anthony Townsend (Non-Executive Chairman)
Anthony (Tony) Dalwood (Chief Executive)
Kevin Acton (Finance Director)
Richard Chadwick (Non-Executive Director)
Peter Moon (Non-Executive Director)
Michael Phillips (Strategic Development Director)

Registered Office:

5 New Street Square
London
EC4A 3TW

27 July 2016

To Shareholders, Warrantheolders and persons with information rights

Dear Shareholders and Warrantheolders

Proposed appointment of GHAM as external investment manager to LMS, proposed issue of Ordinary Shares to LMS, proposed issue of warrants to LMS to subscribe for up to 1,379,409 Ordinary Shares and Notice of General Meeting

1. Introduction

On 27 July 2016, the Company announced that LMS Capital plc ("LMS"), an investment company listed on the London Stock Exchange, intends to appoint GHAM (a wholly owned subsidiary of the Company) to manage its assets. LMS will, subject to the approval of the LMS Shareholders, adopt a new investment policy which utilises GHAM's experience and expertise to invest in strategic equity opportunities with a predominant focus on private equity.

Upon LMS obtaining LMS Shareholder approval for the adoption of its new investment policy, GHAM will be appointed as the external investment manager to LMS for an initial minimum term of three years with any party being able to terminate by giving 12 months' notice after the second anniversary of the completion of the Appointment. Further details of LMS and the AIFM and Portfolio Management Agreement are set out in sections 2 and 3 of this Part I.

In connection with the Appointment and in recognition of the value which may be derived from the Appointment to GHAM and the Group, the Company has agreed to issue 332,484 new Ordinary Shares to LMS when the AIFM and Portfolio Management Agreement is entered into, representing a value of £1 million based on a price per Ordinary Share of 300.77 pence, being the average mid-market closing Ordinary Share price for the trading period between 10 June 2016 and 21 July 2016 (the "Tranche 1 Shares").

The Company has also agreed to issue further new Ordinary Shares to LMS on the second anniversary of the AIFM and Portfolio Management Agreement with a value of up to of £1.25 million, subject to the satisfaction of certain conditions, (the "Tranche 2 Shares" and, together with the Tranche 1 Shares, the "Appointment Shares"). Further details of these Tranche 2 conditions are set out in section 3 of this Part I.

In order to further align LMS and the Company, subject to Completion having occurred, the Company and LMS have agreed that:

- (i) LMS intends to commit £1.5 million of cash resources to fund the acquisition of Ordinary Shares and/or Shareholder Warrants; and
- (ii) to the extent that LMS has not acquired 1,379,409 Ordinary Shares and/or Shareholder Warrants between the date of the announcement of the Transaction and 5.00 p.m. on

13 October 2016, and subject to the AIFM and Portfolio Agreement being entered into, and LMS shall be entitled to subscribe for LMS Warrants on 14 October 2016 at a price of £0.28 per LMS Warrant that will, with the Ordinary Shares and Shareholder Warrants that it acquires, equal 1,379,409, provided that if the Resolutions are not passed, such number will not exceed 492,608.

The LMS Warrants will, if issued, allow LMS to subscribe for one Ordinary Share for every LMS Warrant which it holds at an exercise price of 323.27 pence per Ordinary Share (representing a premium to the closing mid-market price of 287.5 pence per Ordinary Share on 26 July 2016, being the latest practicable date prior to the announcement of the Transaction). The LMS Warrants will be exercisable from 14 October 2016 to 30 June 2018 (inclusive). The LMS Warrants are not freely transferable and, accordingly, will not be admitted to trading on AIM. Further details of the LMS Warrants are set out in section 3 of this Part I and Part II of this document.

The purpose of this document is to provide you with details of, and the background and reasons for, the Transaction and to explain why the Directors believe that the Transaction and the passing of the Resolutions is in the best interests of Shareholders as a whole.

At the end of this document, you will find the Notice of General Meeting at which the Resolutions will be proposed. The General Meeting has been convened for 3.00 p.m. on 16 August 2016 and will take place at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL.

2. Background and reasons for the Appointment

Gresham House

Since the admission of its Ordinary Shares to trading on AIM on 1 December 2014, one of the strategies that the Company has been pursuing has been to develop the Company as a quoted platform principally for the investment management of and co-investment in, relatively differentiated, specialist or illiquid assets in order to generate superior risk-adjusted returns for Shareholders of the Company over the longer term.

In line with this strategy, the Company established its strategic equity investment team. The team is led by Graham Bird and Tony Dalwood, and has a mandate to target superior long-term investment returns through applying private equity techniques to investing in private and public markets. On 6 August 2015, the Company entered into its first asset management mandate with SPARK Ventures plc (subsequently renamed as Gresham House Strategic plc) to be led by the strategic equity investment team.

The appointment as external investment manager of LMS is in line with the strategy to focus on investment management of relatively differentiated, specialist or illiquid assets.

LMS

LMS is an investment company which historically has focused on investing in small to medium sized companies in its preferred sectors of consumer, energy and business services. LMS's ordinary shares are admitted to the Official List (premium segment) and to trading on the Main Market.

On 6 September 2011, LMS announced that it had been approached by certain of its members, which constituted the LMS Concert Party, with the request that LMS be broken up in the short term. In response, an independent committee was established by LMS which considered the LMS Concert Party's request and possible solutions, and concluded that it would be in the interests of LMS Shareholders as a whole for a new strategy (whereby LMS's assets would be realised in an orderly manner) to be implemented. Following a general meeting on 30 November 2011, LMS adopted a new investing policy, under which it may not make any new investments save that (a) investments may be made to honour commitments made at the time of the initial investment and/or to which it is contractually obligated; (b) further investment may be made into LMS's existing portfolio companies in order to protect or enhance the value of such investments or facilitate the orderly realisation of such investments; and (c) cash (including realised cash) may be invested in liquid cash-equivalent securities. LMS also resolved to realise its investment portfolio in an orderly manner and to distribute surplus cash periodically to its shareholders in a tax efficient manner with due regard to its shareholders' tax circumstances.

Since 30 November 2011, LMS has returned a total of £155 million to its shareholders by way of tender offers and associated repurchases. LMS's investment portfolio currently comprises publicly quoted and private company investments in the UK and the US, held directly and through funds. As at 31 March 2016, LMS's investment portfolio had an unaudited net asset value of approximately £92.1 million. As at 31 December 2015, LMS's top ten investments accounted for 83 per cent. of its investment portfolio, 67.6 per cent. of which were unquoted investments, 10.2 per cent. were quoted investments and 22.2 per cent. were investments through funds, further details of which (extracted from the LMS annual report for the year ended 31 December 2015) are set out below:

<u>Name</u>	<u>Geography</u>	<u>Type</u>	<u>Sector</u>	<u>Date of initial investment</u>	<u>Book value £'million as at 31 December 2015</u>
Medhost Inc	US	Unquoted	Technology	2007	14.2
Brockton Capital	UK	Fund	Property	2006	12.3
Nationwide Energy Partners	US	Unquoted	Energy	2010	9.9
Weatherford International	US	Quoted	Energy	1984	8.1
ICU Eyewear*	US	Unquoted	Consumer	2010	7.2
Yes To, Inc*	US	Unquoted	Consumer	2008	7.1
Penguin Computing*	US	Unquoted	Technology	2004	6.8
Opus Capital Venture Partners	US	Fund	Technology	2006	5.4
Entuity	UK	Unquoted	Technology	2000	4.5
Elatel Group	UK	Unquoted	Technology	2000	4.3

* A portfolio company of San Francisco Equity Partners.

The Appointment

The Appointment will require a change to LMS's investment policy which will need to be approved by LMS Shareholders at the LMS General Meeting which is being convened for 16 August 2016. Following discussion between the directors of LMS and GHAM, LMS is proposing a new strategy to:

- change LMS's investment policy from its current realisation strategy to a new policy predominantly focused on private equity investment;
- appoint GHAM as the external portfolio manager to carry out the new investment policy and to manage LMS's assets on a discretionary basis;
- appoint G10 Capital as the external alternative investment fund manager to provide alternative fund management services to LMS until GHAM obtains the status of a full-scope UK AIFM, at which point GHAM will act as external alternative investment fund manager and provide alternative investment fund management services to LMS in place of G10 Capital;
- return capital to LMS Shareholders by way of a tender offer and repurchase of up to £6 million at a 5 per cent. discount to the NAV of LMS at 30 June 2016 (the "Tender Offer");
- return further capital to LMS Shareholders by way of two further tender offers and repurchases together representing 50 per cent. of the net proceeds of further disposals of assets comprised in LMS's existing portfolio. It is estimated that these will be a maximum of £11 million and it is intended that distributions of up to £6 million and up to £5 million are to be made. These further tender offers and repurchases will be carried out when sufficient disposals have been made by LMS to enable the required tender amount to be satisfied and will again be at a 5 per cent. discount to the NAV of LMS at the relevant time (the "Subsequent Tranches"); and
- make changes to the board of LMS Capital which will result in the Board becoming wholly non-executive, (together, the "Proposals").

In an announcement released by LMS earlier today (the "LMS Announcement"), the LMS Board stated that it believes that the Proposals will offer an attractive strategy. Further explanation of why the LMS Board believes this to be the case is set out in the LMS Announcement.

Following the Appointment, two directors of LMS (Nicholas Friedlos and Anthony (Tony) Sweet) will resign as directors and employees of LMS and will join GHAM as full time employees. Robert Rayne will be appointed to the investment committee of GHAM, which will be established to take on the responsibility for the LMS portfolio.

Nick Friedlos

Nick is currently an executive director of LMS and has held various financial and operational leadership positions in financial services businesses holding real estate and other assets in both the public markets and in private equity. He was Chief Financial Officer of London Merchant Securities, the real estate and investment business out of which LMS was created. Nick has managed change in the businesses he has been involved with including corporate activity such as mergers, reconstructions and portfolio disposals. Most recently he was Chief Executive Officer of Mapeley and was previously a partner at PricewaterhouseCoopers.

Tony Sweet

Before joining LMS, Tony was Chief Financial Officer of Systems Union Group plc. Prior to that, he was at PricewaterhouseCoopers (the last 13 years as a partner) where he gained experience of a variety of sectors and geographies, working for large multinational companies, as well as smaller entrepreneurial businesses.

Robert (Robbie) Rayne

Robbie established LMS's investment activities in the early 1980s as Investment Director and later Managing Director and Chief Executive of London Merchant Securities. Robbie has expertise in a wide range of sectors, including real estate, media, consumer, technology and energy. He has worked both in the USA and the UK for some 30 years and maintains close relationships with other investment firms with whom LMS has often co-invested.

Robbie has been on the boards of a number of public companies both in the USA and the UK, including First Leisure Corporation and Crown Sports plc and is currently Non-Executive Chairman of Derwent London plc, a central London specialist property company. He is also a Director of Weatherford International Ltd, as well as a number of unlisted companies.

Investment committee

GHAM proposes to constitute an investment committee responsible for the management of the LMS investment portfolio which will be constituted of individuals with significant public and private equity experience. The investment committee will oversee the investment appraisal process in relation to investments made in respect of the LMS portfolio. Membership of this committee will include Tony Dalwood, Robert Rayne and Graham Bird. It is intended that an independent chairman with significant private equity experience will be appointed in the near term.

Robert Rayne will be entitled to a fee of £25,000 per annum in his capacity as a member of GHAM's investment committee responsible for the LMS portfolio and a fee of £35,000 per annum in relation to additional consultancy services to be provided in relation to the LMS portfolio; both fees are to be paid by GHAM.

3. Summary of the principal terms of the Appointment

3.1 The AIFM and Portfolio Management Agreement

Following LMS obtaining LMS Shareholder approval for the adoption of its new investment policy, GHAM, G10 Capital and LMS will enter into the AIFM and Portfolio Management Agreement pursuant to which LMS will appoint GHAM as its external portfolio manager once it has obtained the status of a full-scope UK AIFM. Until such status is obtained by GHAM, LMS will appoint G10 Capital (an independent FCA regulated investment firm) as its external alternative investment fund manager, who shall delegate the portfolio management of LMS's assets to GHAM.

The AIFM and Portfolio Management Agreement will be for an initial minimum term of three years, with LMS, G10 Capital or GHAM being able to terminate by giving 12 months' notice after the Second

Anniversary, and thereafter on a rolling 12 months' notice basis. There will be no compensation on termination on giving the requisite 12 months' notice. Otherwise, LMS and the AIFM of the Company may terminate the AIFM and Portfolio Management Agreement in certain limited circumstances.

G10 Capital will delegate portfolio management functions to GHAM under the AIFM and Portfolio Management Agreement.

Under the AIFM and Portfolio Management Agreement, GHAM (on behalf of itself and G10 while G10 is the AIFM and on behalf of itself thereafter) will receive the following annual management fee:

- (i) 1.50 per cent. of the average audited NAV of LMS, to the extent that LMS's net assets under management are £100 million or less;
- (ii) 1.25 per cent. of the average audited NAV of LMS to the extent that the NAV exceeds £100 million, but is less than £150 million; and
- (iii) 1.00 per cent. of the average audited NAV of LMS to the extent that the NAV exceeds £150 million.

No annual management fee will be charged on cash raised from a new share issue or other capital raising by LMS for a period of six months or, if sooner, until the cash has been invested or otherwise utilised.

For the purpose of the calculation of the annual management fee, the NAV used will be an average based on the audited NAV in the financial year before the calculation and the audited NAV in the year of calculation, in the latter case before accounting for accrued fees under the AIFM and Portfolio Management Agreement in respect of the relevant year.

In addition, GHAM (on behalf of itself and G10 while G10 is the AIFM and on behalf of itself thereafter) will be entitled to a performance fee (the "Performance Fee"). The Performance Fee is designed to align the interests of GHAM and the Company. GHAM will be eligible, if certain hurdle return requirements are satisfied, to earn a Performance Fee of 15 per cent. of the gain in net asset value of New Investments subject to a number of conditions, as set out below:

- No Performance Fee will be payable in respect of assets held prior to the adoption of the new investment policy ("Legacy Assets"). Follow-on investments of more than £350,000 in Legacy Assets may, according to individual circumstances in relation to the asset, be treated as New Investments;
- The net asset value relating to New Investments will be calculated annually after an allocation of operating costs (including the annual management fee) based on the relative value of the New Investments and Legacy Assets;
- The amount of the Performance Fee, if any, will be determined for each "Performance Fee Period". The first Performance Fee Period will start on the date on which the AIFM and Portfolio Management Agreement is entered into and will end on 31 December 2017; each subsequent Performance Fee Period will begin on the first day after the end of the previous Performance Fee Period and end on the anniversary of the end of the last Performance Fee Period (the "Performance Fee Period");
- In respect of any particular Performance Fee Period, no Performance Fee will be due unless the cumulative compound growth in the net asset value of the New Investments at the time of measurement represents at least 8 per cent. per annum (the "Hurdle NAV");
- The Performance Fee will be calculated based on the increase in net asset value of New Investments compared to the highest previous net asset value of New Investments on which a Performance Fee became due net of such Performance Fee (or the cost of New Investments, net of allocated costs, if there has been no previous Performance Fee), as adjusted for New Investments;
- The amount of Performance Fee due in any year will be reduced to the extent that it would otherwise reduce the net asset value of the New Investments to below the Hurdle NAV; and
- In any year, payment of the Performance Fee in relation to any particular Performance Fee Period, including in respect of deferrals, may not exceed 15 per cent. of the net realised gains

in that year from New Investments held on or prior to the date of the relevant Performance Fee Period, with any balance being carried over to future Performance Fee Periods and being paid before Performance Fees due in respect of subsequent Performance Fee Periods.

All payments will be made directly to GHAM. Incentive arrangements have been put in place within GHAM such that the investment team's rewards will be directly linked to Performance Fees paid by LMS. However, no payments will be made directly to individuals.

No Performance Fee will be due before 31 December 2017.

Under the terms of the AIFM and Portfolio Management Agreement, GHAM has agreed to provide LMS with certain administration services (the "Administration Services") including, amongst others, accounting, company secretarial, tax, regulatory reporting and general management services which are necessary for LMS to comply with the requirements of the Act and any other obligations which LMS is required to comply with from time to time. The Administration Services will be provided by GHAM from the date on which the AIFM and Portfolio Management Agreement is entered into until an external administrator is appointed by LMS to provide the relevant service or services to LMS. LMS will pay GHAM a fee of £250,000 per annum for the provision of the Administration Services.

3.2 The Share Issue and Warrant Subscription Agreement

Appointment Shares

In order to secure the Appointment and in recognition of the value which may be derived from the Appointment to GHAM and the Group, the Company, GHAM and LMS have entered into the Share Issue and Warrant Subscription Agreement pursuant to which Gresham House has agreed to issue to LMS:

- 332,484 new Ordinary Shares with a value of £1 million on completion of the Appointment, based on a price per Ordinary Share of 300.77 pence, being the average mid-market closing price (per Ordinary Share) between 10 June 2016 and 21 July 2016; and
- further new Ordinary Shares with a value of up to £1.25 million on the Second Anniversary, subject to the satisfaction of certain conditions (as set out below), such number of Tranche 2 Shares to be calculated by dividing the relevant value of the Tranche 2 Shares (the determination of which is set out below) by the volume-weighted average price of the Company's Ordinary Shares for the 20 consecutive Business Days prior to the Second Anniversary, rounded down to the nearest whole number.

The issue of the Tranche 2 Shares is conditional on, *inter alia*, the following conditions being satisfied or waived on or before the Business Day before the Second Anniversary:

- a) the extension by LMS of the term of the AIFM and Portfolio Management Agreement for two years following the Second Anniversary, such extended term to be subject to a 12 month notice period, such notice not to be served within the first year of the extended term;
- b) there having been no material changes to the terms of the AIFM and Portfolio Management Agreement since Completion; and
- c) LMS undertaking not to return capital to the LMS Shareholders during the during the two year period following the Second Anniversary (save for the Tender Offer and Subsequent Tranches) in the event that LMS's most recently published NAV (prior to a decision to carry out a return of capital) is below the Second Anniversary NAV (as described below), or, as a result of such a return of capital LMS's NAV would fall below the Second Anniversary NAV.

The value of the Tranche 2 Shares will be calculated by reference to the NAV of LMS's current portfolio of assets on the Second Anniversary, taking into account certain adjustments (including cash proceeds of any disposal of assets but reduced by any amounts returned to LMS Shareholders) (the "Second Anniversary NAV").

- If the Second Anniversary NAV of the portfolio is below £67.5 million, no Tranche 2 Shares will be issued.
- If the Second Anniversary NAV of the portfolio is between £67.5 million and £70 million, the value of the Tranche 2 Shares will be between £200,000 and £500,000 calculated on a straight line basis.

- If the Second Anniversary NAV of the portfolio is between £70 million and £85 million, the value of the Tranche 2 Shares will be between £500,000 and £1.25 million calculated on a straight line basis.

The value of the Tranche 2 Shares will not exceed £1.25 million.

The Appointment Shares will be subject to a “Lock-in Period”, whereby LMS has agreed that, subject to certain exceptions, they will not dispose of any Appointment Shares that they receive, for a period of two years from Completion in respect of the Tranche 1 Shares and one year from the Second Anniversary in respect of the Tranche 2 Shares. LMS will be able to transfer the Appointment Shares to its wholly owned subsidiaries, provided that (a) such subsidiaries agree to be bound by the Lock-in Period, and (b) if such a subsidiary ceases to be a wholly owned subsidiary then it shall transfer the relevant Appointment Shares back to LMS or another wholly owned subsidiary of LMS.

During the relevant Lock-in Periods, any disposals of the Appointment Shares conducted (a) with the consent of the Company, or (b) in the event of the termination of the AIFM and Portfolio Management Agreement must be conducted through the Company’s broker, save that the consent requirement will not apply to 50 per cent. of the Tranche 1 Shares in the second year of the Lock-in Period.

LMS Warrants

So as to further align the Company and LMS, subject to Completion having occurred, the Company and LMS have agreed that:

- (i) LMS intends to commit £1.5 million of cash resources to fund the acquisition of Ordinary Shares and/or Shareholder Warrants; and
- (ii) to the extent that LMS has not acquired 1,379,409 Ordinary Shares and/or Shareholder Warrants between the date of the announcement of the Transaction and 5.00 p.m. on 13 October 2016, LMS shall be entitled to subscribe for LMS Warrants on 14 October 2016 at a price of £0.28 per LMS Warrant that will, with the Ordinary Shares and Shareholder Warrants that it acquires, equal 1,379,409, provided that if the Resolutions are not passed, such number will not exceed 492,608.

The LMS Warrants will, when issued, allow LMS to subscribe for one Ordinary Share for every LMS Warrant which it holds at an exercise price of 323.27 pence per Ordinary Share (representing a premium to the closing mid-market price of 287.50 pence per Ordinary Share on 26 July 2016, being the latest practicable date prior to the announcement of this Transaction). The LMS Warrants will be exercisable from 14 October 2016 to 30 June 2018 (inclusive).

The LMS Warrants are not freely transferable and, accordingly, will not be admitted to trading on AIM.

The Resolutions being considered by Shareholders at the General Meeting are an allotment authority and a disapplication of pre-emption rights in respect of the issue of the LMS Warrants. The Directors believe that it is in the best interests of the Shareholders to have the ability to issue up to 1,379,409 LMS Warrants to LMS, and are therefore recommending that the Shareholders vote in favour of the Resolutions at the General Meeting. The Appointment is not conditional on the passing of the Resolutions. If the Resolutions are not passed, the Company intends (subject to Completion and at the request of LMS) to issue up to the maximum possible number of LMS Warrants that it is able to issue using its existing authorities obtained at the annual general meeting on 15 June 2016 (being 492,608 LMS Warrants).

Details of the terms of the LMS Warrants are set out in Part II of this document.

The proceeds which may arise from the issue of the LMS Warrants (from subscription and, if the LMS Warrants are exercised, the exercise) will be used to provide working capital to the Company to allow it to pursue its strategic objectives.

LMS’s holding in the enlarged share capital of Gresham House will depend on the mix of Ordinary Shares, existing outstanding Shareholder Warrants and LMS Warrants acquired and exercised. Assuming the issue of all the Tranche 1 and Tranche 2 Shares, LMS would hold 7.1 per cent. of the enlarged share capital of Gresham House.

The intended investment by LMS (either by acquiring Ordinary Share and/or Shareholder Warrants or by the subscription for and subsequent exercise of the LMS Warrants) described above in this section 3.2 could result in LMS holding potentially up to 17.8 per cent. of the enlarged share capital of Gresham House.

The percentages set out above are made on the assumption that the Company's existing issued share capital is 9,853,003 and that no other Ordinary Shares are issued aside from the Tranche 1 and Tranche 2 Shares and Ordinary Shares on the exercise of the LMS Warrants, and that the number of Tranche 2 Shares to be issued is calculated based on a price of 300.77 pence per Ordinary Share.

Termination and warranties

If at any time prior to Completion the directors of the Company or LMS modify or withdraw their respective recommendations in relation to the Investment Policy Resolution (in the case of LMS) or the Resolutions (in the case of the Company), the other party (or parties in the case of Gresham House and GHAM) are entitled to terminate the Share Issue and Warrant Subscription Agreement. If the Company has modified or withdrawn its recommendations, it agrees to indemnify LMS, capped at a total amount of £100,000 (after tax) in respect of all fees, costs, charges and expenses incidental of or to the Transaction. LMS has provided a reciprocal indemnity to Gresham House.

The Company and LMS have given certain limited warranties to each other in relation to, amongst other things, the accuracy of their most recent audited accounts and that there has been no material change in the financial or trading position since the publication of their accounts.

The LMS Warrants will not be issued unless Completion takes place. If the Resolutions are not passed, the Company intends (subject to Completion and at the request of LMS) to issue up to the maximum possible number of LMS Warrants that it is able to issue under its existing authorities obtained at the annual general meeting on 15 June 2016 (being 492,608 LMS Warrants).

4. Trading Update

Since the announcement of the Company's results for the year ended 31 December 2015 on 19 April 2016, the Company has continued its development.

The Company's Forestry division (incorporating Aitchesse) is continuing to perform well with assets under management increasing 16 per cent. to £223.5 million as at 30 June 2016 (£192.7 million as at 30 June 2015). The Company is working towards launching the Gresham House Forestry Fund during the second half of this financial year. It is still intended that the fund will initially acquire a portfolio of forests in the West of Scotland for £12.1 million including all costs and taxes.

However, owing to a delay by the vendor to meet certain conditions within the agreed timelines, having targeted completion by 31 July 2016, the existing contract with Aitchesse (General Partner) Limited ("AGP") has been terminated by AGP with no deposit being paid. Gresham House Forestry is working with the vendor to progress the transaction and the Company is targeting completion in the second half of 2016. The team continues to appraise a number of forestry investment opportunities.

The launch of the first Gresham House Forestry Fund is expected to take place in the second half of this year and, together with other client initiatives, Gresham House Forestry will continue to evolve the forestry asset management business.

Gresham House Strategic plc ("GHS") has performed well against a volatile backdrop. GHS's NAV increased 3.1 per cent. since GHAM's appointment in August 2015 through to 1 July 2016, outperforming the FTSE small-cap index (excluding Investment Trusts) by approximately 10 per cent. GHS aims to continue to further reduce the discount to net asset value primarily through delivering investment performance and also its marketing efforts.

The Appointment, demonstrates the Company's ability to successfully execute its strategy to focus on the investment management of relatively differentiated, specialist or illiquid assets. In line with this strategy, the Company also intends to establish a new Strategic Public Equity fund during the second

half of the financial year. This will complement the existing listed Investment Company GHS, with the same investment strategy and managed by the same team, but within a Limited Partnership structure and catering for a different investor audience such as family offices, pension funds and private equity investors.

The Company's net trading performance is expected to be in line with expectations. As at 30 June 2016, the Company had cash and liquid assets (including the £5.5 million holding in GHS) of £10 million and loans of £7.0 million secured against property assets and persimmon cash receipts of £6.3 million (£3.52 million as at 31 December 2015).

The Company expects to announce its interim results for the six month period to 30 June 2016 on 28 September 2016.

5. General Meeting

The Notice of General Meeting is set out at the end of this document. Entitlement to attend and vote at the General Meeting and the number of votes which may be cast at the General Meeting will be determined by reference to holdings in Ordinary Shares at the Voting Record Time.

The General Meeting has been convened for 3.00 p.m. on 16 August 2016 at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL to enable Shareholders to consider and, if thought fit, pass the Resolutions set out in the Notice of General Meeting.

The Directors believe that it is in the best interests of the Shareholders to have the ability to issue up to 1,379,409 LMS Warrants to LMS, and are therefore recommending that the Shareholders vote in favour of the Resolutions at the General Meeting. The Appointment is not conditional on the passing of the Resolutions. If the Resolutions are not passed, the Company intends (subject to Completion and at the request of LMS) to issue up to the maximum possible number of LMS Warrants that it is able to issue using its existing authorities obtained at the annual general meeting on 15 June 2016 (being 492,608 LMS Warrants).

Resolution 1 – Authority to grant the LMS Warrants

The Resolution will authorise the Directors of the Company to grant the LMS Warrants under section 551 of the Act to subscribe for, in aggregate, up to 1,379,409 Ordinary Shares up to a maximum aggregate nominal value of £344,852.25, being 1,379,409 shares and representing approximately 14 per cent. of the nominal value of the issued ordinary share capital of the Company as at 26 July 2016 (being the last practicable date prior to the publication of this document). The Directors intend to exercise such authority to issue the LMS Warrants to LMS as described in more detail in section 3 of this Part I and such LMS Warrants shall have the rights described in Part II of this document.

Resolution 1 will be proposed as an ordinary resolution and the majority required for the passing of Resolution 1 at the General Meeting is 50 per cent. or more of the votes cast to be in favour.

Resolution 2 – Disapplication of pre-emption rights

If the Directors of the Company wish to allot new shares or rights to subscribe to new shares (including, warrants) for cash, the Act requires that such shares or rights are offered first to existing Shareholders in proportion to their existing holdings.

Resolution 2 will be proposed as a special resolution and asks the Shareholders to authorise the Directors of the Company to allot the LMS Warrants for cash without offering them first to existing Shareholders in proportion to their existing holding.

The authority granted pursuant to Resolution 2 will expire on 31 December 2016.

Resolution 2 will be proposed as a Special Resolution and the majority required for the passing of Resolution 2 at the General Meeting is 75 per cent. or more of the votes cast to be in favour.

6. Irrevocable undertakings and Letters of Support

To become effective, the Transaction requires approval of the Investment Policy Resolution at the LMS General Meeting convened for 3.00 p.m. on 16 August 2016.

So as to give the Directors the ability to issue up to 1,379,409 LMS Warrants to LMS, approval of the Resolutions is required at the General Meeting which is also convened for 3.00 p.m. on 16 August 2016. If the Resolutions are not passed, the Company intends to issue up to the maximum possible number of LMS Warrants that it is able to issue under its existing authorities obtained at the annual general meeting on 15 June 2016 (being 492,608 LMS Warrants).

Gresham House Letters of Support

The Company has received letters of support to vote (or procure the vote) in favour of the Resolutions from certain Shareholders in respect of a total 2,553,235 Ordinary Shares, representing approximately 25.91 per cent. of the Company's issued ordinary share capital.

LMS Irrevocable Undertakings and Letters of Support

LMS has received irrevocable undertakings to vote (or procure the vote) in favour of the Investment Policy Resolution from the Rayne family, representing approximately 34.04 per cent. of LMS's issued ordinary share capital.

LMS has also received non-binding letters of support from certain Shareholders to vote (or procure the vote) in favour of the Investment Policy Resolution in respect of 22,282,257 ordinary shares representing approximately 19.58 per cent. of the ordinary share capital of LMS on 25 July 2016.

7. Action to be taken

For the reasons set out in this document, the Directors consider that the Transaction, details of which are contained in this document, is in the best interests of Shareholders as a whole. Accordingly, in order to issue up to 1,379,409 LMS Warrants to LMS, the Directors recommend that you vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings of Ordinary Shares, and that you take the action described below.

The Appointment is not conditional on the passing of the Resolutions. If the Resolutions are not passed, the Company intends to issue up to the maximum possible number of LMS Warrants that it is able to issue using its existing authorities obtained at the annual general meeting on 15 June 2016 (being 462,608 LMS Warrants).

Please check you have received the following with this document:

- a Form of Proxy for use in respect of the General Meeting; and
- (if you live in the United Kingdom) a reply paid envelope for use in the United Kingdom.

If you have not received all of these documents please contact the Company's registrars, Neville Registrars, on the telephone number set out at the end of this section.

To vote on the Resolutions:

Whether or not you plan to attend the General Meeting, PLEASE COMPLETE AND SIGN the Form of Proxy and return it to the Company's registrars, Neville Registrars, at Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA as soon as possible, but in any event so as to be received by no later than 3.00 p.m. on 12 August 2016 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned General Meeting).

The Form of Proxy has a pre-paid address for your convenience for use in the UK only. Unless the Form of Proxy is returned by the time mentioned in the instructions printed thereon, it will be invalid.

If you hold your Ordinary Shares in uncertificated form (that is, in CREST) you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please

also refer to the accompanying notes in the Notice of General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participant ID 7RA11) must be received by the Company's registrars, Neville Registrars, not later than 3.00 p.m. on 12 August 2016 (or, in the case of an adjournment of the General Meeting, not later than 48 hours before the time fixed for the holding of the adjourned General Meeting).

The completion and return of the Form of Proxy will not prevent you from attending and voting at the General Meeting, or any adjournment thereof, in person should you wish to do so and are so entitled.

Helpline:

If you have any questions relating to this document or the completion and return of the Form of Proxy, please call the Company's registrars, Neville Registrars, on +44(0) 121 585 1131 between 9.00 a.m. and 5.00 p.m. (London time), Monday to Friday (excluding bank or public holidays). Please note that, for legal reasons, Neville Registrars cannot give you any advice on the merits of the Resolutions or provide any personal financial, legal or taxation advice in connection with the Resolutions. Calls to the helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls made from mobile telephones and calls may be monitored and recorded for security and training purposes.

8. Recommendation

The Board considers the Transaction and the passing of the Resolutions is in the best interests of the Shareholders as a whole and, accordingly, unanimously recommends that Shareholders vote in favour of all of the Resolutions at the General Meeting. The Company's Directors intend to vote their own shareholdings, totalling 365,981 Ordinary Shares, representing approximately 3.6 per cent. of the Company's existing issued ordinary share capital, in favour of the Resolutions.

Yours sincerely,

Anthony Townsend
Non-Executive Chairman

PART II
PRINCIPAL TERMS OF THE LMS WARRANTS

Exercise Amount	323.27 pence per Ordinary Share
Expiry Date	30 June 2018
Transfer	Only transferable to other LMS group companies with the prior written consent of the Company.
Exercise of LMS Warrants	Save as provided below, the LMS Warrantholder will have the right, which may be exercised on any day from (and including) 14 October 2016 to (and including) the Expiry Date, to subscribe in cash for one Ordinary Share for every LMS Warrant held in consideration for the payment of the Exercise Amount in full per LMS Warrant.

The LMS Warrants will be deemed to be exercised on the business day upon which the Company's registrars shall have received the relevant documentation and remittance, in accordance with the instructions set out in the LMS Warrant Instrument. Subject to value having been received by the Company in respect of the relevant remittance and subject to FCA approval having been obtained in the event that such exercise would trigger a "change of control", the Company shall allot the Ordinary Shares to be issued pursuant to the exercise of subscription rights attaching to the LMS Warrants being exercised and enter the allottee of such Ordinary Shares in the Company's register of members not later than 14 days after the date on which such LMS Warrants are exercised.

Every LMS Warrant in respect of which subscription rights:

- have been exercised in full; or
- on the Expiry Date have not been exercised (whether in whole or in part),

shall lapse and be cancelled.

If any LMS Warrantholder is in possession of relevant inside information and is thereby precluded from exercising any LMS Warrants or any part thereof immediately prior to the Expiry Date, then, in respect of such LMS Warrantholder, the Expiry Date shall be extended until the date which falls 10 business days after the later of (i) the day on which the LMS Warrantholder ceases to be an insider (as defined in the Criminal Justice Act 1993) and (ii) the day on which the LMS Warrantholder ceases to be in possession of inside information within the meaning of Article 7 of the Market Abuse Regulations (Regulation (EU) No 596/2014).

Ordinary Shares allotted pursuant to the exercise of the LMS Warrants in accordance with the terms of the LMS Warrant Instrument shall be issued fully-paid and free from any liens, charges or encumbrances and rights of pre-emption, shall rank in full for all dividends and other distributions declared, made or paid on the Ordinary Shares on or after the relevant day on which the LMS Warrants are exercised and otherwise *pari passu* in all respects with the Ordinary Shares in issue at that date.

Undertakings of the Company

Save as provided below and, unless otherwise authorised by an Extraordinary Resolution (as defined below), whilst any LMS Warrant remains exercisable:

- the Company shall not in any way modify the rights attached to its existing Ordinary Shares as a class in any way which operates to vary the rights of the LMS Warranholders in relation to the LMS Warrants (but nothing shall restrict the right of the Company to increase, consolidate, sub-divide or reduce its share capital subject to any adjustments to the subscription rights as may be required by the LMS Warrant Instrument). For these purposes, the creation or issue of preference shares (whether convertible, redeemable and/or cumulative) carrying rights to dividends, capital conversion or otherwise as the directors of the Company shall think fit, shall not be deemed to modify the rights attaching to the Ordinary Shares; and
- LMS Warranholders will have made available to them, at the same time and in the same manner as the same are made available to Shareholders, copies of the audited accounts of the Company (with the relevant directors' and auditor's reports) and copies of all other circulars or notices which are made available to Shareholders.

Adjustment of Subscription Rights While any LMS Warrants remain exercisable:

- at the time of any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register of members of the Company on a date (or by reference to a record date) other than pursuant to a scrip dividend; or
- upon any sub-division, consolidation or reduction of the Ordinary Shares,

then the number and/or nominal value of Ordinary Shares to be subscribed on a subsequent exercise of each Shareholder Warrant will be increased or (as the case may be) reduced proportionately as determined by the auditors of the Company on the basis that immediately after the allotment, sub-division, consolidation or reduction, the Ordinary Shares to be issued if the subscription rights attaching to the then outstanding LMS Warrants were exercised shall constitute the same percentage of the total number of issued Ordinary Shares as that which such Ordinary Shares would have constituted immediately before such allotment, sub-division or consolidation and the Exercise Amount of the then outstanding LMS Warrants shall be adjusted accordingly by the auditors of the Company.

While any LMS Warrants remain exercisable after any allotment of fully paid Ordinary Shares by way of an open offer or rights issue to existing Shareholders, the number of Ordinary Shares to be subscribed on a subsequent exercise of each LMS Warrant and the Exercise Amount payable on the subsequent exercise of the LMS Warrants may be adjusted. Any such adjustment shall be done in such manner as the auditors of the Company may determine as appropriate. For the purposes of this paragraph, an adjustment shall be "appropriate" if, as a consequence of the adjustment, LMS Warranholders obtains the same economic result on the

exercise of their LMS Warrants as if the open offer or rights issue had not occurred or arisen. Such adjustment shall become effective on the date of issue of such Ordinary Shares.

General Offers

Save as set out below, if at any time:

- an offer is made to all holders of equity share capital of the Company (as defined in the Act) (or all such holders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror (as such expression is defined in the latest edition of the City Code on Takeovers and Mergers)) to acquire the whole or any part of such equity share capital of the Company; and
- the Company becomes aware that, as a result of such an offer, the right to cast a majority of votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid,

the Company shall give notice to the LMS Warrantheolders of such vesting within 14 days of its becoming so aware (the “**General Offer**”).

For the avoidance of doubt, the summoning of a meeting by the court in connection with an arrangement under Part 27 of the Act providing for the acquisition by any person of the whole or any part of such equity share capital of the Company shall be deemed to be the making of a General Offer.

Where a General Offer is made and:

- the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror shall have made an offer to LMS Warrantheolders or to all LMS Warrantheolders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror to acquire all of the outstanding LMS Warrants; or
- the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror shall have proposed an arrangement or amalgamation (“**scheme**”) with regard to the acquisition of all the outstanding LMS Warrants,

and in either case the value of the consideration receivable by the LMS Warrantheolders pursuant to such offer or scheme (on such basis as the auditors of the Company may determine, and shall have confirmed in writing to the LMS Warrantheolders no less than 21 days (or, if that is not possible, such period as is possible prior to the expiry of such offer or the date on which such scheme becomes effective) is no less than that which he would have received pursuant to the offer made or scheme proposed to holders of Ordinary Shares had his subscription rights been exercised on the date upon which such offer became wholly unconditional or such scheme became effective (after deduction of the costs of subscription) then any LMS Warrants which are not the subject of an acceptance of the offer to LMS Warrantheolders or are not effectively transferred or cancelled pursuant to such scheme shall lapse upon the expiry of that offer or (provided such scheme becomes effective) upon the date upon which that scheme is sanctioned by the court.

If on a date (or by reference to a record date) while any LMS Warrants remain outstanding:

- an offer or invitation is made by the Company (whether by way of rights or otherwise (including but not limited to an open offer) but not being an All Share Offer (as defined below)) to all the holders of Ordinary Shares; or
- any offer or invitation (not being a General Offer) is made to all the holders of Ordinary Shares otherwise than by the Company,

then the Company shall procure (but in the case of any offer or invitation (not being a General Offer) made to all the holders of Ordinary Shares otherwise than by the Company, only in so far as it is able) that at the same time the same offer or invitation is made to the LMS Warranholders as if their respective LMS Warrants had been exercised and the LMS Warranholders entered in the register of members accordingly on the day immediately preceding the record date of such offer or invitation then applicable. Provided that, if the Board so resolves, in the case of any such offer or invitation made by the Company, the Company shall not be required to procure that the same offer or invitation is made to the LMS Warranholders but that the Exercise Amount and/or the subscription rights shall be adjusted in such manner as the auditors of the Company shall certify to be fair and reasonable to take account of such offer or invitation by the Company. The Company shall give notice to the LMS Warranholders forthwith upon (and in any event within fourteen years of) any adjustment and shall at the same time send to the LMS Warranholders a warrant certificate evidencing the rights to which the LMS Warranholders are entitled with fractional entitlements being ignored.

If a General Offer is made whereunder the consideration consists solely of the issue of ordinary shares of the offeror and the offeror makes available an offer of warrants to subscribe for ordinary shares of the offeror in exchange for LMS Warrants which the auditors of the Company consider in their opinion is fair and reasonable (having regard to the terms of the offer and any other circumstances which may appear to the auditors to be relevant) (an “**All Share Offer**”), then any director of the Company shall be authorised as attorney for each and any of the LMS Warranholders:

- to execute a transfer thereof in favour of the offeror in consideration of the issue of a warrant to subscribe for ordinary shares of the offeror as aforesaid whereupon the relevant LMS Warrants shall lapse; and
- to do such acts and things as may be reasonably necessary or appropriate in connection therewith,

subject, in each case, to such offer becoming or being declared wholly unconditional and the offeror being in a position to compulsorily acquire the whole of the then issued ordinary share capital of the Company in accordance with the Act or the articles of association of the Company or in the case of such an offer implemented by a scheme, the date upon which that scheme is sanctioned by the court.

If, on a date while any LMS Warrants remain outstanding, any order is made or an effective resolution is passed for winding

up the Company, except for the purpose of reconstruction or amalgamation (including but not limited to pursuant to an amalgamation under Part 27 of the Act) on terms sanctioned by an Extraordinary Resolution of the LMS Warranholders, and on such winding up (on the assumptions that all LMS Warrants had been exercised in full and the Exercise Amount payable in connection therewith had been received in full by the Company) there would be a surplus available for distribution amongst the holders of the Ordinary Shares which would exceed, in respect of each Ordinary Share, a sum equal to the Exercise Amount, each LMS Warranholder shall be treated as if, immediately before the date of such order or resolution, his LMS Warrants had been exercised in full at the Exercise Amount and such LMS Warranholders shall accordingly be entitled to receive out of the assets available in the liquidation pari passu with the holders of the Ordinary Shares an amount equal to the sum to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Exercise Amount. Subject to the foregoing all LMS Warrants shall lapse on the liquidation of the Company.

Purchase and Cancellation

The Company may at any time purchase LMS Warrants by:

- (a) by tender (available to all LMS Warranholders alike) at any price; or
- (b) private treaty at any price.

All LMS Warrants so purchased shall be cancelled forthwith and may not be reissued or sold.

Meetings of LMS Warranholders

At such times when all the Warrants are held by one person, any business transacted by such person which would be transacted at a meeting of the Warranholders may be conducted by way of written resolution.

Meetings of LMS Warranholders may be convened in accordance with the provisions of the LMS Warrant Instrument and shall be competent to pass Extraordinary Resolution and to exercise all the powers as referred to therein. Without prejudice to the generality of the foregoing the LMS Warranholders, by way of Extraordinary Resolution, shall have power to:

- sanction any compromise or arrangement proposed to be made between the Company and the LMS Warranholders or any of them;
- sanction any proposal by the Company for modification, abrogation, variation or compromise of, or arrangement in respect of the rights of the LMS Warranholders against the Company whether such rights shall arise under the LMS Warrant Instrument or otherwise;
- sanction any proposal by the Company for the exchange or substitution for the LMS Warrants of, or the conversion of the LMS Warrants into, shares, stock, bonds, debentures, debenture stock, warrants or other obligations or securities of the Company or any other body corporate formed or to be formed;
- assent to any modification of the conditions to which the LMS Warrants are subject and/or the provisions contained in the LMS Warrant Instrument which shall be proposed by the Company;

- authorise any person to concur in and execute and do all such documents, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution;
- discharge or exonerate any person from any liability in respect of any act or omission for which such person may have become responsible under the LMS Warrant Instrument; and
- give any authority, direction or sanction which under the provisions of the LMS Warrant Instrument is required to be given by Extraordinary Resolution.

Convening of Meetings

The Company may at any time and shall on receipt of a request in writing of persons holding not less than one-tenth of the outstanding LMS Warrants (upon receiving such indemnity (if any) as it may require against all reasonable costs, expenses and liabilities which it may incur by so doing) convene a meeting of the LMS Warrantheolders. Such meeting shall be held at such place within the United Kingdom as the Company shall determine.

At least 14 days' notice in writing of every meeting shall be given to the LMS Warrantheolders. The notice shall specify the place, day and hour of the meeting and the general nature of the business to be transacted, but, except in the case where an Extraordinary Resolution is to be proposed, it shall not be necessary to specify in the notice the terms of the resolutions to be proposed. The notice shall state that a LMS Warrantheolder is entitled to appoint a proxy to attend and, on a poll, to vote instead of him.

The accidental omission to give notice to or the non-receipt of notice by any of the LMS Warrantheolders shall not invalidate the proceedings at any meeting.

Quorum

At any meeting at least two LMS Warrantheolders being present in person or by proxy shall form a quorum for the transaction of any business, unless all the LMS warrants are held by one person in which case the quorum shall be one.

No business (other than the election of a chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of business.

At such times when all the Warrants are held by one person, any business transacted by such person which would be transacted at a meeting of the Warrantheolders may be conducted by way of written resolution.

Absence of Quorum

If within half an hour from the time appointed for the meeting (or such longer interval as the chairman of the meeting may think fit to allow) a quorum is not present, the meeting, if convened upon the requisition of LMS Warrantheolders, shall be dissolved. In any other case it shall stand adjourned to such day and time not being less than seven days nor more than 28 days thereafter and to such place as may be appointed by the

chairman and at such adjourned meeting the LMS Warranholders present and entitled to vote shall be a quorum for the transaction of business including the passing of Extraordinary Resolution.

At least seven days' notice of any adjourned meeting of LMS Warranholders at which an Extraordinary Resolution is to be submitted shall be given in the same manner, mutatis mutandis, as for an original meeting and such notice shall state that the LMS Warranholders present at the adjourned meeting whatever their number will form a quorum.

Resolution

At any meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or by one or more LMS Warranholders present in person or by proxy and holding or representing one-twentieth of the then outstanding LMS Warrants.

Unless a poll is demanded a declaration by the chairman that a resolution has been carried or carried by any particular majority or lost or not carried by any particular majority shall be conclusive evidence of that fact.

Poll

If a poll is duly demanded it shall be taken in such manner and at such time and place as the chairman may direct (save that a poll demanded on the election of a chairman or on any question of adjournment shall be taken at the meeting without adjournment) and the result of a poll shall be deemed to be the resolution of the meeting at which the poll is demanded.

The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The demand for a poll may be withdrawn.

No notice need be given of a poll not taken immediately.

Voting

On a show of hands every LMS Warranholder who is present in person or, being a corporation, by its authorised representative or proxy, shall have one vote. On a poll every LMS Warranholder who is present in person or by proxy shall have one vote for every LMS Warrant of which he is the holder.

In the case of joint holders of LMS Warrants the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the vote of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of LMS Warranholders.

On a poll votes may be given either personally or by proxy and a LMS Warranholder entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

No objection shall be raised to the qualification of any person voting except at the meeting or adjourned meeting at which the vote objected to is tendered, and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

In the case of an equality of votes whether on a show of hands or on a poll the chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote in addition to the votes (if any) to which he may be entitled as a LMS Warranholder.

Extraordinary Resolution

The expression “**Extraordinary Resolution**” means a resolution passed at a meeting of the LMS Warranholders duly convened and held in accordance with the provisions contained within the LMS Warrant Instrument and carried by a majority consisting of not less than three-quarters of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded, by a majority consisting of not less than three-quarters of the votes given on such poll.

A resolution in writing signed by LMS Warranholders entitled to subscribe for not less than 75 per cent. of the Ordinary Shares which are the subject of outstanding LMS Warrants pursuant to the LMS Warrant Instrument in accordance with the provisions contained therein shall for all purposes be valid and effectual as an Extraordinary Resolution passed at a meeting duly convened and held in accordance with the provisions therein contained. Such resolution in writing may be contained in one document or in several documents in like form each signed by one or more of the LMS Warranholders. In the case of a body corporate the resolution may be signed on its behalf by a director or the secretary thereof or by its duly authorised representative or duly appointed attorney.

An Extraordinary Resolution passed at a meeting of the LMS Warranholders duly convened and held in accordance with the LMS Warrant Instrument shall be binding upon all LMS Warranholders whether or not present at the meeting and each of the LMS Warranholders shall be bound to give effect to that resolution accordingly.

Modifications to the LMS Warrant Instrument

Any modification to the LMS Warrant Instrument may be effected only by an instrument in writing, executed by the Company and expressed to be supplemental to the LMS Warrant Instrument and, save in the case of a modification which is of a formal, minor or technical nature or made to correct a manifest error, only if it shall first have been sanctioned by an Extraordinary Resolution.

Availability of the LMS Warrant Instrument

Every LMS Warranholder shall be entitled to receive a copy of the LMS Warrant Instrument.

DEFINITIONS

The following definitions apply throughout this document (including the Notice of General Meeting) and the Form of Proxy unless the context requires otherwise:

“Act”	the Companies Act 2006 (as amended) from time to time
“AIFM”	an alternative investment fund manager for the purposes of the Alternative Investment Fund Managers Directive (Directive 2011/61/EU)
“AIFM and Portfolio Management Agreement”	the AIFM and portfolio management agreement to be entered into by GHAM, G10 Capital and LMS in relation to the Appointment, further details of which are set out at section 3 of Part I of this document
“AIM”	AIM, a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies published by the London Stock Exchange from time to time
“Appointment”	the proposed appointment of GHAM as external portfolio manager to LMS
“Appointment Shares”	the new Ordinary Shares to be issued to LMS by the Company pursuant to the Share Issue and Warrant Subscription Agreement
“Board” or “Directors”	the current directors of the Company whose names are set out on page 4 of this document
“certificated” or “in certificated form”	a share or other security not held in uncertificated form (i.e. not in CREST)
“Company” or “Gresham House”	Gresham House plc, a company registered in England with registered number 871
“Completion”	the execution of the AIFM and Portfolio Management Agreement
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended from time to time
“Disclosure and Transparency Rules” or “DTR”	the disclosure and transparency rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of the FSMA, as amended from time to time
“Financial Conduct Authority” or “FCA”	the Financial Conduct Authority of the UK
“Form of Proxy”	the enclosed form of proxy for use by Shareholders in connection with the General Meeting
“FSMA”	the Financial Services and Markets Act 2000 (as amended, modified, consolidated, re-enacted or replaced from time to time)

“G10 Capital”	G10 Capital Limited, a company incorporated in England and Wales with company number 9224491 and whose registered office is at 136 Buckingham Palace Road, London, SW1W 9SA
“General Meeting”	the general meeting of the Company convened for 3.00 p.m. on 16 August 2016 at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL, notice of which is set out at the end of this document
“GHAM”	Gresham House Asset Management Limited, a company registered in England and Wales with registered number 9447087
“Group”	the Company and its subsidiary undertakings
“Hurdle NAV”	has the meaning given in section 3.1 of part I of this document
“Investment Policy Resolution”	means the resolution to be proposed at the LMS General Meeting to approve the adoption of LMS’s new investment policy
“Legacy Assets”	has the meaning given to it in section 3.1 of Part I of this document
“Liberum”	Liberum Capital Limited, the Company’s financial adviser, nominated adviser and broker
“LMS”	LMS Capital plc, a company registered in England and Wales with registered number 05746555
“LMS Board”	the directors of LMS
“LMS Concert Party”	Withers Trust Corporation, Robert Rayne and certain members of his family and related trusts, and certain other shareholders, who together held in aggregate, 37 per cent. of the LMS Shares
“LMS General Meeting”	the general meeting of LMS convened for 3.00 p.m. on 16 August 2016
“LMS Shares”	the ordinary shares of 10 pence each in the capital of LMS
“LMS Shareholders”	the holders of the LMS Shares
“LMS Warrantholders”	holders of the LMS Warrants
“LMS Warrant Instrument”	the warrant instrument to be dated on or around 14 October 2016 in relation to the LMS Warrants, details of which are set out in Part II of this document
“LMS Warrants”	warrants to subscribe for Ordinary Shares on the terms set out in the LMS Warrant Instrument
“London Stock Exchange”	London Stock Exchange plc
“Main Market”	the London Stock Exchange’s main market for listed securities
“NAV”	net asset value
“Neville Registrars”	Neville Registrars Limited, the Company’s registrars

“New Investments”	any assets of LMS that are not Legacy assets
“Notice” or “Notice of General Meeting”	the notice of General Meeting set out at the end of this document
“Official List”	the official list of the Financial Conduct Authority
“Ordinary Shares”	ordinary shares of 25 pence each in the share capital of the Company
“Performance Fee”	the performance fee payable pursuant to the AIFM and Portfolio Management Agreement, further details of which are set out in section 3.1 of this document
“Performance Fee Period”	the period in respect of which the Performance Fee is calculated, further details of which are set out in section 3.1 of Part I of this document
“Proposals”	the proposed new strategy for the investment policy of LMS which is set out in more detail in section 2 of Part 1 of this document
“Prospectus Rules”	the prospectus rules made by the FCA in the exercise of its function as competent authority pursuant to Part VI of the FSMA, as amended from time to time
“Resolutions”	the resolutions to be proposed at the General Meeting, as set out in the Notice of General Meeting
“Second Anniversary”	the second anniversary of the date of the AIFM and Portfolio Management Agreement
“Second Anniversary NAV”	the NAV of LMS’s current portfolio of assets on the Second Anniversary, taking into account certain adjustments (including cash proceeds of any disposal of assets but excluding any amounts returned to LMS Shareholders)
“Securities Act”	United States Securities Act of 1933 (as amended)
“Shareholders”	holders of Ordinary Shares
“Shareholder Warrantholders”	holders of Shareholder Warrants
“Shareholder Warrants”	the warrants to subscribe for Ordinary Shares pursuant to a warrant instrument dated 7 October 2014 (as modified on 4 November 2015)
“Share Issue and Warrant Subscription Agreement”	the share issue and warrant subscription agreement between the Company, GHAM and LMS dated 27 July 2016, further details of which are set out at section 3.2 of Part I of this document
“Subsequent Tranches”	after the Tender Offer, the two further returns of capital to LMS Shareholders by way of tender offer by J.P. Morgan Cazenove and repurchase by the Company in the amounts of up to £6 million and up to £5 million
“subsidiary”	as defined in section 1159 and Schedule 6 of the Act
“Supporter Warrantholders”	holders of Supporter Warrants

“Supporter Warrants”	the warrants to subscribe for Ordinary Shares pursuant to a warrant instrument dated 7 October 2014 (as modified on 4 November 2015)
“Tender Offer”	the return of capital to LMS Shareholders by way of a tender offer by J.P. Morgan Cazenove and associated repurchase by the Company of up to £6 million at a 5 per cent. discount to the NAV of LMS at 30 June 2016 as set out in the circular sent to LMS Shareholders on or around the date of this document
“Tranche 1 Shares”	the new Ordinary Shares to be issued to LMS on Completion pursuant to the Share Issue and Warrant Subscription Agreement
“Tranche 2 Shares”	the new Ordinary Shares to be issued to LMS on the Second Anniversary pursuant to the Share Issue and Warrant Subscription Agreement
“Transaction”	(i) the appointment of GHAM by LMS as its external investment fund manager, (ii) the issue of the Appointment Shares, and (iii) the issue of the LMS Warrants
“uncertificated” or “in uncertificated form”	recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of the CREST system
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland
“United States” or “US”	the United States of America
“Voting Record Time”	6.00 p.m. on 12 August 2016
“Warrantholders”	Shareholder Warrantholders and/or Supporter Warrantholders

NOTICE OF GENERAL MEETING

GRESHAM HOUSE PLC

(Incorporated in England with registered number 871)

NOTICE is hereby given that a General Meeting of Gresham House plc (the "**Company**") will be held at the offices of Travers Smith LLP at 10 Snow Hill, London EC1A 2AL on 16 August 2016 at 3.00 p.m. for the purpose of considering and (if thought fit) passing the Resolutions set out below, of which Resolution 1 will be proposed as an ordinary resolution and Resolution 2 will be proposed as a special resolution.

Defined terms in this Notice of General Meeting shall have the same meaning as contained in the document of which this Notice forms part.

ORDINARY RESOLUTION

1. **THAT**, in addition to any existing authorities to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company the directors of the Company be and are generally and unconditionally authorised to exercise all powers of the Company to issue warrants (the "**LMS Warrants**") to LMS Capital plc or any of its subsidiaries to subscribe for in aggregate up to 1,379,409 Ordinary Shares up to an aggregate nominal amount of £344,852.25 such authority to expire on 31 December 2016.

SPECIAL RESOLUTION

2. **THAT**, subject to and conditional upon Resolution 1 set out in this Notice being duly passed, the directors of the Company be and are empowered in accordance with section 570 of the Companies Act 2006 (the "**Act**") to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them in Resolution 1 above as if section 561 and section 562 of the Act did not apply to any such allotment, provided that the power conferred by this Resolution shall be limited to the allotment of LMS Warrants to subscribe for Ordinary Shares up to an aggregate nominal value of £344,852.25 and this power, unless renewed, shall expire on 31 December 2016.

BY ORDER OF THE BOARD

John-Paul Preston
Secretary

Registered Office:
5 New Street Square
London EC4A 3TW

Date: 27 July 2016

Notes:

- (1) A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and/or vote on their behalf. A proxy need not be a member of the Company. A member may appoint more than one proxy in relation to the General Meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member.
- (2) Any member or his proxy attending the General Meeting has the right to ask any questions at the General Meeting relating to the business proposed at it.
- (3) A Form of Proxy is enclosed with this Notice. Instructions for use are shown on the form. Lodging a Form of Proxy will not prevent the member from attending and voting in person. To appoint a proxy you may:
 - (a) use the Form of Proxy enclosed with this Notice of General Meeting. To be valid, the Form of Proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of the same, must be deposited by 3.00 p.m. on 12 August 2016 at the Company's registrars, Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA; or
 - (b) if you are a CREST member, appoint a proxy or proxies through the CREST electronic proxy appointment service which must be settled by 3.00 p.m. on 12 August 2016 and as detailed in notes 6 to 9 below.
- (4) The Company, pursuant to Regulation 41 of the CREST Regulations, specifies that entitlement to attend and vote at the General Meeting or any adjournment thereof, and the number of votes which may be cast thereat, will be determined by reference to the register of members of the Company not more than 48 hours before the time of such meeting or adjourned meeting. Therefore, changes to the register of members after the Voting Record Time or, if the General Meeting is adjourned, after 6.00 p.m. two days prior to the day fixed for the adjourned meeting, will be disregarded in determining the rights of any person to attend or vote at the General Meeting.
- (5) If you do not have a Form of Proxy and believe that you should have one, or if you require additional forms, please contact Neville Registrars Limited. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior). If you submit more than one valid proxy appointment, the appointment executed last before the latest time for the receipt of proxies will take precedence.
- (6) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual on the Euroclear UK & Ireland website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (7) 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 UK & Ireland's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID 7RA11), by the latest time for receipt of proxy appointments specified in this Notice of General 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.
- (8) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland does not make available special procedures in CREST for any particular message. 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(s), to procure that his CREST sponsor or voting service provider(s) take(s) 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.

- (9) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) (a) of the CREST Regulations.
- (10) Any person to whom this Notice is sent who is a person nominated under section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights. Such Nominated Persons are advised to contact the members who nominated them for further information on this.
- (11) The statement of the rights of shareholders in relation to the appointment of proxies in notes 1, 3 and 5-9 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
- (12) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all of its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (13) In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly revoking your proxy appointment to Neville Registrars Limited, Neville House, 18 Laurel Lane, Halesowen, West Midlands B63 3DA. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Neville Registrars Limited if the General Meeting or any adjourned meeting
- (14) You may not use any electronic address provided in this Notice or any relevant document to communicate with the Company for any purpose other than those expressly stated.
- (15) Copies of the Company's articles of association are available for inspection at www.greshamhouse.com, and can be inspected at the offices of Travers Smith LLP, 10 Snow Hill, London EC1A 2AL and at the Company's registered office, 5 New Street Square, London EC4A 3TW, until opening of business on the day on which the General Meeting is held and will also be available for inspection at the place of the General Meeting for at least 15 minutes prior to and during the General Meeting.
- (16) As at 26 July 2016 (being the last business day prior to the publication of this Notice), the Company's issued share capital consists of 9,853,003 Ordinary Shares, carrying one vote each. Therefore the total voting rights in the Company as at 26 July 2016 are 9,853,003.
- (17) The information required to be published by section 311A of the Act may be found at www.greshamhouse.com.

