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If you have sold or transferred all of your Ordinary Shares, please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold only part of your holding of Ordinary Shares, please contact your stockbroker, bank or other agent through whom the sale or transfer was effected immediately.

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The Placing is only being made in the United Kingdom. This document does not constitute an offer to buy or to subscribe for, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. The Ordinary Shares have not been, and will not be, registered in the United States of America under the United States Securities Act of 1933 (as amended) (the "Securities Act") or qualified for sale under the laws of any state of the United States or under the applicable laws of any of Canada, Australia, the Republic of South Africa or Japan and may not be offered or sold in the United States of America, Canada, Australia, the Republic of South Africa or Japan or to, or for the account or benefit of, US persons (as such term is defined in Regulation S under the Securities Act) or to any national, resident or citizen of Canada, Australia, the Republic of South Africa or Japan. Neither this document nor any copy of it may be sent to or taken into the United States, Canada, Australia, the Republic of South Africa or Japan, nor may it be distributed to any US person (within the meaning of Regulation S under the Securities Act). In addition, the securities to which this document relates must not be marketed into any jurisdiction where to do so would be unlawful.

Application will be made for the Placing Shares to be admitted to trading on AIM. It is expected that admission of the Placing Shares to trading on AIM will become effective on, and dealings in the Placing Shares will commence at, 8.00 a.m. on 15 February 2011.

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# MAM FUNDS PLC

*(Incorporated in England and Wales under the Companies Act 1985 with registered number 05160210)*

## **PLACING OF UP TO 60,606,061 ORDINARY SHARES AT 33 PENCE PER SHARE REDEMPTION OF OUTSTANDING PREFERENCE SHARES REPAYMENT OF OUTSTANDING BANK DEBT APPOINTMENT OF NEW MANAGEMENT**

**AND**

## **NOTICE OF GENERAL MEETING**

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This document should be read as a whole. Your attention is drawn to the letter from Nicholas Hamilton and Lord Wade on behalf of the Board of MAM Funds plc on pages 4 to 11 of this document, in which the Board unanimously recommends that you vote in favour of the Resolutions to be proposed at the General Meeting referred to below.

A notice convening a General Meeting of the Company to be held at 10.00 a.m. on 14 February 2011 at the offices of Travers Smith LLP at 10 Snow Hill, London EC1A 2AL is set out at the end of this document. A Form of Proxy for use at the General Meeting is enclosed. Whether or not you intend to attend the General Meeting in person, please complete, sign and return the accompanying Form of Proxy in accordance with the instructions printed on it as soon as possible but in any event so as to be received by the Registrar (at PXS, 34 Beckenham Road, Beckenham BR3 4TU) no later than 10.00 a.m. on 12 February 2011, being 48 hours before the time appointed for the holding of the General Meeting. If you hold your Ordinary Shares in uncertificated form (i.e. in CREST), you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant RA10) by no later than 10.00 a.m. on 12 February 2011. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Completion and posting of a Form of Proxy or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting in person at the General Meeting if you wish to do so.

The Directors, whose names appear on page 4 of this document, accept responsibility, collectively and individually, for the information contained in this document. To the best of the knowledge and belief of the Directors (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.

Arbuthnot Securities Limited, which is regulated by the Financial Services Authority, is acting as nominated adviser and broker to the Company in connection with the matters described in this document. Persons receiving this document should note that Arbuthnot Securities Limited will not be responsible to anyone other than the Company for providing the protections afforded to clients of Arbuthnot Securities Limited or for advising any other person on the arrangements described in this document. Arbuthnot Securities Limited has not authorised the contents of, or any part of, this document and no liability whatsoever is accepted by Arbuthnot Securities Limited for the accuracy of any information or opinions contained in this document or for the omission of any information.

Neither the content of the Company's website nor the content of any website accessible from hyperlinks on the Company's website (or any other website) is incorporated into, or forms part of, this document nor, unless previously published by means of a recognised information service, should any such content be relied upon in reaching a decision as to whether or not to acquire, continue to hold, or dispose of, securities in the Company.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Latest time and date for receipt of Forms of Proxy for the General Meeting	10.00 a.m. on 12 February 2011
Date and time of General Meeting	10.00 a.m. on 14 February 2011
Admission and dealings in the Placing Shares expected to commence on AIM	8.00 a.m. on 15 February 2011
CREST accounts to be credited in respect of Placing Shares in uncertificated form	8.00 a.m. on 15 February 2011
Posting of share certificates for Placing Shares in certificated form	21 February 2011
Repayment of Bank Debt	23 February 2011
Redemption of Preference Shares	23 February 2011

## PLACING STATISTICS

Placing Price	33p
Number of Ordinary Shares in issue at the date of this document	69,717,514
Number of Placing Shares	60,606,061
Gross proceeds of the Placing	£20.0 million
Number of Ordinary Shares in issue immediately following Admission <sup>1</sup>	132,500,736
Number of Placing Shares expressed as a percentage of the enlarged issued ordinary share capital of the Company following Admission <sup>1</sup>	45.7 per cent.
Number of existing Ordinary Shares expected to be sold of behalf of certain Shareholders	16,966,243

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<sup>1</sup> Including 2,177,161 Ordinary Shares to be issued following the exercise of the Warrants held by the Bank.

# LETTER FROM NICHOLAS HAMILTON AND LORD WADE ON BEHALF OF THE BOARD



## MAM FUNDS PLC

*(Registered in England and Wales with no. 05160210)*

*Directors:*

Colin Rutherford (*Chairman and Chief Executive Officer*)  
Tony Moore (*Chief Financial Officer*)  
Martin Gray (*Director of Fund Management*)  
Lord Wade of Chorlton (*Deputy Chairman*)  
Adrian Collins (*Non-executive Director*)  
Nicholas Hamilton (*Senior Independent Non-executive Director*)

*Registered Office:*

10-14 Duke Street  
Reading  
Berks RG1 4RU

26 January 2011

*To Shareholders and, for information purposes only, to holders of Preference Shares and to holders of options and warrants over Ordinary Shares*

Dear Shareholder

**Proposals for a fundraising of up to £20 million by way of a Placing of up to 60,606,061 Ordinary Shares, redemption of outstanding Preference Shares, repayment of outstanding Bank Debt, appointment of new management and establishment of equity incentive**

### **1. Introduction**

On 15 December 2010 the Board announced proposals for a significant extension to the Group's strategy backed by a strengthening of its senior management team through the proposed appointments, subject to regulatory approval, of Ian Dighé as Executive Chairman, Gervais Williams as Managing Director and Graham Hooper as Distribution Director and the raising of approximately £20 million by way of a Placing at a price of 33 pence per share.

It is intended that up to 60,606,061 Placing Shares will be placed with institutional and other investors at 33 pence per share and that the net proceeds of the Placing will be used to redeem the outstanding Preference Shares (including accrued dividends) and repay the outstanding Bank Debt, strengthening the Company's financial position with the aim of allowing it to reinvigorate its strategy and exploit recent developments in the fund management industry. The Board also believes that, following implementation of the Proposals, the Company will be well positioned to attract talented new fund managers with the ability both to generate strong investment performance and build funds under management.

Following completion of the Placing, Colin Rutherford intends to step down from the Board. Adrian Collins will also resign from the Board on completion of the Placing in order to concentrate on his role as Executive Chairman of Liontrust Asset Management plc. It is intended that a new Independent Director will be appointed in due course.

The Proposals are conditional, *inter alia*, upon completion of the Placing and the approval by Shareholders at a General Meeting of Resolutions to authorise the existing Directors to allot the Placing Shares, disapply the statutory rights of pre-emption which would otherwise apply to the allotment of the Placing Shares and approve Colin Rutherford's Termination Payment.

This document convenes a General Meeting and explains the background to, and reasons for, the Proposals, why the Directors consider the Proposals to be likely to promote the success of the Company for the benefit of its members as a whole and why the Directors recommend that you vote in favour of the Resolutions to be proposed at the General Meeting as they intend to do in respect of their own holdings.

**It is necessary for all the Resolutions to be passed by Shareholders in order for the Proposals to become effective. If not all the Resolutions are passed, the Placing will not proceed and the management change will not take place.**

## **2. Proposed Board and senior management reorganisation**

Subject to completion of the fundraising and receipt of necessary regulatory approvals, it is proposed that the Company's existing senior management team be strengthened through the appointments of Ian Dighé as Executive Chairman, Gervais Williams as Managing Director and Graham Hooper as Distribution Director.

Martin Gray will remain a member of the Board as Director of Fund Management and Tony Moore will continue as Chief Financial Officer. Ian Dighé and Graham Hooper will be appointed to the Board of the Company on Admission and Gervais Williams will be free to join the Company and accept his appointment as director of the Company on 1 March 2011. His duties as Managing Director are expected to include direct fund management responsibilities with new fund launches in due course.

### ***Ian Dighé***

Ian Dighé has been involved in the financial services industry since 1985. After working for Manchester & Exchange Investment Bank, McLeod Russell Holdings PLC and as Head of Corporate Finance at Singer & Friedlander, he led the buy-out of Singer & Friedlander Corporate Finance in 2000 and laid the foundations for the formation of the Bridgewell Group plc of which he was Deputy Chairman. Following the sale of Bridgewell in August 2007 he formed Matterley, whose interests were acquired by The Charles Stanley Group PLC in September 2009. He is currently a non-executive Director of Gartmore Growth Opportunities plc (in liquidation), Strategic Equity Capital plc and Artemis Alpha Trust plc and a director of various private companies and charitable trusts.

### ***Gervais Williams***

Gervais Williams has been managing equity portfolios since 1985. He spent five years with Throgmorton Investment Management (later part of the Framlington Group), three years with Thornton Investment Management (part of Dresdner Bank) and more recently 17 years with Gartmore Group Ltd where, as head of UK Small Companies, he led a team responsible for managing £800-900 million of assets. These portfolios included funds investing in UK smaller companies and Irish equities. He has won a number of investment awards including Fund Manager of the Year by Grant Thornton in 2008 and 2009. He has sat on two DTI committees on the quoted small cap sector, is a member of the AIM Advisory Council and is due to join the Board of the Quoted Companies Alliance.

### ***Graham Hooper***

Graham Hooper joined the financial services industry in 1984 and spent 18 years working for Chase de Vere. During this time he was the most quoted financial adviser in the press for four consecutive years, was voted IFA of the Year twice and Best Investment IFA once. After the sale of Chase de Vere to Bank of Ireland, he joined Holden Meehan. Following the acquisition of Holden Meehan by Bradford and Bingley he joined the Commercial Board of Bradford and Bingley. He subsequently left to set up his own consultancy where he worked with a number of major financial services organisations including M&G, Standard Life, Chartwell and Midas Capital Partners (which later became part of the MAM Funds group of companies) to develop their retail distribution strategies. He is currently a non-executive Director of Liontrust plc but would expect to resign from this board in due course.

The Placing is not conditional on the necessary regulatory approvals being obtained for the new management appointments; Ian Dighé, Gervais Williams and Graham Hooper all have long careers in the financial services industry and are currently, or have previously been, approved persons under the UK Financial

Services Authority regime. Your Board therefore expects that such approvals will be obtained within a normal timeframe for these types of regulatory processes.

Following completion of the Placing, Colin Rutherford will step down from the Board and from his role as Chairman and Chief Executive Officer. Adrian Collins, an independent non-executive Director, will also resign from the Board on Admission in order to concentrate on his role as Executive Chairman of Liontrust Asset Management plc and has indicated that currently he intends to retain his holding of 342,205 Ordinary Shares in the Company. It is intended that a new Independent Director will be appointed in due course and that Nick Hamilton will continue as Senior Independent Director and Lord Wade as Deputy Chairman.

### **3. Extended strategy**

The Group's key strategic objectives set out in the Group's published Report and Accounts for the year ended 31 December 2009 included:

- to consolidate the Group into a focused Fund Management business;
- to retire additional Preference Share capital;
- to become one of the leading Multi-Asset Investment managers in the UK; and
- to grow assets under management and revenues.

Progress has already been made against these objectives and the Board believes that successful implementation of the Proposals will significantly accelerate their achievement. The extended strategy is intended to build on the Group's existing platform and, in particular, to broaden the product offering and strengthen the Group's marketing capability to exploit the opportunities presented by the Financial Services Authority's Retail Distribution Review and capitalise on demographic shifts in the UK and develop strategies to distribute through new entrants to the UK financial services market. In addition, the Group intends to exploit the opportunities offered by the growing Self Invested Pension Plans sector, which has enjoyed rapid expansion in the last three years and is now creating new demand for a wider range of products.

The strengthened senior management team intends to reinvigorate the existing funds management strategy with a view to building a leading fund management business with strong organic growth potential. In addition to growing existing sub-scale funds, further research will be conducted to identify potential product opportunities and new products will be launched where appropriate in response to customer demand. Particular attention will be given to existing funds' performance. The sales and marketing process will be overhauled with a clear focus on marketing products effectively, providing excellence of service to the existing distribution platforms and building relationships with new platforms and Independent Financial Advisers.

Redemption of the existing Preference Shares and repayment of outstanding bank debt will leave the Group debt and covenant free and with the additional operational flexibility required to develop the business. At the same time, the Company will be alert to opportunities to recruit talented new fund managers with clear specialisations and the ability both to generate strong investment performance and to build funds under management.

The Directors believe that the implementation of this strategy and the required investment in personnel together with the cost of launching new funds could, initially, have a negative impact on profits before interest and tax but they consider that this will be more than compensated for by the growth opportunities presented to the Company by being debt free.

### **4. Placing**

The Company proposes to raise gross proceeds of approximately £20 million (approximately £19.5 million net of expenses of the issue (before other costs associated with the Proposals)) through the issue of the Placing Shares at the Placing Price. The Placing Price represents a premium of approximately 18 per cent. to the closing middle market price of 28 pence per Ordinary Share on 14 December 2010, being the last day prior to the announcement of the Proposals. The Placing Shares represent approximately 86.9 per cent. of the Company's existing issued share capital and approximately 45.7 per cent. of the Enlarged Share Capital.

The proposed new members of the management team, Ian Dighé, Gervais Williams and Graham Hooper, have agreed to subscribe for 909,091, 8,787,879 and 303,030 Placing Shares respectively pursuant to the Placing, representing holdings of approximately 0.7 per cent., 6.6 per cent. and 0.2 per cent. respectively of the Enlarged Share Capital and an aggregate investment of approximately £3.3 million from their own personal resources.

In the interests of keeping issue costs and the time required to implement the Proposals to a minimum, the Board has concluded that a limited marketing exercise and non pre-emptive placing is preferable to offering Ordinary Shares on a pre-emptive basis to the existing Shareholders.

The net proceeds of the Placing will be used to redeem the outstanding Preference Shares and accrued dividends thereon and to repay outstanding Bank Debt. Any remaining proceeds will be retained by the Company for general working capital purposes.

#### *Placing Agreement*

Pursuant to the terms of the Placing Agreement, Arbuthnot Securities has conditionally agreed to use its reasonable endeavours, as agent for the Company, to place the Placing Shares at the Placing Price with institutional and other investors. The Placing will not be underwritten. The Placing Agreement is conditional upon, *inter alia*, the Resolutions being passed at the General Meeting and Admission becoming effective on or before 15 February 2011 (or such later time and date as the Company and Arbuthnot Securities may agree, but in any event no later than 28 February 2011).

The Placing Agreement contains warranties from the Company in favour of Arbuthnot Securities in relation to, *inter alia*, the accuracy of information contained in this document and certain other matters relating to the Group and its business. The Company has agreed to indemnify Arbuthnot Securities in relation to certain liabilities it might incur in connection with the Placing. Arbuthnot Securities has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular for *force majeure* or in the event of a material breach of the warranties set out in the Placing Agreement.

Under the Placing Agreement, and subject to it becoming unconditional in all respects and not being terminated in accordance with its terms, the Company has agreed to pay Arbuthnot Securities a corporate finance fee of £75,000 and a commission of £250,000, together with all reasonable expenses and any applicable value added tax.

#### *Settlement and dealings*

Application will be made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. Subject to the Placing becoming unconditional, it is expected that Admission will become effective and dealings will commence at 8.00 a.m. on 15 February 2011.

The Placing Shares will rank *pari passu* in all respects with the existing Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. It is expected that CREST accounts will be credited in respect of the Placing Shares and any existing Ordinary Shares sold in conjunction with the Placing on the day of Admission and that share certificates in respect of the Placing Shares and any existing Ordinary Shares sold in conjunction with the Placing (where applicable) will be despatched by first class post by 21 February 2011.

The Placing will not result in any single investor holding 10 per cent. or more of the Company's ordinary share capital and therefore it is not anticipated that regulatory approval to any change of controller will be required.

### **5. Redemption of Preference Shares and repayment of outstanding debt**

In June 2009, the Company undertook a restructuring of its debt facilities. Pursuant to that restructuring, part of the loan from Lloyds to the Company which was at the time outstanding was exchanged for the issue to the Bank by the Company of 12,242,594 Ordinary Shares, the Warrants and £14.0 million of Preference Shares. The Company has since redeemed £7,965,582 of the Preference Shares, leaving £6,034,418 of

Preference Shares in issue, all of which are held by the Bank. A total of £11,550,000 remains outstanding under the Facility Agreement.

The Preference Shares accrue dividends, on a rolled-up basis, at an annual rate of 10 per cent. above LIBOR. The Bank Debt under the Facility Agreement accrues interest at a rate of LIBOR plus 4 per cent. per annum (in the absence of default) plus mandatory cost (if any). The terms of the Preference Shares and Facility Agreement, including the dividend rate and interest on each respectively, were agreed at a time when there was heightened concern about the Company's ability to service its debt. The Board believes that in light of the strengthened financial position of the Company, the dividend rate on the Preference Shares and interest on the Bank Debt are now excessively restrictive for the growth of the business.

Pursuant to the terms of the Bank Consent, the Bank has given its consent to the repayment of the Bank Debt. In consideration for the entry by the Bank into the Bank Consent and subject to the Debt Prepayment, the Company has agreed to pay to the Bank an exit fee of £325,000. Subject to the passing of the Resolutions and the raising of sufficient funds pursuant to the Placing, the Company intends to redeem all of the Preference Shares in accordance with the terms of the Articles and to repay all of the Bank Debt.

The total cost of redeeming the outstanding Preference Shares is expected to be approximately £7.1 million, comprising £6.0 million in principal amount and £1.1 million in accrued dividends. After a capital repayment which is due at end of January, the total cost of repaying the Bank Debt, including principal and accrued interest, is expected to be approximately £10.4 million. Subject to all amounts outstanding under the Facility Agreement being repaid in full, the Bank and the Company have agreed that the security granted by the Company to secure its obligations under the Facility Agreement will be released.

The consequence of the Preference Share Redemption and Debt Prepayment would be to eliminate the costs to the Company of servicing its debt, which the Board believes to be in the best interests of the Company and its Shareholders as a whole. The Board further believes that, following the Preference Share Redemption and the Debt Prepayment, the Board will once again have the opportunity, should trading results permit, to consider the resumption of payment of dividends on the Ordinary Shares. The Preference Share Redemption and repayment of the Bank Debt will also remove the significant operational and other restrictions imposed upon the Company and the Group pursuant to the terms of the Investment Agreement and the Facility Agreement, both of which will be terminated on completion of the Proposals.

The Warrants currently entitle the Bank to subscribe at par, on a change of control of the Company or a sale of the whole, or substantially the whole, of the Group's assets and business, for 2,177,161 Ordinary Shares and, in certain circumstances including the non-redemption of £2.5 million of the Preference Shares, for approximately a further 10.3 million Ordinary Shares. The Bank has indicated that it wishes to exercise its Warrants over 2,177,161 Ordinary Shares before Admission and the Company has agreed to the exercise of those Warrants. The remaining Warrants will lapse as a result of the Proposals.

The Bank is a substantial shareholder of the Company (as defined in the AIM Rules). The arrangements between the Company and the Bank described in this document are therefore classified as transactions with a related party for the purposes of the AIM Rules. Therefore, in accordance with the AIM Rules, the directors of the Company, having consulted with the Company's nominated adviser, Arbuthnot Securities, consider that the arrangements between the Company and the Bank are fair and reasonable insofar as the Company's Shareholders are concerned.

## **6. Sale of existing Ordinary Shares**

In conjunction with the Placing, the Bank has agreed with Arbuthnot Securities that Arbuthnot Securities will use its reasonable endeavours to sell, subject to Admission of the Placing Shares, 7,209,878 Ordinary Shares held by the Bank to institutional and other investors at 33p per Ordinary Share. The sale of these Ordinary Shares is expected to complete at the same time as Admission of the Placing Shares; as a result, following Admission, the Bank is expected to hold 7,209,877 Ordinary Shares representing 5.4 per cent. of the Enlarged Share Capital.

In addition, Simon Edwards, a member of the senior management team and a Substantial Shareholder of the Company (as defined in the AIM Rules) has indicated that he wishes to sell part of his holding of Ordinary



Shares. Simon Edwards has therefore agreed with Arbuthnot Securities that Arbuthnot Securities will use its reasonable endeavours to sell, subject to Admission of the Placing Shares, 7,562,977 Ordinary Shares held by him to institutional and other investors at 33p per Ordinary Share. The sale of these Ordinary Shares is also expected to complete on Admission of the Placing Shares; following Admission, Simon Edwards is expected to hold 2,000,000 Ordinary Shares representing approximately 1.5 per cent. of the Enlarged Share Capital.

## **7. Management incentivisation**

### *Service agreements*

Ian Dighé, Gervais Williams and Graham Hooper have each entered into contracts of service conditional on completion of the Placing. Under their contracts they will each receive a basic salary of £150,000 per annum and life assurance. There is also provision in the service agreements for a discretionary bonus entitlement. The agreements are subject to a 12 month notice period (from either party). The agreements also contain provisions preventing the disclosure of confidential information in relation to the Group, provide grounds on which employment may be terminated summarily and contain provisions relating to post-employment restrictions. The service agreements may be summarily terminated by the Company in the event that the new manager has not received the requisite regulatory approvals within three months of application being made.

### *Management equity incentive*

It is intended that the majority of the reward for the new members of the senior management team, if they are successful, should come in the form of long-term equity participation in the Company. The new members will not receive any awards under the existing Management Incentive Plan. Instead, subject to Shareholders approving the Resolutions to enable the Company to implement the Proposals, the Company intends, shortly following completion, to grant the new members of the senior management team an equity incentive on the terms set out below:

Each of Ian Dighé, Gervais Williams and Graham Hooper will be entitled to subscribe for:

- (a) 2,186,262 Ordinary Shares at a subscription price of 33 pence per share, at any time during the period commencing on the date on which the Company publishes its preliminary results for the year ending 31 December 2014 and ending on the date 40 days after the date on which the Company publishes its preliminary results for the year ending 31 December 2018; and
- (b) 2,186,262 Ordinary Shares at a subscription price of 50 pence per share, at any time during the period commencing on the date on which the Company publishes its preliminary results for the year ending 31 December 2015 and ending on the date 40 days after the date on which the Company publishes its preliminary results for the year ending 31 December 2018.

The closing middle market price on 14 December 2010, being the last day prior to the announcement of the Proposals, was 28 pence per Ordinary Share. Assuming full exercise of the entitlements under the equity incentive, the 13,117,572 Ordinary Shares issuable pursuant to the equity incentive represent in aggregate approximately 10 per cent. of the issued share capital of the Company following the Placing (3.3 per cent. for each individual).

The equity incentive will, in addition, be subject to certain good leaver/bad leaver provisions.

## **8. Colin Rutherford compensation**

The Board is grateful to Colin Rutherford for leading MAM Funds through a difficult turnaround and restructuring and for positioning the Group to allow it to implement the Proposals and continue its growth and development. He took a lead role in managing the Company's relationship with Lloyds and in the Board's opinion this relationship and the Bank's confidence in him were instrumental in securing the Company's successful refinancing.

The Bank and the Board wish to see Colin rewarded appropriately, in particular for having completed the disposal of non-core subsidiaries, the successful refinancing of the Company's debt, his continuing relationship management with the Bank and his role in bringing the Proposals to Shareholders. In addition,

Colin is due certain statutory and contractual entitlements. Accordingly, the Board proposes that when he steps down from the Board and resigns as Chief Executive Officer, he should receive a gross cash payment in the amount of £350,000 and the unvested incentive options over 500,000 Ordinary Shares with an exercise price of 0.1p per Ordinary Share and 500,000 Ordinary Shares with an exercise price of 10p per Ordinary Share, under the Midas Capital PLC Management Incentive Plan, held by him will vest.

In view of Colin Rutherford's status as a related party and in order to ensure compliance with the Companies Act, to the extent that the Termination Payment exceeds his contractual entitlement, the payment of the Termination Payment is being put to Shareholders for approval as an integral part of the Proposals. Accordingly, the Company is seeking the approval of its Shareholders to the Termination Payment. A memorandum setting out particulars of the Termination Payment will be available for inspection by Shareholders at the Company's registered office from the date of this document until the General Meeting and at the General Meeting.

## **9. Current trading**

In its trading update issued on 11 January 2011, the Company stated:

*“The Group's Adjusted Profits on Continuing Operations for the year ended 31 December 2010 are expected to be ahead of current market expectations. Adjusted Profits are before taxation, net finance costs, amortisation, impairment, share based payment costs and exceptional items.*

*The Fund Management operations while experiencing mixed performance across its range of funds has reported net creations of £48 million for the year. As at 31 December 2010 Funds Under Management stood at £1.68 billion (2009: £1.51 billion) and the Group continues to be reassured by the level of support being shown by investors in its managed fund range.”*

## **10. Meeting and Resolutions**

Set out at the end of this document is a notice convening a General Meeting of the Company to be held at 10.00 a.m. on 14 February 2011 at the offices of Travers Smith LLP at 10 Snow Hill, London EC1A 2AL.

The business to be conducted at the General Meeting is set out in the notice of General Meeting and will consist of the Resolutions necessary to approve the Proposals.

**It is necessary for all the Resolutions to be passed by Shareholders in order for the Proposals to become effective. If not all the Resolutions are passed, the Placing will not proceed and the management change will not take place.**

### *Resolution 1*

Resolution 1 revokes all previous authorities granted to the Directors to allot equity securities in the capital of the Company and authorises the Directors to allot equity securities up to a maximum aggregate nominal amount of £124,440.23. Of this amount, £62,783.22 is expected to be used in connection with the Placing and the exercise of the Warrants and £13,117.57 represents the shares to be issued under the equity incentive scheme, leaving the Directors with standing authority to allot up to a maximum aggregate nominal amount of £48,539.44, being an amount equal to approximately one third of the issued share capital of the Company following the Placing and assuming the full exercise of the entitlements under the equity incentive.

### *Resolution 2*

Resolution 2 sets aside statutory rights of pre-emption:

- (a) generally in respect of equity securities having up to a maximum aggregate nominal amount of £83,181.71, of which £62,783.22 is expected to be used in connection with the Placing and the exercise of the Warrants and £13,117.57 represents the shares to be issued under the equity incentive scheme, leaving £7,280.92, being an amount equal to approximately 5 per cent. of the issued share capital of the Company following the Placing and assuming the full exercise of the entitlements under the equity incentive; and

- (b) in connection with an issue or offering of equity securities pursuant to a rights issue, in respect of equity securities having up to a maximum aggregate nominal amount of £48,539.44, being an amount equal to approximately one third of the issued share capital of the Company following the Placing and assuming the full exercise of the entitlements under the equity incentive.

### *Resolution 3*

Resolution 3 approves Colin Rutherford's Termination Payment, as described in section 8 of this letter.

## **11. Action to be Taken**

A Form of Proxy for use by Shareholders at the General Meeting is enclosed. You are entitled to appoint a proxy to attend and to exercise all or any of your rights to vote and to speak at the General Meeting instead of you. If you are unable to be present at the General Meeting, please complete and sign the Form of Proxy and return it to the Company's registrars, Capita Registrars Limited at PXS, 34 Beckenham Road, Beckenham BR3 4TU, to be received as soon as possible and, in any event, by no later than 10.00 a.m. on 12 February 2011, being 48 hours before the time appointed for holding the meeting. Your attention is drawn to the notes to the Form of Proxy.

If you hold your shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant ID RA10) by no later than 10.00 a.m. on 12 February 2011, being 48 hours before the time appointed for holding the meeting. Unless the CREST Proxy Instruction is received by the date and time specified above, it will be invalid.

Completion and return of the Form of Proxy or completing and transmitting a CREST Proxy Instruction will not prevent you from attending the General Meeting and voting in person if you wish to do so.

## **12. Recommendation**

The Directors believe that the Proposals to be considered at the General Meeting are in the best interests of the Company and its Shareholders as a whole. The Directors therefore unanimously recommend that you vote in favour of the Resolutions as they intend to do in respect of their own holdings (either directly or indirectly held) of 4,492,861 Ordinary Shares representing approximately 6.44 per cent. of the Company's existing issued Ordinary Share capital (except that Colin Rutherford has abstained from the recommendation, and will abstain from voting, on resolution 3 in the notice of General Meeting, which concerns his Termination Payment in view of the potential benefit to him).

The Bank, which holds 12,242,594 Ordinary Shares representing approximately 17.56 per cent. of the Company's issued Ordinary Share capital, has undertaken to vote in favour of the Resolutions. In addition, non-Director shareholders holding a further 14,231,365 Ordinary Shares representing approximately 20.41 per cent. of the Company's issued Ordinary Share capital, have also undertaken to vote in favour of the Resolutions.

Yours sincerely

on behalf of the Board:

**Nicholas Hamilton**

*Senior Independent Non-executive Director*

**Lord Wade of Chorlton**

*Deputy Chairman*

## DEFINITIONS

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

<b>Admission</b>	admission of the Placing Shares to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
<b>AIM</b>	the market of that name operated by the London Stock Exchange
<b>AIM Rules</b>	the AIM Rules for companies as issued by the London Stock Exchange from time to time
<b>Arbuthnot Securities</b>	Arbuthnot Securities Limited, nominated adviser and broker to the Company in connection with the Placing
<b>Articles</b>	the articles of association of the Company for the time being
<b>Lloyds or Bank</b>	Bank of Scotland plc, which is part of the group of which Lloyds Banking Group plc is the holding company
<b>Bank Consent</b>	the consent letter dated 25 January 2011 from Lloyds to the Company consenting to, amongst other things, the Debt Prepayment
<b>Bank Debt</b>	all amounts outstanding under the facility made available to the Company by Lloyds pursuant to the Facility Agreement
<b>Board or Directors</b>	the directors of the Company, whose names are set out on page 4 of this document
<b>Company or MAM Funds</b>	MAM Funds plc
<b>Companies Act</b>	the Companies Act 2006
<b>CREST</b>	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland is the operator (as defined in the CREST Regulations)
<b>CREST Manual</b>	the rules governing the operation of CREST consisting of the CREST Reference Manual, the CREST International Manual, the CREST Central Counterpart Service Manual, the CREST Rules, the CREST Operations Manual and the CREST Glossary of Terms, each as amended from time to time
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755), as amended from time to time
<b>Debt Prepayment</b>	the proposed repayment of Bank Debt in accordance with the terms of the Bank Consent
<b>Enlarged Share Capital</b>	the issued share capital as it will be immediately following completion of the Placing
<b>Facility Agreement</b>	the facility agreement originally dated 15 May 2009 between the Company and the Bank (in its various capacities) as amended and/or restated from time to time (including, without limitation, pursuant to an amendment and restatement agreement dated 25 January 2010)

<b>Form of Proxy</b>	the form of proxy for use by Shareholders at the General Meeting, which accompanies this document
<b>General Meeting</b>	the General Meeting of the Company convened for 10.00 a.m. on 14 February 2011, notice of which is set out at the end of this document (or any adjournment of such meeting)
<b>Group</b>	the Company, its subsidiaries and subsidiary undertakings
<b>Investment Agreement</b>	the investment agreement between the Company and the Bank dated 15 May 2009
<b>London Stock Exchange</b>	the London Stock Exchange plc
<b>Ordinary Shares</b>	ordinary shares of 0.1p each in the capital of the Company
<b>Placing</b>	the proposed conditional placing of the Placing Shares by Arbuthnot Securities as agent for and on behalf of the Company at the Placing Price on the terms of the Placing Agreement
<b>Placing Agreement</b>	the agreement dated 26 January 2011 entered into between the Company and Arbuthnot Securities in connection with the Placing
<b>Placing Price</b>	33 pence per Ordinary Share
<b>Placing Shares</b>	60,606,061 Ordinary Shares to be issued pursuant to the Placing
<b>Preference Share Redemption</b>	the proposed redemption of all of the outstanding Preference Shares, together with accrued dividends thereon, in accordance with the Articles
<b>Preference Shares</b>	the cumulative, redeemable preference shares of £1 each in the capital of the Company
<b>Proposals</b>	the Placing, Preference Share Redemption, Debt Prepayment, proposed appointments of Ian Dighé, Gervais Williams and Graham Hooper to the Board, establishment of equity incentive and Termination Payment
<b>Registrar</b>	Capita Registrars
<b>Resolutions</b>	the resolutions set out in the notice of General Meeting at the end of this document
<b>Shareholders</b>	holders of Ordinary Shares
<b>Termination Payment</b>	the payment and arrangements proposed to be made, conditionally on the Proposals taking effect, by the Company to Colin Rutherford, as described in paragraph 8 of the Board's Letter on page 9 of this document
<b>Warrants</b>	warrants to subscribe for Ordinary Shares held by the Bank as more particularly described in the circular sent by the Company to its Shareholders on 16 May 2009 in connection with the debt restructuring

# MAM FUNDS PLC

(the “Company”)

*(incorporated and registered in England and Wales with registered number 05160210)*

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a General Meeting of MAM Funds plc will be held at 10.00 a.m. on 14 February 2011 at the offices of Travers Smith LLP at 10 Snow Hill, London EC1A 2AL to consider, and if thought fit, to pass the following resolutions as, in the case of resolutions 1 and 3 ordinary resolutions, and in the case of resolution 2 a special resolution, of the Company.

### ORDINARY RESOLUTION

1. THAT, subject to the passing by shareholders of resolutions 2 and 3 below, for the purposes of section 551 of the Companies Act 2006 (the “Act”) (and so that expressions used in this resolution shall bear the same meanings as in the said section 551):
  - (a) the Directors be and are generally and unconditionally authorised, (in substitution for any authorities previously granted to the Directors), to exercise all the powers of the Company to allot shares and to grant such subscription and conversion rights as are contemplated by sections 551(a) and (b) of the Act, respectively up to a maximum aggregate nominal amount of £124,440.23 to such persons and at such times and on such terms as they think proper during the period expiring at the end of five years from the date of passing of this resolution (unless previously revoked or varied by the Company in General Meeting); and further
  - (b) the Directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Act) in connection with a rights issue in favour of the holders of equity securities and any other persons entitled to participate in such issue where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as maybe) to the respective number of equity securities held by them up to an aggregate nominal amount of £48,539.44 during the period expiring at the end of five years from the date of passing of this resolution (unless previously revoked or varied by the Company in General Meeting) subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and
  - (c) the Company be and is hereby authorised to make, prior to the expiry of such period, any offers, agreements or arrangements which would or might require such shares or rights to be allotted or granted after the expiry of the said period and the Directors of the Company may allot such shares or grant such rights in pursuance of such offers, agreements or arrangements notwithstanding the expiry of the authority conferred hereby.

### SPECIAL RESOLUTION

2. THAT, subject to the passing by shareholders of resolutions 1 above and 3 below, the Directors be and are empowered in accordance with Section 570 of the Act to allot equity securities (as defined in section 560 of the Act) for cash, pursuant to the authority conferred on them to allot such shares or grant such rights by resolution 1 above, as if section 561(1) and sub-sections (1)-(6) of section 562 of the Act did not apply to any such allotment, provided that such power is limited to the allotment of equity securities:
  - (a) in connection with an issue or offering in favour of holders of equity securities (but in the case of the authority granted under resolution 1(b) above by way of a rights issue only) and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective number of equity securities held by or deemed to be held

by them on the record date of such allotment, subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or stock exchange in any territory; and

- (b) (otherwise than pursuant to 2(a) above), up to an aggregate nominal value not exceeding £83,181.71;

PROVIDED always that the authority conferred by this resolution 2 shall expire at the end of five years from the date of passing of this resolution and that the Company may before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offers or agreements as if the authority conferred hereby had not expired.

### ORDINARY RESOLUTION

3. THAT, subject to the passing by shareholders of resolutions 1 and 2 above, the proposed payment to Colin Rutherford, a director of the Company, of £350,000 in connection with his loss of office, be and is hereby approved generally and for the purposes of section 217 of the Companies Act 2006.

By order of the Board

**Roger Bennett**

*Secretary*

MAM Funds plc

*Registered Office:*

10-14 Duke Street

Reading

Berks RG1 4RU

Dated: 26 January 2011

#### Notes:

- (i) A member entitled to attend and vote at the General Meeting convened by the above notice is entitled to appoint a proxy to exercise all or any of the rights of the member to attend and speak and vote on his 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.
- (ii) To appoint a proxy you may:
- (a) use the Form of Proxy enclosed with this notice. 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 10.00 a.m. on 12 February 2011 at the offices of Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham BR3 4TU; or
- (b) if you hold your shares in uncertificated form, use the CREST electronic proxy appointment service as described in note (iii) below.

Completion of the Form of Proxy or appointment of a proxy through CREST will not prevent a member from attending and voting in person.

- (iii) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the General Meeting and any adjournment(s) thereof by utilising 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(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- (iv) In order for a proxy appointment made by means of CREST 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, Capita Registrars (ID RA10), by 10.00 a.m. on 12 February 2011. 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.

- (v) 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 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(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.
- (vi) 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 (as amended).
- (vii) Pursuant to section 360B of the Companies Act 2006 and regulation 41 of the Uncertificated Securities Regulations 2001 (as amended), only shareholders registered in the register of members of the Company as at 6.00 p.m. on 12 February 2011 shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned General Meeting is 6.00 p.m. on the day two days before the date fixed for the adjourned General Meeting. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
- (viii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes 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 members of the Company in respect of the relevant joint holding.
- (ix) The existing Articles are available for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this notice until the conclusion of the General Meeting and will be available for inspection at the place of the General Meeting for at least 15 minutes prior to and during the General Meeting.