

# Lupus Capital plc ("Lupus" or the "Company")

LUPUS CAPITAL

## Notice of General Meeting

Further to the Company's announcements of 11 and 12 January, the Board of Lupus Capital plc has today posted a circular to shareholders, dated 25 January 2010 (the "Circular"), to convene a general meeting of the Company (the "General Meeting") to be held at the offices of College Hill, The Registry, Royal Mint Court, London EC3N 4QN at 11.00 a.m. on Friday 12 February 2010. Directions to the offices of College Hill are available at the following website: <http://www.collegehill.com/contact.php>.

This follows receipt of a requisition from Greg Hutchings and two shareholders connected to him (Walbrook Trustees (Guernsey) Limited and Alliance Trust Pensions Limited (GF Hutchings)) (the "Requisitionists") that the General Meeting be called for shareholders to vote on certain resolutions. The resolutions are set out in full in the Circular.

The Company has received undertakings (which are either irrevocable or on a best endeavours basis) and letters of intent to vote against resolutions 1 and 2 at the General Meeting (which propose that Mr. Greg Hutchings be appointed as a director of the Company with immediate effect and that shareholders recommend to the Board to appoint Mr. Greg Hutchings to the role of Chief Executive Officer of the Company) from institutional shareholders representing (in aggregate) 68,914,488 shares as at the date of this announcement, which equates to 53.1 per cent. of the Company's issued share capital at the date of this announcement (excluding shares held by the Company in treasury).

**On the basis of these undertakings and letters of intent, as at the date of this announcement, the Company expects resolutions 1 and 2 to be defeated at the General Meeting.**

The Board recommends that shareholders vote AGAINST all the resolutions to be proposed at the General Meeting.

The full Circular to shareholders, which also includes a letter from the Requisitionists and a Notice of General Meeting, is available for viewing on the Company's website ([www.lupuscapital.co.uk](http://www.lupuscapital.co.uk)).

The following is the text of the letter to shareholders from Jamie Pike, Non Executive Chairman of Lupus, as extracted from Part 1 of the Circular:

### *"Notice of Further Requisitioned General Meeting*

*Dear Shareholder,*

*I am writing to you following the receipt on 8 January 2010 of a written requisition notice (the "**Requisition Notice**") from Greg Hutchings and two shareholders connected to him (being Walbrook Trustees (Guernsey) Limited and Alliance Trust Pensions Limited (GF Hutchings)) (the "**Requisitionists**") to convene a further general meeting of the Company (the "**GM**"). Notice of the GM is set out in Part 4 of the Circular and the GM will be held at 11.00 a.m. on Friday 12 February 2010 at the offices of College Hill, The Registry, Royal Mint Court, London EC3N 4QN.*

*The GM will be the second general meeting of the Company held in a little over three months at which Mr. Hutchings will attempt to have himself re-appointed to the Board which he left last July. At the previous requisitioned general meeting of the Company held on 30 October 2009 (the "**Previous GM**"), the resolutions proposed by the Requisitionists were rejected by shareholders. The background to the Previous GM is set out in the notice convening that meeting dated 12 October 2009, which is available on the Company's website at [www.lupuscapital.co.uk](http://www.lupuscapital.co.uk).*

*Given the outcome of the Previous GM, and particularly in light of the significant progress the Board has made since then in addressing both Board composition and the long-term executive management of the Company, the Board is disappointed that Mr. Hutchings has elected to repeat this course of action. The Board considers Mr. Hutchings' further Requisition Notice to be an unnecessary and costly distraction for the Company, its employees and shareholders at a time when the focus should be on further recovery and the generation of shareholder value.*

### **THE REQUISITION NOTICE**

#### **Mr. Hutchings' suitability to be a Director and CEO of the Company (proposed resolutions 1 and 2)**

*The Board conducted a comprehensive search process, involving independent consultants, for an appropriate long-term CEO to lead the Company.*

*Shareholders should know that, following receipt of a proposal from Mr. Hutchings, his suitability for the role of CEO was considered by the Board as part of this process.*

*Two of the Board's key selection criteria for the new CEO were:*

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| • | <i>his or her ability to work co-operatively and actively engage with a fully involved Board; and</i> |
| • | <i>his or her ability to build a strong working relationship with the Company's shareholders.</i>     |

*The Board concluded that it was highly unlikely that Mr. Hutchings, with his many years of operating as an Executive Chairman, would be able to work co-operatively and actively engage with a fully involved Board. Furthermore, the Board also concluded that Mr. Hutchings would not be able to build a strong working relationship with a significant proportion of the Company's current shareholders.*

*As a result of these factors, the Board concluded that, notwithstanding his considerable business skills, Mr. Hutchings should not be included in the Company's search for a CEO. This was formally communicated to Mr. Hutchings on 14 December 2009.*

*On the basis of the shareholder undertakings described below as well as meetings I have had with other shareholders following my appointment as Non Executive Chairman of the Company, the Board believes that its view is fully supported by the majority of the Company's shareholders.*

***For these reasons, the Board unanimously recommends that shareholders vote against resolutions 1 and 2 to be proposed at the GM.***

#### **Shareholder undertakings with regard to resolutions 1 and 2**

*I am pleased to be able to tell you that we have received undertakings (which are either irrevocable or on a best endeavours basis) and letters of intent to vote against resolutions 1 and 2 at the GM from institutional shareholders representing (in aggregate) 68,914,488 shares as at the date of the Circular, which equates to 53.1 per cent. of the Company's issued share capital at the date of the Circular (excluding shares held by the Company in treasury).*

***On the basis of these undertakings and letters of intent, as at the date of the Circular, the Company expects resolutions 1 and 2 to be defeated at the GM.***

#### **Proposed resolutions 3, 4 and 5**

*In addition to the resolutions regarding his appointment to the Board, Mr. Hutchings has proposed certain other resolutions which primarily concern the disclosure of further information to shareholders.*

*Mr. Hutchings has proposed these resolutions (which are numbered 3 to 5 in the notice of the GM) as ordinary resolutions. The Company has been advised that only a resolution proposed and passed as an extraordinary resolution would be effective as an instruction to the Board. Therefore, if these proposed resolutions were to be passed they would be ineffective and would, at best, be advisory only.*

*On this basis, it would have been open to the Board, had it so chosen, not to put resolutions 3 to 5 to the GM.*

*Nevertheless, the Board believes that it should, on this occasion, address the substance of these resolutions directly, and allow them to be put to shareholders.*

#### *Resolution 3*

*The Board provided Mr. Hutchings with a copy of the transcript made by the Company of the Previous GM (the "**Transcript**") and is willing to provide a copy of the Transcript to other shareholders at their request. Any copy of the Transcript so provided will be edited to ensure compliance with the Data Protection Act 1998.*

#### *Resolution 4*

*Before my appointment as Non Executive Chairman, and in accordance with normal practice, I was introduced to a number of the Company's larger shareholders. This included a meeting with Mr. Hutchings. As at the time of the Previous GM, my candidacy for a Non Executive position on the Board was known to a limited number of institutions. Following enquiries, I am satisfied that any lack of clarity arising from statements made by members of the Board at the Previous GM was entirely unintentional.*

#### *Resolution 5*

*In part (a) of proposed resolution 5, Mr. Hutchings proposes that the Company should disclose full details of the remuneration paid to Mr. Taylor and Mr. Felton-Smith to date and of the contracts that relate to their remuneration and benefits. Shareholders will be aware that they may obtain copies of all Directors' service contracts from the Company Secretary and the remuneration of each Director is set out in full in the Remuneration Committee Report contained within the Company's Annual Report and Accounts each year.*

*Nevertheless, the Board is happy to provide the information requested in relation to the remuneration to date of Mr. Taylor and Mr. Felton-Smith. As previously disclosed, Mr. Taylor and Mr. Felton-Smith have been paid a daily rate of £2,750 per full day and £1,750 per full day respectively. In respect of the year ended 31 December 2009, Mr. Taylor and Mr. Felton-Smith charged, through their service companies, £321,750 and £180,250 respectively for their work as Directors. Mr. Taylor's service company also charged £68,750 for his preparatory work before becoming a Director.*

*The Company has received an invoice for £17,875 from Mr. Taylor's service company for his work in January 2010. The sum of £55,000 was paid in 2009 as an advance against the final invoice and/or notice period of Mr. Taylor's service company; this sum has been expensed as payment in lieu of notice. A sum of £35,000 was similarly advanced to Mr. Felton-Smith's service company; the Company will expense this amount against the final invoice and/or notice period of Mr. Felton-Smith's service company at the appropriate time.*

*During the year ended 31 December 2009, the Company paid success fees of £40,000 to the service companies of each of Mr. Taylor and Mr. Felton-Smith. Further success fees of £210,000 for Mr. Taylor's service company and £120,000 for Mr. Felton-Smith's service company were accrued by the Company in 2009 and have been invoiced and paid during January 2010. All figures are net of applicable VAT.*

*In parts (b) and (c) of proposed resolution 5, Mr. Hutchings requires further information regarding the terms of the success fees payable to Mr. Taylor and Mr. Felton-Smith. As announced on 14 January 2010 and as referred to above, these success fees have now been earned and paid in full. The letters relating to the success fee arrangements were constructed so that success fees could only be earned on the achievement of specified milestones. Had any milestones not been achieved, the success fees payable to each of Mr. Taylor and Mr. Felton-Smith would have been reduced accordingly.*

#### **Proposed resolution 6**

*Finally, proposed resolution 6 requires the removal from office with immediate effect of any Director (excluding Mr. Hutchings) appointed to the Board between 8 January 2010 and the conclusion of the GM. Like resolutions 3 to 5, this proposed resolution is likely to be ineffective if passed (on the basis that inadequate notice would have been given to any affected Director). In any event, no Director has taken office since 8 January 2010 and the Board confirms that it does not anticipate that any Director will do so prior to the GM.*

***In light of their likely ineffectiveness and the fact that such resolutions now have no purpose given the information provided above, the Board unanimously recommends that shareholders vote against resolutions 3, 4, 5 and 6 to be proposed at the GM.***

## **SHAREHOLDER UPDATE**

*Leaving aside the distraction caused by the Requisition Notice, we continue to make good progress both in terms of Board composition, executive management and trading performance.*

### **Board composition**

*There have been a number of changes to the Board since the Previous GM.*

*On 24 November 2009 I was pleased to join the Board as Non Executive Chairman, following which, on 18 December 2009, we were delighted to announce the appointment of Les Tench and Martin Towers as Independent Non Executive Directors. I believe that, as a group of Non Executive Directors, we bring a broad range of relevant experience to the Company and we look forward to an active and engaged involvement in the Company's future affairs.*

*As set out in a separate announcement today, Messrs Jackson, Tate and Taylor stepped down from the Board prior to the publication of the Circular.*

### **CEO appointment**

*On 14 January 2010, the Company announced the appointment of Louis Eperjesi as CEO with effect from 22 February 2010.*

*Mr. Eperjesi has an extensive and successful track record in the building materials and manufacturing sectors, most recently at Kingspan Group Plc, the €1.1 billion market capitalisation international building products business, where he was an executive director on the main board and Divisional Managing Director of Kingspan Insulated Panels, the Group's largest division. In 2008, Kingspan Insulated Panels had sales of €590 million, operated from five manufacturing sites and had 900 employees. In the period from his appointment in 2003, Mr. Eperjesi was responsible for substantially growing sales in the division, acquiring and integrating a number of international manufacturing businesses and optimising the division's cost base. Prior to joining Kingspan, Mr. Eperjesi held a range of senior management positions at subsidiaries of Baxi Group Plc, Redland Plc (now part of Lafarge Group) and Caradon Plc.*

*Mr. Eperjesi has an excellent track record, both across the building materials industry and in general management, and the Board considers his appointment to be a significant step forward for the Company.*

*With Mr. Eperjesi's appointment, Keith Taylor, who was appointed CEO on an interim basis on 1 July 2009, stood down as CEO on 14 January 2010 and Denis Mulhall agreed to act as Interim CEO until 22 February 2010. It was also announced at the same time that Mr. Mulhall had confirmed his intention to leave the Company following an appropriate period of handover to Mr. Eperjesi.*

*We are very grateful for all that Mr. Taylor and Mr. Mulhall have done during the course of their tenures as officers of the Company, particularly in light of the very significant distractions the Company has faced since it defaulted under its financing facilities in April 2009.*

### **Strategy**

*The Board remains focused on the delivery of shareholder value and we are pleased that significant progress has been made since the Previous GM.*

*With the appointment of Mr. Eperjesi as CEO, and following the recent Non Executive appointments, I believe the Company has a very strong Board to take the business forward. While the Group's operations are beginning to reflect the benefits of the actions taken to date, economic conditions remain difficult and our immediate focus remains the achievement of further operational improvements.*

## **Current trading**

*Earlier today, the Company announced a pre-close trading update, the full text of which is set out in Part 3 of the Circular.*

## **BOARD RECOMMENDATION**

***For the reasons given above, the Board does not consider the resolutions to be in the interests of the Company or its shareholders as a whole and the Directors unanimously recommend that shareholders vote AGAINST each of the resolutions, as they intend to do in respect of their own shareholdings.***

*The Board is disappointed that Mr. Hutchings has elected to requisition a further general meeting, which it considers to be an unnecessary and costly distraction for the Company, its employees and shareholders.*

*Yours faithfully,*

***Jamie Pike***

*Non Executive Chairman"*

**25 January 2010**

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