

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial advisor duly authorised under the Financial Services and Markets Act 2000 without delay. If you have sold or transferred all your shares in Capital & Regional plc, you should pass this document and the accompanying form of proxy to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

*To holders of ordinary shares in Capital & Regional plc.*

*Registered no. 01399411*

*Registered Office:*  
52 Grosvenor Gardens  
London  
SW1W 0AU

20 May 2010

Dear Shareholder

### **Special Business at a General Meeting**

Your Board proposes, on the recommendation of the Remuneration Committee and independent advice, that an ordinary resolution be put forward at a General Meeting convened for this purpose, to seek shareholders' approval for an amendment to the Capital & Regional plc 2008 Long Term Incentive Plan ("LTIP").

The LTIP was approved by shareholders in November 2008 and replaced the previous long term incentive arrangements. However, to date, no awards have been made under the LTIP due in part to the financial position of the Company and market conditions. The Remuneration Committee now considers it essential to address the lack of long term incentives (matching awards made under the Company's Co-Investment Plan and the Chief Executive's Share Matching Agreement in 2008 are in effect the only outstanding equity incentives).

The Remuneration Committee is also concerned to address the issue of incentivising key executives who have played a key role in the recovery and restructure of the business and who are crucial to the future growth of Capital & Regional.

The Remuneration Committee has therefore determined that the proposed awards under the LTIP must be meaningful both in terms of quantum and performance required to deliver reward in order to retain and motivate the Executive Directors and senior management and better align their interests with those of shareholders.

The Remuneration Committee therefore proposes to make the first awards under the LTIP in June 2010 following approval (if given) by shareholders of the amendment to the rules of the LTIP summarised in this document. The Remuneration Committee has structured the proposed awards with the aim of achieving a clear and demonstrable link between the Company's performance and executive reward such that the LTIP awards will only pay out if significant value has been delivered to shareholders.

The proposed long term incentive arrangements have been discussed with institutional investor representative bodies as a matter of best practice. The proposed arrangements have also been discussed with major shareholders holding 31 per cent. of the shares in the Company who have expressed their support for the proposals.

### **Amendment to the LTIP (Resolution 1)**

The Remuneration Committee believes it is appropriate to make significant “one off” LTIP awards to cover the three year period 2010 to 2012 rather than a series of annual awards. Whilst this approach is unusual, the Committee considers that it addresses the objectives of management retention and incentivisation, whilst requiring high levels of absolute performance. The “one off” nature of the proposed awards also reflects the continuing turnaround through which senior management is leading the Company.

Subject to shareholder approval, therefore, the Remuneration Committee proposes to make awards of up to 360 per cent. of salary to the Chief Executive and ten to fifteen other senior executives. It is expected that no further awards will be made to these participants until 2013.

It should be noted that the Executive Directors have agreed to take a cut in their salaries for a two year period from the beginning of 2010, having already agreed to reductions in respect of 2009. The aggregate reduction for the Executive Directors is 16 per cent. Awards to the Executive Directors will be calculated according to their reduced salary level.

The rules of the LTIP currently permit awards of up to 150 per cent. of salary on an annual basis (up to 200 per cent. can be awarded in exceptional circumstances). The rules will therefore require amendment to allow one-off awards to be made at the level proposed of 360 per cent. of salary.

### **Performance targets and deferral**

The first awards under the LTIP will be based on the achievement of stretching Total Shareholder Return (“TSR”) targets over a three year period (TSR will be calculated as an average over a 30 day period prior to the date of award and date of vesting). The targets and vesting levels are as follows:

<i>Growth in absolute TSR achieved over three year performance period</i>	<i>Percentage of award vesting</i>
Under 12% per annum	Nil
12% per annum	20%
Between 12% per annum and 40% per annum	Linear increase between 20% and 100%
40% per annum or above	100%

The targets for the proposed awards have been set after consideration of the changes the Company has experienced over the last two years, the current economic environment and expectations of the future. During a period of exceptional falls in the property market, management has, through disposals, loan refinancings and equity raises, reinforced the Company’s balance sheet. Whilst this process has been inevitably dilutive to shareholders’ value, it has created a stable base from which value can, over time, now potentially be rebuilt. The Remuneration Committee believes that demanding absolute TSR targets (rather than relative outperformance) represent the best and simplest way of aligning senior management’s interests with those of shareholders.

The threshold vesting performance level (12 per cent. per annum absolute TSR growth) has been set having regard to the Company’s estimated Cost of Equity. The absolute per annum TSR growth required to allow full vesting is believed by the Remuneration Committee to be extremely challenging. This view has been supported by the shareholders approached for informal consultation.

The Remuneration Committee may set different targets for awards after the three year period, having regard to the prevailing business and economic conditions at that time. This is to ensure that performance targets continue to be appropriate, demanding and stretching. The nature of such targets will continue to be disclosed to shareholders.

The Remuneration Committee has also agreed that only 50 per cent. of the vested award will be capable of exercise at the end of the three year performance period. The remaining 50 per cent. will be deferred for a further 12 months in order to provide a further “lock-in” for participants.

**General**

The amended LTIP rules will be available for inspection during normal business hours on any weekday (Saturdays excepted) from the date of despatch of this circular at the offices of PricewaterhouseCoopers LLP, Plumtree Court, London, EC4A 4HT and at Capital & Regional plc, 52 Grosvenor Gardens, London, SW1W 0AU and at the place of the General Meeting for at least 15 minutes prior to and during the meeting.

**Recommendation**

Your directors believe the proposal in relation to the resolution to be proposed at the General Meeting is in the best interests of the Company and its shareholders as a whole and recommend shareholders to vote in favour of the resolution, as they intend to do in respect of their own beneficial shareholdings.

**Action to be taken**

All ordinary shareholders are entitled to attend, speak and vote on the resolution at the General Meeting. A form of proxy for use at the General Meeting is enclosed. Whether or not you intend to be present at the meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event so that it is received by the Company's registrar, Equiniti Limited at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6ZR no later than 2.00 p.m. on 6 June 2010. Completion and return of the form of proxy will not prevent you from attending the meeting and voting in person should you wish.

Yours faithfully

**Tom Chandos**  
*Chairman*

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent professional adviser duly authorised under the Financial Services and Markets Act 2000 immediately.**

If you have sold or otherwise transferred all of your ordinary shares in Capital & Regional plc please forward this document, together with the accompanying Form of Proxy and any other 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 transmission to the purchaser or transferee.

## **Capital & Regional plc**

### **Notice of General Meeting**

Notice is hereby given that a General Meeting of the Company will be held at The Rubens Hotel, 39-43 Buckingham Palace Road, London, SW1W 0PS on 8 June 2010 at 2.00 p.m. for the following purposes.

#### **As Special Business**

To consider, and if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

- 1 THAT an amendment to the rules of the Capital & Regional plc 2008 Long Term Incentive Plan (the "LTIP") to permit individual awards of up to 360 per cent. of salary in the form of the amended rules of the LTIP produced to this meeting and initialled by the Chairman hereof for the purposes of identification marked "A", be and is hereby approved and that the Remuneration Committee of Capital & Regional plc be and it is hereby authorised to do all acts and things necessary or expedient to carry the same into effect.

By Order of the Board

**Falguni Desai**

*Company Secretary*

20 May 2010

#### **Notes**

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the General Meeting (the "Meeting") provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this notice. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company on 020 7932 8000.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand by the Company's Registrars, Equiniti at Aspect House, Spencer Road, Lancing BN99 6ZR no later than 2.00 p.m. on 6 June 2010.
3. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraph 9 below) will not prevent a shareholder attending the Meeting and voting in person if he/she wishes to do so.
4. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 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 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.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to the Nominated Persons. The rights described in such paragraphs can only be exercised by shareholders of the Company.

6. To be entitled to attend and vote at the Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6.00pm on 6 June 2010 (or, in the event of any adjournment, you must be entered on the register at 6.00pm on the date which is two days before the time of the adjourned meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
7. As at 20 May 2010 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 350,612,754 ordinary shares of 1p each, carrying one vote each. Therefore, the total voting rights in the Company as at 20 May 2010 are 350,612,754.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a 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.
9. 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 and Ireland's specifications, and must contain the information required for such instruction, as described in the CREST Manual which can be viewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent, Equiniti Limited ( ID RA19 ) by 2.00 p.m. on 6 June 2010. 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 Application 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.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK and 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, 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertified Securities Regulations 2001.
12. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
13. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the AGM any question relating to the business being dealt with at the AGM which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information."
14. In accordance with section 311A of the Companies Act 2006, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the AGM and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website [www.capreg.com](http://www.capreg.com)
15. You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated."
16. The following documents will be available for inspection at the AGM for 15 minutes prior to and during the AGM: (i) copies of the service contracts of the executive directors of the Company; and (iii) copies of the letters of appointment of the non-executive directors of the Company.