

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt about the action to be taken, you should immediately consult your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services and Markets Act 2000.**

If you have sold or otherwise transferred all of your Shares in Matrix Income & Growth 3 VCT plc ("the Company"), please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

Martineau, which is regulated in the United Kingdom by The Solicitors Regulation Authority, is acting as legal adviser to the Company and Matrix Income & Growth VCT plc and no-one else and will not be responsible to any other person for providing advice in connection with any matters referred to herein.

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# **MATRIX INCOME & GROWTH 3 VCT PLC**

*(Registered in England and Wales with registered number 05537979)*

## **Recommended Merger by way of a Scheme of Reconstruction of the Company and Cancellation of Listing of the Company's Shares**

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Your attention is drawn to the letter from the chairman of the Company set out in Part III of this document which contains a recommendation to vote in favour of the resolutions to be proposed at the meetings referred to below. Your attention is also drawn to the risk factors set out in Part II of this document.

You will find set out at the end of this document notices of the First Extraordinary General Meeting of the Company to be held at 11.45 a.m. on 12 May 2010 to approve the Scheme and of the Second Extraordinary General Meeting of the Company to be held at 11.00 a.m. on 20 May 2010 to place the Company into members' voluntary liquidation. Both meetings will be held at One Vine Street, London W1J 0AH.

To be valid, the relevant form of proxy attached to this document for the meetings should be returned not less than 48 hours before the relevant meeting, either by post or by hand (during normal business hours only) to the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY. For further information on any of the meetings or the completion and return of a form of proxy, please telephone Computershare Investor Services PLC between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0870 707 1156 or, if telephoning from outside the UK, on +44 870 707 1156. Calls to Computershare Investor Services PLC are charged at national rates. Further details will be available from your service provider. Calls to the helpline from outside of the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Computershare Investor Services PLC will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice.

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## EXPECTED TIMETABLES

### EXPECTED TIMETABLE FOR THE COMPANY

Dividend record date	26 March 2010
Dividend payment date	21 April 2010
Date from which it is advised that dealings in Shares should only be for cash settlement and immediate delivery of documents of title	3 May 2010
Latest time for receipt of forms of proxy for the Annual General Meeting	11.15 a.m. on 10 May 2010
Latest time for receipt of forms of proxy for the First Extraordinary General Meeting	11.45 a.m. on 10 May 2010
Annual General Meeting	11.15 a.m. on 12 May 2010
First Extraordinary General Meeting	11.45 a.m. on 12 May 2010
Latest time for receipt of forms of proxy for the Second Extraordinary General Meeting	11.00 a.m. on 18 May 2010
Record Date for Shareholders' entitlements under the Scheme	19 May 2010
Register of Members closed	19 May 2010
Calculation Date	after 5.00 p.m. on 19 May 2010
Dealings in Shares suspended	7.30 a.m. on 20 May 2010
Second Extraordinary General Meeting	11.00 a.m. on 20 May 2010
Effective Date for the transfer of the assets and liabilities of the Company to VCT 1 and the issue of New VCT 1 Shares*	20 May 2010
Announcement of the results of the Scheme	20 May 2010
Cancellation of the Shares' listing	8.00 a.m. on 21 May 2010

(\*see further timetable for VCT 1 on page 4 with regard to admission, CREST accounts being credited and certificates being dispatched)

## EXPECTED TIMETABLE FOR VCT 1

VCT 1 dividend record date	26 March 2010
VCT 1 dividend payment date	21 April 2010
Latest time for receipt of forms of proxy for the VCT 1 Annual General Meeting	11.00 a.m. on 10 May 2010
Latest time for receipt of forms of proxy for the VCT 1 Extraordinary General Meeting	11.30 a.m. on 10 May 2010
VCT 1 Annual General Meeting	11.00 a.m. on 12 May 2010
VCT 1 Extraordinary General Meeting	11.30 a.m. on 12 May 2010
Calculation Date	after 5.00 p.m. on 19 May 2010
Effective Date for the transfer of the assets and liabilities of the Company to VCT 1 and the issue of New VCT 1 Shares pursuant to the Scheme*	20 May 2010
Announcement of the results of the Scheme	20 May 2010
Admission of and dealings in the New VCT 1 Shares to commence	21 May 2010
CREST accounts credited with New VCT 1 Shares	24 May 2010
Certificates for the New VCT 1 Shares dispatched	26 May 2010

(\*this will, therefore, be the final expected date of trading of the Company's Shares)

## CORPORATE INFORMATION

### Directors

Keith Melville Niven (Chairman)  
Bridget Elisabeth Guérin  
Christopher Mark Moore  
Thomas Peter Sooke

### Registered Office

One Vine Street  
London  
W1J 0AH

Telephone: 020 3206 7000  
Email: mig3@matrixgroup.co.uk  
Website: www.mig3vct.co.uk

### Company Number

05537979

### Investment Manager and Administrator

Matrix Private Equity Partners LLP  
One Vine Street  
London  
W1J 0AH

### Auditors

PKF (UK) LLP  
Farringdon Place  
20 Farringdon Road  
London  
EC1M 6AU

### Company Secretary\*

Matrix-Securities Limited  
One Vine Street  
London  
W1J 0AH

### Registrars

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol  
BS99 6ZZ

### Solicitors

Martineau  
No. 1 Colmore Square  
Birmingham  
B4 6AA

### Bankers

National Westminster Bank plc  
Financial Institutions Team  
First Floor  
Mayfair Commercial Banking Centre  
Piccadilly  
London  
W1A 2PP

### Corporate Broker

Matrix Corporate Capital LLP  
One Vine Street  
London  
W1J 0AH

(\*it is proposed to formally appoint Matrix Private Equity as the Company Secretary following the Meetings)

**PART I**  
**DEFINITIONS**

“Articles”	the articles of association of the Company, as amended from time to time
“Board” or “Directors”	the board of directors of the Company
“CA 1985”	Companies Act 1985, as amended
“CA 2006”	Companies Act 2006, as amended
“Calculation Date”	the date on which the Roll-Over Value and the Merger Value will be calculated, this being after the close of business on 19 May 2010
“Companies Acts”	CA 1985 and CA 2006
“Company”	Matrix Income & Growth 3 VCT plc
“Effective Date”	the date on which the Scheme will be completed, this is anticipated as being 20 May 2010
“Enlarged Company”	VCT 1, following implementation of the Scheme
“First Extraordinary General Meeting”	the first extraordinary general meeting of the Company to be held on 12 May 2010
“HMRC”	Her Majesty’s Revenue & Customs
“IA 1986”	Insolvency Act 1986, as amended
“ICTA 1988”	Income and Corporation Taxes Act 1988, as amended
“ITA 2007”	Income Tax Act 2007, as amended
“Liquidators”	William Duncan and Jonathan Paul Philmore of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA being the proposed liquidators of the Company
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“Matrix Private Equity”	Matrix Private Equity Partners LLP, the investment manager to the Company and VCT 1 of One Vine Street, London W1J 0AH
“Meetings”	the First Extraordinary General Meeting and the Second Extraordinary General Meeting
“Merger Ratio”	the Roll-Over Value divided by the Merger Value
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Value”	the value of a VCT 1 Share calculated in accordance with paragraph 4 of Part IV of this document
“NAV” or “net asset value”	net asset value

“New VCT 1 Shares”	the new VCT 1 Shares (being of the same class as VCT 1 Shares) to be issued to Shareholders pursuant to and in accordance with the Scheme (and each a “New VCT 1 Share”)
“Official List”	the official list of the UKLA
“Proposals”	the proposals to effect the Scheme and pass the resolutions to be proposed at the Meetings
“Record Date”	the record date to which Shareholders’ entitlements will be allocated pursuant to the Scheme, this being 19 May 2010
“Roll-Over Value”	the value of a Share calculated in accordance with paragraph 4 of Part IV of this document
“Scheme”	the proposed merger of the Company with VCT 1 by means of placing the Company into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by VCT 1 of all of the Company’s assets and liabilities in consideration for New VCT 1 Shares, further details of which are set out in Part IV of this document
“Secondary Extraordinary General Meeting”	the second Extraordinary General Meeting of the Company to be held on 20 May 2010
“Shareholder”	a holder of Shares
“Shares”	ordinary shares of 1p each in the capital of the Company (and each a “Share”)
“TCGA 1992”	Taxation of Chargeable Gains Act 1992, as amended
“Transfer Agreement”	the agreement between VCT 1 and the Company (acting through the Liquidators) for the transfer of all of the assets and liabilities of the Company by the Liquidators to VCT 1 pursuant to the Scheme
“UK”	the United Kingdom
“UKLA” or “UK Listing Authority”	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Market Act 2000
“VCT” or venture capital trust”	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts
“VCT 1”	Matrix Income & Growth VCT plc, registered in England and Wales under number 05153931 whose registered office is at One Vine Street, London, W1J 0AH
“VCT 1 Board”	the board of directors of VCT 1
“VCT 1 Circular”	the circular to holders of VCT 1 Shares dated 14 April 2010
“VCT 1 Extraordinary General Meeting”	the extraordinary general meeting of VCT 1 to be held on 12 May 2010
“VCT 1 Prospectus”	the prospectus issued by VCT 1 dated 14 April 2010
“VCT 1 Shares”	ordinary shares of 1p each in the capital of VCT 1 (and each a “VCT 1 Share”)

## PART II

### RISK FACTORS

**Shareholders and prospective holders of VCT 1 Shares should consider carefully the following risk factors in addition to the other information presented in this document. If any of the risks described below were to occur, it could have a material effect on VCT 1's business, financial condition or results of operations. The risks and uncertainties described below are not the only ones VCT 1, the VCT 1 Board or the holders of VCT 1 Shares will face. Additional risks not currently known to VCT 1 or the VCT 1 Board, or that VCT 1 or the VCT 1 Board currently believe are not material, may also adversely affect VCT 1s' business, financial condition or results of operations. The value of the VCT 1 Shares could decline due to any of the risk factors described below and holders of VCT 1 Shares could lose part or all of their investment. Shareholders and prospective holders of VCT 1 Shares should consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. References to VCT 1 should be taken as including the Enlarged Company.**

Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders and the Scheme becoming effective. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company. If the merger is not approved and effected, the benefits of the merger will not be realised.

The value of VCT 1 Shares can fluctuate and holders of VCT 1 Shares may not get back the amount they invested. In addition, there is no certainty that the market price of VCT 1 Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should holders of VCT 1 Shares rely upon any share buy-back policy to offer any certainty of selling their VCT 1 Shares at prices that reflect the underlying NAV.

Although the existing VCT 1 Shares have been (and it is anticipated that the New VCT 1 Shares to be issued pursuant to the Scheme will be) admitted to the Official List and are (or will be) traded on the London Stock Exchange's market for listed securities, the secondary market for VCT shares is generally illiquid and, therefore, there may not be a liquid market (which may be partly attributable to the fact that initial tax reliefs are not available for VCT shares generally bought in the secondary market and because VCT shares usually trade at a discount to NAV) and holders of VCT 1 Shares may find it difficult to realise their investment. An investment in VCT 1 should, therefore, be considered as a long-term investment.

The past performance of the Company, VCT 1 and/or Matrix Private Equity is no indication of future performance. The return received by holders of VCT 1 Shares will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall.

Although VCT 1 may receive customary venture capital rights in connection with some of its unquoted investments, as a minority investor it may not be in a position to fully protect its interests.

VCT 1's investments may be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of VCT 1.

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which VCT 1 invests, to be fully reflected in their market values and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.

Investment in unquoted companies (including AIM-traded and PLUS market-traded companies), by its nature, involves a higher degree of risk than investment in companies listed on the Official List. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Proper information for determining their



value or the risks to which they are exposed may also not be available. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a company listed on the Official List.

To the extent that the investee companies are unable to pay the interest on the loan stock instruments, the Company's income return will be adversely affected.

Investee companies may have debt, such as bank loans, which rank ahead of the loan stock issued to the Company.

Where more than one of the funds managed or advised by Matrix Private Equity wishes to participate in an investment opportunity, allocations will generally be made in proportion to the net funds raised and allocated by Matrix Private Equity for each fund. When one of the funds managed or advised by Matrix Private Equity is in its fund raising period, its net funds raised, for the purpose of allocation, will be assumed to be the value of shares allotted at the time the allocation calculation is made. Implementation of this policy will be subject to the availability of funds to make the investment and other portfolio considerations such as sector exposure and the requirement to achieve or maintain a minimum of 70 per cent. of a particular VCT's portfolio in VCT qualifying holdings. This may mean that the Company may receive a greater or lesser allocation than would otherwise be the case under the normal co-investment policy.

Whilst it is the intention of the VCT 1 Board that the Enlarged Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in holders of VCT 1 Shares losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should VCT 1 lose its VCT status, dividends and gains arising on the disposal of VCT 1 Shares would become subject to tax and VCT 1 would also lose its exemption from corporation tax on its capital gains.

If a Shareholder disposes of his or her Shares within five years of issue (three years if such Shares were issued on or between 6 April 2000 and 5 April 2006), he or she will be subject to clawback by HMRC of any income tax reliefs originally claimed. For these purposes, the date of issue of the New VCT 1 Shares issued pursuant to the Scheme will be the original date of issue of the Shares in respect of which such New VCT 1 Shares are issued.

If at any time VCT status is lost for VCT 1, dealings in VCT 1 Shares will normally be suspended until such time as proposals to continue as a VCT or to be wound-up have been announced.

The tax rules, or their interpretation, in relation to an investment in VCT 1 and/or the rates of tax may change during the life of the Company and may apply retrospectively.

Any purchaser of existing VCT 1 Shares in the secondary market will not qualify for the then (if any) available tax reliefs afforded to subscribers of new VCT shares on the amount invested.

Changes in legislation, including those proposed in the Pre-Budget Report 2009, concerning VCTs in general and qualifying holdings and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

Holders of VCT 1 Shares may be adversely affected by the performance of the investments, whether acquired from the Company or made by VCT 1. The performance of the investments acquired from the Company, as well as the investments of VCT 1, may restrict the ability of VCT 1 following the merger to distribute any capital and revenue gains achieved on the investments transferred from the Company to VCT 1 (as well as the investments of VCT 1). Any gains (or losses) made on the investments of VCT 1 will, following the Scheme with the Company, be shared amongst the holders of all VCT 1 Shares then in issue.

Shareholders may be adversely affected by a change in the VCT status of VCT 1 if a number of the investments acquired from the Company or the investments of VCT 1, are or become unable to meet VCT requirements. In addition, as VCT investment restrictions are assessed per VCT, the Enlarged Company could be adversely affected by the VCT investment restrictions which currently allow the Company and VCT 1 to co-invest, in aggregate, larger amounts of funds.

## PART III

### LETTER FROM THE CHAIRMAN

# MATRIX INCOME & GROWTH 3 VCT PLC

*(Registered in England and Wales with registered number 05537979)*

*Directors:*

Keith Niven (*Chairman*)  
Bridget Guérin  
Christopher Moore  
Tom Sooke

*Registered Office:*

One Vine Street  
London  
W1J 0AH

14 April 2010

Dear Shareholder

### **Recommended Proposals for a merger with VCT 1 by way of a scheme of reconstruction of the Company and cancellation of listing of the Company's Shares**

The Board announced on 9 February 2010 that agreement in principle had been reached for the merger of the Company and VCT 1.

I am pleased to advise Shareholders that discussions have concluded and the purpose of this letter is to set out for Shareholders the outcome and put the Proposals to Shareholders for consideration. The Proposals will, if effected, result in the Company being merged with VCT 1, creating an Enlarged Company with net assets of over £32 million (taking into account the dividends to be paid by the companies on 21 April 2010). The merger is expected to deliver cost savings and strategic benefits to both sets of shareholders.

**To effect the Proposals, the consent of Shareholders, pursuant to IA 1986 and the Listing Rules, is being sought at the Meetings to approve the Scheme, to appoint the Liquidators and authorise them to implement the Scheme and to cancel the listing of the Company's Shares on the Official List once the Scheme has been implemented.**

### **Background**

The Company was launched in September 2005 and has raised £18.9 million (net of expenses) since inception. Its investment portfolio, which, invests primarily in established and profitable unquoted companies, is managed by Matrix Private Equity. The Company's objective is to provide investors with a regular income stream, by way of tax free dividends, and to generate capital growth through portfolio realisations, which can be distributed by way of additional tax-free dividends.

As at 31 December 2009, the Company had audited net assets of £17,478,122 (90.04p per Share) and, in aggregate, investments in 18 companies. Since launch, dividends have been paid totalling 5.55p per Share (£1,109,018 in aggregate) and has declared an interim dividend for the year ended 31 December 2009 of 4.0p per Share. The Company has also bought back 691,970 Shares for an aggregate consideration of £427,983).

The Company has made investments alongside other funds managed by Matrix Private Equity benefiting from accessing larger transactions than might otherwise have been the case. As a VCT becomes invested and, in light of changes to VCT investment restrictions, the benefits of having two separate VCTs with similar investment portfolios no longer outweigh the costs of separate listed companies.

VCTs are required to be listed on the Official List, which involves a significant level of listing costs as well as related fees to ensure the VCT complies with all relevant legislation. As a VCT becomes fully invested, its net assets may start to decrease, primarily due to dividends, buy backs and annual expenses. The

running costs can become a proportionally greater burden which may have an adverse effect on a VCT's return for its shareholders. A larger VCT should therefore be better placed to spread such running costs across a greater investment portfolio and, as a result may be able to pay a higher level of dividends to shareholders over its life.

In September 2004, the Merger Regulations were introduced allowing VCTs to be acquired by, or merge with, each other without prejudicing the VCT tax reliefs obtained by their shareholders. A number of VCTs have now taken advantage of these regulations to create larger VCTs where running costs can be spread over a substantially greater asset base.

With the above in mind, the Board entered into discussions with VCT 1 and Matrix Private Equity to consider a merger of the Company and VCT 1 to create a single, larger VCT. The aim of the Board is to achieve strategic benefits and reductions in the annual running costs for both sets of shareholders whilst, in respect of the arrangements with Matrix Private Equity, ensuring a fair and proportionate amalgamation of the current arrangements across the two companies.

### **Merger with VCT 1**

Following detailed consideration of the portfolios and the financial position of the Company and VCT 1, the Board has reached an agreement to merge (subject to the conditions set out in paragraph 8 of Part IV of this document) the Company and VCT 1.

The merger will be completed by the Company being placed into members' voluntary liquidation and all of the assets and liabilities of the Company being transferred to VCT 1 in consideration for the issue of New VCT 1 Shares. The merger will be completed on a relative net asset value basis (unaudited net assets as at close of business on the day immediately preceding the Effective Date) and will be subject to the Scheme becoming unconditional.

The merger will result in the creation of an Enlarged Company and should result in material cost savings and simpler administration. As both companies have the same directors, investment manager, investment policies and advisers, this is achievable without major additional cost or disruption to the portfolio of investments.

The Board considers that this merger will bring benefits to both groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the separate companies, in particular through the reduction in directors' and advisers' fees;
- the creation of a single VCT of a more efficient size with a greater capital base over which to spread annual costs;
- participation in a large VCT with the longer term potential for a more diversified portfolio thereby spreading risk across a broader range of investments and creating an increased ability to support follow-on investments;
- an increased ability to maintain a buy-back programme and the potential to increase future dividends due to a reduced level of annual expenses, as well as a reduced need to retain funds to meet them;
- increased flexibility in continuing to meet the various requirements for qualifying VCT status; and
- the potential of greater liquidity in the secondary market.

The Board believes that the Proposals provide an efficient way of merging the companies with a lower level of costs compared with other merger routes. Although either of the companies could have acquired all of the assets and liabilities of the other, VCT 1 was selected as the acquirer because the Company is the older of the VCTs with a more established portfolio and also because there is a marginal stamp duty saving which is expected to arise by the Company acquiring the assets and liabilities of VCT 3 rather than the other way round. Shareholders should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

Annual running costs for the Company and VCT 1 are approximately £627,000 and £632,000 respectively or £1,259,000 in total. These costs represent 3.6 per cent. of the Company's audited net asset value and

3.7 per cent. of VCT 1's audited net asset value, in each case as at 31 December 2009. The Board considers that this level of continued administrative annual running costs can be materially reduced through the merger resulting in benefits to both groups of shareholders.

The aggregate anticipated cost of undertaking the merger is approximately £275,000, including VAT, legal and professional fees, stamp duty and the costs of winding up the Company. The costs of the merger will be split proportionally between the Company and VCT 1 by reference to their respective Roll-Over Value and Merger Value.

On the assumption of the NAV of the Enlarged Company remaining the same as immediately after the merger, annual cost savings for the Enlarged Company of at least £140,000 per annum (representing 0.43 per cent. per annum of the expected net assets of the Enlarged Company) are anticipated to be achieved following completion of the merger. Again, assuming that the NAV of the Enlarged Company remains constant for this purpose, and on the basis that no new funds are raised or investments realised to meet annual costs, the Board believes that the costs of the merger would, therefore, be recovered within two years.

The investment policy of the Enlarged Company, following the merger, will be the same as it currently is for the Company.

### **The Scheme**

The mechanism by which the merger will be effected is as follows:

- the Company will be placed into members' voluntary liquidation pursuant to a scheme of reconstruction under Section 110 IA 1986; and
- all of the assets and liabilities of the Company will be transferred to VCT 1 in exchange for New VCT 1 Shares (which will be issued directly to Shareholders).

This will result in the Shares of this Company effectively being merged into the VCT 1 Shares by reference to the respective net asset value of each company. Following the transfer, the listing of the Company's Shares will be cancelled and the Company will be wound up.

The merger by way of the Scheme is conditional upon the approval by the shareholders of the Company and VCT 1 of resolutions to be proposed at the Meetings and the VCT 1 Extraordinary General Meeting and the other conditions set out in paragraph 8 of Part IV of this document. If the conditions of the Scheme are not satisfied the Company will continue in its current form and the Board will continue to review all options available to it regarding the future of the Company.

### **Example:**

As at 31 December 2009, the audited NAV per Share of the Company (taken from the audited accounts of the Company to 31 December 2009) was 90.04p. The Roll-Over Value of a Share (this being the audited NAV of the Company as at 31 December 2009 after adjustments in relation to the Scheme, anticipated merger costs and recent interim dividends declared, divided by the number of Shares in issue), would have been 85.27p (assuming no dissenting Shareholders) had the Scheme been implemented on that date.

As at 31 December 2009, the audited NAV of a VCT 1 Share (taken from the audited accounts of VCT 1 to 31 December 2009) was 83.34p. The Merger Value per VCT 1 Share (this being the audited NAV of VCT 1 as at 31 December 2009 after adjustments in relation to the Scheme, anticipated merger costs divided by the number of VCT 1 Shares in issue) would have been 77.68p had the Scheme been implemented on that date.

The number of New VCT 1 Shares to be issued to Shareholders would then have been calculated by multiplying the number of Shares in issue by the Merger Ratio, this being the Roll-Over Value per Share divided by the Merger Value of a VCT 1 Share. The New VCT 1 Shares would then have been issued to Shareholders pro-rata to holdings in the Company (disregarding for these purposes dissenting Shareholders and the amounts required to purchase such Shares held). This would effectively have given 1.0977 New VCT 1 Shares for every Share held (assuming no dissenting Shareholders), 21,306,522 New VCT 1 Shares in aggregate, had the merger been completed on 31 December 2009.

Shareholders who do not vote in favour of the resolution to be proposed at the First Extraordinary General Meeting are entitled to dissent as set out in paragraph 10 of Part IV of this document.

Should the Scheme not become effective, the Company will continue in its current form and the Board will continue to keep the future of the Company under review.

Further information regarding the terms of the Scheme is set out in Part IV of this document.

## **VCT 1**

VCT 1 was launched in July 2004 and has raised £20.9 million (net of expenses) since inception.

As with the Company, its investment portfolio, which invests primarily in established and profitable unquoted companies, is managed by Matrix Private Equity and its objective is to provide investors with a regular income stream, by way of tax free dividends, and to generate capital growth through portfolio realisations, which can be distributed by way of additional tax free dividends.

As at 31 December 2009, VCT 1 had audited net assets of £16,979,370 (83.34p per VCT 1 Share and, in aggregate, investments in 18 companies. Since launch, dividends have been paid totalling 16.3p per VCT 1 Share (£3,545,555 in aggregate) and VCT 1 has declared an interim dividend for the year ended 31 December 2009 of 5.0p per VCT 1 Share. VCT 1 has bought back 1,803,832 VCT 1 Shares for an aggregate consideration of £1,453,310.

The VCT 1 Board is the same as that for this Company with Keith Niven also being the chairman. Christopher Moore is currently a director of Matrix Income & Growth 4 VCT plc, another VCT managed by Matrix Private Equity. It is intended that Christopher Moore will take over as chairman of Matrix Income & Growth 4 VCT plc and for these purposes he will need to be an independent director (common directors across VCTs managed by the same investment manager will no longer be regarded as independent under the Listing Rules) and was proposing to resign as a director of VCT 1 in September 2010. In addition, VCT 1 has considered the size and future composition of the Enlarged Company's Board. It has been concluded that, a board of three directors would be more cost effective going forward. In light of the merger, and subject to it becoming effective, Christopher Moore has agreed to bring his resignation as a director of VCT 1 forward and resign following the merger becoming effective.

The current annual directors' fees for VCT 1 are £80,000 and across both the Company and VCT 1 are £145,000. The annual remuneration for the remaining members of the VCT 1 Board will be increased to £25,000 for myself and Tom Sooke and £20,000 for Bridget Guérin resulting in the aggregate annual remuneration for the VCT 1 Board following the merger being £70,000. This is a cost saving of £75,000 across the two companies.

Further details relating to VCT 1 are set out in Part V of this document.

## **Termination Agreements and VCT 1 Future Fees**

Matrix Private Equity is the investment manager of the Company and, following a reorganisation of the Matrix group of companies, now also provides administration services in place of Matrix-Securities Limited.

The current management and administration fees payable to Matrix Private Equity in respect of both the Company and VCT 1 are as follows:

- An annual management fee of 2 per cent. of the net assets of the relevant company (exclusive of VAT, if any) in respect of investment management services (this being for the Company and for VCT 1 in each case for the year ended 31 December 2009); and
- Annual administration fees of 0.3 per cent. of the aggregate amount raised by the relevant company (plus VAT) (this being for the Company and for VCT 1 in each case for the year ended 31 December 2009).

Matrix Private Equity (and Matrix Group Limited for the purposes of the Company only) is also currently entitled to performance incentive fees in respect of the Company and VCT 1 of an amount equivalent to 20 per cent. of subsequent cash distributions made to shareholders in the relevant company (whether by

dividend or otherwise) over and above a target return in any accounting period. The target return for these purposes is dividends of 6p per share per annum in the relevant company (index linked from the third accounting period) (subject to a pro rata reduction or increase for an accounting period which is less than or greater than 12 months), subject to maintenance of a High Watermark of NAV per share in the relevant company of 100p (i.e. the original price of the relevant share). Any cumulative shortfalls against the annual Target Return ("Shortfall") have to be made up in later years before any entitlement arises. Whilst the entitlement in respect of VCT 1 is solely with Matrix Private Equity, the entitlement in respect of the Company is shared between Matrix Private Equity and Matrix Group Limited in the ratio of 75:25 unless agreed otherwise between them.

In view of the fact that Matrix Private Equity will continue to provide investment management and administration services to the Enlarged Company after the merger is implemented, by virtue of Matrix Private Equity continuing to be the ongoing investment manager of VCT 1, Matrix Private Equity has agreed to the termination by the Company of the existing investment management, administration and incentive arrangements between them, without notice or penalty, with effect from the Effective Date.

It is intended that the existing management and administration arrangements between VCT 1, Matrix Private Equity and Matrix-Securities Limited will be replaced with a new investment management agreement between the Enlarged Company and Matrix Private Equity covering both management and administration services. The new investment management agreement will provide for an annual fee of an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any) plus £120,000 (inclusive of VAT, if any) the £120,000 being subject to increases in the Retail Prices Index. The terms of this new agreement will otherwise be substantially the same as those currently applicable for VCT 1 and VCT 3. On the assumption of the NAV of the Enlarged Company remaining the same as immediately after the merger this would provide a cost saving of £20,000 (£45,000 if the annual expenses cap in VCT 1 was not in operation) (including VAT) for the Enlarged Company compared to the aggregate costs of the separate companies.

The existing performance incentive arrangements described above will remain broadly unchanged save that the High Watermark, the Target Return and the cumulative Shortfall will be adjusted to amounts representing the weighted average performances of the Company and VCT 3 as follows:

- The High Watermark of 100p per VCT 1 Share will be replaced with an amount equal to the average issue price per VCT 1 Share in issue following the merger.
  - This will be calculated as the weighted average of the respective issue prices of the shares in issue in the Company and VCT 1.
  - Had the merger been completed on 31 December 2009, the revised High Watermark would be an amount per VCT 1 Share equivalent to 95.45p – ie 39,784,016 shares in issue in the Company and VCT 1, multiplied by an issue price of 100p and divided by 41,680,036 estimated VCT 1 Shares in issue following the merger using the above merger example.
- The Target Return of annual dividends of 6p per VCT 1 Share (index linked from the third accounting period) will be adjusted to an average dividend hurdle per VCT 1 Share in issue following the merger.
  - This will be calculated as the weighted average of the respective target returns for the Company and VCT 1.
  - Had the merger been completed on 31 December 2009, the revised Target Return would be annual dividends of 5.89p per VCT 1 Share (index linked thereafter) – ie (i) 20,373,514 Shares in issue in VCT 1 multiplied by a target return of 6.20p per VCT 1 Share, plus (ii) 19,410,502 Shares in issue in the Company multiplied by a target return of 6.14p per Share, and the resultant figure then being divided by 41,680,036 estimated VCT 1 Shares in issue following the merger using the above merger example.
- The cumulative Shortfall to the date of the merger will be deemed to be an amount per VCT 1 Share equivalent to the average shortfall per VCT 1 Share in issue following the merger.
  - This will be calculated as the weighted average of the respective cumulative shortfall for the Company and VCT 1.
  - Had the merger been completed on 31 December 2009, the revised cumulative Shortfall would be 11.18p per VCT 1 Share – ie (i) 20,373,514 VCT 1 Shares in issue multiplied by a shortfall of

8.96p per VCT 1 Share, plus (ii) 19,410,502 Shares in issue in the Company multiplied by a shortfall of 14.59p per Share, and the resultant figure then being divided by 41,680,036 estimated VCT 1 Shares in issue following the merger using the above merger example. The shortfall per company used in this example includes the interim dividends recently declared.

The aim of the adjustments is to equalise the existing Company and VCT 1 performance incentive entitlements within the Enlarged Company. The arrangements following the merger for the Enlarged Company will be solely with Matrix Private Equity as Matrix Group Limited has agreed to waive any entitlement by agreeing to the termination of the performance incentive agreement in respect of the Company. The Board believes that these revised performance incentive arrangements going forward reflect a fair and proportionate amalgamation of the arrangements which currently apply to the two companies.

These revised performance incentive arrangements, which are being entered with Matrix Private Equity, a 'related party' of VCT 1 under the Listing Rules, constitute a related party transaction requiring the approval of the holders of VCT 1 Shares at the VCT 1 Extraordinary General Meeting pursuant to the Listing Rules. These revised arrangements will, therefore, only be entered into if the merger becomes effective and subject to VCT 1 shareholder approval.

Matrix Corporate Capital LLP (the Company's broker) and Computershare Investor Services plc (the Company's registrar) have also agreed to terminate their existing arrangements with effect from the Effective Date (subject to the Scheme becoming effective) without notice or penalty as they will also continue to provide these services to the Enlarged Company.

The Directors have each agreed to waive fees due to them from the Effective Date, subject to the Scheme becoming effective.

### **Cancellation of Listing**

The Company will apply to the UKLA for cancellation of the listing of its Shares, upon the successful completion of the Scheme, which is anticipated to be on 21 May 2010.

### **Dividends**

Both the Company and VCT 1 have declared interim dividends for the year ended 31 December 2009 of 4.0p per Share and 5.0p per VCT 1 Share. These dividends have been declared as interim dividends in respect of the relevant company for the year to 31 December 2009, rather than final year end dividends, so that they can be paid prior to the merger being completed.

### **Taxation**

The following paragraphs and Part VI of this document apply to persons holding Shares (or, as the case may be New VCT 1 Shares) as an investment in the Company (and subsequently in VCT 1) who are the absolute beneficial owners of such Shares (or, as the case may be, New VCT 1 Shares) and are resident in the UK. They may not apply to certain classes of persons such as dealers in securities. The following information and that contained in Part VI of this document is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice. Any Shareholder in doubt about their position, or who might be subject to tax in a jurisdiction other than the UK, should consult their independent financial adviser.

As is more fully explained in Part VI of this document, the receipt by Shareholders of New VCT 1 Shares should not constitute a disposal of their Shares in the Company for UK capital gains tax purposes. Shareholders should, for UK tax purposes, effectively be able to treat the New VCT 1 Shares received pursuant to the Scheme as if they had been acquired at the same date of and at the same price of the original Shares in the Company. Any capital gains tax deferral attaching to the original Shares in the Company will then attach to the New VCT 1 Shares. As VCT 1 is also a VCT, the usual VCT tax reliefs should, in the Directors' view, continue to apply.

Further details as to the taxation consequences for Shareholders are detailed in Part VI of this document. Shareholders should note that tax clearances have been obtained as is more particularly described in Part VI of this document.

## Meetings

Notices of the Meetings are set out at the end of this document. The Meetings will be held at One Vine Street, London W1J 0AH as follows:

- the First Extraordinary General Meeting will be held at 11.45 a.m. on 12 May 2010;
- the Second Extraordinary General Meeting will be held at 11.00 a.m. on 20 May 2010.

The resolutions to be proposed at the First Extraordinary General Meeting and Second Extraordinary General Meeting will be proposed as special resolutions. All such resolutions will require the approval of at least 75 per cent. of the votes cast (in person or in proxy) on that resolution at the relevant meeting.

### First Extraordinary General Meeting

The resolution to be proposed at the First Extraordinary General Meeting will seek Shareholder approval for the Scheme and authorise its implementation by the Liquidators.

### Second Extraordinary General Meeting

The resolution to be proposed at the Second Extraordinary General Meeting will seek the following:

Paragraph (i) of the resolution will seek approval to put the Company into liquidation and appoint and remunerate the Liquidators for the purposes of such winding-up.

Paragraph (ii) of the resolution will authorise the Liquidators to exercise certain powers for which the express sanction of Shareholders is required under the IA 1986, such as paying classes of creditors in full.

Paragraph (iii) of the resolution will approve the cancellation of the listing of the Company's Shares following the successful completion of the Scheme.

## Action to be Taken

**Before taking any action, you are recommended to read the further information set out in this document.**

Shareholders will find forms of proxy attached at the end of this document for the Meetings. Whether or not you propose to attend the Meetings, you are requested to complete and return the forms of proxy attached so as to be received not less than 48 hours before the time appointed for holding the relevant meeting. Completion and return of the forms of proxy will not prevent a Shareholder from attending and voting in person at the relevant meeting should a Shareholder wish to do so.

## Recommendation

**The Board believes that the Scheme and all resolutions to be proposed at the Meetings are in the best interests of the Shareholders as a whole and unanimously recommends you to vote in favour of the resolutions to be proposed at the Meetings as they intend to do in respect of their own holdings of 68,574 Shares representing approximately 0.35 per cent. of the issued Share capital.**

Yours faithfully



**Keith Niven**

*Chairman*



## PART IV

### THE SCHEME

#### 1. Definitions and Interpretation

The definitions set out in Part I of this document shall have the same meanings when used in the context of this Part IV.

On or immediately prior to the Effective Date, Matrix-Securities Limited (on the instruction of the Liquidators) shall calculate the Roll-Over Value and the Merger Value in accordance with paragraph 4 below.

#### 2. Provision of Information

On the Effective Date, the Liquidators shall receive all the cash, undertakings and other assets and liabilities of the Company and shall deliver to VCT 1:

- particulars of all of the assets and liabilities of the Company;
- a list certified by the registrars of the names and addresses of, and the number of Shares held by, each of the Shareholders on the register at 5.30 p.m. on the Record Date;
- an estimate of the costs to wind up the Company which will form part of the costs of the Scheme; and
- the amount estimated to be required to purchase the holdings of any dissenting Shareholders.

#### 3. Transfer Agreements

On the Effective Date, the Liquidators (on behalf of the Company) and VCT 1 will enter into the Transfer Agreement (subject to such modifications as may be agreed between the parties thereto) pursuant to which the Liquidators will procure the transfer of all of the assets and liabilities of the Company to VCT 1 in exchange for the issue of New VCT 1 Shares (fully paid) to Shareholders on the basis set out in paragraph 4 below.

In further consideration of such transfer of assets and liabilities of the Company to VCT 1, VCT 1 will, pursuant to the Transfer Agreement, undertake to pay all liabilities incurred by the Liquidators including but not limited to the implementation of the Scheme, the winding up of the Company and the purchase for cash of any holdings of dissenting Shareholders.

#### 4. Calculation of the Roll-Over Value, Merger Value and the Number of New VCT 1 Shares to be Issued

Except as otherwise provided for in the Scheme terms, for the purposes of calculating the Roll-Over Value, the Merger Value and the number of New VCT 1 Shares to be issued, the following provisions will apply:

##### ***The Company***

The Roll-Over Value will be calculated as:

$$\frac{(A + B) - (C + D)}{E}$$

where:

- A = the unaudited net asset value of the Company as at close of business on the Calculation Date, calculated in accordance with the Company's normal accounting policies;
- B = any adjustment that the Board considers appropriate to reflect any other actual or contingent benefit or liability of the Company (including any dividends to be paid);
- C = the Company's pro rata proportion (by reference to the relative Roll-Over Value and Merger Value, but ignoring merger costs) of the costs of the merger plus £10,000 (representing an amount of

contingency to cover any unforeseen additional costs attributable to the Company incurred by VCT 1, which will indemnify the Liquidators in respect of all costs of the Company following the transfer on the Effective Date);

D = the amount estimated to be required to purchase the holdings of Shares from dissenting Shareholders; and

E = the number of Shares in issue following close of business on the Record Date (save for any Shares held by dissenting Shareholders).

### **VCT 1**

The Merger Value will be calculated as follows:

$$\frac{(F + G) - (H)}{I}$$

where:

F = the unaudited net asset value of VCT 1 as at close of business on the Calculation Date, calculated in accordance with VCT 1's normal accounting policies;

G = any adjustment that the Board (including dividends to be paid) considers appropriate to reflect any other actual or contingent benefit or liability of VCT 1;

H = VCT 1's pro rata proportion (by reference to the relative Roll-Over Value and Merger Value but ignoring merger costs) of the costs of the merger; and

I = the number of VCT 1 Shares in issue on the Record Date.

### **New VCT 1 Shares to Shareholders**

The number of New VCT 1 Shares to be issued to Shareholders (save for any dissenting Shareholders) will be calculated as follows:

$$\left( \frac{J}{K} \times E \right)$$

Where:

J = the Roll-Over Value;

K = the Merger Value; and

E = the number of Shares in issue as at close of business on the Record Date (save for any Shares held by dissenting Shareholders).

The New VCT 1 Shares to be issued pursuant to the Scheme will be issued directly to Shareholders (save for any dissenting Shareholders) pro rata to their existing holdings on instruction of the Liquidators.

Entitlements will be rounded down to the nearest whole number and any fractional entitlements (which will not exceed £5) will be sold in the market and the proceeds retained for the benefit of the Enlarged Company.

Where Shareholders hold their Shares in certificated form, they will receive a new certificate for the New VCT 1 Shares issued and existing certificates will no longer be valid. Shareholders who hold their Shares in CREST will have their CREST accounts credited with their new holding of New VCT 1 Shares.

Dividend payment mandates provided for Shares will under the terms of the Scheme, unless Shareholders advise otherwise, be transferred to the New VCT 1 Shares.

Application has been made to the UKLA for the New VCT 1 Shares to be listed on the Official List and will be made to the London Stock Exchange for such New VCT 1 Shares to be admitted to trading on its market for listed securities. The New VCT 1 Shares will rank *pari passu* with the existing issued New VCT 1 Shares from the date of issue.

## **5. Modifications**

The provisions of the Scheme shall have effect subject to such non-material modifications or additions as the parties to the Transfer Agreement may from time to time approve in writing.

## **6. Reliance on Information**

The Liquidators and VCT 1 shall be entitled to act and rely, without enquiry, on any information furnished or made available to them or any of them, as the case may be, in connection with the Scheme and the Transfer Agreement including, for the avoidance of doubt, any certificate, opinion, advice, valuation, evidence or other information furnished or made available to them by the Company, VCT 1, the Board (or any individual director of the Company and VCT 1), Matrix Private Equity, the registrar or the bankers of the Company and VCT 1 or its or their other professional advisers and the Liquidators shall not be liable or responsible for any loss suffered as a result thereof.

## **7. Liquidators' Liability**

Nothing in the Scheme or in any document executed under or in connection with the Scheme shall impose any personal liability on the Liquidators or either of them save for any liability arising out of any negligence, breach of duty or wilful default by the Liquidators in the performance of their duties and this shall, for the avoidance of doubt, exclude any such liability for any action taken by the Liquidators in accordance with the Scheme or the Transfer Agreement.

## **8. Conditions**

The Scheme is conditional upon:

- the passing of the resolutions to be proposed at the Meetings;
- notice of dissent not having been received from Shareholders holding more than 10 per cent. in nominal value of the issued Share capital of the Company under Section 111 IA 1986 (this condition may be waived by the Board); and
- the passing of resolution 1 to be proposed at the VCT 1 Extraordinary General Meeting.

Subject to the above, the Scheme shall become effective immediately after the passing of the special resolution for the winding up of the Company to be proposed at the Second Extraordinary General Meeting. If it becomes effective, the Scheme shall be binding on all Shareholders and all persons claiming through or under them.

If the conditions set out above have not been satisfied by 30 June 2010, the Scheme shall not become effective and the Company will continue in its current form and the Board will continue to keep the future of the Company under review.

## **9. Dissenting Shareholders**

Provided that a Shareholder does not vote in favour of the resolution to be proposed at the First Extraordinary General Meeting, such Shareholder may within 7 days following the First Extraordinary General Meeting express his/her dissent to the Liquidators in writing at the registered office of the Company and require the Liquidators to purchase that Shareholder's holding in the Company.

The Liquidators will offer to purchase the holdings of dissenting Shareholders at the break value price of a Share, this being an estimate of the amount a Shareholder would receive per Share in an ordinary winding-up of the Company if all of the assets of the Company had to be realised. The break value of Shares is expected to be significantly below its unaudited net asset value. Shareholders should also be aware that such purchases will constitute a disposal. Further details on the taxation consequences for Shareholders are set out in Part VI of this document.

## **10. Governing Law**

The Scheme shall, in all respects, be governed by and construed in accordance with the laws of England and Wales.

## **PART V**

### **VCT 1**

#### **1. Constitution and Status**

VCT 1 was launched in July 2004 as a public limited company listed on the Official List.

VCT 1 has met the requirement for VCTs pursuant to Chapter 3 of Part 6 ITA 2007 and intends to carry on its activities so as to continue qualifying as a VCT.

#### **2. Directors**

The directors of VCT 1 are Keith Niven (Chairman), Bridget Guérin, Christopher Moore and Tom Sooke (the same as the Board of the Company).

If the merger becomes effective, Christopher Moore has agreed to resign from his position as director of VCT 1.

Biographies for the directors of VCT 1 can be found in Part II of the VCT 1 Prospectus which accompanies this document.

#### **3. Investment Manager**

The investment manager to VCT 1 is Matrix Private Equity, the same investment manager as for the Company.

Matrix Private Equity is an investment manager with substantial experience in identifying, investing in, monitoring and subsequently exiting from companies of the size and type qualifying for VCT investment.

Further details relating to Matrix Private Equity are set out in Part III of this document and Part III of the VCT 1 Prospectus which accompanies this document.

#### **4. Investment Objective and Policies**

The objective of VCT 1 is to provide investors with a regular income stream, by way of tax-free dividends, and to generate capital growth through portfolio realisations, which can be distributed by way of additional tax-free dividends.

VCT 1's policy is to invest primarily in a diverse portfolio of UK unquoted companies. Investments are structured as part loan and part equity in order to receive regular income and to generate capital gains from trade sales and flotations of investee companies.

Investments are made selectively across a number of sectors, primarily in management buy-out transactions i.e. to support incumbent management teams in acquiring the business they manage but do not own. Investments are primarily made in companies that are established and profitable.

Uninvested funds are held in cash and lower risk money market funds.

The investment policy of the Enlarged Company, following the merger, will be the same as it currently is for VCT 1.

#### **5. Investments and Net Asset Value**

As at 31 December 2009, VCT 1 had in aggregate investments in 18 companies with an aggregate value of £11,779,583 and audited net assets of £16,979,370 (83.34p per VCT 1 Share).

## **6. Dividend Policy**

VCT 1 has a policy of maximising dividend distributions from income and capital gains generated from the portfolio. Following the merger, the Enlarged Company Board intends to continue the policy of maximising dividend distributions to VCT 1 shareholders from the income and capital gains generated by the portfolio.

VCT 1 has paid dividends since launch totalling 16.3p per VCT 1 Share and has also declared an interim dividend for the year ended 31 December 2009 of 5.0p per VCT 1 Share.

## **7. Shares**

VCT 1 currently has one class of ordinary share in issue.

## **8. Buy-back Policy**

The VCT 1 Board believes that it is in the best interests of VCT 1 and its shareholders to make occasional market purchases of its shares, given the limited secondary market for VCT shares generally, and to seek both to enhance NAV and to reduce to a degree any prevailing discount to NAV in the current market price than might otherwise prevail. The VCT 1 Board agrees the discount to NAV at which VCT 1 Shares will be bought back and regularly reviews this policy.

To date VCT 1 has bought back 1,803,832 VCT 1 Shares (for an aggregate consideration of £1,453,310). The VCT 1 Board intend to continue with the buy-back policy following the merger and subject to the approval of VCT 1 Shareholders. Any such future repurchases will be made in accordance with guidelines established by the VCT 1 Board from time to time and will be subject to VCT 1 having the appropriate authorities from its shareholders and sufficient funds available for this purpose.

VCT 1 Share buy-backs will also be subject to the Listing Rules and any applicable law at the relevant time. VCT 1 Shares bought back in the market will ordinarily be cancelled.

## **9. Annual Expenses and Management Fees**

Matrix Private Equity is the investment manager of VCT 1 and, following a reorganisation of the Matrix group of companies, now also provides administration services in place of Matrix-Securities Limited.

The current management and administration fees payable to Matrix Private Equity are as follows:

- An annual management fee of 2 per cent. of the net assets of VCT 1 (exclusive of VAT, if any) in respect of investment management services (this being £319,692 for the year ended 31 December 2009); and
- Annual administration fees of 0.3 per cent. of the aggregate amount raised by VCT 1 (plus VAT) (this being £88,387 (inclusive of VAT) for the year ended 31 December 2009).

Matrix Private Equity is currently entitled to performance incentive fees of an amount equivalent to 20 per cent. of subsequent cash distributions made to shareholders in VCT 1 (whether by dividend or otherwise) over and above the Target Return in any accounting period. The Target Return for these purposes is 6p per Share per annum (equal to a pro rata reduction or increased to 6p per New Share for that accounting period), subject to maintenance of a high watermark test of NAV per Share of 100p.

Matrix Private Equity will continue to provide investment management and administration services to the Enlarged Company following the merger.

It is intended that the existing management and administration arrangements between VCT 1, Matrix Private Equity and Matrix-Securities Limited will be replaced with a new investment management agreement between VCT 1 and Matrix Private Equity covering both management and administration services. The new investment management agreement will provide for an annual fee of an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any) plus £120,000 (inclusive of VAT, if any) the £120,000 being subject to increases in the Retail Prices Index. The terms of this new agreement will otherwise be substantially the same as those currently applicable for VCT 1. On the assumption of the NAV of the Enlarged Company remaining the same as immediately after the merger this

would provide a cost saving of £20,000 including VAT £20,000 (£45,000 if the annual expenses cap in VCT 1 was not in operation) (including VAT) for the Enlarged Company compared to the aggregate costs of the separate companies.

The existing performance incentive arrangements described above will remain broadly unchanged save that the High Watermark, the Target Return and the cumulative Shortfall will be adjusted to amounts representing the weighted average performances of the Company and VCT 3 as follows:

- The High Watermark of 100p per VCT 1 Share will be replaced with an amount equal to the average issue price per VCT 1 Share in issue following the merger. This will be calculated as the weighted average of the respective issue prices of the shares in issue in the Company and VCT 1.
- The Target Return of annual dividends of 6p per VCT 1 Share (index linked from the third accounting period) will be adjusted to an average dividend hurdle per VCT 1 Share in issue following the merger. This will be calculated as the weighted average of the respective target returns for the Company and VCT 1.
- The cumulative Shortfall to the date of the merger will be deemed to be an amount per VCT 1 Share equivalent to the average shortfall per VCT 1 Share in issue following the merger. This will be calculated as the weighted average of the respective cumulative shortfall for the Company and VCT 1.

The aim of the adjustments is to equalise the existing Company and VCT 1 performance incentive entitlements within the Enlarged Company.

These revised performance incentive arrangements, which are being entered with Matrix Private Equity, a 'related party' of VCT 1 under the Listing Rules, constitute a related party transaction requiring the approval of the holders of VCT 1 Shares at the VCT 1 Extraordinary General Meeting pursuant to the Listing Rules. These revised arrangements will, therefore, only be entered into if the merger becomes effective and subject to VCT 1 shareholder approval.

## **10. Accounts and auditors**

The accounting reference date of VCT 1 is 31 December and annual accounts are usually dispatched in April each year with half-yearly accounts for the six month period to 30 June being usually dispatched in August each year. The auditors of VCT 1 are PKF (UK) LLP.

## **11. Publication of Share Price**

The most recent unaudited NAV and share price of a VCT 1 Share are available on the website of the London Stock Exchange.

## **12. Taxation**

As a VCT, VCT 1 is not subject to UK taxation on capital gains on the disposals of its investments. VCT 1 will, however, be subject to UK taxation on income at the usual rates.

Qualifying shareholders of VCT 1 will not be liable to UK taxation on dividends paid on VCT 1 Shares or capital gains on the disposals of such shares (although such disposal will trigger the payment of any capital gains tax deferred on subscription).

Further details relating to VCT 1 are set out in the VCT 1 Prospectus.

## **PART VI**

### **TAXATION**

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares (or, as the case may be, New VCT 1 Shares) and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice.

If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The tax reliefs set out below are available to individuals aged 18 or over who receive New VCT 1 Shares under the Scheme.

#### **1. The Company**

The Company has obtained approval as a VCT under Chapter 3 of Part 6 of ITA 2007.

The Board considers that the Company has to date conducted its affairs and will continue to do so, to enable it to qualify as a VCT for the period ending on the date on which the proposed liquidation is completed. Furthermore, the proposed method of winding up the Company is such that the benefit of VCT status should be available to the Liquidators, to the extent that the Liquidators effect disposals of chargeable assets for the purpose of UK taxation of capital gains to implement the Scheme.

#### **2. Receipt by Shareholders of New VCT 1 Shares under the Scheme**

The effective exchange of existing Shares in the Company for New VCT 1 Shares should not constitute a disposal of the existing Shares for the purposes of UK taxation. Instead, the new holding of New VCT 1 Shares should be treated as having been acquired at the same time and at the same cost as the existing Shares in the Company from which they are derived. Any capital gains tax deferral relief obtained on subscription of the existing Shares in the Company should not, therefore, be crystallised for payment but will be transferred to the New VCT 1 Shares.

For Shareholders holding (together with their associates) more than 5 per cent. of the Shares in the Company, clearance has been obtained from HMRC in terms of Section 138 of TCGA 1992 that the treatment described above for persons who (together with their associates) own more than 5 per cent. of the Shares in the Company should also apply to them.

Shareholders in VCT 1 as a VCT, should be afforded the usual tax reliefs available to shareholders in VCTs. Qualifying shareholders should continue to receive tax-free dividends and should not be subject to UK taxation on any capital gains on the disposal of New VCT 1 Shares.

Although VCT 1 will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of the Company (which form part of the merger costs being allocated to both VCT 1 and the Company), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

#### **3. Dissenting Shareholders**

Dissenting Shareholders whose holdings are purchased for cash at the break value price shall be treated as having disposed of their existing Shares in the Company. The Company should still be able to claim the benefit of VCT status and the dissenting Shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal. However, the purchase will constitute a disposal of the existing holding in the Company and a dissenting Shareholder will be liable to pay any capital gains tax for which such dissenting Shareholder obtained deferral relief on subscription.

If the dissenting Shareholder has disposed of Shares within the holding period required to retain upfront tax relief, income tax relief on those subscriptions will also be repayable. As the Company should still be

able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations the dissenting Shareholder should not be subject to any UK taxation in respect of any capital gains arising from the disposal.

### **Clearances**

Clearance has been obtained from HMRC in respect of the Scheme under Section 701 ITA 2007 and Section 138 TCGA 1992. With regard to the former, the receipt of New VCT 1 Shares should not, except in the case of dealers, fall to be regarded as an income receipt for the purposes of UK taxation.

Clearance has also been obtained from HMRC that the Scheme meets the requirements of the Merger Regulations and as such the receipt by Shareholders of New VCT 1 Shares should not prejudice tax reliefs obtained by Shareholders on existing Shares in the Company and should not be regarded as a disposal.



**PART VII**  
**ADDITIONAL INFORMATION**

**1. Responsibility**

The Directors, whose names appear in paragraph 3 below, accept responsibility 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.

**2. Share Capital**

2.1 As at 13 April 2010 (this being the latest practicable date prior to the publication of this document), the authorised and issued share capital of the Company was as follows:

	<i>Authorised</i>		<i>Issued and fully paid</i>	
	<i>No. of Shares</i>	<i>£</i>	<i>No. of Shares</i>	<i>£</i>
Shares (1p each)	50,000,000	500,000	19,306,507	193,065.07

2.2 As at 13 April 2010 (this being the latest practicable date prior to the publication of this document), no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option, nor did the Company hold any share capital in treasury.

**3. Directors and their Interests**

3.1 The names and business addresses of the Directors, all of whom are non-executive, are as follows:

- Keith Niven (Chairman)
- Bridget Guérin
- Christopher Moore
- Tom Sooke

all of One Vine Street, London W1J 0AH (the registered office of the Company).

3.2 As at 13 April 2010 (this being the latest practicable date prior to publication of this document), the interests of the Directors (and their immediate families), in the issued share capital of the Company were as follows:

<i>Director</i>	<i>Company</i>		<i>VCT 1</i>	
	<i>Shares</i>	<i>% of Share capital</i>	<i>VCT 1 Shares</i>	<i>% of VCT 1 Share capital</i>
Keith Niven	10,550	0.05	21,100	0.10
Bridget Guérin	7,912	0.04	10,550	0.05
Christopher Moore	42,200	0.22	42,200	0.21
Tom Sooke	7,912	0.04	7,912	0.04

3.3 The Directors (other than Tom Sooke) were appointed under letters of appointment dated 1 September 2005 which may be terminated on 3 months' notice. Tom Sooke is appointed pursuant to a service agreement dated 1 October 2008 and also provides consultancy services pursuant to a consultant's agreement between the Company and a company controlled by Tom Sooke also dated 1 October 2008. Both agreements are also terminable on 3 months' notice. No arrangements have been entered into by the Company, entitling the Directors to compensation for loss of office. Bridget Guérin is entitled to annual fees of £14,000, Christopher Moore and Tom Sooke are entitled to annual fees of £16,000 (inclusive, in respect of Tom Sooke, the consultancy agreement pursuant to which

he provides consultancy services) and Keith Niven (as chairman) is entitled to £19,000. Fees paid to the Directors in respect of the year ended 31 December 2009 were £58,000. Aggregate emoluments for the current year are £65,000 for the full year. From the Effective Date, and subject to the Scheme becoming effective, the Directors have agreed to waive fees payable to them (and the consultancy agreement pursuant to which Tom Sooke provides services will be terminated).

- 3.4 Bridget Guérin was a director of Matrix-Securities Limited, the Company's secretary and administrator, until 22 December 2009 and was interested in the contracts referred to at paragraphs 5.1.1, 5.1.2, 5.1.3 and 5.1.4 below. Matrix-Securities Limited has also on occasion acted as promoter to the Company in respect of fundraisings since inception. Bridget Guérin was a director and remains a shareholder of Matrix Group Limited which (i) holds a controlling stake in Matrix Corporate Capital LLP, which acts as broker to the Company; (ii) owns 100 per cent. of the equity of MPE Partners Limited which holds a 50 per cent. interest in Matrix Private Equity and (iii) is the parent company of the wholly owned subsidiary Matrix-Securities Limited.
- 3.5 Save as set out in paragraphs 3.3 and 3.4 above, there are no potential conflicts or interests between the duties of any Director and their private interests and/or duties.
- 3.6 Other than disclosed in this paragraph 3, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company in the years ended 31 December 2007, 2008 and 2009 or in the current financial year or which was effected in an earlier financial year and remains in any respect outstanding or unperformed.

#### **4. Substantial Shareholders**

As at 13 April 2010 (this being the latest practicable date prior to publication of this document), the Company is not aware of any person who has or will have an interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FSA, a holding of 3 per cent. or more must be notified to the Company).

#### **5. Material Contracts**

- 5.1 Save as disclosed in this paragraph 5.1, the Company has not entered, other than in the ordinary course of business, into any contract which is or may be material to the Company within the two years immediately preceding the publication of this document or into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:
- 5.1.1 An investment adviser's agreement dated 8 September 2005 between the Company (1) and Matrix Private Equity Partners Limited (2), which was novated to Matrix Private Equity on 20 October 2006, pursuant to which Matrix Private Equity provides certain investment management services to the Company for a fee payable quarterly in advance of an amount equivalent to 2 per cent. per annum (exclusive of VAT, if any) of the NAV of the Company calculated in accordance with the Company's normal accounting policies. The agreement is terminable by either party by 12 months' notice by either party subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by the Company if it fails to become, or ceases to be, a VCT for tax purposes or where Matrix Private Equity ceases to be authorised by the Financial Services Authority or if there is a change in control of Matrix Private Equity. The agreement contains provisions indemnifying Matrix Private Equity against any liability not due to its default, gross negligence, fraud or breach of the Financial Services and Markets Act 2000.
- 5.1.2 A performance incentive agreement dated 8 September 2005 between the Company (1) and Matrix Private Equity Partners Limited (2) and Matrix Group Limited (3), the rights of Matrix Private Equity Partners Limited being novated to Matrix Private Equity pursuant to a novation agreement dated 20 October 2006, pursuant to which Matrix Private Equity and Matrix Group

Limited are entitled to receive performance related incentive fees subject to achieving certain defined targets.

Matrix Private Equity and Matrix Group Limited are together entitled to performance incentive fees of 20 per cent of any excess above 6p per Share (index linked from the third accounting period) of the annual dividends paid to holders of Shares subject to the Company achieving a NAV per Share of 100p or more as calculated in the annual report and accounts for the year relating to payment. Any cumulative shortfalls below the 6p per annum dividend hurdle will have to be made up in later years. The entitlement will be shared between Matrix Private Equity and Matrix Group Limited in the ratio of 75:25 unless agreed otherwise between them.

The agreement will terminate automatically if the Company enters into liquidation or if a receiver or manager is appointed or if a resolution is passed that the Company is voluntarily wound up in accordance with the Articles.

- 5.1.3 An agreement dated 8 September 2005 between the Company (1) and Matrix-Securities Limited (2) pursuant to which Matrix-Securities Limited has agreed to provide secretarial services to Company and which is terminable by either party at any time thereafter by 12 months' notice subject to earlier termination by the Company in the event of Matrix-Securities Limited having a receiver, administrator or liquidator appointed or ceasing to or threatening to cease carrying on its business or have committed a serious breach of its obligations under this agreement and not remedying the breach within 90 days of being given notice by the Company. Under this agreement Matrix-Securities Limited is entitled to an annual fee of an amount equivalent to 0.09 per cent. (plus VAT) of the aggregate amount raised by the Company. The secretarial services under this agreement are, following the reorganisation of the Matrix group, now provided by Matrix Private Equity.
- 5.1.4 An agreement dated 8 September 2005 between the Company (1) and Matrix-Securities Limited (2) pursuant to which Matrix-Securities Limited has agreed to provide accountancy services to Company and which is terminable by either party at any time thereafter by 12 months' notice subject to earlier termination by the Company in the event of Matrix-Securities Limited having a receiver, administrator or liquidator appointed or ceasing to or threatening to cease carrying on its business or have committed a serious breach of its obligations under this agreement and not remedying the breach within 90 days of being given notice by the Company. Under this agreement Matrix-Securities Limited is entitled to an annual fee of an amount equivalent to 0.21 per cent. (plus VAT) of the aggregate amount raised by the Company. The accountancy services under this agreement are, following the reorganisation of the Matrix group, now provided by Matrix Private Equity
- 5.2 The following contracts will be entered into, subject, *inter alia*, to the Scheme becoming unconditional:
- 5.2.1 A termination agreement dated 13 April 2010 between the Company (1) and Matrix Private Equity (2) pursuant to which the management agreement referred to at paragraph 5.1.1 above will be terminated from the Effective Date conditional on the Scheme being implemented.
- 5.2.2 A termination agreement dated 13 April 2010 between the Company (1), Matrix Private Equity (2) and Matrix Group Limited (3) pursuant to which the incentive agreement referred to at paragraph 5.1.2 above will be terminated from the Effective Date, conditional on the Scheme being implemented.
- 5.2.3 A termination agreement dated 13 April 2010 between the Company (1) and Matrix-Securities Limited (2) pursuant to which the secretarial agreement and administrative agreement referred to at paragraph 5.1.3 above will be terminated from the Effective Date, conditional on the Scheme being implemented.
- 5.2.4 A termination agreement dated 13 April 2010 between the Company (1) and Matrix-Securities Limited (2) pursuant to which the accountancy services agreement referred to at paragraph 5.1.4 above will be terminated from the Effective Date, conditional on the Scheme being implemented.
- 5.2.5 A termination agreement dated 13 April 2010 between the Company (1) and Computershare Investor Services plc (2) pursuant to which the appointment of Computershare Investor

Services plc as registrar to the Company will be terminated from the Effective Date, conditional on the Scheme being implemented.

5.2.6 A termination agreement dated 13 April 2010 between the Company (1) and Matrix Corporate Capital LLP (2) pursuant to which the appointment of Matrix Corporate Capital LLP as broker to the Company will be terminated from the Effective Date, conditional on the Scheme being implemented.

5.2.7 A termination agreement dated 13 April 2010 between the Company (1) and CitiCourt Associates Limited (2) pursuant to which Tom Sooke provides consultancy services will be terminated from the Effective Date conditional on the Scheme being implemented.

## **6. Overseas Shareholders**

The issue of New VCT 1 Shares to persons resident in or citizens of jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such Shareholders should inform themselves about and observe any legal requirements, in particular:

- (a) none of the New VCT 1 Shares has been or will be registered under the United States Securities Act 1933, as amended, or qualify under applicable United States state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan, South Africa or New Zealand;
- (b) VCT 1 is not registered under the United States Investment Company Act of 1940, as amended, and investors are not entitled to the benefits of that Act; and
- (c) no offer is being made, directly or indirectly, under the Scheme, in or into or by the use of mails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) of interstate or foreign commerce, or of any facility in a national securities exchange, of the United States, Canada, Japan, South Africa or New Zealand.

It is the responsibility of Shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New VCT 1 Shares, including the obtaining of any governmental or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

## **7. General**

7.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 16 August 2005, with registered number 05537979. The principal legislation under which the Company operates is the Companies Acts (and regulations made thereunder). The legal and commercial name of the Company is Matrix Income & Growth 3 VCT plc. The Company is domiciled in England.

7.2 Statutory accounts of the Company for the years ended 31 December 2007, 2008 and 2009, in respect of which the Company's auditors, PKF (UK) LLP, have made unqualified reports under Section 235 CA 1985/Section 495 CA 2006, have been delivered to the Registrar of Companies and such reports did not contain any statements under Sections 237(2) or (3) CA 1985/Sections 495 to Section 497A CA 2006.

7.3 Save for the fees paid to Matrix Private Equity and Matrix-Securities Limited, under the arrangements set out at paragraph 5.1, the fees paid to the Directors as detailed in paragraph 3.3 above, fees paid to Matrix-Securities in respect of promotion fees of £nil (2007), £nil (2008) and £nil (2009) and fees paid to Matrix Corporate Capital LLP of £nil (2008), £9,161 (2009) and £5,875 (current year) there were no related party transactions or fees paid by the Company during the years ended 31 December 2007, 2008 and 2009 or to the date of this document in the current financial year.

7.4 The Company has no employees or subsidiaries.

- 7.5 There has been no significant change in the financial or trading position of the Company since 31 December 2009, the date to which the last audited net asset value of the Company has been published, to the date of this document.
- 7.6 The Company is not and has not at any time in the 12 months immediately preceding the date of this document been involved in any governmental, legal or arbitration proceedings (and the Company is not aware of any such proceedings being pending or threatened) which may have, or have had a significant effect on the Company's financial position or profitability.
- 7.7 The Liquidators have given and not withdrawn their written consent to the issue of this document with the inclusion of their name and the references to them in the form and context in which they appear.
- 7.8 If the Scheme becomes effective in accordance with the expected timetable on page 4 it is anticipated that the listing of the Shares will be cancelled on 21 May 2010.
- 7.9 New VCT 1 Shares issued to Shareholders under the Scheme will rank *pari passu* with the existing VCT 1 Shares and will be admitted for trading on the main market of the London Stock Exchange.

## **8. Documents Available for Inspection**

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) from the date of this document until the Effective Date at the offices of Martineau at 35 New Bridge Street, London EC4V 6BW and also at the registered office of the Company:

- 8.1 the memorandum and articles of association of the Company;
- 8.2 the audited report and accounts of the Company for the financial years ended 31 December 2007, 2008 and 2009;
- 8.3 the audited report and accounts of VCT 1 for the financial years ended 31 December 2007, 2008 and 2009;
- 8.4 the material contracts referred to in paragraph 5 above;
- 8.5 a draft (subject to non-material updating and amendment) of the Transfer Agreement;
- 8.6 the consent referred to in paragraph 7.7 above;
- 8.7 the VCT 1 Circular, dated 14 April 2010;
- 8.8 the VCT 1 Prospectus, dated 14 April 2010; and
- 8.9 this document.

14 April 2010

# MATRIX INCOME & GROWTH 3 VCT PLC

*(Registered in England and Wales with registered number 05537979)*

## NOTICE OF FIRST EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Matrix Income & Growth 3 VCT plc ("the Company") will be held at 11.45 a.m. on 12 May 2010 (or as soon thereafter as the extraordinary general meeting of Matrix Income & Growth VCT plc convened for 11.30 a.m. on that day has concluded) at One Vine Street, London W1J 0AH for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

### Special Resolution

That, subject to the conditions (other than the passing of this resolution) set out in paragraph 8 of Part IV of the circular to the shareholders of the Company dated 14 April 2010 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled and notwithstanding anything in the articles of association of the Company to the contrary, the Scheme, as defined and set out in Part IV of the Circular, be and hereby is approved and the Directors and William Duncan and Jonathan Paul Philmore of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA ("the Liquidators") be and they are hereby authorised (insofar as they are not already authorised by the articles of association of the Company) to implement the Scheme and to execute any document and do any act or thing for the purpose of carrying the Scheme into effect and, in particular (but without prejudice to the foregoing generality):

- (a) the Company (acting by the Liquidators) be and hereby is authorised and directed to enter into, and the Liquidators be and they are hereby authorised and directed, pursuant to section 110 of the Insolvency Act 1986, to give effect to, a transfer agreement in the form of the draft which is produced to the meeting and signed for the purpose of identification by the chairman of the meeting with such non-material modifications thereto as the parties to such agreement may agree ("Transfer Agreement"); and
- (b) the Liquidators be and they hereby are authorised and directed to request Matrix Income & Growth VCT plc ("VCT 1") to arrange for the creation and issue of new ordinary shares of 1p each in the capital of VCT 1 on the basis described in the Transfer Agreement for distribution among the holders of the ordinary shares of 1p each in the capital of the Company by way of satisfaction and discharge of their respective interests in so much of all of the assets and liabilities of the Company as shall be transferred to VCT 1 in accordance therewith and with the Scheme

and for the purposes of the resolution, words and expressions defined in the Circular shall have the same meanings in this resolution, save where the context requires otherwise.

Dated 14 April 2010

**By order of the Board**  
Matrix-Securities Limited  
Secretary

**Registered Office:**  
One Vine Street  
London  
W1J 0AH

**Notes:**

1. Each director has an appointment letter with the Company, a copy of which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast in accordance with Regulation 41 of the Uncertified Securities Regulation 2001), members must be registered in the register of members of the Company at 5.00 p.m. on 10 May 2010 (or, in the event of any adjournment, 5.00 p.m. on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint their own choice of proxy (not the chairman) and give their instructions directly to them.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy should be obtained by contacting the Company's registrar, Computershare Investor Services PLC between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0870 707 1156 or, if telephoning from outside the UK, on +44 870 707 1156. Calls to Computershare Investor Services PLC helpline (0870 707 1156) are charged at national rates. Further details will be available from your service provider. Calls to the helpline from outside of the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Computershare Investor Services PLC will be unable to give advice on the merits of the Proposals or provide financial, legal, tax or investment advice. A member should indicate in the box next to the proxy holder's name the number of shares in relation to which the proxy is authorised to act as the member's proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
5. A form of proxy is attached to this document and a pre-paid reply envelope enclosed. To be valid, it should be lodged with the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy appointment must be registered electronically at [www.eproxyappointment.com](http://www.eproxyappointment.com); in each case so as to be received not later than 11.45 a.m. on 10 May 2010 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN details of which are contained in the covering letter sent with Shareholders' copies of this circular. This is the only acceptance means by which proxy instructions may be submitted electronically.
6. As at 13 April 2010 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 19,306,507 shares each carrying one vote each. Therefore, the total voting rights in the Company as at 13 April 2010 was 19,306,507.
7. In accordance with section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Companies Act 2006.

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, in accordance with section 149(2) of the Companies Act 2006 and under an agreement between him/her and the member 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.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
10. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
11. Further information regarding the meeting is available on the Company's website, [www.mig3vct.co.uk](http://www.mig3vct.co.uk).

# MATRIX INCOME & GROWTH 3 VCT PLC

*(Registered in England and Wales with registered number 055379793)*

## NOTICE OF SECOND EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Matrix Income & Growth 3 VCT plc ("the Company") will be held at 11.00 a.m. on 20 May 2010 at One Vine Street, London W1J 0AH for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as a special resolution:

### Special Resolution

That:

- (i) subject to the conditions (other than the passing of this resolution) set out in paragraph 8 of Part IV of the circular to shareholders of the Company dated 14 April 2010 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled, in each case prior to the passing of this resolution;
  - (a) the Company be wound up voluntarily under the provisions of the Insolvency Act 1986 and William Duncan and Jonathan Paul Philmore of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA ("the Liquidators") be and they are hereby appointed liquidators for the purposes of such winding-up and any power conferred on them by law or by this resolution may be exercised, and any act required or authorised under any enactment to be done by them may be done, by them jointly or by each of them alone; and
  - (b) the Liquidators be remunerated on a time costs basis as agreed with the board of directors from time to time plus VAT, disbursements and expenses;
- (ii) the Liquidators of the Company appointed pursuant to paragraph (i)(a) set out in this notice be and hereby are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986; and
- (iii) the cancellation of the listing of the Company's shares on the Official List following the implementation of the Scheme (as defined in the Circular) be and hereby is approved.

Dated 14 April 2010

**By order of the Board**  
Matrix-Securities Limited  
Secretary

**Registered Office:**  
One Vine Street  
London  
W1J 0AH



**Notes:**

1. Each director has an appointment letter with the Company, a copy of which will be available for inspection at the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast in accordance with Regulation 41 of the Uncertified Securities Regulation 2001), members must be registered in the register of members of the Company at 5.00 p.m. on 18 May 2010 (or, in the event of any adjournment, 5.00 p.m. on the date which is two days before the date of the adjourned meeting). Changes to the register of members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member but must attend the meeting to represent the member. Details of how to appoint the chairman of the meeting or another person as a proxy using the form of proxy are set out in the notes on the form of proxy. If a member wishes a proxy to speak on the member's behalf at the meeting the member will need to appoint their own choice of proxy (not the chairman) and give their instructions directly to them.
4. A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy should be obtained by contacting the Company's registrar, Computershare Investor Services between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0870 707 1156 or, if telephoning from outside the UK, on +44 870 707 1156. Calls to Computershare Investor Services PLC helpline (0870 707 1156) are charged at national rates. Further details will be available from your service provider. Calls to the helpline from outside of the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Computershare Investor Services PLC will be unable to give advice on the merits of the Proposals or provide financial, legal, tax or investment advice. A member should indicate in the box next to the proxy holder's name the number of shares in relation to which the proxy is authorised to act as the member's proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
5. A form of proxy is attached to this document and a pre-paid reply envelope enclosed. To be valid, it should be lodged with the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY or the proxy appointment must be registered electronically at [www.eproxyappointment.com](http://www.eproxyappointment.com); in each case so as to be received not later than 11.00 a.m. on 18 May or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN details of which are contained in the covering letter sent with Shareholders' copies of this circular. This is the only acceptance means by which proxy instructions may be submitted electronically.
6. As at 13 April 2010 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 19,306,507 Shares each carrying one vote each. Therefore, the total voting rights in the Company as at 13 April 2010 was 19,306,507.
7. In accordance with section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Companies Act 2006.  
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 member 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.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.
10. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the form of proxy.
11. Further information regarding the meeting is available on the Company's website, [www.mig3vct.com](http://www.mig3vct.com).

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# PROXY FOR THE FIRST EXTRAORDINARY GENERAL MEETING

## MATRIX INCOME & GROWTH 3 VCT PLC

I/We (BLOCK CAPITALS PLEASE) .....

of.....

being a shareholder(s) of the above-named Company, appoint the Chairman of the Extraordinary General Meeting or

for the following number of ordinary shares

to act as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at One Vine Street, London W1J 0AH at 11.45 a.m. on 12 May 2010 (see note 1 below) and at every adjournment thereof and to vote for me/us on my/our behalf as directed below.

Please indicate with an 'X' if this is one of multiple proxy instructions being given

Please indicate with an 'X' in the space below how you wish you vote to be cast. If no indication is given your proxy will vote for or against the resolution or abstain from voting as he thinks fit.

The proxy is directed to vote as follows:

Special Resolution	For	Against	Vote Withheld
Approval of the Scheme and authorise its implementation by the Liquidators			

Signature .....Dated .....2010

### Notes:

- The notice of the meeting is set out in the circular to shareholders of the Company dated 14 April 2010. Definitions used in the circular apply herein.
- If any other proxy is preferred, strike out the words "Chairman of the Extraordinary General Meeting" and add the name and address of the proxy you wish to appoint. The proxy need not be a member.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting the Company's Registrar, Computershare Investor Services PLC between 9.00 a.m. and 5.30 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0870 707 1156 or, if telephoning from outside the UK, on +44 870 707 1156. Calls to Computershare Investor Services PLC helpline (0870 707 1156) are charged at national rates. Calls to Computershare Investor Services PLC from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Computershare Investor Services PLC will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy.

Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.

- Any alterations to the form should be initialled.
- If the appointer is a corporation, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
- The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
- To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power must reach the registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than forty-eight hours before the time appointed for holding the Extraordinary General Meeting or adjournment as the case may be.
- The completion of this form will not preclude a member from attending the Extraordinary General Meeting and voting in person.

# PROXY FOR THE SECOND EXTRAORDINARY GENERAL MEETING

## MATRIX INCOME & GROWTH 3 VCT PLC

I/We (BLOCK CAPITALS PLEASE) .....

of.....

being a shareholder(s) of the above-named Company, appoint the Chairman of the Extraordinary General Meeting or

for the following number of ordinary shares

to act as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at One Vine Street, London W1J 0AH at 11.00 a.m. on 20 May 2010 (see note 1 below) and at every adjournment thereof and to vote for me/us on my/our behalf as directed below.

Please indicate with an 'X' if this is one of multiple proxy instructions being given

Please indicate with an 'X' in the space below how you wish you vote to be cast. If no indication is given your proxy will vote for or against the resolution or abstain from voting as he thinks fit.

The proxy is directed to vote as follows:

Special Resolution	For	Against	Vote Withheld
Approval to (i) put the Company into liquidation and appoint the Liquidators for the purposes of such winding up, (ii) authorise the Liquidators to exercise certain powers for which the express sanction of Shareholders is required under the IA 1986, such as paying classes of creditors in full and (iii) cancel the listing of the Company's shares.			

Signature .....Dated .....2010

### Notes:

- The notice of the meeting is set out in the circular to shareholders of the Company dated 14 April 2010. Definitions used in the circular apply herein.
- If any other proxy is preferred, strike out the words "Chairman of the Extraordinary General Meeting" and add the name and address of the proxy you wish to appoint. The proxy need not be a member.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, (an) additional form(s) of proxy may be obtained by contacting the Company's Registrar, Computershare Investor Services PLC between 9.00 a.m. and 5.00 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0870 707 1156 or, if telephoning from outside the UK, on +44 870 707 1156. Calls to Computershare Investor Services PLC helpline (0870 707 1156) are charged at national rates. Calls to Computershare Investor Services PLC from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Computershare Investor Services PLC will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy.  
Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
- Any alterations to the form should be initialled.
- If the appointer is a corporation, this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
- The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
- To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power must reach the registrars of the Company at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY not less than forty-eight hours before the time appointed for holding the Extraordinary General Meeting or adjournment as the case may be.
- The completion of this form will not preclude a member from attending the Extraordinary General Meeting and voting in person.

