

**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 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.

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

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 3 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.

Charles Stanley Securities a division of Charles Stanley & Co Limited, which is authorised and regulated in the United Kingdom by the FSA, is acting as sponsor to the Company exclusively and no one else in relation to the advice described in this document and will not be responsible to any other person for providing the protections afforded to customers of Charles Stanley Securities (subject to the responsibilities and liabilities imposed by FSMA and the regulatory regime established thereunder) in providing advice or in relation to any matters referred to in this document.

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# **MATRIX INCOME & GROWTH VCT PLC**

*(Registered in England and Wales with registered number 05153931)*

## **Recommended Proposals to:**

- **acquire the assets and liabilities of Matrix Income & Growth 3 VCT plc;**
- **approve the revised performance incentive arrangements;**
- **renew the authority to issue and repurchase Shares; and**
- **cancel the share premium account.**

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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 notice of an Extraordinary General Meeting to be held at 11.30 a.m. on 12 May 2010 at One Vine Street, London W1J 0AH to approve resolutions to effect the proposals contained herein.

To be valid, the form of proxy attached to this document should be returned not less than 48 hours before the meeting, either by post or by hand (during normal business hours only) to the Company's registrar, Computershare Investor Services PLC. For further information on the meeting 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 1155 or, if telephoning from outside the UK, on +44 870 707 1155. Calls to Computershare Investor Services PLC helpline (0870 707 1155) 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.

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**EXPECTED TIMETABLES**  
**EXPECTED TIMETABLE FOR THE COMPANY**

Dividend record date	26 March 2010
Dividend payment date	21 April 2010
Latest time for receipt of forms of proxy for the Annual General Meeting	11.00 a.m. on 10 May 2010
Latest time for receipt of forms of proxy for the Extraordinary General Meeting	11.30 a.m. on 10 May 2010
Annual General Meeting	11.00 a.m. on 12 May 2010
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 VCT 3 to the Company and the issue of New 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 Shares to commence	21 May 2010
CREST accounts credited with New Shares	24 May 2010
Certificates for the New Shares dispatched	26 May 2010

(\*this will, therefore, be the final expected date of trading of the VCT 3 Shares).

### EXPECTED TIMETABLE FOR VCT 3

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

(\*see timetable for the Company on page 3 with regard to admission, CREST accounts being credited and certificates being dispatched).

## CORPORATE INFORMATION

### Directors

Keith Melville Niven (Chairman)  
Bridget Elisabeth Guérin  
Christopher Mark Moore  
Thomas Peter Sooke  
(all of the registered office)

### Registered Office

One Vine Street  
London  
W1J 0AH

Telephone: 020 3206 7000  
Email: mig@matrixgroup.co.uk  
Website: www.migvct.co.uk

### Company Number

05153931

### 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 3AP

### 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

### Sponsor

Charles Stanley Securities  
131 Finsbury Pavement  
London  
EC2A 1NT

### 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 Extraordinary General Meeting)

**PART I**  
**DEFINITIONS**

“AIM”	AIM, a market operated by the London Stock Exchange
“Annual General Meeting”	the annual general meeting of the Company to be held on 10 May 2010
“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
“Charles Stanley Securities”	Charles Stanley Securities, a division of Charles Stanley & Co Limited, which is authorised and regulated by the Financial Services Authority, is a UKLA registered sponsor and is a member of the London Stock Exchange
“Companies Acts”	CA 1985 and CA 2006
“Company”	Matrix Income & Growth VCT plc
“Effective Date”	the date on which the Scheme will be completed, this is anticipated as being 20 May 2010
“Enlarged Company”	the Company, following implementation of the Scheme
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 12 May 2010
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“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 for VCT 3
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“Matrix Private Equity” or “Investment Manager”	Matrix Private Equity Partners LLP, the investment manager to the Company and VCT 3, of One Vine Street, London W1J 0AH

“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 Share calculated in accordance with paragraph 4 of Part IV of this document
“NAV” or “net asset value”	net asset value
“New Shares”	the new Shares (being of the same class as the Shares) to be issued by the Company to VCT 3 shareholders in accordance with the Scheme (and each a “New Share”)
“Official List”	the official list of the UKLA
“Proposals”	the proposals to effect the merger by way of the Scheme and pass the resolutions to be proposed at the Meeting
“Prospectus”	the prospectus issued by the Company dated 14 April 2010
“Record Date”	the record date to which entitlements will be allocated pursuant to the Scheme (as the context permits), this being 19 May 2010
“Revised Performance Incentive Arrangements”	the revised performance incentive arrangements proposed to be entered into between the Company and Matrix Private Equity, which constitute a related party transaction under the Listing Rules, as described on pages 14 and 15
“Roll-Over Value”	the value of a VCT 3 Share calculated in accordance with paragraph 4 of Part IV of this document
“Scheme”	the proposed merger of the Company with VCT 3 by means of placing VCT 3 into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of VCT 3’s assets and liabilities in consideration for New Shares, further details of which are set out in Part IV of this document
“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 the Company and VCT 3 (acting through the Liquidators) for the transfer of all of the assets and liabilities of VCT 3 by the Liquidators to the Company 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 Markets 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 3”	Matrix Income & Growth 3 VCT plc, registered in England and Wales under number 05537979, whose registered office is at One Vine Street, London W1J 0AH

“VCT 3 Board”	the board of directors of VCT 3
“VCT 3 Circular”	the circular to VCT 3 shareholders dated 14 April 2010
“VCT 3 First Extraordinary General Meeting”	the first extraordinary general meeting of VCT 3 to be held on 12 May 2010
“VCT 3 Meetings”	the VCT 3 First Extraordinary General Meeting and the VCT 3 Second Extraordinary General Meeting
“VCT 3 Shares”	ordinary shares of 1p each in the capital of VCT 3 (and each a “VCT 3 Share”)
“VCT 3 Second Extraordinary General Meeting”	the second extraordinary general meeting of VCT 3 to be held on 20 May 2010

## PART II

### RISK FACTORS

**Shareholders and prospective Shareholders 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 the Company's business, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Company, the Board or Shareholders will face. Additional risks not currently known to the Company or the Board, or that the Company or the Board currently believe are not material, may also adversely affect the Company's business, financial condition or results of operations. The value of the Shares could decline due to any of the risk factors described below and Shareholders could lose part or all of their investment. Shareholders and prospective Shareholders should consult an independent financial adviser authorised under FSMA. References to the Company 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 Shares can fluctuate and Shareholders may not get back the amount they invested. In addition, there is no certainty that the market price of Shares will fully reflect their underlying NAV or that any dividends will be paid, nor should Shareholders rely upon any Share buy-back policy to offer any certainty of selling their Shares at prices that reflect the underlying NAV.

Although the existing Shares have been (and it is anticipated that the New 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 Shareholders may find it difficult to realise their investment. An investment in the Company should, therefore, be considered as a long-term investment.

The past performance of the Company, VCT 3 and/or Matrix Private Equity is no indication of future performance. The return received by Shareholders 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 the Company 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.

The Company'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 the Company.

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which the Company 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 Board that the 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 Shareholders 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 the Company lose its VCT status, dividends and gains arising on the disposal of Shares would become subject to tax and the Company 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 Shares issued pursuant to the Scheme will be the original date of issue of the VCT 3 Shares in respect of which such New Shares are issued.

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

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

Any purchaser of existing 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.

Shareholders may be adversely affected by the performance of the investments, whether acquired from VCT 3 or made by the Company. The performance of the investments acquired from VCT 3 as well as the investments of the Company, may restrict the ability of the Company following the merger to distribute any capital and revenue gains achieved on the investments transferred from VCT 3 to the Company (as well as the investments of the Company). Any gains (or losses) made on the investments of the Company will, following the Scheme, be shared amongst the holders of all Shares then in issue.

Shareholders may be adversely affected by a change in the VCT status of the Company if a number of the investments acquired from VCT 3, or the investments of the Company, 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 3 to co-invest, in aggregate, larger amounts of funds.

## PART III

### LETTER FROM THE CHAIRMAN

# MATRIX INCOME & GROWTH VCT PLC

*(Registered in England and Wales with registered number 05153931)*

*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 to acquire all of the assets and liabilities of VCT 3, approve the Revised Performance Incentive Arrangements, renew the authority to issue and repurchase Shares and cancel the share premium account**

The Board announced on 9 February 2010 that agreement in principle had been reached for the merger of the Company and VCT 3.

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 merger of VCT 3 with the Company, 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). This 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 the Companies Acts, the Articles and the Listing Rules, is being sought at the Extraordinary General Meeting to approve the Merger pursuant to the Scheme, to approve the Revised Performance Incentive Arrangements, to renew the authority to issue and repurchase Shares and to cancel the share premium account. A specific resolution to approve the acquisition of the assets and liabilities of VCT 3 pursuant to the Scheme is not required as the assets to be acquired meet the Company's investment policy. However, in light of the nature of the Proposals, the Board believes it appropriate to include this as part of Resolution 1 at the Extraordinary General Meeting.**

### **Background**

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

The objective of the Company 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 investments in 18 companies with an aggregate value of £11,779,583 and audited net assets of £16,979,370 (83.34p per Share). The Company has paid dividends since launch totalling 16.3p per Share and has also declared an interim dividend for the year ended 31 December 2009 of 5.0p per Share. The Company has also bought back 1,803,832 Shares for an aggregate consideration of £1,453,310.

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 3 and Matrix Private Equity to consider a merger of the Company and VCT 3 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 3**

Following detailed consideration of the portfolios and the financial position of the Company and VCT 3, 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 3.

The merger will be completed by VCT 3 being placed into members' voluntary liquidation and all of the assets and liabilities of VCT 3 being transferred to the Company in consideration for the issue of New 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, the Company 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 3 are approximately £632,000 and £627,000 respectively or £1,259,000 in total. These costs represent 3.7 per cent. of the Company's audited net asset value and 3.6 per cent. of VCT 3 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 VCT 3. The costs of the merger will be split proportionally between the Company and VCT 3 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 Scheme**

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

- VCT 3 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 VCT 3 will be transferred to the Company in exchange for New Shares (which will be issued directly to holders of VCT 3 Shares).

This will result in the VCT 3 Shares effectively being merged into the Shares of this Company by reference to the respective net asset value of each company. Following the transfer, the listing of VCT 3's Shares will be cancelled and VCT 3 will be wound up.

The merger by way of the Scheme is conditional upon the approval by the shareholders of the Company and VCT 3 of resolutions to be proposed at the Extraordinary General Meeting and the VCT 3 Meetings and the other conditions set out in paragraph 8 of Part IV of this document. If the conditions of the Scheme are not satisfied VCT 3 will continue in its current form and the VCT 3 Board will continue to review all options available to it regarding the future of VCT 3.

### **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 83.34p. The Merger Value per 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 77.68p had the Scheme been implemented on that date.

As at 31 December 2009, the audited NAV of a VCT 3 Share (taken from the audited accounts of VCT 3 to 31 December 2009) was 90.04p. The Roll-Over Value of a VCT 3 Share (this being the audited NAV of VCT 3 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 VCT 3 Shares in issue), would have been 85.27p (assuming no dissenting VCT 3 shareholders) had the Scheme been implemented on that date.

The number of New Shares to be issued to VCT 3 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 VCT 3 Share divided by the Merger Value of a Share. The New Shares would then have been issued to VCT 3 shareholders pro-rata to holdings in VCT 3 (disregarding for these purposes dissenting VCT 3 shareholders and the amounts required to purchase such VCT 3 Shares held). This would effectively have given 1.0977 New Shares for every VCT 3 Share held (assuming no dissenting VCT 3 shareholders), 21,306,522 New Shares in aggregate, had the merger been completed on 31 December 2009.

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.

### **Management, Administration and Performance Incentive Arrangements**

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 (as set out in further detail in paragraph 5.1 of Part IV of this document) are as follows:

- An annual management fee of 2 per cent. of the net assets of the Company (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 the Company (plus VAT) (this being £88,387 (inclusive of VAT) for the year ended 31 December 2009).

Equivalent management and administration fee arrangements exist in VCT 3.

Matrix Private Equity is also currently entitled to performance incentive fees of an amount equivalent to 20 per cent. of subsequent cash distributions made to shareholders in the Company (whether by dividend or otherwise) over and above the Target Return in any accounting period. The Target Return for these purposes is dividends of 6p per Share per annum (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 of 100p (ie the original issue price of all Shares). Any cumulative shortfalls against the annual Target Return ("Shortfall") have to be made up in later years before any entitlement arises. An equivalent performance incentive fee entitlement exists in VCT 3 (save that the entitlement is shared between Matrix Private Equity and Matrix Group Limited in the ratio of 75:25 unless agreed otherwise between them).

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 the Company, 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 the Company 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 the Company 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 Share will be replaced with an amount equal to the average issue price per 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 3.
  - Had the merger been completed on 31 December 2009, the revised High Watermark would be an amount per Share equivalent to 95.45p – ie 39,784,016 shares in issue in the Company and VCT 3, multiplied by an issue price of 100p and divided by 41,680,036 estimated Shares in issue following the merger using the above merger example.

- The Target Return of annual dividends of 6p per Share (index linked from the third accounting period) will be adjusted to an average dividend hurdle per Share in issue following the merger.
  - This will be calculated as the weighted average of the respective target returns for the Company and VCT 3.
  - Had the merger been completed on 31 December 2009, the revised Target Return would be annual dividends of 5.89p per Share (index linked thereafter) – ie (i) 20,373,514 Shares in issue in the Company multiplied by a target return of 6.20p per Share, plus (ii) 19,410,502 VCT 3 Shares in issue multiplied by a target return of 6.14p per VCT 3 Share, and the resultant figure then being divided by 41,680,036 estimated 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 Share equivalent to the average shortfall per Share in issue following the merger.
  - This will be calculated as the weighted average of the respective cumulative shortfall for the Company and VCT 3.
  - Had the merger been completed on 31 December 2009, the revised cumulative Shortfall would be 11.18p per Share – ie (i) 20,373,514 Shares in issue in the Company multiplied by a shortfall of 8.96p per Share, plus (ii) 19,410,502 VCT 3 Shares in issue multiplied by a shortfall of 14.59p per VCT 3 Share, and the resultant figure then being divided by 41,680,036 estimated 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 3 performance incentive entitlements within the Enlarged Company. The arrangements following the merger will be solely with Matrix Private Equity as Matrix Group Limited has agreed to waive any entitlement by agreeing to the termination of the VCT 3 performance incentive agreement. 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.

The revised performance incentive arrangements (Revised Performance Incentive Arrangements), which are being entered into with Matrix Private Equity, a 'related party' of the Company under the Listing Rules, constitute a related party transaction requiring the approval of Shareholders pursuant to the Listing Rules.

The Revised Performance Incentive Arrangements will, therefore, only be entered into if the merger becomes effective and subject to Shareholder approval.

### **VCT 3**

VCT 3 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. VCT 3'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, VCT 3 had audited net assets of £17,478,122 (90.04p per VCT 3 Share) and, in aggregate, investments in 18 companies. Since launch, dividends have been paid totalling 5.55p per VCT 3 Share (£1,109,018 in aggregate) and VCT 3 has also declared an interim dividend for the year ended 31 December 2009 of 4.0p per VCT 3 Share. VCT 3 has also bought back 691,970 VCT 3 Shares for an aggregate consideration of £427,983.

### **Dividends**

Both the Company and VCT 3 have declared interim dividends for the year ended 31 December 2009 of 5.0p per Share and 4.0p per VCT 3 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. These dividends (as these would have been unpaid as at 31 December 2009), will be taken into account as an adjustment in the calculation of the Roll-Over and the Merger Value.

## **Board Changes**

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 the Company and VCT 3 in September 2010. In addition, the Board 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 the Company forward and resign following the merger becoming effective.

The current annual directors' fees for the Company are £80,000 and across both the Company and VCT 3 are £145,000. The annual remuneration for the remaining members of the 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 Board following the merger being £70,000. This is a cost saving of £75,000 across the two companies.

On the assumption that the merger is approved by Shareholders and becomes effective, I would like to take this opportunity to thank Christopher Moore for the experience he has brought and the commitment he has shown to the Company since the Company was launched.

## **Share Issue and Buy-Back Authorities**

In order to implement the merger, the Company will need to authorise the Board to issue New Shares pursuant to the Scheme.

The Company also proposes to renew its authorities to issue New Shares (having disapplied pre-emption rights) following the merger (i) up to an aggregate nominal value of £100,000 in connection with offer(s) for subscription, (ii) up to 10 per cent. of its enlarged issued share capital in connection with any dividend investment scheme operated from time to time by the Company and (iii) up to 10 per cent. of its enlarged issued share capital for other purposes including top-up offers. The Board will be considering whether to make an offer available later this year to raise further funds for the Company and the authority sought under (i) is for these purposes. The authority is being taken now to avoid further costs in convening a separate general meeting at a later date.

In addition, the Company proposes to renew its share buy-back authority to purchase up to 6,750,000 shares (representing approximately 14.99 per cent. (i.e. the maximum entitlement under the Listing Rules) of the expected share capital of the Enlarged Company following the merger), though the extent of which the Board will utilise such authority will be kept under review as part of the buy-back policy.

## **Cancellation of the Share Premium Account**

One of the main principles of company law is that the capital of a company should be maintained and, therefore, a company with share capital must obtain proper consideration for the shares that it issues and must not return funds which have been subscribed for shares except in certain prescribed ways. The principle of maintenance of capital underlies various provisions of CA 2006 – for example, a company may only make distributions to its members out of distributable profits and a company may only buy-back its own shares in limited circumstances.

A company can, however, reduce its share capital in circumstances where creditors will not be adversely affected, provided that the company complies with certain procedural requirements. CA 2006 provides that a company may reduce its capital by special resolution if its articles of association contain the power to do so and subject to confirmation by the court. A special reserve will then be created from the sums set free from such a cancellation which can be regarded as a distributable reserve.

The Company has completed a cancellation of its share premium, and the special reserve created by such cancellation has assisted the Company in making distributions and buying back Shares. The merger will create new share premium from the issue of New Shares and the Board considers it appropriate to obtain

Shareholder authority to cancel additional share premium to create (subject to court sanction) further distributable reserves.

A special resolution is, therefore, being proposed at the Extraordinary General Meeting to cancel the further amount standing to the credit of the Company's share premium account at the time of cancellation. The special reserve to be created following court sanction may be used to fund distributions to Shareholders and buy-backs, to set off or write off losses to and for other corporate purposes of the Company. Whilst Shareholder authority is being requested now, court sanction will only be applied for if and when the Board feels it is appropriate.

## **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 and are resident in the UK. They may not apply to certain classes of persons such as dealers in securities. The 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 implementation of the Scheme should not affect the status of the Company as a VCT or the reliefs obtained by Shareholders on subscription for existing Shares. Although the Company will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of VCT 3 (which form part of the merger costs being allocated to both the Company and VCT 3), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

It is the intention of the Board to continue to comply with the requirements of ITA 2007 following implementation of the Scheme so as to continue to qualify as a VCT.

## **Extraordinary General Meeting**

Notice of the Extraordinary General Meeting is set out at the end of this document. The Extraordinary General Meeting will be held at 11.30 a.m. on 12 May 2010 (or immediately following the Annual General Meeting convened for 11.00 a.m. on that date) at One Vine Street, London W1J 0AH to approve resolutions to implement the Proposals.

An explanation of the resolutions to be proposed at the Extraordinary General Meeting is set out below:

**Resolution 1** is a composite resolution to approve the acquisition of all of the assets and liabilities of VCT 3 under the Scheme and issue New Shares in connection with the Scheme.

Paragraph 1.1 of Resolution 1 will seek the approval of Shareholders for the purchase by the Company of all of the assets and liabilities of VCT 3 pursuant to the Scheme.

Paragraph 1.2 of Resolution 1 will authorise the Directors pursuant to Section 551 CA 2006 to allot New Shares in the Company up to an aggregate nominal value of £250,000 (representing 122.91 per cent. of the issued Share capital of the Company as at 13 April 2010, this being the latest practicable date prior to publication of this document) in connection with the Scheme. The authority conferred by paragraph 1.2 of Resolution 1 will expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities.

**Resolution 2** will approve the Revised Management Incentive Arrangements with Matrix Private Equity though they will only be entered into if the merger becomes effective.

**Resolution 3** is a composite resolution to renew allotment and repurchase authorities.

Paragraph 3.1 of Resolution 3 will authorise the Directors pursuant to Section 551 CA 2006 to allot Shares in the Company up to an aggregate nominal value of £145,000 (representing 71.29 per cent. of the issued Share capital of the Company as at 13 April 2010, this being the latest practicable date prior to publication of this document) for the purpose set out in paragraph 3.2 of Resolution 3. The authority conferred by paragraph 3.1 of Resolution 3 will expire on the fifth anniversary of the date of the passing of this resolution

unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities. At the date of this document the Board intends to utilise this authority in the next 12 months in accordance with the details provided under the paragraph titled Share Issue and Buy-Back Authorities above.

Paragraph 3.2 of Resolution 3 will disapply pre-emption rights in respect of the allotment of equity securities (i) up to an aggregate nominal value of £100,000 in connection with offer(s) for subscription, (ii) up to 10 per cent. of its enlarged issued Share capital as at close of business on 21 May 2010 in connection with the DRIS Scheme and (iii) up to 10 per cent. of its enlarged issued Share capital as at close of business on 21 May 2010, the proceeds of which may be used, in part or whole, to purchase the Company's own Shares in the market. The authority conferred by paragraph 3.2 of Resolution 3 will expire on the conclusion of the annual general meeting of the Company to be held in 2011 and will be in addition to existing authorities.

Paragraph 3.3 of Resolution 3 will authorise the Company to make market purchases of up to 6,750,000 Shares. Any Shares bought back under this authority will be at such price determined by the Board, but in accordance with the Listing Rules, and may be cancelled or held in treasury as may be determined by the Board. The authority conferred by paragraph 3.3 of Resolution 3 will expire on the conclusion of the annual general meeting of the Company to be held in 2011 and will be in addition to existing authorities. The Board intends to use this authority to implement its continuing buy-back policy.

**Resolution 4** will authorise the cancellation of the Share premium account of the Company at the date an order is made confirming such cancellation by the court.

Resolution 2 will be proposed as an ordinary resolution requiring the approval of more than 50 per cent. of the votes cast at the Extraordinary General Meeting. Resolutions 1, 3 and 4 will be proposed as special resolutions requiring the approval of 75 per cent. of the votes cast at the Extraordinary General Meeting.

### **Action to be taken**

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

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

### **Recommendation**

The Board, which has been so advised by Charles Stanley, considers the Revised Performance Incentive Arrangements with Matrix Private Equity to be fair and reasonable so far as the Shareholders of the Company are concerned. In providing its advice, Charles Stanley has taken into account the Board's commercial assessment of the Revised Performance Incentive Arrangements.

Matrix Private Equity, Matrix Group Limited (which owns 100 per cent. of the equity of MPE Partners Limited, which holds a 50 per cent. interest in Matrix Private Equity) and Bridget Guérin (a former director and current shareholder of Matrix Group Limited and an employee of Matrix-Securities Limited, a company within the same group as Matrix Group Limited) are related parties of the Company under the Listing Rules and are interested in the Revised Performance Incentive Arrangements. Bridget Guérin has not participated in the Board's consideration of the Revised Performance Incentive Arrangements and has agreed to abstain from voting on Resolution 2 at the Extraordinary General Meeting. Matrix Private Equity and Matrix Group Limited have also agreed not to vote on Resolution 2 to be proposed at the Extraordinary General Meeting and, along with Bridget Guérin, have undertaken all reasonable steps to ensure that their associates (including any partners, members and employees) will also not vote on the resolution.

The Board believes that the Proposals and all resolutions to be proposed at the Meeting 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 Extraordinary General Meeting as they (other than Bridget Guérin in relation to Resolution 2) intend to do in respect of their own holdings of 81,762 Shares (71,212 excluding Bridget Guérin for the purposes of Resolution 2), representing approximately 0.40 per cent. (0.35 per cent. for the purposes of Resolution 2) of the issued share capital of the Company.

Yours faithfully

A handwritten signature in black ink, appearing to read 'K.M. Niven', with a large, sweeping flourish extending to the right.

**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 Merger Value and the Roll-Over 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 VCT 3 and shall deliver to the Company:

- particulars of all of the assets and liabilities of VCT 3;
- a list certified by the registrars of the names and addresses of, and the number of shares and class held by, each of the shareholders of VCT 3 on the register at 5.30 p.m. on the Record Date;
- an estimate of the winding-up costs of VCT 3 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 in VCT 3.

#### **3. Transfer Agreement**

On the Effective Date, the Company and the Liquidators (on behalf of VCT 3) 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 VCT 3 to the Company in exchange for the issue of New Shares (fully paid) to the shareholders of VCT 3 on the basis set out in paragraph 4 below.

In further consideration of such transfer of assets and liabilities of VCT 3 to the Company, the Company 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 VCT 3 and the purchase for cash of any holdings of dissenting shareholders in VCT 3.

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

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

##### **VCT 3**

The Roll-Over Value will be calculated as:

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

where:

A = the unaudited net asset value of VCT 3 as at close of business on the Calculation Date, calculated in accordance with VCT 3's normal accounting policies;

B = any adjustment that the Board consider appropriate to reflect any other actual or contingent benefit or liability of VCT 3 (including any dividends to be paid);

- C = VCT 3's pro rata proportion (by reference to the 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 VCT 3 incurred by the Company, which will indemnify the Liquidators in respect of all costs of VCT 3 following the transfer on the Effective Date);
- D = the amount estimated to be required to purchase the holdings of VCT 3 Shares from dissenting VCT 3 shareholders; and
- E = the number of VCT 3 Shares in issue following close of business on the Record Date (save for any VCT 3 Shares held by dissenting VCT 3 shareholders).

### **The Company**

The Merger Value will be calculated as follows:

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

where:

- F = 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;
- G = any adjustment that the Board consider appropriate to reflect any other actual or contingent benefit or liability of the Company (including dividends to be paid);
- H = 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; and
- I = the number of the Shares issue on the Record Date.

### **New Shares to be issued to VCT 3 shareholders**

The number of New Shares to be issued to VCT 3 shareholders (save for any dissenting VCT 3 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 VCT 3 Shares in issue as at close of business on the Record Date (save for any VCT 3 Shares held by dissenting VCT 3 shareholders).

The New Shares to be issued pursuant to the Scheme will be issued directly to VCT 3 shareholders pro-rata to their existing holdings (disregarding VCT 3 Shares held by dissenting VCT 3 shareholders) on the 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 VCT 3 shareholders hold their VCT 3 Shares in certificated form, they will receive a new certificate for the New Shares issued and existing certificates will no longer be valid. VCT 3 shareholders who hold their VCT 3 Shares in CREST will have their CREST accounts credited with their new holding of New Shares.

Dividend payment mandates provided for VCT 3 Shares will, unless holders of VCT 3 Shares advise otherwise, be transferred to the Company.

Application has been made to the UKLA for the New Shares to be listed on the Official List and will be made to the London Stock Exchange for such New Shares to be admitted to trading on its market for listed securities. The New Shares will rank *pari passu* with the existing issued New 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 the Company 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 3, the Board (or any individual director of the Company and VCT 3), Matrix Private Equity, the registrar or the bankers of the Company and VCT 3 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 willful 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 resolution 1 to be proposed at the Extraordinary General Meeting;
- notice of dissent not having been received from VCT 3 shareholders holding more than 10 per cent. in nominal value of its issued Share capital under Section 111 IA 1986 (this condition may be waived by the VCT 3 Board); and
- the passing of the resolutions to be proposed at the VCT 3 Meetings.

Subject to the above, the Scheme shall become effective immediately after the passing of the special resolution for the winding up of VCT 3 to be proposed at the VCT 3 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 VCT 3 Shareholders**

The Liquidators will offer to purchase the holdings of dissenting VCT 3 shareholders at the break value price of a VCT 3 Share, this being an estimate of the amount a holder of such shares would receive in an ordinary winding-up of VCT 3 if all of the assets of VCT 3 had to be realised. The break value of VCT 3 Shares is expected to be significantly below the unaudited net asset values of such shares.

## **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**  
**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	20,339,989	203,399.89

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 and VCT 3 were as follows:

<i>Director</i>	<i>Company</i>		<i>VCT 3</i>	
	<i>Shares</i>	<i>% of issued Share capital</i>	<i>VCT 3 Shares</i>	<i>% of VCT 3 issued Share capital</i>
Keith Niven	21,100	0.10	10,550	0.05
Bridget Guérin	10,550	0.05	7,912	0.04
Christopher Moore	42,200	0.21	42,200	0.22
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 July 2004 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 £17,000, Christopher Moore and Tom Sooke are entitled to annual fees

of £20,000 (inclusive, in respect of Tom Sooke, of the consultancy agreement pursuant to which he provides consultancy services) and Keith Niven (as chairman) is entitled to £23,000. Fees paid to the Directors in respect of the year ended 31 December 2009 were £80,000. Aggregate emoluments for the current year on this basis are also expected to be £80,000. If the merger becomes effective, Christopher Moore has agreed to resign and the annual fees for the Enlarged Company will be £25,000 for Keith Niven and Tom Sooke and £20,000 for Bridget Guérin and aggregate emoluments for the current year on this basis would be £70,000.

- 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 of interest 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, immediately following the issue of the New Shares pursuant to the Scheme, directly or indirectly, 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 9 July 2004 between the Company (1) and Matrix Private Equity Partners Limited (2), which was novated to Matrix Private Equity pursuant to a novation agreement dated 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 9 July 2004 between the Company (1) and Matrix Private Equity Partners Limited (2), which was novated to Matrix Private Equity pursuant to a

novation agreement dated 20 October 2006, pursuant to which Matrix Private Equity are entitled to receive performance related incentive fees subject to achieving certain defined targets.

Matrix Private Equity are entitled to receive 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 ("Shortfall") will have to be made up in later years before any entitlement arises.

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 9 July 2004 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 9 July 2004 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.
- 5.1.5 A letter of engagement dated 5 February 2010 between the Company and Charles Stanley Securities, pursuant to which Charles Stanley Securities will act as sponsor to the Company. Under the letter of engagement, which may be terminated by Charles Stanley Securities in certain circumstances, certain warranties have been given by the Company. The Company has also agreed to indemnify Charles Stanley Securities in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement may be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs
- 5.2 The following contracts will be entered into, subject, *inter alia*, to the approval by Shareholders of Resolution 2 and the Scheme becoming effective:
- 5.2.1 A transfer agreement between the Company and VCT 3 (acting through the Liquidators) pursuant to which all of the assets and liabilities of VCT 3 will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for New Shares in accordance with Part IV of this document. The Liquidators will further agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of VCT 3 will be transferred on receipt to the Company as part of the Scheme. This agreement will be entered into as part of the Scheme.
- 5.2.2 An indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme. A liquidation fee has been agreed (including an amount representing contingency) and taken into account in the merger calculations. This agreement will be entered into as part of the Scheme.

5.2.3 An investment management agreement between the Company (1), Matrix Private Equity (2) and Matrix-Securities Limited (3) pursuant to which:

- the investment management and administration agreements referred to at paragraphs 5.1.1, 5.1.3 and 5.1.4 above will be terminated (save that Matrix Private Equity will jointly and severally with Matrix-Securities Limited assume full responsibility for liabilities, omission of duties and other claims arising under those agreements against them prior to termination);
- revised investment management and administration arrangements will apply, following the merger, across the Enlarged Company substantially on the same terms as those currently applicable to the Company; and
- the revised annual fee will be equivalent to 2 per cent. of net assets of the Company (exclusive of VAT, if any) plus £120,000 (inclusive of VAT, if any) (the £120,000 being subject to increase in the Retail Prices Index).

5.2.4 A deed of variation to the performance incentive agreement pursuant to which:

- the High Watermark of 100p per Share will be replaced with an amount equal to the average issue price per Share in issue following the merger;
- the Target Return of annual dividends of 6p per Share (index linked from the third accounting period) will be adjusted to an average dividend hurdle per Share in issue following the merger; and
- the cumulative Shortfall to the date of the merger will be deemed to be an amount per Share equivalent to the average shortfall per Share in issue following the merger

## **6. Matrix Private Equity**

6.1 Matrix Private Equity, created by a merger between GLE Development Capital Limited and Matrix Private Equity Limited, is the private equity arm of Matrix Group Limited and manages funds primarily through a range of VCTs raised from private investors. Total funds under management are circa £120 million across six funds with the portfolio of equity investments in companies currently numbering forty.

6.2 Matrix Private Equity specialises in backing management buy outs and takes a partnership approach to investing, working alongside ambitious, entrepreneurial management teams wishing to buy businesses. Equity investments, typically up to £7 million, are made in UK privately owned companies across a broad range of industries and sectors, helping entrepreneurial management teams to achieve substantial gains for all shareholders. Matrix Private Equity often works with a highly experienced operating partner who has direct management experience and a wide range of contacts. Matrix Private Equity is recognised as one of the most experienced teams and active investors in this segment of the private equity market.

6.3 Matrix Private Equity (telephone: 0203 206 7000) was incorporated and registered in England and Wales as a limited liability partnership on 27 June 2006. Matrix Private Equity's registered office and principal place of business is at One Vine Street, London W1J 0AH. Matrix Private Equity is authorised and regulated by the FSA to provide investment management services. The principal legislation under which Matrix Private Equity operates is the provisions of the Limited Liability Partnership Act 2000 and the relevant provisions of the CA 2006 (and regulations made thereunder).

## **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 15 June 2004 with registered number 05153931. 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 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/Section 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 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 financial statements of the Company have 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 Charles Stanley Securities has given and not withdrawn its written consent to the issue of this document and the inclusion of its name and the references to it in this document in the form and context in which they appear.

## **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 (existing and those proposed to be adopted at the Annual General Meeting);
- 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 3 for the financial years ended 31 December 2007, 2008 and 2009;
- 8.4 the material contracts referred to in paragraph 5 above (the contracts referred to at paragraph 5.2. being subject to non-material amendment);
- 8.5 the consent referred to at paragraph 6.7 above;
- 8.6 the VCT 3 Circular dated 14 April 2010;
- 8.7 the Prospectus dated 14 April 2010; and
- 8.8 this document.

14 April 2010

# MATRIX INCOME & GROWTH VCT PLC

*(Registered in England and Wales with registered number 05153931)*

## NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Matrix Income & Growth VCT plc (“the Company”) will be held at 11.30 a.m. on 12 May 2010 (or as soon thereafter as the annual general meeting of Matrix Income & Growth 3 VCT plc convened for 11.15 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 resolutions, resolution 2 of which will be proposed as an ordinary resolution and resolution 1, 3 and 4 of which will be proposed as special resolutions:

### Special Resolution

1. That, subject to the Scheme becoming unconditional:
  - 1.1 the acquisition of the assets and liabilities of Matrix Income & Growth 3 VCT plc on the terms set out in the Circular be and hereby is approved; and
  - 1.2 in substitution for all subsisting authorities, to the extent unused the directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (“the Act”) to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (“Rights”) up to an aggregate nominal amount of £250,000 in connection with the Scheme (as defined in the Circular), provided that the authority conferred by this paragraph 1.2 shall expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in a general meeting.

### Ordinary Resolution

2. That the Revised Performance Incentive Arrangements as defined, and details of which are set out, in the Circular with Matrix Private Equity Partners LLP be and hereby are approved.

### Special Resolutions

3. That:
  - 3.1 in addition to the authority conferred by paragraph 1.2 of Resolution 1, to the extent unused the directors of the Company be and are hereby generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (“Rights”) up to an aggregate nominal amount of £145,000 during the period commencing on the passing of this resolution and expiring on the fifth anniversary of the date of the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry.
  - 3.2 in addition to existing authorities, the directors be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 3.1 of this resolution or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 3.2 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011 and provided further that this power shall be limited to:
    - 3.2.1 the allotment and issue of equity securities up to an aggregate nominal value representing £100,000 in connection with offer(s) for subscription;

- 3.2.2 the allotment and issue of equity securities up to an aggregate nominal value representing 10 per cent. of the issued share capital as at close of business on 21 May 2010 in connection with any dividend investment scheme operated by the Company;
- 3.2.3 the allotment and issue of equity securities up to an aggregate nominal value representing 10 per cent. of the issued share capital as at close of business on 21 May 2010, where the proceeds may in whole or part be used to purchase shares; and
- 3.3 In addition to existing authorities, the Company be and hereby is empowered to make one or more market purchases within the meaning of section 693(4) of the Act of its own shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
- (i) the aggregate number of shares which may be purchased shall not exceed 6,750,000;
  - (ii) the minimum price which may be paid per share is 1p, the nominal value thereof;
  - (iii) the maximum price which may be paid per share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotation per share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased; and (b) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
  - (iv) the authority conferred by this paragraph 3.3 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011 unless such authority is renewed prior to such time; and
  - (v) the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares.
4. That, subject to the Scheme becoming effective, the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the court, be and hereby is cancelled.

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 1155 or, if telephoning from outside the UK, on +44 870 707 1155. Calls to Computershare Investor Services PLC helpline (0870 707 1155) 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 11.30 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, only acceptable 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 20,339,989 shares each carrying one vote each. Therefore, the total voting rights in the Company as at 13 April 2010 was 20,339,989.
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.migvct.co.uk](http://www.migvct.co.uk).

# PROXY FOR THE EXTRAORDINARY GENERAL MEETING FOR MATRIX INCOME & GROWTH 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 11.30 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:

		Resolutions	For	Against	Vote Withheld
Resolution 1.	Special	Composite resolution for the approval of the acquisition of the assets and liabilities of Matrix Income & Growth 3 VCT plc pursuant to a scheme of reconstruction and issue of new shares in connection with the scheme.			
Resolution 2.	Ordinary	Approval of the Revised Performance Incentive Arrangements with Matrix Private Equity Partners LLP.			
Resolution 3.	Special	Composite resolution to renew and increase share allotment and buy-back authorities.			
Resolution 4.	Special	Cancellation of the share premium account.			



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 1155 or, if telephoning from outside the UK, on +44 870 707 1155. Calls to Computershare Investor Services PLC helpline (0870 707 1155) 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.

