



12 June 2009

Dear Shareholder

On 20 April 2009 we announced that Core VCT III plc ("Core VCT III") would merge with Core VCT I plc ("Core VCT I") and Core VCT II plc ("Core VCT II") so as to create a single larger VCT (VCT I, VCT II and VCT III together being the "Core VCTs"). You will find enclosed with this letter a copy of the formal circular from your board seeking your approval for the merger together with a copy of the prospectus for Core VCT III, which, once the merger has been completed, will be the continuing vehicle.

Highlights

Under the terms of the proposed merger:

- Core VCT I and Core VCT II will merge into Core VCT III;
- Core VCT III will be re-named Core VCT plc;
- the administrative costs of running one single, larger, VCT are lower than the costs of running three separate vehicles;
- reducing the administrative costs should result in the ability to pay larger distributions to shareholders in the future;
- the fee structure under which Core Capital LLP ("Core Capital") will manage the enlarged vehicle going forward will not change, although there will be amendments to the B Share structure in Core VCT III as a consequence of the merger; and
- conditional upon completion of the merger, special dividends per ordinary share are proposed as set out in the table below:

	Proposed special dividend per ordinary share	<i>Cumulative dividends since inception per ordinary share</i>	<i>Cumulative dividends including initial income tax relief</i>
Core VCT I	10p	18.1p	58.1p
Core VCT II	12p	16.5p	56.5p
Core VCT III	12p	16.5p	56.5p

Note: Extracted from the Chairman's Letter in the circular in respect of each company and based on the notes and assumptions therein.

Background

The investment approach of each of the Core VCTs has been to invest alongside the other Core VCTs so as to allow each company to access larger transactions than would otherwise be the case if they had invested independently. Each of the Core VCTs have now completed 10 investments and have each invested over 70 per cent. of their assets in VCT qualifying investments. There is no longer any requirement to retain three separate vehicles and the merger is being proposed in order to save costs.

Cost savings are estimated at £187,000 per annum compared to the costs of running three separate companies and these cost savings will be passed on to investors through increased distributions in the future.

Core VCT II plc

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Registered Office: One Bow Churchyard, London, EC4M 9HH
Registered in England and Wales
Company Number: 5258348

Management Arrangements

Each of Core VCT I, Core VCT II and Core VCT III has an innovative incentive structure for Core Capital, the investment manager. Under these arrangements there is no annual management fee however Core Capital is entitled to receive 30% of all distributions to shareholders above 60p, as increased by 5% per annum. These incentive arrangements will remain unchanged and Core Capital will not be entitled to receive any more from the merged company than they would be entitled to receive should the merger not proceed. Once the merger has been completed the B Shares in Core VCT III will represent 40% of the enlarged share capital of that company. Core Capital will hold approximately 75% of those shares thereby entitling them to approximately 30% of all distributions. In order to effect this, changes will be required to both the terms of the B Shares issued by Core VCT III and the proportions in which they are held.

Further Information

This is a summary only of the terms of the proposed merger. Please read carefully both the circular and the prospectus.

Action Required

In order to effect these proposals and to enable the payments of the special dividends proposed, please ensure that you complete and return the Forms of Proxy for each of the EGMs and class meetings (as applicable), or attend each of the meetings in person.

If you have any questions in relation to the proposed merger please contact David Russell at Maven Capital Partners UK LLP (your company secretary) on 0141 306 7555. Maven Capital Partners UK LLP is unable to give advice on the merits of the proposal or provide financial, tax, legal or investment advice.

Yours faithfully



Peter Smaill
Chairman