

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 Core VCT II 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.

CORE VCT II PLC

(Registered in England and Wales with registered number 05572545)

Recommended Merger by way of a Scheme of Reconstruction of the Company and Cancellation of Listing of the Company’s Shares

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 meeting referred to below. Your attention is also drawn to the risk factors set out in Part II of this document.

You will find set out at the end of this document notices of the First Extraordinary General Meeting and the B Share Class Meeting to be held on 7 July 2009 at 3.50 pm and 4.00 pm respectively to approve the VCT II Scheme and of the Second Extraordinary General Meeting to be held on 16 July 2009 at 9.10 am to place the Company into members’ voluntary liquidation. These meetings will all be held at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW.

To be valid, the appropriate form of proxy attached to this document for the meetings should be returned not less than 48 hours before the relevant meeting, either by post or by hand to the Company’s registrar, Capita Registrars, Capita Registrars Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. For further information please call Capita Registrars on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars Limited are charged at 10p per minute (including VAT) from a BT landline. Other service providers’ costs may vary and different charges may apply to calls made from mobile telephones or from outside of the UK. Calls may be recorded and monitored randomly for security and training purposes. For legal reasons, Capita Registrars Limited will be unable to give advice on the merits of the Proposals or provide financial, legal, tax or investment advice.

This document should be read in conjunction with the prospectus issued by Core VCT III plc dated 12 June 2009 which accompanies this document.

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EXPECTED TIMETABLES

EXPECTED TIMETABLE FOR THE COMPANY

Date from which it is advised that dealings in Shares should only be for cash settlement and immediate delivery of documents of title	26 June 2009
Latest time for receipt of forms of proxy for the First Extraordinary General Meeting	3.50 pm on 5 July 2009
Latest time for receipt of forms of proxy for the B Share Class Meeting	4.00 pm on 5 July 2009
First Extraordinary General Meeting	3.50 pm on 7 July 2009
B Share Class Meeting	4.00 pm on 7 July 2009
Latest time for receipt of forms of proxy for the Second Extraordinary General Meeting	9.10 am on 14 July 2009
Special Dividend Record Date	15 July 2009
Record Date for Shareholders' entitlements under the VCT II Scheme	15 July 2009
Register of members closed	15 July 2009
Calculation Date	after 5.00 pm on 15 July 2009
Dealings in Shares suspended	7.30 am on 16 July 2009
Second Extraordinary General Meeting	9.10 am on 16 July 2009
Effective Date for the transfer of the assets and liabilities of the Company and VCT I to VCT III and the issue of New VCT III Shares	16 July 2009
Announcement of the results of the Schemes	16 July 2009
Cancellation of the Shares' listings	17 July 2009
VCT III New Share certificates despatched	28 July 2009
Special Dividend payment date	28 July 2009

EXPECTED TIMETABLE FOR VCT I

Date from which it is advised that dealings in VCT I Shares should only be for cash settlement and immediate delivery of documents of title	26 June 2009
Latest time for receipt of forms of proxy for the VCT I First Extraordinary General Meeting	3.30 pm on 5 July 2009
Latest time for receipt of forms of proxy for the VCT I B Share Class Meeting	3.40 pm on 5 July 2009
VCT I First Extraordinary General Meeting	3.30 pm on 7 July 2009
VCT I First B Share Class Meeting	3.40 pm on 7 July 2009
Latest time for receipt of forms of proxy for the VCT I Second Extraordinary General Meeting	9.00 am on 14 July 2009
VCT I Special Dividend Record Date	15 July 2009
Record Date for VCT I shareholders' entitlements under the VCT I Scheme	15 July 2009
VCT I register of members closed	15 July 2009
Calculation Date	after 5.00 pm on 15 July 2009
Dealings in VCT I Shares suspended	7.30 am on 16 July 2009
VCT I Second Extraordinary General Meeting	9.00 am on 16 July 2009
Effective Date for the transfer of the assets and liabilities of the Company and VCT I to VCT III and the issue of New VCT III Shares	16 July 2009
Announcement of the results of the Schemes	16 July 2009
Cancellation of the VCT I Shares' listings	17 July 2009
VCT III New Share certificates despatched	28 July 2009
VCT I Special Dividend payment date	28 July 2009

EXPECTED TIMETABLE FOR VCT III

Latest time for receipt of forms of proxy for the VCT III Extraordinary General Meeting	4.10 pm on 5 July 2009
Latest time for receipt of forms of proxy for the VCT III Ordinary Share Class Meeting	4.20 pm on 5 July 2009
Latest time for receipt of forms of proxy for the VCT III B Share Class Meeting	4.25 pm on 5 July 2009
VCT III Extraordinary General Meeting	4.10 pm on 7 July 2009
VCT III Ordinary Share Class Meeting	4.20 pm on 7 July 2009
VCT III B Share Class Meeting	4.25 pm on 7 July 2009
VCT III Special Dividend Record Date	15 July 2009
Calculation Date	after 5.00 pm on 15 July 2009
Effective Date for the transfer of the assets and liabilities of the Company and VCT I to VCT III and the issue of New VCT III Shares	16 July 2009
Announcement of the results of the Schemes	16 July 2009
Admission of and dealings in the New VCT III Shares to commence	17 July 2009
Certificates for the New VCT III Shares despatched	28 July 2009
VCT III Special Dividend Payment Date	28 July 2009

CORPORATE INFORMATION

Directors

Peter Menzies Smail (Chairman)
Lord Peter Edward Walker
John Mark Brimacombe
(all of the registered office)

Registered Office and Principal Place of Business

One Bow Churchyard
London
EC4M 9HH

Telephone: 0207 317 0155
Email: info@core-cap.com
Website: www.core-cap.com

Company Number

05572545

Investment Manager

Core Capital LLP
103 Baker Street
London
W1U 6LN

Company Secretary and Administrator

Maven Capital Partners UK LLP
Sutherland House
149 St Vincent Street
Glasgow
G2 5NW

Solicitors

Martineau
No. 1 Colmore Square
Birmingham
B4 6AA

Cash Assets Investment Manager

Credit Suisse
Private Banking, London Branch
17th Floor
1 Cabot Square
London
E14 4QJ

Auditors

Ernst & Young LLP
1 More London Place
London
SE1 2AF

Registrars

Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Bankers

Bank of Scotland
PO Box 39900 Level 7
Bishopsgate Exchange
155 Bishopsgate
London
EC2M 3YB

PART I – DEFINITIONS

“Articles”	the articles of association of the Company, as amended from time to time
“B Shares”	B ordinary shares of 0.01p each in the capital of the Company (and each a “B Share”)
“B Share Class Meeting”	the separate meeting of the holders of B Shares to be held on 7 July 2009
“B Shares Roll-Over Value”	the value of the B Shares calculated in accordance with paragraph 4 of Part IV of this document
“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 Merger Values will be calculated, this being 15 July 2009
“Capita Registrars”	a trading name of Capita Registrars Limited
“Catch-up Period”	as defined on page 16
“Companies Acts”	CA 1985 and CA 2006
“Company” or “VCT II”	Core VCT II plc
“Core” or “Investment Manager”	Core Capital LLP, the investment manager to the Company, VCT I and VCT III of 103 Baker Street, London W1U 6LN
“Core VCTs”	together the Company, VCT I and VCT III (and each a “Core VCT”)
“Effective Date”	the date on which the Schemes will be completed, anticipated as being 16 July 2009
“Effective Initial Cost”	the deemed initial cost of 60p per ordinary share in the relevant Core VCT, taking into account the initial 40 per cent. income tax relief received on the £1 paid
“Enlarged Company”	the Company, following implementation of the Schemes
“First Extraordinary General Meeting”	the first extraordinary general meeting of the Company to be held on 7 July 2009
“HMRC”	Her Majesty’s Revenue & Customs
“Hurdle Rate Return”	an amount equal to 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the ordinary shares in the relevant Core VCT) on such part of the Effective Initial Cost that remains to be paid to the holders of ordinary shares in the relevant Core VCT
“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 Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield, WF4 3BA being the proposed liquidators of the Company and VCT I
“London Stock Exchange”	London Stock Exchange plc
“Maven”	Maven Capital Partners UK LLP

“Meetings”	the First Extraordinary General Meeting, the B Share Class Meeting and the Second Extraordinary General Meeting (and each a “Meeting”)
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Values”	the Ordinary Shares Roll-Over Value, B Shares Roll-Over Value, VCT I Ordinary Shares Roll-Over Value, VCT I B Shares Roll-Over Value, VCT III Ordinary Shares Merger Value and VCT III B Shares Merger Value
“NAV” or “net asset value”	net asset value
“New VCT III B Shares”	the new VCT III B Shares to be issued to Shareholders and shareholders of VCT I in accordance with the Schemes (and each a “New VCT III B Share”)
“New VCT III Ordinary Shares”	the new VCT III Ordinary Shares to be issued to Shareholders and shareholders of VCT I in accordance with the Schemes (and each a “New VCT III Ordinary Share”)
“New VCT III Shares”	New VCT III Ordinary Shares and New VCT III B Shares (and each a “New VCT III Share”)
“Nominee Holdings”	means the B shares in the relevant Core VCT transferred by Core to the relevant Nominees
“Nominees”	the nominees to which Core transferred its holding in B Shares in the relevant Core VCT
“Official List”	the official list of the UKLA
“Ordinary Shares”	ordinary shares of 0.01p each in the capital of the Company (and each an “Ordinary Share”)
“Ordinary Shares Roll-Over Value”	the value of the Ordinary Shares calculated in accordance with paragraph 4 of Part IV of this document
“Proposals”	the proposals to effect the merger by way of the Schemes and pass the resolutions to be proposed at the Meetings
“Record Date”	15 July 2009
“Roll-Over Value”	the value of the Ordinary Shares calculated in accordance with paragraph 4 of Part IV of this document
“Second Extraordinary General Meeting”	the second extraordinary general meeting of the Company to be held on 16 July 2009
“Schemes”	the VCT I Scheme and the VCT II Scheme
“Shareholder”	a holder of Shares
“Shares”	the Ordinary Shares and B Shares (and each a “Share”)
“Special Dividend”	the special dividend of the Company of 12p per Ordinary Share payable subject to the Schemes becoming effective
“Special Dividend Payment Date”	the payment date for the Special Dividend, this being 28 July 2009
“Special Dividend Record Date”	the record date for the Special Dividend, this being 15 July 2009
“TCGA 1992”	Taxation of Chargeable Gains Act 1992, as amended

“Transfer Agreements”	the agreement between VCT III and VCT I (acting through the Liquidators) for the transfer of all of the assets and liabilities of VCT I by the Liquidators to VCT III pursuant to the VCT I Scheme and the agreement between the VCT III and the Company (acting through the Liquidators) for the transfer of all of the assets and liabilities of the Company by the Liquidators to VCT III pursuant to the VCT II Scheme
“UK”	the United Kingdom
“UKLA” or “UK Listing Authority”	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Market Act 2000
“VCT” or “venture capital trust”	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts
“VCT I”	Core VCT I plc, registered in England and Wales under number 05258348, whose registered office is at One Bow Churchyard, London EC4M 9HH
“VCT I Scheme”	the proposed merger of the VCT I with VCT III by means of placing VCT I into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by VCT III of VCT I’s assets and liabilities in consideration for New VCT III Shares as set out in Part IV of this document
“VCT I B Share Class Meeting”	the separate meeting of the holders of VCT I B Shares to be held on 7 July 2009
“VCT I B Shares”	B ordinary shares of 1p each in the capital of VCT I (and each a “VCT I B Share”)
“VCT I B Shares Roll-Over Value”	the value of the VCT I B Shares calculated in accordance with paragraph 4 of Part IV of this document
“VCT I Board”	the board of directors of VCT I
“VCT I Circular”	the circular to VCT I Shareholders dated 12 June 2009
“VCT I First Extraordinary General Meeting”	the first extraordinary general meeting of VCT I to be held on 7 July 2009
“VCT I Meetings”	the VCT I First Extraordinary General Meeting, the VCT I B Share Class Meeting and the VCT I Second Extraordinary General Meeting
“VCT I Ordinary Shares”	ordinary shares of 1p each in the capital of VCT I (and each a “VCT I Ordinary Share”)
“VCT I Ordinary Shares Roll-Over Value”	the value of the VCT I Ordinary Shares calculated in accordance with paragraph 4 of Part IV of this document
“VCT I Second Extraordinary General Meeting”	the second extraordinary general meeting of VCT I to be held on 16 July 2009
“VCT I Shares”	the VCT I Ordinary Shares and VCT I B Shares of 0.01p (and each a “VCT I Share”)
“VCT I Special Dividend”	the special dividend of 10p per VCT I Ordinary Share payable subject to the Schemes becoming effective
“VCT II Scheme”	the proposed merger of the Company with VCT III by means of placing the Company into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by VCT III of the Company’s assets and liabilities in consideration for New VCT III Shares as set out in Part IV of this document

“VCT III”	Core VCT III plc, registered in England and Wales under number 05572561, whose registered office as at One Bow Churchyard, London EC4M 9HH
“VCT III B Shares”	B ordinary shares of 0.01p each in the capital of VCT III (and each an “VCT III B Share”)
“VCT III B Share Class Meeting”	the separate meeting of the holders of VCT III B Shares to be held on 7 July 2009
“VCT III B Shares Merger Value”	the value of the VCT III B Shares calculated in accordance with paragraph 4 of Part IV of this document
“VCT III Board”	the board of directors of VCT III
“VCT III Circular”	the circular to VCT III shareholders dated 12 June 2009
“VCT III Deferred Shares”	deferred shares, of 0.01p each in the capital of the VCT III (and each a “VCT III Deferred Share”)
“VCT III Extraordinary General Meeting”	the extraordinary general meeting of VCT III to be held on 7 July 2009
“VCT III Meetings”	the VCT III Extraordinary General Meeting, the VCT III B Share Class Meeting and the VCT III Ordinary Share Class Meeting (and each a “VCT III Meeting”)
“VCT III Ordinary Shares”	ordinary shares of 0.01p each in the capital of VCT III (and each an “VCT III Ordinary Share”)
“VCT III Ordinary Share Class Meeting”	the separate meeting of the holders of VCT III Ordinary Shares to be held on 7 July 2009
“VCT III Ordinary Shares Merger Value”	the value of the VCT III Ordinary Shares calculated in accordance with paragraph 4 of Part IV of this document
“VCT III Prospectus”	the prospectus issued by VCT III dated 12 June 2009
“VCT III Shares”	the VCT III Ordinary Shares and VCT III B Shares (and each an “VCT III Share”)
“VCT III Special Dividend”	the special dividend of 12p per VCT III Ordinary Share payable subject to the Schemes becoming effective

PART II – RISK FACTORS

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

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

Although the existing VCT III Shares have been (and it is anticipated that the New VCT III Shares to be issued pursuant to the Schemes 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 very 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 market and because VCT shares usually trade at a discount to NAV) and holders of VCT III Shares may find it difficult to realise their investment. An investment in VCT III should, therefore, be considered as a long-term investment.

The past performance of the Company, VCT I, VCT III and/or Core is no indication of future performance. The return received by holders of VCT III Shares will be dependent on the performance of the underlying investments. The value of such investments and dividends therefrom may rise or fall.

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

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

It can take a period of years for the underlying value or quality of the businesses of smaller companies, such as those in which VCT III 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 AIM-traded, PLUS markets-traded and unquoted 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. In addition, the market for securities in smaller companies is often 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.

Whilst it is the intention of the VCT III Board that the Enlarged Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in holders of VCT III Shares losing the tax reliefs available for VCT shares, resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should

VCT III lose its VCT status, dividends and gains arising on the disposal of VCT III Shares would become subject to tax and VCT III 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 Schemes will be the original date of issue of the VCT I Shares and VCT II Shares in respect of which such New Shares are issued.

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

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

The VCT III B Shares only have a value when, through either income or capital distributions, or a combination of both, holders of VCT III Ordinary Shares have had returned to them the Effective Initial Cost and the Hurdle Rate Return. Accordingly, the market value of the VCT III B Shares can be expected to be more volatile than that of the VCT III Ordinary Shares.

It is a term of the VCT III B Shares that they will be redesignated into VCT III Deferred Shares with no real value if the investment management agreements with Core (equivalent to those set out on page 35) are terminated for any of the reasons described set out in paragraph 5.1.1 to 5.1.5 of Part V. If the VCT III B Shares are so redesignated, any assets attributable to them in excess of their par value of 0.01p immediately prior to such redesignation, would accrue for the benefit of the holders of VCT III Ordinary Shares.

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

Holders of VCT III Shares may be adversely affected by the performance of the investments, whether acquired from the Company and/or VCT I or made by VCT III. The performance of the investments acquired from the Company and/or VCT I, as well as the investments of VCT III, may restrict the ability of VCT III following the merger to distribute any capital and revenue gains achieved on the investments transferred from the Company and/or VCT I to VCT III (as well as the investments of VCT III). Any gains (or losses) made on the investments of the Company will, following the merger with VCT I and VCT III, be shared amongst the holders of all VCT III Shares (including New VCT III Shares) then in issue to the extent that such gains or losses do not occur in the same proportions as the Merger Values, the existing shareholders in the Company, VCT I or VCT III may gain or lose accordingly.

Shareholders may be adversely affected by a change in the VCT status of VCT III if a number of the investments acquired from the Company and/or VCT I, or the investments of VCT III, are or become unable to meet VCT requirements.

Those Shareholders and holders of VCT III shares who hold B shares in the relevant Core VCT but who do not now hold any ordinary shares in the relevant company (because, for example, they have sold them or have had their shares bought back) or do not now hold all the ordinary shares in the relevant company which they originally acquired will suffer a modest loss as a result of the proposed adjustment to the proposed B share mechanism in the Enlarged Company.

PART III – LETTER FROM THE CHAIRMAN

Core VCT II plc

(Registered in England and Wales with registered number 05572545)

Directors:
Peter Smaill (Chairman)
Lord Walker
John Brimacombe

Registered Office:
One Bow Churchyard
London
EC4M 9HH

12 June 2009

Dear Shareholder

Recommended Proposals for a merger by way of Schemes of Reconstruction of the Company and Cancellation of Listing of the Company's Shares

The Board announced on 20 April 2009 that agreement in principle had been reached with the VCT I Board and the VCT III Board for the merger of the three companies and that we expected to be in a position to present a detailed proposal for consideration by Shareholders shortly.

I am pleased to now be able to put the Proposals to Shareholders for consideration. The Proposals will, if effected, result in the Company and VCT I being merged into VCT III, creating an Enlarged Company having net assets of over £37 million.

Single VCTs are subject to investment restrictions and, therefore, the Core VCTs were established as parallel VCTs to facilitate larger investments in established private companies. The Core VCTs have now completed 10 investments with an average investment size above £3 million and with a number of these being close to or above £5 million.

Each of the Core VCTs has completed its initial three year investment period, and they have each has invested above 70 per cent. of its assets in VCT qualifying investments in compliance with VCT legislation. Accordingly, there is no need to retain three separate listed vehicles and a merger is being recommended to achieve costs savings.

The merger will result in a reduction in annual running costs compared to the aggregate annual running costs of the three separate companies and will enable the Company to pass this benefit on to Shareholders through, the ability to pay larger distributions in the future. In addition, the creation of a single VCT with a greater capital base should result in an increased flexibility in meeting the various requirements for qualifying VCT status and providing greater investment flexibility.

In addition, the Core VCTs each have an innovative incentive structure for the Investment Manager, Core Capital LLP, which provides for no annual management fee and a 30 per cent. share in distributions above 60p per ordinary share, as more fully explained below. This incentive operates in materially the same way for each of the Core VCTs and, following the merger, will continue to do so for the Enlarged Company.

Further, the Board, the VCT I Board and the VCT III Board have all recommended, conditional on the merger being effected, the payment of a special dividend of capital, as follows:

	Proposed special dividend⁽¹⁾	Cumulative dividends since inception⁽²⁾	Cumulative dividends including initial income tax relief⁽³⁾
Company	12p	16.5p	56.5p
VCT I	10p	18.1p	58.1p
VCT III	12p	16.5p	56.5p

(1) The proposed special dividends are conditional on the merger being effected

(2) The cumulative distributions made to shareholders, which include the proposed special dividends and the proposed income dividend of 1p per company, which are subject to shareholder approval at the annual general meetings of the relevant companies on 18 June 2009 and are not subject to the merger, are those paid, declared and recommended since the inception of each VCT

(3) Based on an initial income tax relief of 40p per share

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

Background

The Company was launched in 2005 with the objective of achieving long-term capital and income growth and to distribute tax-free dividends comprising realised gains and investors' capital investment, the policy being to maximise distributions.

The investment approach has been to invest capital into management buy-outs and development capital in established private companies alongside VCT I and VCT III. The syndication has allowed the Company to access larger transactions than would otherwise have been the case had it invested independently. This has resulted in an unlisted investment portfolio of 10 Investments, with a total cost of £11.04 million and a valuation as at 30 April 2009 of £13.2 million.

This represents an increase over cost of 19.6 per cent., and an increase of 36.1 per cent. over the valuations reported as at 31 December 2008. This is due primarily to the strong performance of two of the larger investments – Kelway Holdings Limited – which has completed a further two acquisitions, and SPL Services Limited which has achieved a significant increase in profitability. Whilst valuation multiples remain depressed, the portfolio is generally well placed to benefit from any upturn in the future.

The Company has raised a total of £15.6 million (net of expenses). To date, dividends paid, declared and recommended total 16.5p per Ordinary Share (£2.72 million in aggregate). No dividends have been paid in respect of the B Shares. The Company has bought back 15,150 Ordinary Shares (at an aggregate cost of £13,658), whilst no B Shares have been bought back at all. As part of the transaction the VCT III Board will renew the authority to buy-back VCT III Shares and the VCT III Board may consider implementing a buy-back programme in the Enlarged Company if it believes it prudent to do so and subject to the maintenance of adequate working capital, investment requirements and VCT status.

As at 30 April 2009, the unaudited net asset value of the Company was £16.7 million (101.5p per Ordinary Share and 0.01p per B Share), compared to £15.6 million immediately after launch. In addition, as the funds raised have now predominantly been invested alongside VCT I and VCT III there no longer remains a need to keep the companies separate in order to access larger transactions.

In order to comply with VCT regulations, a VCT is required to be listed on the Official List, which involves a significant level of cost in listing and related fees and in ensuring that the VCT complies with all relevant legislation. As a VCT becomes fully invested and starts to return capital through dividends, the running costs become a proportionally greater burden and may have an adverse effect on a VCT's return for its shareholders. A larger VCT is therefore better placed to absorb such running costs, and therefore 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 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.

Merger with VCT I and VCT III

Following detailed consideration of the portfolio and financial position of VCT I and VCT III, the Board has reached an agreement with the VCT I Board and the VCT III Board to merge with these companies (subject to the conditions set out in paragraph 8 of Part IV of this document). The basis of the merger has been simplified significantly as all three VCTs are managed by Core, have the same investment objectives and policies as the Company, have the same board and advisers and hold common investments.

The merger will result in the assets and liabilities of the Company and VCT I being transferred to VCT III in consideration for the issue of New VCT III Shares to Shareholders and the shareholders of VCT I. The merger will be completed on a relative net asset value basis and will be subject to both the Schemes becoming unconditional.

The Board considers that this merger will bring significant benefits to all three groups of shareholders through:

- a reduction in annual running costs for the Enlarged Company compared to the aggregate annual running costs of the three separate companies;
- creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration and management costs;
- the Company being able to pay the Special Dividend as a result of the larger size and lower anticipated proportionate running costs of the Enlarged Company (this also applies to the VCT I Special Dividend and the VCT III Special Dividend);
- the ability to pay larger distributions in the future due to the increased size and the reduced proportionate running costs; and
- the creation of a single VCT with a greater capital base resulting in an increased flexibility in meeting the various requirements for qualifying VCT status and providing greater investment flexibility.

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

- each of the Company and VCT I being placed into members' voluntary liquidation pursuant to schemes of reconstruction under Section 110 IA 1986; and
- the assets and liabilities of each of the Company and VCT I being transferred to VCT III in exchange for New VCT III Shares (which will be issued directly to Shareholders and shareholders of VCT I).

The Board believes that the Schemes provide an efficient way of effecting a merger with an acceptable level of costs compared with other merger routes. Although any of the three companies could have acquired the assets and liabilities of the other, VCT III was selected as the acquirer because of its marginally greater size in relation to VCT I, (and, therefore, a lower stamp duty cost on the transfer of assets and liabilities from VCT I) Shareholders should note that the merger will be outside the provisions of the City Code on Takeovers and Mergers.

The merger of the three companies should result in cost savings and enhanced administrative efficiency. Due to their common features, this is achievable at a lower level of total costs in terms of amalgamating the constitution of the boards and the investment and administrative arrangements of the three companies for the Enlarged Company.

The aggregate anticipated cost of undertaking the merger by way of the Schemes is approximately £453,000, including VAT, legal and professional fees, stamp duty and the costs of winding up the Company and VCT I. The costs of the merger by way of the Schemes will be split proportionally between the Company, VCT I and VCT III by reference to their respective unaudited adjusted NAVs on 30 April 2009. Following completion of the merger by way of the Schemes, annual cost savings for the Enlarged Company of at least £187,000 per annum, representing 0.5 per cent. per annum of the projected net assets of the Enlarged Company, are expected to be achieved. On this basis, the Board believes that the costs of the merger by way of the Schemes will be recovered within three years.

VCT I and VCT III

VCT I and VCT III were launched in 2004 and 2005 respectively with the same objectives and principles as the Company. VCT I and VCT III raised £10.4 million and £15.6 million respectively (net of expenses) which has, in accordance with their investment policies, been invested in management buy-outs and development capital in established private companies alongside the Company. VCT I has one additional investment to that of the Company and VCT III, Ma Hubbards Limited, which is a historic holding made prior to the Company and VCT III having raised funds. VCT III also has the same board, advisers and management and administration arrangements as the Company and VCT I.

VCT I has paid, declared and recommended dividends of 18.1p per VCT I Ordinary Share (£1.98 million in aggregate) whilst no dividends have been paid on the VCT I B Shares. VCT I has bought back 10,000 VCT I Ordinary Shares at an aggregate cost of £9,004. No VCT I B Shares have been bought back.

As at 30 April 2009, VCT I had an unlisted investment portfolio with an aggregate value of £8.5 million and an unaudited net asset value of £9.9 million (90.9p per VCT I Ordinary Share and 1p per VCT I B Share).

VCT III has paid and declared dividends of 16.5p per VCT III Ordinary Share (£2.72 million in aggregate) whilst no dividends have been paid on the VCT III B Shares. VCT III has not bought back any VCT III Ordinary Shares or VCT III B Shares.

As at 30 April 2009, VCT III had an unlisted investment portfolio with an aggregate value of £13.2 million and an unaudited net asset value of £16.6 million (100.8p per VCT III Ordinary Share and 0.01p per VCT III B Share).

In light of the merger, a resolution will be proposed at the VCT III Extraordinary General Meeting that, subject to the Schemes becoming effective, the name of VCT III will be changed to Core VCT plc.

Further details relating to VCT III, the company which will be the ongoing entity following the merger and which will change its name to Core VCT plc, are set out in Part VI of this document.

Core

Core was established by Stephen Edwards and Walid Fakhry in 2004 as a dedicated active investment management house. Core has grown significantly, currently managing over £65 million of assets with a team of five fund managers. Clients' investments are spread across a range of middle market UK companies.

The Enlarged Company will continue to be managed by Core under VCT III's existing management arrangements (which are in all material respects the same as those with the Company and VCT I).

Investment Manager incentives

Shareholders will be aware that a principal feature of the Company is its innovative capital structure, ensuring that Core is only rewarded once shareholders have been returned all of their effective initial capital, including income tax relief. This is achieved through a unique performance only structure achieved by the issue of the B Shares, whereby the Investment Manager's rewards are based only on distributions to Shareholders, and only start once Shareholders have received all their original capital back, (including the initial 40 per cent. income tax relief), and subject to a hurdle rate of 5 per cent. per annum.

The B Shares issued represent 60 per cent. of the issued share capital of the Company; 50 per cent. of which were issued to the Investment Manager (now being held by the Nominees) with the balance being issued to the subscribers of Ordinary Shares.

The holders of B Shares are currently entitled to receive 60 per cent. of all income and capital distributions once 60p per share has been returned to the holders of Ordinary Shares. This is achieved through the following mechanism:

- first, the holders of Ordinary Shares are entitled to all distributions until such time as the Effective Initial Cost has been returned per Ordinary Share in addition to the Hurdle Rate Return;
- then, all income and capital shall be distributed or returned (as the case may be) to the holders of B Shares until they have received an amount equal to 150 per cent. of the amount distributed to the holders of Ordinary Shares in excess of 60p per share (i.e. an equalisation payment ("Catch-up Period") in order to give the holders of B Shares 60 per cent. of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the Ordinary Shares and B Shares rank *pari passu* for all distributions resulting in 40 per cent. being distributed to the holders of Ordinary Shares and 60 per cent. being distributed to the holders of B Shares.

This mechanism effectively provides Core with a carried interest right to receive 30 per cent. of all distributions above 60p but only after the holders of Ordinary Shares have received their Effective Initial Cost and subject to the Hurdle Rate Return being achieved.

This mechanism is mirrored in VCT III. This is achieved in a similar way in VCT I through the VCT I B Shares representing 40 per cent. of the issued share capital but with Core having been issued with 75 per cent. of the VCT I B Shares (now held by the Nominees).

This carried interest right in the three Core VCTs will be combined for the Enlarged Company using the VCT I structure (ie the VCT III B Shares will, following the merger, represent 40 per cent. of the aggregate issued share capital, 75 per cent. of which will be attributable to Core (through the holdings of the Nominees)).

As a result of the merger and to amalgamate the B share mechanisms from the three companies adjustments will be made to the B share mechanism in VCT III.

Firstly, and at the same time as the Schemes are implemented, an adjustment to the existing number of VCT III B shares so that such remaining number represents the same proportion as the existing VCT III Ordinary Shares will represent of the aggregate VCT III Ordinary Shares in the Enlarged Company. The existing holdings in VCT III B Shares will then be adjusted to achieve 75 per cent. of the VCT III B Shares being held attributable to Core (through the holdings of the Nominees) and the balance being held by the other holders of VCT III B Shares.

These adjustments will be effected by redesignating the relevant proportion of each holding of VCT III B Shares into VCT III Deferred Shares having nominal rights and being capable of being bought back by VCT III for a nominal sum. This repurchase will take place immediately following the re-designation into VCT III Deferred Shares.

Secondly, amendments to the definitions of 'Catch-up Period', the 'Effective Initial Cost' and 'Hurdle Rate Return' in the VCT III articles of association are required to reflect the combined structure and performance to date as follows:

- an amount of the Effective Initial Cost will be deemed to have been distributed per VCT III Ordinary Share in issue after the merger (this being an amount equal to the weighted average per share distribution (by reference to the net assets of the companies as at the Effective Date) of all distributions paid, declared or recommended by each company, including the special dividends detailed herein ("Average Weighted Per Share Distribution");
- the Hurdle Rate Return will be amended to an amount arrived at by (i) applying the existing 5 per cent. hurdle in each company taking into account distributions paid, declared and recommended (including the special dividends detailed herein) and the number of VCT III Ordinary Shares in issue following the merger, in each case on the Effective Date ("Existing Hurdle"), plus (ii) an amount equal to 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the VCT III Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of VCT III Ordinary Shares; and
- the Catch-up Period will be amended so that all income and capital shall be distributed or returned to the holders of VCT III B Shares until they have received an amount equal to 66.667 per cent. of the amount distributed to the holders of VCT III Ordinary Shares in excess of 60p per share.

The VCT III B Share mechanism will, following the merger, apply as follows;

- first, the holders of VCT III Ordinary Shares will be entitled to all distributions until such time as 60p has been returned per VCT III Ordinary Share, of which the Average Weighted Per Share Distribution will be deemed to have been satisfied, plus an amount equal to the Existing Hurdle plus 5 per cent. per annum (compounded annually and calculated on a daily basis from the date of issue of the VCT III Ordinary Shares) on such part of the Effective Initial Cost that remains to be paid to the holders of VCT III Ordinary Shares;
- second, all income and capital shall be distributed or returned (as the case may be) to the holders of VCT III B Shares until they have received an amount equal to 66.6667 per cent. of the amount distributed to the holders of VCT III Ordinary Shares in excess of 60p per share (i.e. an equalisation payment in order to give the holders of VCT III B Shares 40 per cent. of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the VCT III Ordinary Shares and VCT III B Shares rank *pari passu* for all distributions resulting in 60 per cent. being distributed to the holders of VCT III Ordinary Shares and 40 per cent. being distributed to the holders of VCT III B Shareholders.

An announcement will be made detailing the amount by which the Effective Initial Cost is deemed met and the revised Hurdle Rate Return following the Schemes being effected.

Whilst these adjustments may have the affect of marginally accelerating the potential date of receipt of the Investment Manager's incentive during the period of the equalisation payment, it will not affect the amount of the total payment once the hurdle rate has been fully achieved.

The Board believes that the above represents an appropriate and fair incentive scheme for the Enlarged Company and preserves the fundamental economics of the existing incentive schemes currently in place for each of the Company, VCT I and VCT III namely that the Investment Manager is entitled to 30 per cent. of distributions in excess of 60p.

Acquisition of the assets and liabilities of the Company and VCT I pursuant to the Schemes

The Schemes provide for each of the Company and VCT I to be put into members' voluntary liquidations and for their assets and liabilities to be transferred to VCT III in consideration for New VCT III Shares being issued directly to Shareholders and the shareholders of VCT I.

The Ordinary Shares and VCT I Ordinary Shares will effectively be merged into the VCT III Ordinary Shares on a relative net asset basis through the issue of New VCT III Ordinary Shares. The number of New VCT III Ordinary Shares to be issued to the shareholders of the Company and VCT I will be calculated by reference to the relative values of the ordinary class of shares in each company. Such New VCT III Ordinary Shares allocable to each of the Company and VCT I will then be issued *pro rata* to shareholders on the register of members of the Company and VCT I on the Record Date (other than dissenting shareholders in the Company and VCT I).

The B Shares and VCT I B Shares will effectively be merged into the VCT III B Shares by issuing New VCT III B Shares which will represent, together with the existing VCT III B Shares in issue, 40 per cent. of the share capital of the Enlarged Company immediately following the issue of New VCT III Shares pursuant to the Schemes. The New VCT III B Shares will be issued between the Company and VCT I proportionally by reference to the New VCT III Ordinary Shares to be issued to the Shareholders and shareholders of VCT I and then, in respect of VCT I, to the holders of VCT I B Shares *pro rata* to their holdings of VCT I B Shares on the Record Date and in respect of the Company, firstly 75 per cent. to the Nominees and the balance *pro rata* to the other holders of B Shares on the Record Date. For these purposes VCT III will disregard any B shares held by dissenting shareholders in the Company and VCT I.

Following the transfer, the listing of the Shares and the VCT I Shares will be cancelled and the Company and VCT I will be wound up.

The Schemes are conditional upon the approval by the shareholders of the Company, VCT I and VCT III of resolutions to be proposed at the Meetings, the VCT I Meetings and the VCT III Meetings as well as the Schemes becoming unconditional. The other conditions to which the Schemes are subject are set out in paragraph 8 of Part IV of this document.

As at 30 April 2009, the unaudited NAV of the Ordinary Shares (taken from the management accounts of the Company to 30 April 2009) was £16.7 million and the Ordinary Shares Roll-Over Value (this being the unaudited NAV of the Ordinary Shares as at 30 April 2009 plus adjustments in relation to dividends to be paid and the Schemes less the Company's *pro rata* proportion (based on the relative unaudited NAVs of the Company, VCT I and VCT III as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes, which are estimated to be £190,000), had the Schemes been implemented on that date, would have been 87.3p (assuming no dissenting Shareholders). The B Shares Roll-Over Value will be the nominal value thereof as at this time insufficient funds have been returned to holders of Ordinary Shares in the Company for any value to be attributable to the B Shares.

As at 30 April 2009, the unaudited NAV of the VCT I Ordinary Shares (taken from the management accounts of VCT I to 30 April 2009) was £9.9 million and the VCT I Ordinary Shares Roll-Over Value (this being the unaudited NAV of the VCT I Ordinary Shares as at 30 April 2009 plus adjustments in relation to dividends to be paid and the Schemes less VCT I's *pro rata* proportion (based on the relative unaudited NAVs of the Company, VCT I and VCT III as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes, which are estimated to be £119,000), had the Schemes been implemented on that date, would have been 79.6p (assuming no dissenting VCT I Shareholders). The VCT I B Shares Roll-Over Value will be the nominal value thereof as at this time insufficient funds have been returned to holders of VCT I Ordinary Shares for any value to be attributable to the VCT I B Shares.

As at 30 April 2009, the unaudited NAV of the VCT III Ordinary Shares (taken from the management accounts of VCT III to 30 April 2009) was £16.6 million and the VCT III Ordinary Shares Merger Value (this being the unaudited NAV of the VCT III Ordinary Shares as at 30 April 2009 plus adjustments in relation to dividends to be paid and the Schemes less its *pro rata* proportion (based on the relative unaudited NAVs of the Company, VCT I and VCT III as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes, which are estimated to be £174,000), had the Schemes been implemented on that date, would have been 86.8p. The VCT III B Shares Merger Value will be the nominal value thereof as at this time insufficient funds have been returned to holders of VCT III Ordinary Shares for any value to be attributable to the VCT III B Shares.

For example and based on the unaudited net asset values referred to above, a holder of 10,000 VCT I Ordinary Shares or 10,000 Ordinary Shares would receive New VCT III Ordinary Shares as follows:

	<u>Company</u>	<u>VCT I</u>
Relevant roll over value per ordinary share in the Company and VCT I	87.3p	79.6p
VCT III Ordinary Shares Merger Value	86.8p	86.8p
Conversion factor	1.00576	0.91705
Number of New VCT III Ordinary Shares in the Enlarged Company	10,058	9,171

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

The pro forma financial information on the Enlarged Company, had the Schemes been effected based on the audited net asset value of the Company, VCT I and VCT III as at 31 December 2008, is shown in Part V of the VCT III Prospectus.

Portfolio restructuring

The aggregate holding between the Core VCTs in a number of investments is greater than 50 per cent. which, in the Enlarged Company, would breach VCT restrictions. Restructurings and further investments by third parties are currently in progress and should be completed prior to or on the Effective Date to reduce the holding for VCT purposes but retain the same economic value. If the Enlarged Company were not to meet the requirements for VCT status, the VCT I Second Extraordinary General Meeting and the VCT II Second Extraordinary General Meeting may be adjourned or the resolutions to be proposed withdrawn and the merger not completed.

Termination agreements

In view of the fact that Core will continue to manage the Enlarged Company's funds after the Schemes are implemented, by virtue of Core continuing to be the ongoing investment manager of VCT III, Core has agreed to the termination by the Company of the existing investment management agreement between them, without notice or penalty, with effect from the Effective Date.

Maven, Brewin Dolphin, Credit Suisse and Capita Registrars Limited (the Company's secretary and administrator, broker, custodian and registrar respectively) have also either agreed to terminate their existing arrangements with effect from the Effective Date without notice or penalty, had notice served on them to coincide with the Merger being completed or effectively terminates as the Company will have no assets under management. They will (save for Brewin Dolphin) continue to provide these services to the Enlarged Company.

Cancellation of listing

The Company will apply to the London Stock Exchange for cancellation of the listing of its Shares upon the successful completion of the Schemes, which is anticipated to be on 17 July 2009.

Special Dividend

The Board has declared a Special Dividend of 12p per Ordinary Share, subject to the Schemes becoming effective. This Special Dividend will, if it becomes payable, be paid to Shareholders on the register on 15 July 2009 (the Special Dividend Record Date) on 28 July 2009 (the Special Dividend Payment Date).

Taxation

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

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

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

Meetings

Notices of the Meetings are set out at the end of this document. The Meetings will all be held at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW as follows;

- First Extraordinary General Meeting will be held at 3.50 pm on 7 July 2009;
- B Share Class Meeting will be held at 4.00 pm on 7 July 2009; and
- Second Extraordinary General Meeting will be held at 9.10 am on 16 July 2009.

All resolutions will be proposed as extraordinary resolutions requiring the approval of at least 75 per cent. of the votes cast on that resolution at the meeting.

First Extraordinary General Meeting

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

B Share Class Meeting

At this meeting a resolution will be proposed to approve the merger and the resolution to be proposed at the First Extraordinary General Meeting and Second Extraordinary General Meeting and any variations to class rights resulting therefrom.

Second Extraordinary General Meeting

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

Paragraph 1.1 of the resolution will seek approval to put the Company into liquidation and appoint and remunerate the Liquidators for the purposes of such winding-up.

Paragraph 1.2 of the resolution will authorise the Liquidators to exercise certain powers for which the express sanction of Shareholders is required under the IA 1986, such as paying classes of creditors in full.

Paragraph 2.3 of the resolution will approve the cancellation of the listing of the Company's Shares following the successful completion of the VCT II Scheme.

Action to be taken

Before taking any action, you are recommended to read the further information set out in this document and the VCT III Prospectus.

Shareholders will find forms of proxy attached at the end of this document for the Meetings. Whether or not you propose to attend the Meetings, you are requested to complete and return each appropriate form

of proxy attached so as to be received not less than 48 hours before the time appointed for holding the relevant meeting. Completion and return of the forms of proxy will not prevent a Shareholder from attending and voting in person at the relevant meeting should a Shareholder wish to do so.

Recommendation

The Board unanimously recommends you to vote in favour of the resolutions to be proposed at the Meetings.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Peter Smaill', written in a cursive style.

Peter Smaill
Chairman

PART IV – THE SCHEMES

1. Definitions and interpretation

The definitions set out on pages 7 to 10 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, Maven (on the instruction of the Liquidators) shall calculate the Merger Values in accordance with paragraph 4 below.

2. Provision of information

On the Effective Date, the Liquidators shall receive all the cash, undertakings and other assets and liabilities of the Company and VCT I and shall deliver to VCT III in respect of each of the Company and VCT I:

- particulars of all of the assets and liabilities;
- a list certified by the registrars of the names and addresses of, and the number of shares of each class held by, each of the shareholders on the register at 5.00 pm on the Record Date;
- an estimate of the winding-up costs which will form part of the costs of the Schemes; and
- the amount estimated to be required to purchase the holdings of any dissenting shareholders.

3. Transfer Agreements

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

In further consideration of such transfer of assets and liabilities of the Company and VCT I to VCT III, VCT III will, pursuant to the Transfer Agreements, undertake to pay all liabilities incurred by the Liquidators including but not limited to the implementation of the Schemes, the winding up of the Company and VCT I and the purchase for cash of any holdings of dissenting shareholders in the Company or VCT I.

4. Calculation of the Merger Values and the number of New Shares to be issued

Except as otherwise provided for in these Schemes' terms, for the purposes of calculating the Merger Values and the number of New Shares to be issued, the following provisions shall apply:

The Company

The Ordinary Shares Roll-Over Value shall be calculated as:

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

where:

A = the unaudited net asset value of the Ordinary Shares as at 30 April 2009, calculated in accordance with the Company's normal accounting policies;

B = any increase/decrease in the valuations of: (i) quoted investments held by the Company in securities listed on a recognised stock exchange (including AiM and the PLUS market) by reference to their bid price as at the close of business from 30 April 2009 to the Record Date; (ii) unquoted investments held by the Company where there has been an event in the period between 30 April 2009 to the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement (IAS 39)' and using the International Private Equity and Venture Capital Valuation Guidelines; and (iii) an investment held by the Company following an event in the period between 30 April 2009 to the Record Date, which, in the opinion of the Core VCT boards, has had a material impact on such an investment;

- C = any adjustment the Core VCT boards consider appropriate to reflect any other actual or contingent benefit or liability attributable to the Ordinary Shares (including dividends declared but not paid) and/or to reflect the merger being completed on a fair and equitable basis;
- D = the Company's *pro rata* proportion (by reference to the relative unaudited NAVs of the Company, VCT I and VCT III as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes plus £15,000 (representing an amount of contingency to cover any unforeseen additional costs incurred by VCT III, which will indemnify the Liquidators in respect of all costs of the Company following the transfer on the Effective Date);
- E = the amount estimated to be required to purchase the holdings of Ordinary Shares from dissenting Shareholders; and
- F = the number of Ordinary Shares in issue following close of business on the Record Date 2009 (save for any Ordinary Shares held by dissenting Shareholders).

The B Shares Roll-Over Value shall be the nominal value thereof.

VCT I

The VCT I Ordinary Shares Roll-Over Value shall be calculated as:

$$\frac{(G+H+I) - (J+K)}{L}$$

where:

- G = the unaudited net asset value of the VCT I Ordinary Shares as at 30 April 2009, calculated in accordance with VCT I's normal accounting policies;
- H = any increase/decrease in the valuations of: (i) quoted investments held by VCT I in securities listed on a recognised stock exchange (including AiM and the PLUS market) by reference to their bid price as at the close of business from 30 April 2009 to the Record Date; (ii) unquoted investments held by VCT I where there has been an event in the period between 30 April 2009 to the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement (IAS 39)' and using the International Private Equity and Venture Capital Valuation Guidelines; and (iii) an investment held by VCT I following an event in the period between 30 April 2009 to the Record Date, which, in the opinion of the Core VCT boards, has had a material impact on such an investment;
- I = any adjustment the Core VCT boards consider appropriate to reflect any other actual or contingent benefit or liability attributable to the VCT I Ordinary Shares (including dividends declared but not paid) and/or to reflect the merger being completed on a fair and equitable basis;
- J = VCT I's *pro rata* proportion (by reference to the relative unaudited NAVs of the Company, VCT I and VCT III as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes plus £15,000 (representing an amount of contingency to cover any unforeseen additional costs incurred by VCT III, which will indemnify the Liquidators in respect of all costs of VCT I following the transfer on the Effective Date);
- K = the amount estimated to be required to purchase the holdings of VCT I Ordinary Shares from dissenting VCT I shareholders; and
- L = the number of VCT I Ordinary Shares in issue following close of business on the Record Date (save for any VCT I Ordinary Shares held by dissenting VCT I shareholders).

The VCT I B Shares Roll-Over Value shall be the nominal value thereof.

VCT III

The VCT III Ordinary Shares Merger Value shall be calculated as follows:

The VCT I Ordinary Shares Roll-Over Value shall be calculated as:

$$\frac{(M + N + O) - (P)}{Q}$$

where:

M = the unaudited net asset value of the VCT III Ordinary Shares as at 30 April 2009, calculated in accordance with VCT III's normal accounting policies;

N = any increase/decrease in the valuations of: (i) quoted investments held by VCT III in securities listed on a recognised stock exchange (including AiM and the PLUS markets) by reference to their bid price as at the close of business from 30 April 2009 to the Record Date; (ii) unquoted investments held by VCT III where there has been an event in the period between 30 April 2009 to the Record Date which requires a revaluation of the investment in accordance with Financial Reporting Standards 26 'Financial Instruments: Measurement (IAS 39)' and using the International Private Equity and Venture Capital Valuation Guidelines; and (iii) an investment held by VCT III following an event in the period between 30 April 2009 to the Record Date, which, in the opinion of the Core VCT boards, has had a material impact on such an investment

O = any adjustment the Core VCT boards consider appropriate to reflect any other actual or contingent benefit or liability attributable to the VCT III Ordinary Shares (including any dividends declared or announced but not paid) and/or to reflect the merger being completed on a fair and equitable basis; and

P = VCT III's *pro rata* proportion (by reference to the relative unaudited NAVs of the Company, VCT I and VCT III as at 30 April 2009 adjusted for dividends to be paid) of the costs of the Schemes.

Q = the number of the VCT III Ordinary Shares in issue following close of business on the Record Date.

The VCT III B Shares Merger Value shall be the nominal value thereof.

New VCT III Ordinary Shares

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

$$\left(\frac{R}{S} \right) \times T$$

Where:

R = the Ordinary Shares Roll-Over Value;

S = the VCT III Ordinary Shares Merger Value; and

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

The number of New VCT III Ordinary Shares to be issued to VCT I shareholders (save for any dissenting VCT I shareholders) shall be calculated as follows:

$$\left(\frac{U}{V} \right) \times W$$

Where:

U = the VCT I Ordinary Shares Roll-Over Value;

V = the VCT III Ordinary Shares Merger Value; and

W = the number of VCT I Ordinary Shares in issue as at close of business on the Record Date (save for any VCT I Ordinary Shares held by dissenting VCT I shareholders).

New VCT III B Shares

The number of New VCT III B Shares to be issued shall be calculated as follows:

$$X \times 0.6667$$

where:

X = the number of VCT III Ordinary Shares in issue on the Record Date plus the New VCT III Ordinary Shares to be issued pursuant to the Schemes

The New VCT III Shares to be issued pursuant to the Schemes shall be issued directly to Shareholders and the VCT I shareholders (save for any dissenting shareholders in the Company or VCT I) on instruction of the Liquidators as follows:

- (i) in respect of the New VCT III Ordinary Shares to be issued to Shareholders, *pro rata* to the holders (other than dissenting Shareholders) of Ordinary Shares in the Company (for these purposes disregarding the Ordinary Shares held by dissenting Shareholders) on the Record Date;
- (ii) in respect of the New VCT III Ordinary Shares to be issued to VCT I shareholders, *pro rata* to the holders (other than dissenting VCT I shareholders) of VCT I Ordinary Shares (for these purposes disregarding the VCT I Ordinary Shares held by dissenting shareholders in VCTI) on the Record Date;
- (ii) in respect of the New VCT III B Shares to be issued:
 - (a) ZA of the New VCT III B Shares shall be issued to the holders of VCT I B Shares (other than dissenting shareholders in VCT I) *pro rata* to their holdings of VCT I B Shares (for these purposes disregarding the VCT I B Shares held by dissenting shareholders in VCT I) on the Record Date; and
 - (b) ZB of the New VCT III B Shares shall be issued to the holders of B Shares in the Company (other than dissenting Shareholders) as follows:-
 - 75 per cent. to the Nominees (*pro rata* to their Nominee Holdings as at close of business on the day before the Effective Date); and
 - 25 per cent. to the holders of VCT II B Shares (other than the Nominees in respect of the Nominee Holdings and the dissenting holders of VCT II Shares) *pro rata* to their holdings of VCT II B Shares (for these purposes disregarding the VCT II B Shares held by Core and dissenting holders of VCT II Shares) on the Record Date

and for those purposes ZA and ZB shall be calculated as follows:

$$ZA = Z \times \left(\frac{RA}{UA} \right)$$

$$ZB = Z \times \left(\frac{TA}{UA} \right)$$

where:

Z = the number of VCT III B Shares in issue following completion of the merger;

RA = the number of New VCT III Ordinary Shares issued to holders of VCT I Ordinary Shares;

TA = the number of New VCT III Ordinary Shares issued to holders of Ordinary Shares; and

UA = the total number of VCT III Ordinary Shares in issue following completion of the merger.

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.

The New VCT III Shares will be issued in registered form. VCT III Shares are eligible for electronic settlement and can be held within the CREST system. If, following issue, recipients of New VCT III Shares pursuant to the Schemes should wish to hold their New VCT III Shares in uncertificated form they should contact their stockbroker.

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

5. Modifications

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

6. Reliance on information

The Liquidators and VCT III 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 Schemes and the Transfer Agreements including, for the avoidance of doubt any certificate, opinion, advice, valuation, evidence or other information furnished or made available to them by the Company and VCT I, the Board and VCT I Board (or any individual director of the Company and VCT I), Core, Maven, the registrar or the bankers of the Company and VCT I or its or their other professional advisers and the Liquidators and VCT III shall not be liable or responsible for any loss suffered as a result thereof.

7. Liquidators' liability

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

8. Conditions

The Schemes are conditional upon:

- the passing of the resolutions to be proposed at the Meetings and the VCT I Meetings;
- notice of dissent not having been received from shareholders of each of the Company and VCT I holding more than 2 per cent. in nominal value of the issued share capital of their relevant company under Section 111 IA 1986 (this condition may be waived by the board of the relevant company, as necessary);
- the passing of resolution 1 to be proposed at the VCT III Extraordinary General Meeting and the resolutions to be proposed at the VCT III Class Meetings; and
- both the VCT I Scheme and the VCT II Scheme becoming unconditional.

Subject to the above, the Schemes shall become effective immediately after the passing of the extraordinary resolutions for the winding up of the Company and VCT I to be proposed at the respective Second Extraordinary General Meeting and the VCT I Second Extraordinary General Meeting. If they become effective, the Schemes 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 31 August 2009, the Schemes shall not become effective. The Board will then review all options available to it regarding the future of the Company.

9. Effect of the Schemes

The pro forma financial information on the Enlarged Company, had the Schemes been effected based on the audited net asset value of the Company, VCT I and VCT III as at 31 December 2008, is shown in Part V of the VCT III Prospectus.

Shareholders and the shareholders of VCT I will receive new share certificates in respect of the New VCT III Shares issued pursuant to the Schemes.

10. Dissenting Shareholders and VCT I Shareholders

Provided that a shareholder of the Company or VCT I (as applicable) does not vote in favour of the resolution to be proposed at the First Extraordinary General Meeting or VCT I First Extraordinary General Meeting (as applicable), such shareholder may within 7 days of that relevant meeting express his/her dissent in writing at the registered office of the respective company and require the Liquidators to purchase that shareholding in the Company or VCT I (as applicable).

The Liquidators will offer to purchase the holdings of dissenting shareholders of the Company and VCT I at the break value price of the relevant class, this being an estimate of the amount a shareholder of the Company and VCT I would receive per share of the relevant class in an ordinary winding-up of the relevant company if all of the assets of that company had to be realised. The break value is expected to be significantly below the estimated relevant Merger Values. A dissenting Shareholder will need to dissent separately for any VCT I Shares, if shares are held in both companies.

11. Governing law

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

PART V – VCT III

1. Constitution and status

VCT III was launched in 2005 as a public limited company listed on the Official List.

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

VCT III will change its name to Core VCT plc subject to the passing of a resolution at the VCT III Extraordinary General Meeting and the Schemes becoming effective.

2. Directors

The directors of VCT III are Peter Smaill (chairman), Lord Walker, and John Brimacombe, being the same as the Company and VCT I.

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

3. Investment Manager

The investment manager to VCT III is Core, the same investment manager as for the Company and VCT I.

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

Further details relating to Core are set out in Part III of the VCT III Prospectus which accompanies this document.

4. Investment objective and policies

The objective of VCT III is to achieve long-term capital and income growth and to distribute tax-free dividends comprising realised gains and investors' capital investment.

The investment approach has been to invest capital into management buy-outs and development capital in established private companies which show sufficient operating critical mass, with an established economic model and quality management teams with the key skills in place to deliver a well-defined business model.

The Investment Manager co-invests from the VCTs it manages of amounts ranging between £3 million to £8 million in companies valued at £5 million to £325 million.

Further details on the investment policy for the Enlarged Company are set out in Part II of the VCT III Prospectus which accompanies this document.

5. Investments

As at 30 April 2009, VCT III had 10 unlisted investments with an aggregate value of £13.2 million and unaudited net assets of £16.6 million.

6. Dividend policy

VCT III is structured to maximise distributions of both capital and income with a policy of distributing all proceeds from realisations.

VCT III has paid, declared and recommended dividends of 16.5p per VCT III Ordinary Share since launch (£2.72 million in aggregate), whilst no dividends have been paid on the VCT III B Shares.

7. Shares

VCT III has two class of shares, ordinary shares of 0.01p each and an B ordinary share also of 0.01p each.

The VCT III B Shares have been issued to provide the Investment Manager with a shareholder aligned management performance fee arrangement and have restricted voting and participation rights.

As more fully set out in Part III of this document, the VCT III B Shares issued represented 60 per cent. of the issued share capital of VCT III, 50 per cent. of which were issued to the Investment Manager, the balance being issued to the subscribers of VCT III Ordinary Shares.

8. Buy-back policy

Although VCT III has had the authority to repurchase its own VCT III Shares for cancellation historically it has not utilised this authority. As part of the transaction the VCT III Board will renew the authority to buy-back VCT III Shares and the VCT III Board may consider implementing a buy-back programme in the Enlarged Company if it believes it prudent to do so and subject to the maintenance of adequate working capital, investment requirements and maintenance of VCT status. Any such repurchases will be made in accordance with guidelines established by the VCT III Board from time to time and will be subject to VCT III having the appropriate authorities from its shareholders and sufficient funds available for this purpose. In pursuing this policy, the VCT III Board's priority will be to ensure that it is acting prudently and in the interests of the remaining VCT III shareholders.

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

9. Annual expenses and management fees

In consideration of £1, Core entered into a management agreement on 11 October 2005 to provide investment management services to VCT III in respect of its portfolio of qualifying investments for an initial period of four years.

The management agreement may be terminated by either party giving 12 months prior notice in writing at any time on or after such initial four year period. The management agreement will be terminable by Core in the event of, *inter alia*, VCT III committing a material breach of the management agreement and if the breach is capable of remedy and VCT III fails to rectify the same within 30 days of being requested to do so and, by Core, if VCT III fails to become or ceases to be a VCT for tax purposes or if VCT III goes into liquidation or has a receiver or administrator appointed over it or any of its undertakings and assets. The management agreement may also be terminated for cause.

If the management agreement is terminated for cause then the VCT III B Shares shall be re-designated into Deferred Shares. This is to ensure that the members of Core effectively lose the right to receive any carried interest/performance incentive and would provide funds out of which the VCT III Board could employ alternative managers. Any assets attributable to the Deferred Shares in excess of their par value of 0.01p immediately prior to such resignation, would accrue to the VCT III Ordinary Shares.

No fees are payable by VCT III to Core in respect of the management of the portfolio of qualifying investments. Core will in place receive a management performance fee through the VCT III B Shares as described above.

However, in line with common practice in the private equity industry, Core retains the right to charge arrangement fees, for example, when Core acts on behalf of a VCT it manages as the leading or sole institutional investor, and monitoring fees, where appropriate, from portfolio companies in which VCTs it manages invest. VCT III is responsible for any external costs, such as legal and accounting fees incurred on transactions that do not proceed to completion – such fees are payable in addition to the administration expenses of VCT III. The management agreement also contains provisions indemnifying Core against any liability, not due to its default, in respect of any negligence or fraud.

The Investment Manager has also agreed to limit the operating costs, excluding trail commission and professional and advisers' fees relating to any transaction which does not proceed to completion, to an amount not to exceed 1.5 per cent. of gross funds raised (this to be gross funds raised across the Core VCTs post merger).

Maven provide company secretarial and administration services to VCT III for a fee of £55,000 per annum inclusive of VAT. Maven have agreed from the effective date to a revised fee of £115,000 per annum inclusive of VAT for the Enlarged Company representing a reduction in the current fees paid across the Company, VCT I and VCT III of £32,000 per annum.

The remuneration payable to the VCT III Board will, following the merger increase from £19,500 to £58,500, however, this will represent a reduction in the aggregate fees payable across the Core VCTs from £78,000 to £58,500.

Following completion of the Schemes, annual cost savings of £187,000 are expected to be achieved for the Enlarged Company, representing 0.50 per cent. of the expected net assets of the Enlarged Company.

10. Accounts and auditors

The accounting reference date of VCT III is 31 December and annual accounts are usually dispatched in May each year with interim accounts for the six month period to 30 June being usually dispatched in September each year. The auditors of VCT III are Ernst & Young LLP.

11. Publication of Share price

The most recent unaudited NAV and share price per VCT III Share is available on the website of the London Stock Exchange.

12. Taxation

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

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

Further details are set out in Part VII of the VCT III Prospectus.

PART VI – TAXATION

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares (or, as the case may be, New VCT III Shares) and are resident in the UK. They may not apply to certain classes of persons, such as dealers in securities. The following information is based on current UK law and practice and 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.

1. The Company

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

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

2. Receipt by Shareholders of New VCT III Shares

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

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

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

No UK stamp duty will be payable by Shareholders as a result of the implementation of the Schemes.

3. Dissenting Shareholders

Dissenting Shareholders whose holdings are purchased for cash at the break value price shall be treated as having disposed of their existing Shares in the Company. The Company should still be able to claim the benefit of VCT status and the dissenting Shareholder should not be subject to any UK taxation in respect of any capital gains arising on disposal. However, the purchase will constitute a disposal of the existing holding in the Company and a dissenting Shareholder will be liable to pay any capital gains tax for which such dissenting Shareholder obtained deferral relief on subscription. If the dissenting Shareholder has disposed of Shares within the holding period required to retain upfront tax relief, income tax relief on those subscriptions will also be repayable. As the Company should still be able to claim the benefit of VCT status whilst in liquidation under the Merger Regulations the dissenting Shareholder should not be subject to any UK taxation in respect of any capital gains arising from the disposal.

4. Clearances

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

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

PART VII – ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Share capital

2.1 As at 11 June 2009 (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:

	Authorised		Issued and fully paid	
	No. of Shares	£	No. of Shares	£
Ordinary Shares (0.01p each)	220,020,000	22,002	16,497,230*	1,649
B Shares (0.01p each)	330,030,000	33,003	24,738,570	2,474

(*140,000 of the Ordinary Shares are subject to irrevocable undertakings to pay the relevant subscription costs per share on the Company giving notice, such notice having been given on 30 April 2009 for payment by 12 June 2009, such payments being the subject of bank guarantees if payment is not received by the relevant holder.)

2.2 The B Shares have been issued to provide the Investment Manager with a shareholder aligned management performance fee arrangement and have restricted voting and participation rights.

The B Shares issued represented 60 per cent. of the issued share capital of the Company, 50 per cent. of which were issued to the Investment Manager (now being held by the Nominees), the balance being issued to the subscribers of Ordinary Shares.

The holders of B Shares are currently entitled to receive 60 per cent. of all income and capital distributions once 60p has been returned to the holders of Ordinary Shares. This is achieved through the following mechanism:

- first, the holders of Ordinary Shares are entitled to all distributions until such time as the Effective Initial Cost has been returned per Ordinary Share in addition to the Hurdle Rate Return;
- second, all income and capital shall be distributed or returned (as the case may be) to the holders of B Shares until they have received an amount equal to 150 per cent. of the amount distributed to the holders of Ordinary Shares (i.e. an equalisation payment (“Catch-up Period”) in order to give the holders of B Shares 60 per cent. of all income distributed and capital returned above the Effective Initial Cost); and
- thereafter the Ordinary Shares and B Shares rank *pari passu* for all distributions resulting in 40 per cent. being distributed to the holders of Ordinary Shares and 60 per cent. being distributed to the holders of B Shareholders.

In certain limited circumstances, including the management agreement with Core being terminated for cause, the B Shares will be re-designated into Deferred Shares with no effective value or rights.

2.3 As at 11 June 2009 (this being the latest practicable date prior to the publication of this document), save as set out in paragraph 5.4, 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:

- Peter Smaill (Chairman)
- Lord Walker
- John Brimacombe

all of One Bow Churchyard, London EC4M 9HH (the registered office and principal place of business of the Company).

3.2 As at 11 June 2009 (this being the latest practicable date prior to publication of this document), the interests of the Directors (and their immediate families), as well as Core (through Giltspur Nominees Limited) and its members, partners and employees, in the issued share capital of the Company were as follows:

Director	Ordinary Shares		B Shares	
	Number	% of Ordinary Share Capital	Number	% of B Share capital
Peter Smaill	–	–	–	–
Lord Walker	–	–	–	–
John Brimacombe	–	–	–	–
Giltspur Nominees Limited	–	–	11,483,856	46.42
Core members, partners and employees	748,000	4.53	12,029,856	48.63

3.3 The Directors and Core (through Giltspur Nominees Limited and its members, partners and employees), as at 11 June 2009 (being the latest practicable date prior to publication of this document), interests in VCT I and VCT III are as follows:

VCT I

Director	VCT I Ordinary Shares		VCT I B Shares	
	Number	% of VCT I Ordinary Share Capital	Number	% of VCT I B Share capital
Peter Smaill	31,200	0.29	5,200	0.07
Lord Walker	46,800	0.43	7,800	0.11
John Brimacombe	–	–	–	–
Giltspur Nominees Limited	–	–	5,472,285	75.00
Core members, partners and employees	1,663,353	15.21	5,749,477	78.80

VCT III

Director	VCT III Ordinary Shares		VCT III B Shares	
	Number	% of VCT III Ordinary Share Capital	Number	% of VCT III B Share capital
Peter Smaill	31,900	0.19	23,175	0.09
Lord Walker	31,200	0.19	23,400	0.09
John Brimacombe	–	–	–	–
Giltspur Nominees Limited	–	–	11,482,714	46.42
Core members, partners and employees	332,000	2.01	11,716,714	47.37

- 3.4 None of the Directors have a service agreement with the Company, nor are any such contracts proposed. The Directors were appointed under letters of appointment dated 11 October 2005 (save for John Brimacombe whose letter of appointment is dated 9 August 2007) which may be terminated on three months notice. No arrangements have been entered into by the Company, entitling the Directors to compensation for loss of office. Directors are entitled to annual fees of £6,000 (save for the chairman who receives £7,500). Fees paid to the Directors in respect of the year ended 31 December 2008 were £19,500. Aggregate emoluments for the current year are expected to be £19,500. From the Effective Date, and subject to the Schemes becoming effective, the Directors have agreed to waive fees payable to them.
- 3.5 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 year ended 31 December 2008 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 close of business on 11 June 2009 (this being the latest practicable date prior to publication of this document) and save as set out in paragraph 3.2 above, the Company was not aware of any holdings of 3 per cent. or more of its issued share capital or of any person who, directly or indirectly, jointly or severally, exercises control over the Company.

5. Material contracts

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 The management agreement dated 11 October 2005 between the Company and Core. The management agreement provides that in consideration of £1, Core will provide investment management services to the Company in respect of its portfolios of qualifying investments for an initial period of four years. The management agreement may be terminated by either party giving 12 months prior notice in writing at any time on or after such initial four year period. The management agreement will be terminable by Core in the event of, *inter alia*, the Company committing a material breach of the management agreement and if the breach is capable of remedy and the Company fails to rectify the same within 30 days of being requested to do so and, by Core, if the Company fails to become or ceases to be a VCT for tax purposes or if the Company goes into liquidation or has a receiver or administrator appointed over it or any of its undertakings and assets. The management agreement may also be terminated where:
- 5.1.1 Core has committed a material breach of the management agreement, which if capable of remedy remains unremedied for 30 days following notification thereof by the Company;
- 5.1.2 Core ceases to be an authorised person or permitted to act as discretionary investment manager pursuant to the terms of the management agreement;
- 5.1.3 Core has committed an act of fraud, reckless disregard or gross negligence in relation to its duties under the management agreement;
- 5.1.4 Core goes into liquidation or has a receiver or administrator appointed over it or any of its undertaking or assets; or
- 5.1.5 Walid Fakhry and Stephen Edwards both cease (whether at the same time or otherwise) to be members of the Investment Manager.

(in such case it would be "Terminated for Cause"). If the management agreement is Terminated for Cause then the B Shares in the Company shall be re-designated into deferred shares. This is to ensure that the members of Core effectively lose the right to receive any carried interest/ performance incentive and would provide funds out of which the Board could employ alternative managers. If the B Shares are redesignated, any assets attributable to them in excess of their par value of 0.01p immediately prior to such resignation, would accrue to the Ordinary Shares.

No fees will be payable by the Company to Core in respect of the management of the portfolio of qualifying investments.

However, in line with common practice in the private equity industry, Core retains the right to charge arrangement fees, for example, when Core acts on behalf of VCTs it manages as the leading or sole institutional investor, and monitoring fees, where appropriate, from portfolio companies in which VCTs it manages invest. The Company will be responsible for any external costs, such as legal and accounting fees incurred on transactions that do not proceed to completion – such fees are payable in addition to the administration expenses of the Company. The management agreement also contains provisions indemnifying Core against any liability, not due to its default, in respect of any negligence or fraud.

5.2 Co-investment agreement between the Company, VCT I, VCT III and Core dated 11 October December 2005. The Directors and Core also act for VCT I and VCT III, which has an identical investment policy to the Company. The agreement provides for co-investment between the companies to be achieved in various ways, including:

5.2.1 the Company, VCT I and VCT III co-investing in each and every investment in parallel until they reach their prescribed investment targets. The Company, VCT I and VCT III should, therefore, be able to invest up to £3 million at any one time;

5.2.2 investments can be phased to provide additional capital to existing investments, so as to increase the amount invested in each portfolio company over time, for example to finance the continued roll out of a successful business plan, or to support existing businesses in making further acquisitions of companies; and

5.2.3 in order to mitigate potential conflicts of interest where less than the maximum permitted amount is to be invested by the Company, VCT I and VCT III, including any new VCT's that may be launched in future years, the Board, who form the VCT I Board and the VCT III Board, will follow a policy of allocating investment pro rata to the NAV of each company but with the ability to adjust the weighting in favour of any company incorporated at the earliest date if necessary to mitigate any potential breach of VCT regulations. Where such a weighting adjustment is to be made, it will be made at the discretion of and with the approval of the directors from the Company, VCT I and VCT III.

5.3 Lock-up agreement between the Company and Core dated 1 December 2004. Under the terms of the agreement the Company and Core has entered into a lock-up agreement in relation to its B Shares. This agreement provides that the Investment Manager may not transfer any of its B Shares save pursuant to a takeover offer and in other specific circumstances.

In addition it should be noted that:

5.3.1 the lock-up agreement only applies to those B Shares issued to Core by way of cash subscription. In the event that Core has been issued, by way of bonus issue, B Shares (as a result of Ordinary Shares subscribed by Core) such B Shares issued by way of bonus issue shall not be subject to the said lock-up arrangements;

5.3.2 Core is entitled to transfer up to 5 per cent. of the B Shares (or such higher percentage as the Board may determine in their absolute discretion) which form the subject matter of the lock-up agreement without any restriction for the purposes of promoting liquidity in the trading of the B Shares; and

5.3.3 the Board may consent to the transfer of further B Shares at the request of Core if such transfer is deemed necessary for the marketing purposes of the offers.

5.4 Option Agreement between the Company and Core dated 1 December 2004. The Company has granted an option to Core entitling the option holder to subscribe for such number of B Shares at par in the Company that will entitle the option holder in aggregate to such number of B Shares that represent 30 per cent. of the aggregate number of B Shares and Ordinary Shares from time to time. The option holder had the right to subscribe for B Shares pursuant to the said option immediately following the initial allotment of shares and thereafter immediately following allotment of any shares from time to time. The option lapses where the management agreement referred to at paragraph 5.1 is Terminated for Cause.

5.5 A termination agreement dated 11 June 2009 between the Company (1) and Core (2) pursuant to which the management agreement, the lock-up agreement and the option agreement referred to at paragraphs 5.1, 5.4 and 5.5 above will be terminated from the Effective Date conditional on the Scheme being implemented.

- 5.6 A termination agreement dated 11 June 2009 between the Company (1) and Maven (2) pursuant to which the appointment of Maven to provide administration services will be terminated from the Effective Date conditional on the Schemes being implemented.
- 5.7 A termination agreement dated 11 June 2009 between the Company (1) and Capita Registrars Limited (2) pursuant to which the appointment of Capita Registrars Limited as registrar to the Company will be terminated from the Effective Date conditional on the Schemes being implemented.

6. Overseas Shareholders

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

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

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

7.0 General

- 7.1 The Company was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 23 September 2005, with registered number 05572545. 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 Core VCT II plc. The Company is domiciled in England.
- 7.2 Statutory accounts of the Company for the years/periods ended 31 December 2006, 2007 and 2008, in respect of which the Company's auditors, Ernst & Young LLP, have made unqualified reports under Section 235 CA 1985, have been delivered to the Registrar of Companies and such reports did not contain any statements under Sections 237(2) or (3) CA 1985.
- 7.3 Save for arrangements with Core set out at paragraph 5.1 and the fees paid to the Directors as detailed in paragraph 3.4 above, there were no related party transactions and fees paid during the years ended 31 December 2006, 2007 and 2008 by the Company or to date in the current financial year.
- 7.4 Save for the movement in the net asset value from 79.85p per Ordinary Share and 0.01p per B Share as at 31 December 2008 to 101.5p per Ordinary Share and 0.01p per Ordinary Share as at 30 April 2009, there has been no significant change in the financial or trading position of the Company to the date of this document since 31 December 2008 the date to which the last unaudited net asset value of the Company has been published and there has been no significant change in the net asset value of the Company since 30 April 2009, in both cases.
- 7.5 The Company is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) since incorporation which may have, or have had in the recent past, significant effects on the Company and/or its financial position or profitability.

- 7.6 The Liquidators have given and not withdrawn their written consent to the issue of this document with the inclusion of their name and the references to them in the form and context in which they appear.
- 7.7 If the Schemes becomes effective in accordance with the expected timetables on pages 3-5 it is anticipated that the listing of the Shares will be cancelled on 17 July 2009.
- 7.8 New VCT III Shares issued to Shareholders under the VCT II Scheme will rank *pari passu* with the existing relevant class of VCT III Shares, will be issued in registered form and will be admitted for trading on the main market of the London Stock Exchange.

8. Documents available for inspection

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

- 8.1 the memorandum and articles of association of the Company;
- 8.2 the audited report and accounts of the Company for the financial years/periods ended 31 December 2006, 2007 and 2008;
- 8.3 the audited report and accounts of VCT I for the financial years ended 31 December 2006, 2007 and 2008;
- 8.4 the audited report and accounts of VCT III for the financial years/periods ended 31 December 2006, 2007 and 2008;
- 8.5 the material contracts referred to in paragraph 5 above;
- 8.6 a draft (subject to non-material updating and amendment) of the Transfer Agreement;
- 8.7 the consent referred to in paragraph 7.6 above;
- 8.8 the VCT I Circular;
- 8.8 the VCT III Circular;
- 8.10 the VCT III Prospectus; and
- 8.11 this document.

12 June 2009

CORE VCT II PLC

(Registered in England and Wales with registered number 05572545)

NOTICE OF FIRST EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Core VCT II plc (“the Company”) will be held at 3.50 pm on 7 July 2009 (or as soon thereafter as the meeting of the holders of B ordinary shares of 1p each in the capital of Core VCT I plc convened for 3.40 pm on that date has been concluded) at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as an extraordinary resolution:

Extraordinary Resolution

That, subject to:

- 1.1 the conditions (other than the passing of this resolution) set out in paragraph 8 of Part IV of the circular to the shareholders of the Company dated 12 June 2009 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting (“Circular”)) having been fulfilled; and
- 1.2 the passing of the extraordinary resolutions set out in the notice convening a separate meeting of the holders of B ordinary shares of 0.01p each in the capital of the Company to be held on 7 July 2009 and an extraordinary general meeting of the Company a separate meeting of the holders of B ordinary shares of 0.01p each in the capital of the Company both to be held on 7 July 2009

and notwithstanding anything in the articles of association of the Company to the contrary, the VCT II Scheme, as and set out in Part IV of the Circular, be and hereby is approved and the Directors and William Duncan and Jonathan Paul Philmore of Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield, WF4 3BA (“the Liquidators”) be and they are hereby authorised (insofar as they are not already authorised by the articles of association of the Company) to implement the VCT II Scheme and to execute any document and do any act or thing for the purpose of carrying the VCT II Scheme into effect and, in particular (but without prejudice to the foregoing generality):

- (a) the Company (acting by the Liquidators) be and hereby is authorised and directed to enter into, and the Liquidators be and they are hereby authorised and directed, pursuant to section 110 of the Insolvency Act 1986, to give effect to, a transfer agreement in the form of the draft which is produced to the meeting and signed for the purpose of identification by the chairman of the meeting with such non-material modifications thereto as the parties to such agreement may agree (“Transfer Agreement”);
- (b) the Liquidators be and they hereby are authorised and directed to request Core VCT III plc (“VCT III”) to arrange for the creation and issue of ordinary shares of 0.01p each in the capital of VCT III and B ordinary shares of 0.01p each in the capital of VCT III on the basis described in the Transfer Agreement for distribution among the holders of the ordinary shares of 0.01p each in the capital of the Company and the holders of the B ordinary shares of 0.01p each in the capital of the Company by way of satisfaction and discharge of their respective interests in so much of all the assets and liabilities of the Company as shall be transferred to VCT III in accordance therewith and with the VCT II Scheme

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

Dated 12 June 2009

By order of the Board

Maven Capital Partners UK LLP
Secretary

Registered Office:
One Bow Churchyard
London
EC4M 9HH

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), members must be registered in the register of members of the Company at 5.00 pm on 5 July 2009 (or, in the event of any adjournment, 5.00 pm 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 Capita Registrars, on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars are charged at 10p per minute (including VAT) from a BT landline. Other service providers' costs may vary and different charges may apply to calls made from mobile telephones or from outside of the UK. 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 reply paid form of proxy is attached to this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 3.50 pm on 5 July 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequently 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.
6. As at 11 June 2009 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 16,497,230, carrying one vote each. Therefore, the total voting rights in the Company as at 11 June 2009 was 16,497,230. The holders of B ordinary shares of 0.1p each in the capital of the Company are not entitled to vote at this meeting.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.
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.

CORE VCT II PLC

(Registered in England and Wales with registered number 05572545)

NOTICE OF B SHARE CLASS MEETING

Notice is hereby given that a meeting of the holders of B ordinary shares of 0.01p each in the capital of Core VCT II plc ("the Company") will be held at 4.00 pm on 7 July 2009 (or as soon thereafter as the extraordinary general meeting of the Company convened for 3.50 pm on that date has been concluded) at the offices of Howard Kennedy, 19 Cavendish Square, London W1A 2AW for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as an extraordinary resolution:

Extraordinary Resolution

1. That:
 - 1.1 the merger with Core VCT I plc and Core VCT III plc pursuant to the Schemes (as defined in the circular to shareholders dated 12 June 2009) be and hereby is approved; and
 - 1.2 the holders of B ordinary shares of 0.01p each in the capital of the Company ("B Shares") hereby sanction, approve and consent to:
 - (a) the passing and carrying into effect as an extraordinary resolutions of the Company, of the resolutions set out in the notices of extraordinary general meetings of the Company convened for 3.40 pm on 7 July 2009 and 9.10 am on 16 July 2009 (copies of which are produced to the meetings signed by the chairman for the purposes of identification); and
 - (b) any effect on, variation, abrogation, dealing with and/or deemed variation or abrogation of the rights and privileges attached to the B Shares which will, or may, result from the passing and carrying into effect of this resolution and of the resolutions referred to in paragraph (a) above, notwithstanding that the passing and carrying into effect of this resolution and of such resolutions may affect the rights and privileges attached to such B Shares.

Dated 12 June 2009

By order of the Board

Maven Capital Partners UK LLP
Secretary

Registered Office:
One Bow Churchyard
London
EC4M 9HH

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), members must be registered in the register of members of the Company at 5.00 pm on 5 July 2009 (or, in the event of any adjournment, 5.00 pm 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 Capita Registrars, on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars are charged at 10p per minute (including VAT) from a BT landline. Other service providers' costs may vary and different charges may apply to calls made from mobile telephones or from outside of the UK. 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 reply paid form of proxy is attached to this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars, so as to be received not later than 3.50 pm on 5 July 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequently 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.
6. As at 11 June 2009 (being the last business day prior to the publication of this notice), the Company's issued B Share capital was 24,738,570, carrying one vote each. Therefore, the total B Share voting rights in the Company as at 11 June 2009 was 24,738,570.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.
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. Notice is hereby further given that the necessary quorum for the above meeting shall be the holders of B Shares present in person or by proxy holding not less than one-third of the paid up B Share capital and that if within half an hour from the time appointed for the above meeting a quorum is not present it shall be adjourned to 4.45 pm on 7 July 2009 and at such adjourned meeting the holders of B Shares present in person or by proxy shall be a quorum regardless of the number of B Shares held.
12. The directors reserve the right to withdraw the resolution to be proposed at the meeting if the resolution to be proposed at the extraordinary general meeting of the Company to be held at 3.40 pm on 7 July 2009 is not passed.

CORE VCT II PLC

(Registered in England and Wales with registered number 05572545)

NOTICE OF SECOND EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Core VCT II plc ("the Company") will be held at 9.00 am on 16 July 2009 (or as soon thereafter as the extraordinary general meeting of Core VCT I plc convened for 9.10 am on that date has been concluded) at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW for the purposes of considering and, if thought fit, passing the following resolution, which will be proposed as an extraordinary resolution:

Extraordinary Resolution

That:

1.1 subject to:

- (a) the conditions (other than the passing of this resolution) set out in paragraph 8 of Part IV of the circular to shareholders of the Company dated 12 June 2009 (a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting ("Circular")) having been fulfilled, in each case prior to the passing of this resolution; and
- (b) the passing of the extraordinary resolution set out in the notice convening a separate meeting of the holders of B ordinary shares of 0.01p each in the capital of the Company to be held on 7 July 2009

1.1.1 the Company be wound up voluntarily under the provisions of the Insolvency Act 1986 and William Duncan and Jonathan Paul Philmore of Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield, WF4 3BA ("the Liquidators") be and they are hereby appointed liquidators for the purposes of such winding-up and any power conferred on them by law or by this resolution may be exercised, and any act required or authorised under any enactment to be done by them may be done, by them jointly or by each of them alone; and

1.1.2 the Liquidators be remunerated on a time costs basis as agreed with the board of directors from time to time plus VAT, disbursements and expenses;

1.2 the Liquidators of the Company appointed pursuant to paragraph 1.1.1 set out in this notice be and hereby are authorised under Section 165 of the Insolvency Act 1986 to exercise the powers specified in Part I of Schedule 4 of the Insolvency Act 1986; and

1.3 the cancellation of the listing of the Company's shares on the Official List following the Schemes (as defined in the Circular) becoming effective be and hereby is approved.

Dated 12 June 2009

By order of the Board

Maven Capital Partners UK LLP
Secretary

Registered Office:
One Bow Churchyard
London
EC4M 9HH

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), members must be registered in the register of members of the Company at 5.00 pm on 14 July 2009 (or, in the event of any adjournment, 5.00 pm 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 Capita Registrars, on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars are charged at 10p per minute (including VAT) from a BT landline. Other service providers' costs may vary and different charges may apply to calls made from mobile telephones or from outside of the UK. 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 reply paid form of proxy is attached to this document. To be valid, it should be lodged with the Company's registrar, Capita Registrars Limited, so as to be received not later than 9.10 am on 14 July 2009 or 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequently 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.
6. As at 11 June 2009 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 16,497,230, carrying one vote each. Therefore, the total voting rights in the Company as at 11 June 2009 was 16,497,230. The holders of B ordinary shares of 1p each in the capital of the Company are not entitled to vote at this meeting.
7. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
8. The statement of the rights of members in relation to the appointment of proxies in paragraphs 3 to 5 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by members of the Company.
9. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (a) if a corporate shareholder has appointed the chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the chairman and the chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (b) if more than one corporate representative for the same corporate shareholder has not appointed the chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the chairman is being appointed as described in (a) above.
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. The right is reserved for the chairman of the meeting to withdraw the resolution to be proposed at the meeting if (a) the resolutions to be proposed at the extraordinary general meeting of the Company to be held at 3.50 pm on 7 July 2009 and/or the separate meeting of the holders of B ordinary shares of 0.1p each in the capital of the Company to be held at 4.00 pm on 7 July 2009 are not passed or (b) Core VCT III plc would not satisfy the requirements for VCT status following the Schemes becoming effective.

FORM OF PROXY – FIRST EXTRAORDINARY GENERAL MEETING

For use at the extraordinary general meeting (“Extraordinary General Meeting”) of Core VCT II plc (“the Company”) to be held at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW at 3.50 pm on 7 July 2009.

I/We
(Block Capitals Please)

of

being a shareholder(s) of the above-name Company, appoint the chairman of the 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 the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW at 3.50 pm on 7 July 2009 (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 your 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:

Extraordinary Resolution	For	Against	Vote Withheld
Approval of the Schemes and authorisation of its implementation by the Liquidators			

Signature Dated 2009

Notes:

1. The notice of the meeting is set out in the circular to shareholders of the Company dated 12 June 2009. Definitions used in the circular apply herein. The holders of B ordinary shares are not entitled to vote at the meeting.
2. If any other proxy is preferred, strike out the words “chairman of the meeting” and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
3. 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 should be obtained by contacting the Company’s registrar, Capita Registrars, on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars are charged at 10p per minute (including VAT) from a BT landline. Other service providers’ costs may vary and different charges may apply to calls made from mobile telephones or from outside of the UK. 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.
4. Any alterations to the form should be initialled.
5. 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.
6. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
7. 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 Capita Registrars Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting or adjournment as the case may be.
8. The completion of this form will not preclude you from attending the meeting and voting in person.



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BUSINESS REPLY SERVICE
Licence No. MB122



Capita Registrars Proxy Department
PO Box 25
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

FIRST FOLD

THIRD FOLD (TUCK IN)

FORM OF PROXY – B SHARE CLASS MEETING

For use at the separate meeting (“B Share Class Meeting”) of the holders of B ordinary shares of 0.1p each (“B Shares”) in the capital of Core VCT II plc (“the Company”) to be held at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW at 4.00 pm on 7 July 2009.

I/We
(Block Capitals Please)

of

being a shareholder(s) of the above-name Company, appoint the chairman of the meeting or

.....

for the following number of B Shares

to act as my/our proxy to vote for me/us and on my/our behalf at the B Share Class Meeting to be held at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW at 4.00 pm on 7 July 2009 (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 your 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:

Extraordinary Resolution	For	Against	Vote Withheld
Approval of the Schemes and the resolutions to be proposed at the extraordinary general meetings of the Company to be held on 7 July 2009 and 16 July 2009, and variation to class rights resulting therefrom			

Signature Dated 2009

Notes:

- The notice of the meeting is set out in the circular to shareholders of the Company dated 12 June 2009. Definitions used in the circular apply herein.
- If any other proxy is preferred, strike out the words “chairman of the meeting” and add the name and address of the proxy you wish to appoint and initial the alteration. 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 should be obtained by contacting the Company’s registrar, Capita Registrars, on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars are charged at 10p per minute (including VAT) from a BT landline. Other service providers’ costs may vary and different charges may apply to calls made from mobile telephones or from outside of the UK. 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.
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- 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 Capita Registrars Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting or adjournment as the case may be.
- The completion of this form will not preclude you from attending the meeting and voting in person.



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FORM OF PROXY – SECOND EXTRAORDINARY GENERAL MEETING

For use at the Extraordinary General Meeting of Core VCT II plc (“the Company”) to be held at the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW at 9.10 am on 16 July 2009.

I/We
 (Block Capitals Please)

of

being a shareholder(s) of the above-name Company, appoint the chairman of the 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 the offices of Howard Kennedy at 19 Cavendish Square, London W1A 2AW at 9.10 am on 16 July 2009 (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 your 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:

Extraordinary Resolution	For	Against	Vote Withheld
Composite resolution for the approval to put the Company into liquidation, appointment and remuneration of the Liquidators for the purposes of such winding up, authorisation for the Liquidators to exercise certain powers for which the express sanction of shareholders is required under the Insolvency Act 1986 and approval of the cancellation of the Company’s listing following the successful completion of the VCT II Scheme.			

Signature Dated 2009

Notes:

- The notice of the meeting is set out in the circular to shareholders of the Company dated 12 June 2009. Definitions used in the circular apply herein. The holders of B ordinary shares are not entitled to vote at the meeting.
- If any other proxy is preferred, strike out the words “chairman of the meeting” and add the name and address of the proxy you wish to appoint and initial the alteration. 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 should be obtained by contacting the Company’s registrar, Capita Registrars, on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars are charged at 10p per minute (including VAT) from a BT landline. Other service providers’ costs may vary and different charges may apply to calls made from mobile telephones or from outside of the UK. 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 Capita Registrars Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for holding the meeting or adjournment as the case may be.
- The completion of this form will not preclude you from attending the meeting and voting in person.



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