

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 Octopus AIM VCT plc (the Company), please send this document and accompanying documents, as soon as possible, to the purchaser or transferee or to the stockbroker, independent financial adviser or other person through whom the sale or transfer was effected for delivery to the purchaser or transferee.

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

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

OCTOPUS AIM VCT PLC

(Registered in England and Wales with registered number 03477519)

Recommended Proposals to:

- **restructure the share capital of the Company**
- **adopt new articles of association**
- **acquire the assets and liabilities of Octopus Phoenix VCT plc**
- **renew and increase the authority to issue and repurchase shares**
- **cancel the share premium account and capital redemption reserve**
- **amend the investment policy**
- **extend the life of the Company**

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 notice of an Extraordinary General Meeting to be held at 2.00 p.m. on 4 August 2010 at 8 Angel Court, London EC2R 7HP to approve resolutions to effect the proposals contained herein.

To be valid, the form of proxy attached to this document should be returned not less than 48 hours before the meeting, either by post or by hand (during normal business hours only) to the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. For further information on the meeting or the completion and return of a form of proxy, please telephone Capita Registrars between 9.00 a.m. and 5.00 p.m. (GMT) Monday to Friday (except UK public holidays) on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars helpline (0871 664 0321) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to Capita Registrars from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice.

For further information Shareholders are recommended to read the prospectus to be issued by the Company dated 9 July 2010 which accompanies this document.

CONTENTS

EXPECTED TIMETABLES	3
CORPORATE INFORMATION	5
PART I DEFINITIONS	6
PART II RISK FACTORS	9
PART III LETTER FROM THE CHAIRMAN	11
PART IV THE SCHEME	20
PART V AMENDMENTS TO THE ARTICLES	23
PART VI ADDITIONAL INFORMATION	27
NOTICE OF EXTRAORDINARY GENERAL MEETING	31
FORM OF PROXY	35

EXPECTED TIMETABLES

EXPECTED TIMETABLES FOR THE COMPANY

THE SCHEME

Latest time for receipt of forms of proxy for the Extraordinary General Meeting	2.00 p.m. on 2 August 2010
Extraordinary General Meeting	2.00 p.m. on 4 August 2010
Effective date for the Restructuring	4 August 2010
Amendment to the listing of the Shares arising from the Restructuring	5 August 2010
Calculation Date	after 5.00 p.m. on 11 August 2010
Effective Date for the transfer of the assets and liabilities of Phoenix VCT to the Company and the issue of New Shares pursuant to the Scheme*	12 August 2010
Announcement of the results of the Scheme	12 August 2010
Admission of and dealings in New Shares issued pursuant to the Scheme to commence	13 August 2010
Certificates for New Shares (arising from the Restructuring or issued pursuant to the Scheme) dispatched	25 August 2010

(*this will, therefore, be the final expected date of trading of the Phoenix VCT Shares and the existing Shares of the Company.)

THE OFFER

Offer opens	9 July 2010
Allotment of New Shares pursuant to the Offer	Monthly
Admission of and dealings in New Shares issued pursuant to the Offer to commence	3 business days following allotment
Certificates for New Shares issued pursuant to the Offer dispatched	within 14 business days of allotment
Offer closes*	30 April 2011

(*the Offer will close earlier than the date stated above if it is fully subscribed.)

The Directors reserve the right to close the Offer earlier or to extend the Offer and to accept applications and issue New Shares at any time prior to or after the closing date. The Offer is not underwritten and there is no minimum subscription to the Offer.

EXPECTED TIMETABLE FOR PHOENIX VCT

Date from which it is advised that dealings in Phoenix VCT Shares should only be for cash settlement and immediate delivery of documents of title	27 July 2010
Latest time for receipt of forms of proxy for the Phoenix VCT First General Meeting	2.30 p.m. on 2 August 2010
Phoenix VCT First General Meeting	2.30 p.m. on 4 August 2010
Latest time for receipt of forms of proxy for the Phoenix VCT Second General Meeting	11.00 a.m. on 10 August 2010
Record Date for Phoenix VCT shareholders' entitlements under the Scheme	11 August 2010
Phoenix VCT Register of Members closed	11 August 2010
Calculation Date	after 5.00 p.m. on 11 August 2010
Dealings in Phoenix VCT Shares suspended	7.30 a.m. on 12 August 2010
Phoenix VCT Second General Meeting	11.00 a.m. on 12 August 2010
Effective Date for the transfer of the assets and liabilities of Phoenix VCT to the Company and the issue of New Shares pursuant to Scheme*	12 August 2010
Announcement of the results of the Scheme	12 August 2010
Cancellation of the Phoenix VCT Shares' listing	8.00 a.m. on 13 August 2010

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

CORPORATE INFORMATION

Directors

Michael Arthur Ferard Reeve MBE FCA (Chairman)
Roger John Smith BSC
Stephen John Hazell-Smith
(all of the registered office)

Registered Office

8 Angel Court London
EC2R 7HP

Telephone: 0800 316 2349

Email: operations@octopusinvestments.com

Website: www.octopusinvestments.com

Company Number

03477519

Investment Manager, Administrator, Custodian, Promoter and Receiving Agent

Octopus Investments Limited
8 Angel Court
London
EC2R 7HP

Company Secretary

Celia L Whitten FCIS
8 Angel Court
London
EC2R 7HP

Solicitors

Martineau
No. 1 Colmore Square
Birmingham
B4 6AA

Registrars

Capita Registrars
Northern House
Woodsome Park
Huddersfield
West Yorkshire
HD8 0GA

Auditors

PKF (UK) LLP
Farringdon Place
20 Farringdon Road
London
EC1M 3AP

Sponsor

Charles Stanley Securities
131 Finsbury Pavement
London
EC2A 1NT

Reporting Accountant

Scott-Moncrieff
Exchange Place 3
Sempie Street
Edinburgh
EH3 8BL

PART I – DEFINITIONS

“AIM”	The Alternative Investment Market, a market operated by the London Stock Exchange
“Articles”	the articles of association of the Company, as amended from time to time
“Board” or “Directors”	the board of directors of the Company
“CA 1985”	Companies Act 1985, as amended
“CA 2006”	Companies Act 2006, as amended
“Calculation Date”	the date on which the Roll-Over Value and the Merger Value will be calculated, this being after the close of business on 11 August 2010
“Capita Registrars”	a trading name for Capita Registrars Limited
“Charles Stanley Securities”	Charles Stanley Securities, a division of Charles Stanley & Co Limited, which is authorised and regulated by the FSA, is a UKLA registered sponsor and is a member of the London Stock Exchange
“Close Brothers”	Close Investments Limited the former investment manager of the Company
“Companies Acts”	CA 1985 and CA 2006
“Company”	Octopus AIM VCT plc
“Deferred Shares”	the deferred shares of 49p each arising from the Restructuring
“Effective Date”	the date on which the Scheme will be completed, anticipated as being 12 August 2010
“Enlarged Company”	the Company, following implementation of the Scheme
“Extraordinary General Meeting”	the extraordinary general meeting of the Company to be held on 4 August 2010
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000, as amended
“HMRC”	Her Majesty’s Revenue & Customs
“IA 1986”	Insolvency Act 1986, as amended
“ICTA 1988”	Income and Corporation Taxes Act 1988, as amended
“ITA 2007”	Income Tax Act 2007, as amended
“Liquidators”	William Duncan and Sarah Louise Burge of RSM Tenon Limited, Unit 1, Calder Close, Calder Park, Wakefield WF4 3BA being the proposed liquidators for Phoenix VCT
“Listing Rules”	the listing rules of the UKLA
“London Stock Exchange”	London Stock Exchange plc
“Merger Ratio”	the Roll-Over Value divided by the Merger Value
“Merger Regulations”	Venture Capital Trusts (Winding-up and Mergers) (Tax) Regulations 2004
“Merger Value”	the value of a Share calculated in accordance with paragraph 4 of Part IV of this document
“NAV” or “net asset value”	net asset value

“New Shares”	the Shares (following the Restructuring) to be issued by the Company to Phoenix VCT shareholders in accordance with the Scheme and pursuant to the Offer (and each a “New Share”)
“Octopus”	Octopus Investments Limited, the investment manager to the Company and Phoenix VCT, of 8 Angel Court, London EC2R 7HP
“Offer”	the offer for subscription of New Shares to raise up to £10 million
“Official List”	the official list of the UKLA
“Phoenix VCT”	Octopus Phoenix VCT plc, registered in England and Wales under number 04575572, whose registered office is at 8 Angel Court, London EC2R 7HP
“Phoenix VCT Board”	the board of directors of Phoenix VCT
“Phoenix VCT Circular”	the circular to Phoenix VCT shareholders dated 9 July 2010
“Phoenix VCT First General Meeting”	the first general meeting of Phoenix VCT to be held on 4 August 2010
“Phoenix VCT Meetings”	the Phoenix VCT First General Meeting and the Phoenix VCT Second General Meeting
“Phoenix VCT Second General Meeting”	the second general meeting of Phoenix VCT to be held on 12 August 2010
“Phoenix VCT Shares”	ordinary shares of 10p each in the capital of Phoenix VCT (and each a “Phoenix VCT Share”)
“PLUS”	a prescribed market for the purposes of section 118 of FSMA and a recognised investment exchange operated by PLUS Markets Group plc
“Proposals”	the proposals to effect the Restructuring, the merger by way of the Scheme, the Offer and pass the resolutions to be proposed at the Extraordinary General Meeting
“Prospectus”	the prospectus issued by the Company dated 9 July 2010 in relation to both the Scheme and the Offer
“Record Date”	the record date to which entitlements will be allocated pursuant to the Scheme, this being 11 August 2010
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting (and each a “Resolution”)
“Restructuring”	the proposed restructuring of the share capital of the Company to result in ordinary shares of 1p each as set out on pages 12 and 13
“Roll-Over Value”	the value of a Phoenix VCT Share calculated in accordance with paragraph 4 of Part IV of this document
“Scheme”	the proposed merger of the Company with Phoenix VCT by means of placing Phoenix VCT into members’ voluntary liquidation pursuant to Section 110 of IA 1986 and the acquisition by the Company of all of Phoenix VCT’s assets and liabilities in consideration for New Shares, further details of which are set out in Part IV of this document
“Shareholder”	a holder of Shares
“Shares”	ordinary shares of 50p each in the capital of the Company or ordinary shares of 1p each following the Restructuring, as the context permits (and each a “Share”)
“TCGA 1992”	Taxation of Chargeable Gains Act 1992, as amended

“Transfer Agreement”	the agreement between the Company and Phoenix VCT (acting through the Liquidators) for the transfer of all of the assets and liabilities of Phoenix VCT by the Liquidators to AIM VCT pursuant to the Scheme
“UK”	the United Kingdom
“UKLA” or “UK Listing Authority”	the UK Listing Authority, being the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“VCT” or “venture capital trust”	a company satisfying the requirements of Chapter 3 of Part 6 of ITA 2007 for venture capital trusts

PART II – RISK FACTORS

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

Completion of the Proposals is dependent upon a number of conditions precedent being fulfilled, including the approval of Shareholders, the Restructuring and the Scheme becoming effective and the Offer raising further funds for the Enlarged Company. Whilst the Board has identified a number of potential benefits for the Enlarged Company, there is no certainty that these benefits will lead to improved prospects for the Enlarged Company. If the Restructuring and the merger are not approved and effected, the benefits of the Restructuring and/or the merger will not be realised. The Offer and the Scheme are conditional on the Restructuring having been completed. The Scheme is not, however, conditional on the Offer proceeding, or vice versa.

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

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

The past performance of the Company, Phoenix VCT and/or Octopus is no indication of future performance. The return received by Shareholders will be dependent on the performance of the underlying investments. The value of such investments, and interest income and dividends therefrom, may rise or fall.

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

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

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

Investment in AIM-traded, PLUS market-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 and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. 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 Board that the Company will continue to be managed so as to qualify as a VCT, there can be no guarantee that such status will be maintained. Failure to continue to meet the qualifying requirements could result in Shareholders losing the tax reliefs available for VCT shares,

resulting in adverse tax consequences including, if the holding has not been held for the relevant holding period, a requirement to repay the tax reliefs obtained. Furthermore, should the Company lose its VCT status, dividends and gains arising on the disposal of Shares would become subject to tax and the Company would also lose its exemption from corporation tax on its capital gains.

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

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

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

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

Changes in legislation, including those proposed in the Budget Report 2010 and the Emergency Budget 2010, concerning VCTs in general and qualifying holdings and qualifying trades in particular, may limit the number of new qualifying investment opportunities and/or reduce the level of returns which would otherwise have been achievable.

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

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

PART III – LETTER FROM THE CHAIRMAN

OCTOPUS AIM VCT PLC

(Registered in England and Wales with registered number 03477519)

Directors:

Michael Reeve MBE FCA (Chairman)
Roger Smith
Stephen Hazell-Smith

Registered Office:

8 Angel Court
London
EC2R 7HP

9 July 2010

Dear Shareholder

Recommended proposals to restructure the share capital of the Company, adopt new articles of association, acquire all of the assets and liabilities of Octopus Phoenix VCT plc, renew and increase the authority to issue and repurchase shares, cancel the share premium account and capital redemption reserve, amend the investment policy and extend the life of the Company.

The Board announced on 13 January 2010 that they were in preliminary discussions on terms for a merger with Phoenix VCT.

I am pleased to advise Shareholders that discussions have concluded and the purpose of this letter is to set out the Proposals to Shareholders for consideration. The merger is expected to deliver cost savings and strategic benefits to both sets of shareholders.

The merger also provides an opportunity to launch an Offer to raise up to £10 million to enable the Enlarged Company to participate in the opportunities for investment at a time in the UK economic cycle which the Board and Octopus believe to be advantageous. In addition, the further funds will allow the Company to spread its running costs over a larger asset base.

The Proposals will, if effected, result in a restructuring of the share capital of the Company, the merger of Phoenix VCT with the Company and a further fundraising by the Company, creating an Enlarged Company with net assets of over £40 million (assuming full subscription under the Offer).

To effect the Proposals, the consent of Shareholders pursuant to the Companies Acts, the Articles and the Listing Rules is being sought at the Extraordinary General Meeting to approve the Restructuring, approve the merger pursuant to the Scheme, renew and increase the authority to issue, repurchase shares and cancel the share premium account and capital redemption reserve, amend the investment policy and extend the life of the Company. A specific resolution to approve the acquisition of the assets and liabilities of Phoenix VCT pursuant to the Scheme is not required, however, in light of the nature of the Proposals, the Board believes it appropriate to include this as part of Resolution 2 at the Extraordinary General Meeting.

Background

The Company was launched in February 1998 and has raised £48.4 million (net of expenses) since inception.

The current objective of the Company is to invest in a broad range of AIM or PLUS quoted companies in order to generate income and long-term capital growth. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value. The Company has returned £19.7 million to Shareholders through dividends and share buy-backs.

As at 31 May 2010, the Company had investments in 53 companies with an aggregate value of £16.9 million and unaudited net assets of £24.1 million (83.1p per Share). As at the date of this document, the Company had 52 investments. The Company has historically had a number of share classes during its life since its inception in 1998, which have since been amalgamated into one class of Share. The total dividends and adjusted NAVs across these historic classes of shares and the amalgamated Share class are shown in the table below.

	Current NAV	Total dividends paid	Total return
old ordinary shares of 50p (1998 issue)	45.3p	71.2p	116.5p
C ordinary shares of 50p (2001 issue)	48.7p	24.35p	73.1p
D ordinary shares of 50p (2002 issue)	83.1p	21.05p	104.2p
Shares of 50p each	83.1p	7.5p	N/A

Notes:

1. There is now only one share class in the Company; Shares of 50p each. For old ordinary shares of 50p each, C ordinary shares of 50p each and D ordinary shares of 50p each which have previously undergone share reorganisations, the NAV and dividends have been adjusted in accordance with the conversion ratios to calculate the total returns.
2. The information in the above table and in note 1 is to 31 May 2010 and has been extracted from the unaudited management accounts of the Company to 31 May 2010.

Phoenix VCT was launched in November 2002 and has raised £17.7 million (net of expenses) since inception. Its investment portfolio, which invests primarily in AIM-listed companies, is managed by Octopus. Phoenix VCT's objective is to provide its shareholders with tax-free dividends and long-term capital growth by investing in a diverse portfolio of AIM-listed companies. Phoenix VCT has returned £6.1 million to its shareholders through dividends and buy-backs.

As at 31 May 2010, Phoenix VCT had unaudited net assets of £7.1 million (38.4p per Phoenix VCT Share) and, in aggregate, investments in 35 companies. Phoenix VCT had one class of share of share on inception in 2002 followed by an offering of Phoenix VCT C ordinary shares of 10p each in 2005. These two share classes have since been amalgamated into one class of share. The total dividends and adjusted NAVs for this amalgamated share class are shown in the table below.

	Current NAV	Total dividends paid	Total return
Phoenix VCT Share	38.4p	35.0p	73.4p

Notes:

1. The comparative total return per converted Phoenix VCT C ordinary share of 10p each is 66.6p, which includes dividends paid prior to conversion of 12p.
2. The information in the above table and in note 1 is to 31 May 2010 (and, therefore, does not include the interim dividend of 2.0p per Phoenix VCT Share declared on 23 June 2010, payable to Phoenix VCT shareholders on the register on 9 July 2010) and has been extracted from the unaudited management accounts of Phoenix VCT to 31 May 2010.

VCTs are required to be listed on the Official List, which involves a significant level of listing costs as well as related fees to ensure the VCT complies with all relevant legislation. As a VCT becomes fully invested, its net assets may start to decrease, primarily due to dividends, buy-backs and annual expenses. As a result, the running costs can become a proportionally greater burden which may have an adverse effect on the returns generated for shareholders. A larger VCT should, therefore, be better placed to spread such running costs across a larger investment portfolio and, as a result, may be able to pay a higher level of dividends to shareholders over its life.

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

With the above in mind, the Board entered into discussions with Phoenix VCT and Octopus to consider a merger of the Company and Phoenix VCT to create a single, larger VCT, thereby establishing a platform from which further funds could be raised. The aim of the Board is to achieve strategic benefits and reductions in the annual running costs for both sets of shareholders.

The Restructuring

The Board proposes to restructure the share capital of the Company to result in a share class having a nominal value of 1p.

The Restructuring will be effected by each existing ordinary share of 50p being subdivided into one ordinary share of 1p and one Deferred Share of 49p. The Deferred Shares will have no economic value and will be bought back by the Company for an aggregate amount of 1p and cancelled as issued.

The number of Shares in the Company held by a Shareholder and the NAV per Share will not change (the creation of Deferred Shares and the repurchase merely being a mechanism by which the Restructuring will be effected).

The Restructuring will result in a simplification of the share capital of the Company, whilst also creating capital redemption reserves from the repurchase of the Deferred Shares and an increased share premium on the issue of New Shares (pursuant both to the Scheme and to the Offer) which can subsequently be cancelled, subject to the sanction of the Court, creating distributable reserves to assist in the payment of dividends, the ability to make market purchases of shares and for other corporate purposes as set out below.

Shareholders will receive replacement share certificates in respect of the Shares arising from the Restructuring and existing share certificates will no longer be valid.

The Restructuring is conditional on the approval of Shareholders of the Company and will take place whether or not the merger is approved and becomes effective.

Merger with Phoenix VCT

Following detailed consideration of the portfolios and the financial position of the Company and Phoenix VCT, the Board has also reached an agreement to merge the Company and Phoenix VCT. The merger is conditional upon the approval by the shareholders of the Company and Phoenix VCT of resolutions to be proposed at the Extraordinary General Meeting and the Phoenix VCT Meetings, the Restructuring having been completed and the other conditions set out in paragraph 8 of Part IV of this document. The merger is not conditional on the Offer proceeding.

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

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

The merger will be completed on a relative net asset value basis (unaudited net assets as at close of business on the day immediately preceding the Effective Date) and the benefits shared by both sets of shareholders, with the costs being split proportionately based on the merger NAVs.

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

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

- a reduction in annual running costs for the Enlarged Company compared to the total annual running costs of the separate companies;
- the creation of a single VCT of a more economically efficient size with a greater capital base over which to spread administration, regulatory and management costs;
- participation in a larger VCT with the longer term potential for a more diversified portfolio thereby spreading the portfolio risk across a broader range of investments and allowing for further investment in existing portfolio companies; and
- providing the ability to maintain a buy-back programme and the potential payment of further dividend distributions in the future due to the increased size and reduced running costs of the Enlarged Company.

Annual running costs, excluding management fees, for the Company and Phoenix VCT are approximately £171,000 and £197,000 respectively or £368,000 in total. These costs represent 0.71 per cent. of the Company's unaudited net asset value and 2.8 per cent. of Phoenix VCT's unaudited net asset value, in each case as at 31 May 2010. The Board considers that the level of continued

administrative annual running costs can be materially reduced through the merger resulting in benefits to both groups of shareholders.

The aggregate anticipated cost of undertaking the merger is approximately £199,000, including VAT, legal and professional fees, stamp duty and the costs of winding up Phoenix VCT. The costs of the merger will be split proportionately between the Company and Phoenix VCT by reference to their respective Roll-Over Value and Merger Value.

On the assumption that the NAV of the Enlarged Company will remain the same immediately after the merger (and disregarding the payment of the amount equivalent to three months' notice to the directors of Phoenix VCT referred to below as these are one-off payments), annual cost savings for the Enlarged Company of at least £185,000 per annum (representing 0.59 per cent. per annum of the expected net assets of the Enlarged Company) are anticipated to be achieved following completion of the merger. On this basis, and on the basis that no new funds are raised or investments realised to meet annual costs, the Board believes that the costs of the merger would, therefore, be recovered within 13 months.

The Board believes that the Scheme provides an efficient way of merging the companies with a lower level of costs compared with other merger routes. Although either of the companies could have acquired all of the assets and liabilities of the other, the Company was selected as the acquirer because of its larger size (and, therefore, a lower stamp duty cost on the transfer of all of the assets and liabilities from Phoenix VCT). Shareholders should note that the merger by way of the Scheme will be outside the provisions of the City Code on Takeovers and Mergers.

Phoenix VCT Shareholders who do not vote in favour of the resolution at the Phoenix VCT First General Meeting are entitled to dissent and have their shareholding purchased by the Liquidators at the break value price of Phoenix VCT Share. If the conditions of the Scheme are not satisfied, the Company will continue in its current form and the Board will continue to review all options available to it regarding the future of the Company.

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

Scheme Example:

As at 31 May 2010, the unaudited NAV per Share of the Company (taken from the unaudited management accounts of the Company to 31 May 2010) was 83.1p. The Merger Value per Share (this being the unaudited NAV of the Company as at 31 May 2010 after adjustments in relation to the Scheme and anticipated merger costs, divided by the number of Shares in issue excluding Shares held in treasury) would have been 82.5p had the Scheme been implemented on that date. Shareholders are reminded that the Restructuring will not affect the number of Shares held by Shareholders nor the NAV per Share.

As at 31 May 2010, the unaudited NAV of a Phoenix VCT Share (taken from the unaudited management accounts of Phoenix VCT to 31 May 2010) was 38.4p. The Roll-Over Value of a Phoenix VCT Share (this being the unaudited NAV of Phoenix VCT as at 31 May 2010 after adjustments in relation to the Scheme and anticipated merger costs, divided by the number of Phoenix VCT Shares in issue), would have been 38.1p (assuming no dissenting Phoenix VCT shareholders) had the Scheme been implemented on that date. This does not take into account the interim dividend of 2.0p per Phoenix VCT Share declared on 23 June 2010.

The number of New Shares to be issued to Phoenix VCT shareholders would then have been calculated by multiplying the number of Phoenix VCT Shares in issue by the Merger Ratio, this being the Roll-Over Value per Phoenix VCT Share divided by the Merger Value of a Share. The New Shares would have been issued to Phoenix VCT shareholders pro-rata to holdings in Phoenix VCT (disregarding for these purposes dissenting Phoenix VCT shareholders and the amounts required to purchase such Phoenix VCT Shares held). This would effectively have given 0.46 New Shares for every Phoenix VCT Share held (assuming no dissenting Phoenix VCT shareholders), 8,538,546 New Shares in aggregate, had the merger been completed on 31 May 2010.

The Offer

The Board has decided to take the opportunity to also raise up to £10 million through an offer for subscription of a maximum of 11,500,000 New Shares. This will provide Shareholders and other investors with the opportunity to invest in the Company and benefit from the tax reliefs available to qualifying investors in VCTs.

The Board believes that:

- This is an advantageous time in the economic cycle with Octopus beginning to see a strengthening pipeline of investment opportunities, at a time when prices of assets are still low by historic standards. Funds raised under the Offer will be invested, in part, to take advantage of any rally in valuations and performance of smaller companies as the pace of economic growth accelerates;
- The Offer should enable the Company to maintain its portfolio diversification and continue to maximise the use of funds raised before 6 April 2006 for investment in VCT qualifying investments with gross assets of up to £15 million prior to the investment. The Company maintains a policy of distributing realised profits to Shareholders as well as operating a share buy-back scheme and there is a risk that over time the size of the Company will shrink leaving less funds available for new investments to generate future returns. The Offer should, therefore, also provide funds for new investments as well as maintaining liquidity for dividends and buy-backs;
- New offers by VCTs continue to offer attractive tax incentives for private investors when compared to other types of tax efficient investment; and
- The fixed running costs of the Company will be spread over a larger asset base, thereby reducing costs as a percentage of the Company's assets.

New Shares issued under the Offer will be at an Offer price equal to the most recently published NAV of a Share, divided by 0.945 to take into account Offer costs of 5.5 per cent. and rounded up to the nearest 0.1p per share. The net proceeds of the Offer will be invested in accordance with the investment policy of the Company.

Octopus will act as promoter to the Offer and be paid a commission of 5.5 per cent of the gross proceeds raised from which all costs and expenses will be paid (including initial intermediary commission and trail commission). Any costs above this will be met by Octopus.

The Offer is conditional on the approval by Shareholders of Resolutions 1 and 3 to be proposed at the Extraordinary General Meeting and the Restructuring having been completed, and will open on 9 July 2010. The Offer is not conditional on the merger becoming effective.

Management, Administration and Performance Incentive Arrangements

Octopus is the investment manager of the Company and of Phoenix VCT and also provides administration and secretarial services to both Companies. An annual management and administration fee is payable to Octopus by the Company of an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any). In respect of Phoenix VCT, separate annual management and administration fees are payable to Octopus of an amount equivalent to 2 per cent. of the net assets of Phoenix VCT (exclusive of VAT, if any) for the former and £25,000 (exclusive of VAT, if any and as increased by RPI increases) for the latter.

Octopus will continue to provide investment management and administration services to the Enlarged Company following the merger on the same annual fee basis as above for the Company (ie an amount equivalent to 2 per cent. of the net assets of the Company (exclusive of VAT, if any)).

In support of the merger, and so that all gains may remain with Shareholders, Octopus has already agreed to forego all future performance incentive fee payments and the existing entitlements have been terminated.

The Board

Stephen Hazell-Smith, a director of the Company, is also a director of Phoenix VCT. The Board and the Phoenix VCT Board have considered what the size and future composition of the Company's Board should be following the merger and it has been agreed that the existing Board of your Company will continue in its current form (Stephen Hazell-Smith being regarded as the Phoenix VCT representative retained on the Board for these purposes).

The current annual directors' fees for the Company and Phoenix VCT are £61,180 and £53,000 respectively (plus applicable employers National Insurance Contributions). The aggregate annual remuneration for the Board following the merger will remain at £61,180 (plus applicable employers National Insurance Contributions). This is an annual cost saving of £53,000 across the two companies (disregarding the payment of an amount equal to three months' notice to each of the directors of Phoenix VCT (including Stephen Hazell-Smith) as final directors' fees whilst Phoenix VCT is in liquidation – the

Phoenix VCT directors have agreed to waive all further directors' fees in respect of Phoenix VCT if the Scheme becomes effective). The Board will review the Board constitution, performance and remuneration following the passing of 12 months from the merger.

Amendment to the Articles

The Board proposes to adopt new Articles to reflect the Restructuring, as well as take the opportunity to update the Articles to reflect the new provisions introduced by the Companies Act 2006 and shareholder regulations which have come into force over the last two years and market practice.

A summary of the material changes from the existing Articles is set out in Part V of this document. The adoption of new Articles to reflect these changes will require the approval of Shareholders at the Extraordinary General Meeting.

Amendment to the investment policy

The Company's current investment policy is as set out below:

The Company's investment policy has been designed to enable it to comply with the VCT regulations. The Board intend that the long-term disposition of the Company's assets will be not less than 80 per cent. in a portfolio of qualifying AIM or PLUS quoted investments. Once its qualifying target has been reached, the Company intends that approximately 20 per cent. of its funds will be invested in non-qualifying investments generally comprising gilts, floating rate securities and short term money market deposits with, or issued, by major companies and institutions with a minimum Moody's long term debt rating of 'A'. A proportion of the 20 per cent. could be invested in an authorised UK smaller company fund managed by Octopus or directly in equities or bonds. This 20 per cent. could provide a reserve of liquidity which should maximise the Company's flexibility as to the timing of investment acquisitions and disposals, dividend payments and share buy-backs.

Risk is spread by investing in a number of different businesses across a range of industry sectors using a mixture of securities. In order to qualify as an investment in a VCT qualifying holding, at no time during the year must the Company's qualifying holdings in any one company exceed 15 per cent. by value of its investments. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale. However, shareholders should be aware that the Company's qualifying investments are held with a view to long-term capital growth as well as income and will often have limited marketability; as a result it is possible that individual holdings may grow in value to the point where they represent a significant proportion of total assets prior to a realisation opportunity being available. Investments will normally be made using the Company's equity shareholders' funds and it is not intended that the Company will take on any long-term borrowings.

The Company's Articles permit borrowings of amounts up to 10 per cent. of the sum equal to the aggregate of the amount paid up on the allotted or issued share capital of the Company and the amount standing to the credit of the capital and revenue reserves of the Company (whether or not distributable) after adding thereto or deducting therefrom any balance to the credit or debit of the profit and loss account.

The Board believes that there may be opportunities to invest in companies that seek pre-IPO funds, participation in which would be in the interest of Shareholders. The Board, therefore, proposes to amend the investment policy to include the following:

"Investments may also be taken in unquoted companies where the management view an initial public offering (IPO) on AIM or PLUS as being a short to medium term objective."

Accordingly, Shareholders are being asked at the Extraordinary General Meeting to approve a change to the Company's investment policy relating to investing in pre-IPO companies.

Dividend Policy

The Company has established a practice of paying twice yearly dividends of 2.5p, which equates to a yield of 7.2 per cent. at the share price of 69.75p (as at 5 July 2010). Currently the Board is restricted in paying dividends due to insufficient reserves, however following the merger and as soon as cancellation of the share premium account and capital redemption reserve has been completed (which is expected to be received at the end of July 2010), the Board intends to continue its policy of paying a steady income stream, with increases in line with the returns of the portfolio, as a means of providing value to Shareholders.

Share Issue and Buy-back Authorities

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

The Company also proposes to renew and increase its authorities at the Extraordinary General Meeting to issue Shares (having disapplied pre-emption rights) for the purposes of the Offer and other general purposes and make market purchases of Shares.

Cancellation of the Share Premium Account and the Capital Redemption Reserve

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

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

The Company has completed previous cancellations of its share premium, and the special reserve created by such cancellation has assisted the Company in writing off losses, enhancing the ability to make distributions and buying back Shares. The Restructuring will create additional capital redemption reserves and the issue of New Shares pursuant to the Scheme and the Offer will result in the creation of further share premium.

The Board considers it appropriate to obtain approval of Shareholders at the Extraordinary General Meeting to cancel the share premium account and the capital redemption reserve to create (subject to court sanction) further distributable reserves to fund distributions to Shareholders and buy-backs, to set off or write off losses and for other corporate purposes of the Company.

Extension of the life of the Company

In light of the Offer and to ensure that the Company can look forward to a successful long-term future, it is proposed to extend the Company's life beyond the minimum five year holding period that applies to investors who wish to obtain upfront income tax relief. A resolution is, therefore, being proposed at the Extraordinary General Meeting to extend the life of the Company to 2016. The Board anticipates that it will put an equivalent resolution to Shareholders annually to preserve the ability of the Company to conduct future fundraisings.

Taxation

The following paragraphs apply to the Company and to persons holding Shares as an investment in the Company who are the absolute beneficial owners of such Shares and are resident in the UK. They may not apply to certain classes of persons such as dealers in securities. The information is based on current UK law and practice, is subject to changes therein, is given by way of general summary and does not constitute legal or tax advice. If you are in any doubt about your position, or if you may be subject to tax in a jurisdiction other than the UK, you should consult your independent financial adviser.

The Restructuring, and the associated repurchase of Deferred Shares, will not constitute a disposal of the existing Shares held in the Company for the purposes of UK taxation. Instead, the resulting ordinary share of 1p each will be treated as having been acquired at the same time and at the same cost as the full original holding of an ordinary share of 50p each from which it arises. Any income tax relief or capital gains tax deferral obtained on subscription will attach to the resulting ordinary share of 1p. No UK stamp duty will be payable as a result of the Restructuring.

The implementation of the Scheme should not affect the status of the Company as a VCT or the reliefs obtained by Shareholders on subscription for existing Shares. Although the Company will be required to pay UK stamp duty on the transfer to it of the assets and liabilities of Phoenix VCT (which form part of the merger costs being allocated to both the Company and Phoenix VCT), no UK stamp duty will be payable directly by Shareholders as a result of the implementation of the Scheme.

Clearances to the above effect have been obtained from HMRC under section 701 ITA 2007 and section 138 TCGA 1992, as well as pursuant to the VCT provisions.

Extraordinary General Meeting

Notice of the Extraordinary General Meeting is set out at the end of this document. The Extraordinary General Meeting will be held at 2.00 p.m. on 4 August 2010 at 8 Angel Court, London EC2R 7HP.

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

Resolution 1 is a composite resolution to effect the Restructuring and amendment to the Articles.

Paragraph 1.1 of Resolution 1 will approve the subdivision of each ordinary share of 50p into one ordinary share of 1p and one Deferred Share of 49p.

Paragraph 1.2 of Resolution 1 will approve the repurchase of the Deferred Shares.

Paragraph 1.3 of Resolution 1 will approve the amendment of the existing Articles and the subsequent adoption of new Articles.

Resolution 2 is a composite resolution to approve the merger with Phoenix VCT and issue New Shares in connection therewith and is conditional on the passing of Resolution 1.

Paragraph 2.1 of Resolution 2 will approve the acquisition of all of the assets and liabilities of Phoenix VCT pursuant to the Scheme.

Paragraph 2.2 of Resolution 2 will authorise the Directors pursuant to Section 551 CA 2006 to allot New Shares in the Company up to an aggregate nominal value of £115,000 (representing 37.2 per cent. of the issued Share capital of the Company as at 8 July 2010, this being the latest practicable date prior to publication of this document) in connection with the Scheme. The authority conferred by paragraph 2.2 of Resolution 2 will expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities.

Resolution 3 is a composite resolution to renew and increase allotment and repurchase authorities and is conditional on the passing of Resolution 1.

Paragraph 3.1 of Resolution 3 will authorise the Directors pursuant to Section 551 CA 2006 to allot Shares in the Company up to an aggregate nominal value of £150,000 (representing 48.5 per cent. of the issued Share capital of the Company as at 8 July 2010, this being the latest practicable date prior to publication of this document) for the purpose set out in paragraph 3.2 of Resolution 3. The authority conferred by paragraph 3.1 of Resolution 3 will expire on the fifth anniversary of the date of the passing of this resolution unless renewed, varied or revoked by the Company in general meeting and will be in addition to existing authorities. At the date of this document the Board intends to utilise this authority in the next 12 months for the purposes of the Offer.

Paragraph 3.2 of Resolution 3 will disapply pre-emption rights in respect of the allotment of Shares (i) up to an aggregate nominal value of £150,000 in connection with the Offer and (ii) up to 10 per cent. of its enlarged issued share capital from time to time, the proceeds of which may be used, in part or whole, to purchase the Company's own Shares. The authority conferred by paragraph 3.2 of Resolution 3 will expire on the conclusion of the annual general meeting of the Company to be held in 2011 and will be in addition to existing authorities.

Paragraph 3.3 of Resolution 3 will authorise the Company to make market purchases of up to 9,000,000 Shares (representing approximately 14.99 per cent. of the maximum expected share capital following the merger and the Offer). Any Shares bought back under this authority will be at such price determined by the Board, but in accordance with the Listing Rules, and may be cancelled or held in treasury as may be determined by the Board. The authority conferred by paragraph 3.3 of Resolution 3 will expire on the conclusion of the annual general meeting of the Company to be held in 2011 and will be in addition to existing authorities.

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

Resolution 5 will authorise the cancellation of the capital redemption reserve of the Company at the date an order is made confirming such cancellation by the court.

Resolution 6 will approve the amendment of the existing investment policy of the Company to allow investment in unquoted companies where the management view an initial public offering (IPO) on AIM or PLUS as being a short to medium term objective.

Resolution 7 will approve the Company continuing in being as a venture capital trust until 2016.

Resolutions 1 to 5 will be proposed as special resolutions requiring the approval of 75 per cent. of the votes cast at the Extraordinary General Meeting. Resolutions 6 and 7 will be proposed as ordinary resolutions requiring the approval of at least 50 per cent. of the votes cast at the Extraordinary General Meeting.

Action to be taken

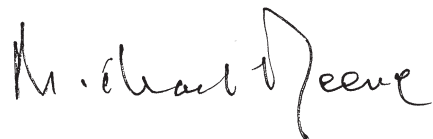
Before taking any action, you are recommended to read the further information set out in this document.

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

Recommendation

The Board is of the opinion that the Proposals and all resolutions to be proposed at the Meeting are in the best interests of the Shareholders as a whole and unanimously recommends you to vote in favour of the resolutions to be proposed at the Extraordinary General Meeting as they intend to do in respect of their own holdings of 86,101 Shares, representing approximately 0.30 per cent. of the issued voting share capital of the Company (ie excluding Shares held in treasury).

Yours faithfully

A handwritten signature in black ink that reads "Michael Reeve". The signature is written in a cursive style with a large, stylized 'R'.

Michael Reeve
Chairman

PART IV – THE SCHEME

1. Definitions and Interpretation

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

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

2. Provision of Information

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

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

3. Transfer Agreement

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

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

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

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

Phoenix VCT

The Roll-Over Value will be calculated as:

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

where:

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

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

C = Phoenix VCT's *pro rata* proportion (by reference to the relative Roll-Over Value and Merger Value, but ignoring merger costs) of the costs of the merger plus £10,000 (representing an amount of contingency to cover any unforeseen additional costs attributable to Phoenix VCT incurred by the Company, which will indemnify the Liquidators in respect of all costs of Phoenix VCT following the transfer on the Effective Date);

- D = the amount estimated to be required to purchase the holdings of Phoenix VCT Shares from dissenting Phoenix VCT shareholders; and
- E = the number of Phoenix VCT Shares in issue as at close of business on the Record Date (save for any Phoenix VCT Shares held by dissenting Phoenix VCT shareholders).

The Company

The Merger Value will be calculated as follows:

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

where:

- F = the unaudited net asset value of the Company as at close of business on the Calculation Date, calculated in accordance with the Company's normal accounting policies;
- G = any adjustment that both the Phoenix VCT Board and the Board consider appropriate to reflect any other actual or contingent benefit or liability of the Company (including dividends to be paid);
- H = the Company's *pro rata* proportion (by reference to the relative Roll-Over Value and Merger Value, but ignoring merger costs) of the costs of the merger; and
- I = the number of the Shares in issue as at close of business on the Record Date.

New Shares to be issued to Phoenix VCT shareholders

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

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

Where:

- J = the Roll-Over Value;
- K = the Merger Value; and
- E = the number of Phoenix VCT Shares in issue as at close of business on the Record Date (save for any Phoenix VCT Shares held by dissenting Phoenix VCT shareholders).

The number of New Shares to be issued pursuant to the Scheme will not be greater than 11,500,000 and will be issued directly to Phoenix VCT shareholders pro-rata to their existing holdings (disregarding Phoenix VCT Shares held by dissenting Phoenix VCT shareholders) on the instruction of the Liquidators.

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

Where Phoenix VCT shareholders hold their Phoenix VCT Shares in certificated form, they will receive a new certificate for the New Shares issued and existing certificates will no longer be valid.

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

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

5. Modifications

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

6. Reliance on Information

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

7. Liquidators' Liability

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

8. Conditions

The Scheme is conditional upon:

- the passing of Resolutions 1 and 2 to be proposed at the Extraordinary General Meeting and the Restructuring having been completed;
- notice of dissent not having been received from Phoenix VCT shareholders holding more than 10 per cent. in nominal value of its issued Share capital under Section 111, IA 1986 (this condition may be waived by the Phoenix VCT Board); and
- the passing of the resolutions to be proposed at the Phoenix VCT Meetings.

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

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

9. Dissenting Phoenix VCT Shareholders

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

10. Governing Law

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

PART V – AMENDMENTS TO THE ARTICLES

General

The proposed amendments to the current Articles (for the purposes of this Part V, the “Current Articles”) reflect changes in the law under the CA 2006 that came into force between 2007 and 2009, as amended by the Companies (Shareholders’ Rights) Regulations 2009 (“the Shareholders’ Rights Regulations”) and to make certain clarifying and conforming changes.

1. General

The proposed amendments to the current Articles (for the purposes of this Part V, the “Current Articles”) reflect changes in the law under the CA 2006 that came into force between 2007 and 2009, as amended by the Companies (Shareholders’ Rights) Regulations 2009 (“the Shareholders’ Rights Regulations”) and to make certain clarifying and conforming changes.

2. The Company’s Objects

The provisions regulating the operations of the Company are currently set out in the Current Articles and the Memorandum of Association (“Memorandum”). The Company’s Memorandum contains the objects clause which sets out the scope of the activities the Company is authorised to undertake. This clause is drafted to give a wide scope.

Under the Companies Act 2006, the objects clause and all other provisions which are currently contained in a company’s Memorandum, are from 1 October 2009, deemed to be contained in a company’s articles and can be removed by special resolution.

The Companies Act 2006 further states that unless a company’s articles provide otherwise, a company’s objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause, together with all other provisions of its Memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company’s Articles as of 1 October 2009. The limited liability of members will be preserved in the New Articles. Resolution 1 confirms the removal of these provisions for the Company.

3. Authorised Share Capital

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the Current Articles are being amended to reflect this. The Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006.

4. Share Warrants

The New Articles contain a power for the Directors to issue share warrants to bearer, though the Directors have no present intention of exercising that power.

5. Redeemable Shares

At present if a company wishes to issue redeemable shares, it must include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles will contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would seek shareholders’ authority to issue new shares in the usual way.

6. Authority to Purchase Own Shares etc

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

7. Uncertificated Securities

The Current Articles are being updated to permit and deal with the transfer and holding of shares in the Company in uncertificated form, such as through CREST, in line with market practice.

8. Registration of Share Transfers

The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006, share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement and therefore is being removed.

9. Convening Extraordinary and Annual General Meetings

The New Articles remove provisions in the Current Articles dealing with notice of general meetings on the basis that this is dealt with in the Companies Act 2006. Annual general meetings must be held on 21 clear days' notice. The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings (other than annual general meetings) unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 days has been passed.

10. Orderly Conduct of General Meetings

The New Articles will also provide the Directors and the chairman of any general meeting with the power to make arrangements for good order at general meetings and to ensure the safety and security of attendees. The New Articles also permit general meetings to be held at several locations and to allow participation in general meetings by electronic means.

11. Adjournments for Lack of Quorum

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be reconvened at least 10 clear days after the original meeting. The Current Articles have been changed to reflect this requirement.

12. Votes of Members and Proxies

Under the Companies Act 2006 makes various changes relating to proxies. First, proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. Second, the time limits for the appointment or termination of a proxy appointment have been altered that articles of association cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, not taking account of days which are not working days for this purpose. Thirdly, multiple proxies may be appointed by a shareholder provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

13. Chairman's Casting Vote

The New Articles remove the provision in the Current Articles giving a chairman of a general meeting a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

14. Voting Record Date

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The Current Articles have been amended to reflect this requirement.

15. Corporate Representatives

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple proxies and multiple representatives appointed by the same member to vote in different ways on a show of hands and a poll. The New Articles contain provisions which reflect these amendments.

16. Change of Name

Currently, the Company can only change its name by special resolution. The Companies Act 2006 additionally allows directors to resolve to change a company's name, provided they are so authorised by the company's articles. The New Articles will give the Directors this power.

17. Board Meetings

Directors, and their alternates, who are absent from the United Kingdom will now be entitled to notice of board meetings provided they supply an email address. The New Articles also expand the ability of the Board to hold meetings by telephonic or other electronic means.

18. Directors' Interests

Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The amendment proposed to the Articles gives the Directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when Directors decide whether to authorise a conflict or potential conflict. First, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the Directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

The proposed amendment to the Articles contains provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a Director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the Directors.

19. Use of Seals

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when a document may be signed by the Company acting by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors.

20. Payment of Dividends

The New Articles update the provisions of the Current Articles in relation to the payment of dividends, in particular to allow dividends, where shareholders agree, to be paid by direct transfer or electronic or other means and/or to be paid in a currency other than sterling.

21. Scrip Dividends

The provisions of the Current Articles dealing with scrip dividends are being updated inline with market practice although the directors have no present intention of introducing a scrip dividend scheme.

22. Electronic and Web Communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles will permit communications to members in electronic form and, in addition, they will also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of electronic or website communications, the

relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by those means. In the case of website communication, the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information. Generally the New Articles update the provisions of the Current Articles dealing with notices and other documents.

23. Indemnity, Insurance and Defence Expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. The New Articles reflect these new provisions.

24. Duration of the Company

The provision requiring the Board to put a resolution to Shareholders to continue as a VCT has been updated in the New Articles such that the resolution will be proposed at the annual general meeting in 2015 (or such other date as the Company may by ordinary resolution determine) reflecting the approval by Shareholders to continue as a VCT until 2015. Resolution 7 to be proposed at the Extraordinary General Meeting will, if passed, approve the Company continuing in being as a VCT until 2016 and the Board's intention is to put an equivalent resolution to Shareholders annually for the following six-year period to accommodate investors who invest in new Shares for whom income tax relief requires a five-year holding period.

25. Deferred Shares

Pursuant to the Restructuring, Deferred Shares will be created which will have the following rights and restrictions:

- (a) Dividends – the Deferred Shares will have the right to receive a fixed cumulative preferential dividend from the revenue profits of the Company which are available for distribution and which the Directors determine to distribute by way of dividend in priority to any dividend payable on the other Shares at the rate of 1p per annum in aggregate to be paid amongst the holder of Deferred Shares as a class. The Deferred Shares will carry no further right to a dividend.
- (b) Voting – the Deferred Shares will not have any rights to receive notice of, attend or vote at a general meetings.
- (c) Return of Capital – the Deferred Shares will have on a winding-up, a preferential right to be paid out of the assets available for distribution an amount equal to 1p for all the Deferred Shares prior to the surplus being distributed to the holders of Shares. The Deferred Shares shall have no further rights to participate in any surplus assets of the Company.
- (d) Purchase by the Company – the Deferred Shares shall be capable of being purchased by the Company at any time for an aggregate consideration of 1p (and for such purpose the Directors may authorise any person to execute on behalf of and as agent for the holders of the Deferred Shares an appropriate contract and may deliver it for them on their behalf) and each Deferred Share so purchased or then unissued shall thereafter be cancelled without any further resolution or consent.
- (e) General – the Company shall not be obliged to (i) issue share certificates in respect of the Deferred Shares, (ii) give any prior notice to the holders of Deferred Shares that such shares are to be purchased in accordance with the Articles or (iii) account to any holder of Deferred Shares for the purchase money in respect of the purchase of such shares.

26. Other

Generally the opportunity has been taken to bring clearer language into the New Articles; to update the Current Articles, to take account of other legislative changes which do not have a material impact and in some areas to conform the language of the New Articles with that used in the model articles for public companies produced by the Department for Business, Innovation and Skills.

PART VI – ADDITIONAL INFORMATION

1. Responsibility

The Company and 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 Company and 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 8 July 2010 (this being the latest practicable date prior to the publication of this document), the authorised and issued share capital of the Company was as follows:

	Authorised		Issued and fully paid*	
	No. of Shares	£	No. of Shares	£
Shares (50p each)	70,000,000	35,000,000	30,925,417	15,462,708.50

(*including Shares held in treasury.)

- 2.2 As at 8 July 2010 (this being the latest practicable date prior to the publication of this document), no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option, and the Company held 1,899,774 Shares 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:

- Michael Reeve (Chairman)
- Roger Smith
- Stephen Hazell-Smith

all of 8 Angel Court, London EC2R 7HP (the registered office and principal place of business of the Company).

- 3.2 As at 8 July 2010 (this being the latest practicable date prior to publication of this document), the interests of the Directors (and their immediate families) and the directors of Phoenix VCT in the issued share capital of the Company and Phoenix VCT were as follows:

Director	Company		Phoenix VCT	
	Shares	% of issued voting share capital*	Phoenix VCT Shares	Phoenix VCT issued share capital
Michael Reeve	6,959	0.02	–	–
Stephen Hazell-Smith	79,142	0.27	25,500	0.14
Roger Smith	–	–	–	–
Matthew Cooper	–	–	10,300	0.06
Tony Morgan	–	–	3,060	0.02

(*excludes Shares held in treasury.)

- 3.3 The Directors were appointed under letters of appointment dated 2 February 1998 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 nor have any amounts been set aside to provide pension, retirement or similar benefits. Roger Smith and Stephen Hazell-Smith are entitled to annual fees of £18,340 each and Michael Reeve (as Chairman) is entitled to £24,500. Fees paid to the Directors in respect of the year ended 28 February 2010 were £61,180 (plus applicable employers National Insurance Contributions). Aggregate emoluments for the current year are also expected to be £61,180 (plus applicable employers National Insurance Contributions).

- 3.4 There are no potential conflicts of interest between the duties of any Director and their private interests and/or duties.
- 3.5 Other than disclosed in this paragraph 3, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company in the years ended 29 February 2008 and 28 February 2009 and 2010 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 8 July 2010 (this being the latest practicable date prior to publication of this document), the Company is not aware of any person who, immediately following the issue of the New Shares pursuant to the Scheme and/or Offer, directly or indirectly, has or will have an interest in the Company's capital or voting rights which is notifiable under UK law (under which, pursuant to CA 2006 and the Listing Rules and the Disclosure & Transparency Rules of the FSA, a holding of 3 per cent. or more must be notified to the Company).

5. Material Contracts

- 5.1 Save as disclosed in this paragraph 5.1, the Company has not entered, other than in the ordinary course of business, into any contract which is or may be material to the Company within the two years immediately preceding the publication of this document or into any contract containing provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

- 5.1.1 A discretionary investment management agreement dated 3 February 1998 between the Company (1) and Close Investment Limited (2), which was supplemented by a supplemental discretionary investment management agreement dated 19 September 2000, which was novated to Octopus pursuant to a novation agreement dated 29 July 2008 and varied by a deed of variation dated 8 July 2010, pursuant to which Octopus provides certain investment management services and administration and secretarial services to the Company for a fee payable quarterly in arrears of an amount equivalent to 2 per cent. per annum (exclusive of VAT, if any) of the NAV of the Company calculated in accordance with the Company's normal accounting policies.

The agreement is terminable on 12 months' notice by either party subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the agreement or by the Company if it fails to become, or ceases to be, a VCT for tax purposes or where Octopus ceases to be authorised by the FSA, ceases to be a resident in the UK or if there is a change in control of Octopus.

The agreement contains provisions indemnifying Octopus against any liability not due to its default, gross negligence, fraud or breach of the FSMA.

- 5.1.2 A letter of engagement dated 28 April 2010 between the Company and Charles Stanley Securities, pursuant to which Charles Stanley Securities will act as sponsor to the Company for the purposes of the merger and the Offer. Under the letter of engagement, which may be terminated by Charles Stanley Securities in certain circumstances, certain warranties have been given by the Company. The Company has also agreed to indemnify Charles Stanley Securities in respect of its role as sponsor. The warranties and indemnity are in usual form for a contract of this type. The agreement may be terminated if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

- 5.1.3 A sponsorship and promoter's agreement dated 8 July 2010 between the Company (1), the Directors (2), Charles Stanley (3) and Octopus (4) whereby Octopus has agreed to act as promoter in connection with the Offer and Charles Stanley have agreed to act as sponsor in connection with the Offer. The agreement contains warranties given by the Company and the Directors to Octopus and Charles Stanley and from Octopus to the Directors and Charles Stanley. The Company will pay to Octopus a commission of 5.5 per cent. of the gross amount subscribed under the Offer out of which will be paid all costs, charges and expenses of or incidental to the Offer including the fees of Charles Stanley in connection with the Offer.

- 5.2 The following contracts will be entered into, subject, *inter alia*, to the approval by Shareholders of Resolution 2 and the Scheme becoming effective:

- 5.2.1 A transfer agreement between the Company and Phoenix VCT (acting through the Liquidators) pursuant to which all of the assets and liabilities of Phoenix VCT will be transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for New Shares in accordance with Part IV of this document. The Liquidators will further agree under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets of Phoenix VCT will be transferred on receipt to the Company as part of the Scheme. This agreement will be entered into as part of the Scheme.
- 5.2.2 An indemnity from the Company to the Liquidators pursuant to which the Company will indemnify the Liquidators for expenses and costs incurred by them in connection with the Scheme. A liquidation fee has been agreed (including an amount representing contingency) and taken into account in the merger calculations. This agreement will be entered into as part of the Scheme.

6. General

- 6.1 The Company, formerly known as Close Brothers AIM VCT plc, was incorporated and registered in England and Wales under CA 1985 as a public company with limited liability on 8 December 1997 with registered number 03477519. 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 Octopus AIM VCT plc. The Company is domiciled in England.
- 6.2 Statutory accounts of the Company for the year ended 29 February 2008 in respect of which the then Company's auditors, Deloitte & Touche LLP, made an unqualified report under Section 235 CA 1985, and statutory accounts of the Company for the years ended 28 February 2009 and 2010 in respect of which the Company's auditors, PKF (UK) LLP, have made unqualified reports under Section 235 CA 1985/Section 495 CA 2006, have been delivered to the Registrar of Companies and such reports did not contain any statements under Sections 237(2) or (3) CA 1985/Section 495 to Section 497A CA 2006 (as applicable).
- 6.3 Save for the fees paid to Octopus under the arrangements set out at paragraph 5.1, the fees paid to the Directors as detailed in paragraph 3.3 above and fees paid to Close Investments Limited (as the former manager of the Company) of £309,000 (for the period 1 March 2008 to 31 July 2008), there were no related party transactions or fees paid by the Company during the years ended 29 February 2008 and 28 February 2009 and 2010 or to the date of this document in the current financial year.
- 6.4 The Company has no employees or subsidiaries.
- 6.5 There has been no significant change in the financial or trading position of the Company since 28 February 2010, the date to which the last audited financial statements of the Company have been published, to the date of this document.
- 6.6 During the financial years ended 28 February 2009 and 2010 the Company paid dividends totalling £2,245,158 and undertook share repurchases of 2,052,421 shares for a total consideration of £1,460,991, both of which were not carried out in a manner consistent with the requirements of the CA 2006. At the extraordinary general meeting of the Company held on 1 July 2010 resolutions were passed to remedy such dividends and share buybacks by cancelling the Company's share premium account and capital redemption reserve, subject to sanction by the High Court which is expected to be received at the end of July 2010.
- 6.7 The Company is not and has not at any time in the 12 months immediately preceding the date of this document been involved in any governmental, legal or arbitration proceedings (and the Company is not aware of any such proceedings being pending or threatened) which may have, or have had, a significant effect on the Company's financial position or profitability.
- 6.8 Charles Stanley Securities has given and not withdrawn its written consent to the issue of this document and the inclusion of its name and the references to it in this document in the form and context in which they appear.

7. 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:

- 7.1 the memorandum and articles of association of the Company (existing and those proposed to be adopted at the Extraordinary General Meeting);
- 7.2 the audited report and accounts of the Company for the financial years ended 29 February 2008 and 28 February 2009 and 2010;
- 7.3 the audited report and accounts of Phoenix VCT for the financial years ended 31 October 2007, 2008 and 2009;
- 7.4 the unaudited interim report of Phoenix VCT for the six month period ended 30 April 2010;
- 7.5 the material contracts referred to in paragraph 5 above (the contracts referred to at paragraph 5.2 being subject to non-material amendment);
- 7.6 the consent referred to at paragraph 6.8 above;
- 7.7 the Phoenix VCT Circular dated 9 July 2010;
- 7.8 the Prospectus dated 9 July 2010; and
- 7.9 this document.

9 July 2010

OCTOPUS AIM VCT PLC

(Registered in England and Wales with registered number 03477519)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting of Octopus AIM VCT plc (“the Company”) will be held at 2.00 p.m. on 4 August 2010 at 8 Angel Court, London EC2R 7HP for the purposes of considering and, if thought fit, passing the following resolutions, of which resolution 1 to 5 will be proposed as special resolutions and resolutions 6 and 7 will be proposed as ordinary resolutions:

Special Resolutions

1. That:
 - 1.1 each of the issued and unissued ordinary shares of 50p each in the Company be and they hereby are subdivided into one ordinary share of 1p in the Company (“Shares”) and one deferred share of 49p in the Company (“Deferred Shares”), each having the rights and restrictions set out in the articles of association to be adopted pursuant to paragraph 1.3.2 of this resolution;
 - 1.2 the Company, acting by its Directors, be and hereby is authorised to enter into a contract to purchase all the issued Deferred Shares in accordance with the Articles to be adopted pursuant to paragraph 1.3.2 of this resolution (in the form tabled at the meeting and initialled by the chairman for the purposes of identification and which as at the date of the meeting has been on display at the Company’s registered office and available for inspection by members for not less than 15 days), such authority to expire 18 months’ from the date of the passing of this resolution; and
 - 1.3 the existing articles of association of the Company:
 - 1.3.1 be amended by deleting all the provisions of the Company’s memorandum of association which, by virtue of section 28 of the Companies Act 2006 (“Act”), are to be treated as provisions of the articles of association; and
 - 1.3.2 be substituted by the articles of association produced to the meeting and initialled by the chairman for identification and such articles of association hereby are adopted as the articles of association in place of the existing articles of association of the Company.
2. That, subject to the passing of Resolution 1 and the Scheme (as defined in and provided for in the circular to shareholders dated 9 July 2010 (“Circular”) becoming unconditional:
 - 2.1 the acquisition of the assets and liabilities of Octopus Phoenix VCT plc on the terms set out in the Circular be and hereby is approved; and
 - 2.2 in addition to existing authorities, to the extent unused, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Shares and to grant rights to subscribe for or to convert any security into Shares in the Company (“Rights”) up to an aggregate nominal amount of £115,000 in connection with the Scheme (as defined in the Circular), provided that the authority conferred by this paragraph 2.2 shall expire on the fifth anniversary of the date of the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting).
3. That, subject to the passing of Resolution 1:
 - 3.1 in addition to existing authorities and the authority conferred by paragraph 2.2 of Resolution 2, to the extent unused, the directors of the Company be and hereby are generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Shares in the Company and to grant Rights to subscribe for or to convert any security into Shares in the Company up to an aggregate nominal amount of £150,000, provided that, the authority conferred by this paragraph 3.1 shall expire on the fifth anniversary of the date of the passing of this resolution (unless renewed, varied or revoked by the Company in a general meeting) but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry;
 - 3.2 in addition to existing authorities, the directors be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of the Act) for cash pursuant to

the authority given pursuant to paragraph 3.1 of this resolution or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 3.2 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011 and provided further that this power shall be limited to:

- 3.2.1 the allotment and issue of Shares up to an aggregate nominal value representing £150,000 in connection with the Offer (as defined in the Circular);
- 3.2.2 the allotment and issue of Shares up to an aggregate nominal value representing 10 per cent. of the issued share capital of the Company from time to time, where the proceeds may in whole or part be used to purchase Shares; and
- 3.3 in addition to existing authorities, the Company be and hereby is empowered to make one or more market purchases within the meaning of section 693(4) of the Act of its own Shares (either for cancellation or for the retention as treasury shares for future re-issue or transfer) provided that:
 - 3.3.1 the aggregate number of Shares which may be purchased shall not exceed 9,000,000;
 - 3.3.2 the minimum price which may be paid per Share is 1p, the nominal value thereof;
 - 3.3.3 the maximum price which may be paid per Share is an amount equal to the higher of (a) 105 per cent. of the average of the middle market quotation per Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Share is to be purchased; and (b) the amount stipulated by Article 5(1) of the Buy Back and Stabilisation Regulation 2003;
 - 3.3.4 the authority conferred by this paragraph 3.3 shall expire on the conclusion of the annual general meeting of the Company to be held in 2011, unless such authority is renewed prior to such time; and
 - 3.3.5 the Company may make a contract to purchase Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of such Shares.
4. That the amount standing to the credit of the share premium account of the Company, at the date an order is made confirming such cancellation by the court, be and hereby is cancelled.
5. That the amount standing to the credit of the capital redemption reserve of the Company, at the date an order is made confirming such cancellation by the court, be and hereby is cancelled.

Ordinary Resolutions

6. That the investment policy of the Company be amended such that investments can be in unquoted companies where the management view an initial public offering (IPO) on AIM or PLUS as being a short to medium term objective.
7. That the Company continue in being as a venture capital trust until 2016.

Dated 9 July 2010

By order of the Board

Celia Whitten FCIS
Secretary

Registered Office:
8 Angel Court
London
EC2R 7HP

Notes:

1. Each director has an appointment letter with the Company, a copy of which will be available for inspection at the meeting. The Articles to be adopted pursuant to paragraph 1.3.2 of Resolution 1 and the contract to purchase Deferred Shares referred to in paragraph 1.2 of Resolution 1 will be on display at the Company's registered office and at the meeting and will be available for inspection from the date of this notice through to the close of the meeting.
2. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast in accordance with Regulation 41 of the Uncertified Securities Regulation 2001), members must be registered in the register of members of the Company at 5.00 pm on 2 August 2010 (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 between 9.00 am and 5.00 pm (GMT) Monday to Friday on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0321) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice. A member should indicate in the box next to the proxy holder's name the number of shares in relation to which the proxy is authorised to act as the member's proxy. A member should also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given.
5. A form of proxy is attached to this document and a reply paid envelope is enclosed. To be valid, it should be lodged with the Company's registrar, Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU so as to be received not later than 2.00 p.m. on 2 August 2010 48 hours before the time appointed for any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. A member may return a proxy form in their own envelope with the address FREEPOST RSBH-UXKS-LRBC, PXS, 34 Beckenham Road, Beckenham BR3 4TU.
6. As at 8 July 2010 (being the last business day prior to the publication of this notice), the Company's issued voting share capital was 31,983,219 shares, each carrying one vote each. Therefore, the total voting rights in the Company as at 8 July 2010 was 31,983,219.
7. In accordance with section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the Companies Act 2006.
8. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, in accordance with section 149(2) of the Companies Act 2006 and under an agreement between him/her and the member by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
9. As an alternative to returning the hard-copy proxy form by post, you can appoint a proxy by sending the proxy form by fax to Octopus Investments Limited on 020 7657 3338. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.
10. 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.
11. If a corporate shareholder has appointed a corporate representative, the corporate representative will have the same powers as the corporation could exercise if it were an individual member of the Company. If more than one corporate representative has been appointed, on a vote on a show of hands on a resolution, each representative will have the same voting rights as the corporation would be entitled to. If more than one authorised person seeks to exercise a power in respect of the same shares, if they purport to exercise the power in the same way, the power is treated as exercised; if they do not purport to exercise the power in the same way, the power is treated as not exercised.

12. 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.
13. Information regarding the meeting is also available on the website, of Octopus Investments Limited, www.octopusinvestments.com.

**PROXY FOR THE EXTRAORDINARY GENERAL MEETING
OCTOPUS AIM VCT PLC**

I/We
(Block Capitals Please)

of.....

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

for the following number of ordinary shares

to act as my/our proxy to vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at 8 Angel Court, London EC2R 7HP at 2.00 p.m. on 4 August 2010 (see note 1 below) and at every adjournment thereof and to vote for me/us on my/our behalf as directed below.

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

The proxy is directed to vote as follows:

Special Resolutions		For	Against	Vote Withheld
Resolution 1.	Composite resolution to approve the restructuring of the share capital, purchase of deferred shares, the amendment of the memorandum of association and adoption of new articles of association.			
Resolution 2.	Composite resolution to approve of the acquisition of the assets and liabilities of Octopus Phoenix VCT plc pursuant to a scheme of reconstruction and authority to issue shares in connection with the scheme.			
Resolution 3.	Composite resolution to renew and increase share allotment and buy-back authorities.			
Resolution 4.	Cancellation of the share premium account.			
Resolution 5.	Cancellation of the capital redemption reserve.			
Ordinary Resolution				
Resolution 6.	Amendment of the investment policy.			
Resolution 7.	To continue the Company as a venture capital trust until 2016.			

Signature Dated2010

Notes:

- The notice of the Extraordinary General Meeting is set out in the circular to shareholders of the Company dated 9 July 2010.
- If any other proxy is preferred, strike out the words "Chairman of the Extraordinary General Meeting" and add the name and address of the proxy you wish to appoint. The proxy need not be a member.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. 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' between 9.00 am and 5.00 pm (GMT) Monday to Friday on telephone number 0871 664 0321 or, if telephoning from outside the UK, on +44 20 8639 3399. Calls to Capita Registrars' helpline (0871 664 0321) are charged at 10p per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. For legal reasons, Capita Registrars will be unable to give advice on the merits of the proposals or provide financial, legal, tax or investment advice.
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 Limited, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than forty-eight hours before the time appointed for holding the Extraordinary General Meeting or adjournment as the case may be.
- As an alternative to returning this hard-copy proxy form by post, you can appoint a proxy by sending this proxy form by fax to Octopus Investments Limited on 020 7657 3338. For the proxy appointment to be valid, your appointment must be received by Octopus Investments Limited in such time as it can be transmitted to the registrars of the Company so as to be received no later than 48 hours before the time appointed for the meeting or any adjourned meeting, or in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll. Capita Registrars will not be liable for any proxy forms rendered illegible by means of fax transmission.
- The completion of this form will not preclude a member from attending the Extraordinary General Meeting and voting in person.



