Oxford Technology 3 VCT

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Dear Shareholder,

I am delighted to be writing to you today enclosing details of the proposed merger of Oxford Technology VCT 3 Plc (OT3), Oxford Technology 4 VCT Plc (OT4) and Oxford Technology VCT Plc (OT1) into Oxford Technology 2 VCT Plc (OT2) (and together the OT VCTs). There is also an offer for subscription for a new class of leisure shares (Leisure Shares) in OT2 to raise up to £20 million (Offer) under a new manager, Edition Capital Investments Limited (Edition). For those who have asked to receive their documentation in paper format, a Circular is enclosed. Otherwise, all documentation can be downloaded from www.oxfordtechnologyvct.com. Proxy forms are also enclosed with this letter and the Directors would urge you to return your proxies, supporting the resolutions so that the merger can proceed. Please note there are two colour-coded proxy forms, one for each of two general meetings required for the Offer to proceed (white proxy for the first general meeting; pink proxy for the second general meeting).

Such a transaction has been a long time coming. Shareholders will be aware that not only is OT3 one of the older VCTs, it remains one of the smallest as measured by various metrics: net asset value, market capitalisation and number of portfolio companies. The boards of directors of all four OT VCTs have previously stated that it would be preferable to have a larger asset base to share their operating costs due to the relentless upward trajectory of regulatory costs, the ongoing challenges of maintaining VCT status and the very small size of each of the OT VCTs. Either a merger or fund raise has the potential to become transformational, but an opportunity to do both maximises the benefits to shareholders.

You will be aware from previous communications that the structure of the proposed merger is that shareholders of each existing individual OT VCT will retain their existing economic interest in their portfolio (which the boards of the OT VCTs believe is most equitable), as the net assets brought in from OT3, OT1 and OT4 will be held in separate share pools within OT2. There will also be a fund raising by Edition, the proposed new manager of OT2, who is an experienced EIS fund manager. Edition believes that now is an opportune time to expand its offering to include a venture capital trust, and teaming up with an existing VCT provides benefits as described in the OT2 prospectus (Prospectus). Edition continues to experience strong deal flow and is seeing a significant number of high quality private equity investment opportunities, and funds raised under the Offer will allow the enlarged company to take advantage of the continuing flow of these. I hope this Offer for subscription being offered by OT2 will appeal to existing and new investors alike.

We have previously looked at the possibility of merging the funds, but the costs have always been prohibitive and the payback unviable: however, by “riding on the back” of the prospectus required for the fund raise of the new Leisure Share class – which is paid for by Edition – we have been able to substantially reduce the merger cost payable by the OT VCTs who are only paying the incremental costs to merge the funds. The board of directors of OT3 (Board) has estimated the payback period will be between 9 and 36 months, based on the estimated merger costs and annual cost savings post merger (which vary depending on whether and when Leisure Shares are first issued and how many of the other OT VCTs participate in the merger). This is because the arrangements that the board of OT2 (OT2 Board) has agreed with Edition are such that the OT VCT share pools will not pay any fixed costs for an initial three year period (any fees to Oxford Technology Management (OTM) will still be charged to these share pools). In effect, this means that shareholders should incur very little cost drag on their investment for this initial period, whilst hopefully many of the remaining investments can reach value inflection points and be realised. After this three year period, any remaining assets will incur a share of the running costs in proportion to each share class's net asset value, but given the relative sizes of the share pools expected by then, these should be considerably less than the costs currently incurred.

In addition, it will be easier for the enlarged company to maintain compliance with the VCT Rules. This has various benefits, the principal one for the OT3 pool of assets being that less cash will need to be retained across the overall portfolio for working capital (as the cash requirements to run the VCT can be shared across the various pools of assets), representing both an overall saving and making it less likely that assets need to be sold before they have reached a value inflection point. Interestingly, although there may be limited such opportunities in the future, the raising of new capital by Edition may reduce the current restrictions on making follow on investments by the existing share pools imposed by the VCT rules, which would increase flexibility to support investee companies financially. Such investments are only ever considered where the Board determines it will enhance shareholder value.

The structure also provides optimal longevity conditions for those shareholders of OT3 (and OT1/OT2) who deferred a capital gain on their original investment: the raising of funds into the new Leisure Share class will necessarily extend the life of the holding vehicle, now combined into different share classes in OT2. Once the bulk of investments has been sold in the legacy OT VCT share pools and capital has been returned to shareholders, it is currently intended that any remaining rump holdings (which otherwise might have been liquidated at a loss as it would be economically unviable to continue to hold them in a standalone share pool) will be merged with the Leisure Share class (or such other class of shares as the OT2 Board determines at the relevant time).

No transaction is without risks, and the Circular and Prospectus detail those that the directors consider could have an impact on existing shareholders, either as a result of the merger and/or fund raise. These are listed on pages 22 to 25 of the Circular and pages 10 to 14 of the Prospectus. Whilst shareholders should review these carefully, the directors believe the proposals they have outlined, and the resolutions shareholders are asked to support, are in shareholders' best interests as a whole.

All the costs of the proposed Offer for subscription (apart from trail commission to financial intermediaries entitled to it) will be paid by Edition, who are also covering circa £57,000 of the costs specifically related to the merger. Full terms agreed with Edition (in its capacity as manager) that relate to the new Leisure Shares are detailed on pages 52 to 54 of the Prospectus, which also covers details of an ongoing (and lower) cost cap. The positive impact on OT3's shareholders is included above. Full details of the costs, benefits and risks are included in the Circular and in the Prospectus which has today been issued by OT2. Shareholders should read these documents and, if any doubt, contact your normal independent financial adviser.

For shareholders to approve the transaction, there will be two general meetings, each with a single Special Resolution:

1. At the first general meeting (white proxy form), OT3 shareholders will be asked to approve a Special Resolution to authorise the merger. Shareholders of OT1/OT4 will also be asked to approve their respective companies' merger with OT2. The merger of one fund is not dependent on the others, so provided the shareholders of OT2 and OT3 approve the merger, this will proceed, irrespective of any other.

2. Provided shareholders approve the merger at the first general meeting, a second general meeting (pink proxy form) will seek shareholder approval of a further Special Resolution to cancel the listing of OT3 and place it into Members' Voluntary Liquidation. Assuming this is approved, all of the assets and liabilities of OT3 will be transferred to OT2, and new OT2 shares

specific to OT3 shareholders for this transaction (and having rights linked to those assets and liabilities of the OT3 share pool in OT2) will be issued to OT3 shareholders.

It is important that shareholders return their proxies and vote in favour of the resolutions at both of these two meetings, as the merger can only proceed if at least 75% of those voting vote in favour at each general meeting.

OTM's role will remain unchanged until the Leisure Shares are first issued. Once Edition becomes manager of OT2, OTM will continue to be retained, advising the OT2 Board and Edition regarding the portfolios they have worked on to date, but on a reduced fee as they will no longer be providing back office services: this role will be taken on by Edition, as will the role of the AIFM and company secretary. The name of OT2 will also be changed to Edition VCT Plc to reflect the focus of the new share pool.

The first general meeting to approve the above resolutions will be held at 2.30pm on Monday 20 June 2022, followed by the second general meeting at 10.15am on Thursday 30 June 2022. Both meetings are at Magdalen Centre, Oxford Science Park, Oxford, Oxfordshire, OX4 4GA. There will be also a webinar at 10am on Tuesday 7 June 2022 to give shareholders the chance to hear from OTM, Edition and the Board (and from investee company Select Technology) and provide an opportunity to ask questions. To register for one or more events please visit https://tinyurl.com/mtu6s8cf.

We hope you will all support the resolutions to merge the OT VCTs, and that any shareholders looking to make a VCT investment find that the new Leisure Share pool in OT2 is of interest. Edition, as promoter of the Offer for subscription, has agreed to waive their promoter fee in its entirety to shareholders in any of the OT VCTs who subscribe for new Leisure Shares by 30 September 2022 (as detailed on page 42 of the Prospectus), although anyone investing in the Offer may be charged a fee by their own financial adviser. As this would be an investment in a VCT, it should come with the benefit of 30% income tax relief on subscription and tax-free distributions for qualifying shareholders.

We cannot advise on whether shareholders should invest in the Offer in any way and shareholders should read both the Circular and Prospectus before making any decision. If you require any further clarification on the proposals, please attend the webinar on 7 June. Alternatively, please send any requests for clarification to vcts@oxfordtechnology.com. Please note that neither OT3 or any of the other OT VCTs are permitted to give you investment, financial, legal or tax advice. Anyone considering making an investment should only do so having read and considered the detail of the Prospectus in full and then only based on the information contained therein.

The Directors, holding 1.17% of OT3, unanimously support the proposals and will be voting in favour of all resolutions at both general meetings. We ask all shareholders to return their proxy forms for the general meetings, and we hope you will vote in favour of all resolutions.

Thanking you again for your support of your VCT over its 20 year life and in anticipation of your continued support for the enlarged company as the OT3's pool of assets reach final maturity.

Yours faithfully

Robin Goodfellow
Chairman

Oxford Technology 3 Venture Capital Trust plc
Directors: RM Goodfellow DJ Livesley AC Starling RA Roth
Registered Office: Magdalen Centre, Oxford Science Park, Oxford OX4 4GA Company Number: 04351474

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

If you have sold or otherwise transferred all of your shares in OT3, please send this letter and any 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.

This letter does not constitute a prospectus and does not form part of any sale, solicitation or any offer to buy or subscribe for securities. This letter is, however, an advertisement for the purposes of the Listing Rules of the FCA in relation to the Offer and the Prospectus. Any decision to invest under the Offer should be made solely on the basis of, and strictly in accordance with the terms of, the Prospectus. Prospective investors should read the full Prospectus and are recommended to take independent financial advice.

Application has been made to the FCA for those shares that are to be issued in connection with the merger and the Offer to be listed on the premium segment of 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. It is expected that such admission will become effective and that dealings in the new Shares will commence within three business days following allotment.

Investment in OT2 should be considered a long term investment. The value of shares in OT2, and the income derived from them, can go up and down and investors may not get back the money originally invested. In addition, there is no certainty that the market price of the shares in OT2 will fully reflect their underlying net asset value nor that dividends will be paid. Past performance is not a guide to future performance and there is no guarantee that OT2's objectives (including maintaining VCT status) will be achieved.