

To all shareholders in
the Quester VCTs

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UKSA Comments on the Proposed Merger of the Quester VCTs and Claims Success for Its Reform Campaign

The UK Shareholders Association (UKSA) commenced a campaign to stimulate changes in Venture Capital Trusts (VCTs) in September 2004. One of the results of that campaign was the recent proposal to merge the first three of the Quester VCTs and we believe you are a shareholder in at least one of them.

We were concerned about Quester VCT3 Plc due to its weak investment performance and high costs. Many of the issues we raised also apply to the first two companies (Quester VCT Plc and Quester VCT2 Plc). Our view is that the merger of these companies is a positive step to address our concerns and will clearly result in major changes to the boards, to the cost structure, to the terms of the fund management contract and to the spread of the portfolio.

In general terms we support the merger of Venture Capital Trusts where the circumstances appear to be appropriate - a full commentary on the problems of such trusts and our guidelines for how they should be managed has been published by UKSA and is available on our web site at www.uksa.org.uk/VCTs.htm - or telephone the above number for a printed copy.

You should recently have received from Quester a document concerning the proposed merger and although we cannot for legal reasons give you advice on how you should vote in respect of this merger, we do strongly recommend that you read the document carefully, and ensure that you return the proxy forms. It is important that as many shareholders as possible express their opinions on this merger. We would also urge you to attend the General Meeting of your company if you have any questions about this merger. Alternatively contact the company or call us on the above number if you have any queries.

Note that the United Kingdom Shareholders Association represents the interests of private shareholders and the Quester campaign is just one example of how we help to fight for shareholders rights. Please look at the benefits of membership in UKSA in the enclosed leaflet. And please bear in mind that UKSA incurs considerable costs in running these kind of campaigns so the more members we have the better we can represent your interests.

Return the application form in the reply paid envelope today to support us.

Yours sincerely

Roger Lawson
Communications Director