

To Shareholders in the  
Murray VCTs

07 September 2005

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## **Report on the EGMs and AGMs of Murray VCT Plc, Murray VCT2 Plc and Murray VCT 3 Plc on the 5<sup>th</sup>/6<sup>th</sup> of September 2005**

Dear Shareholder,

Firstly let me thank all those shareholders who submitted proxy voting forms for the three Murray Venture Capital Trusts, following the requisitioning of Extraordinary General Meetings (EGMs) by Charles Clark. The following is a brief summary of the events.

**Murray VCT 2.** The first meetings (EGM and AGM) were of Murray VCT2, which were effectively combined. There were about 50 shareholders in attendance. The Chairman, Maxwell Packe, commenced the meeting by reading out the proxy votes, dividing them between those held by the Chairman (for and against each motion), by Mr Clark and by myself representing UKSA. It was clear that assuming UKSA voted to support the board, and against Mr Clark's resolutions, that Mr Clark would surely lose the subsequent polls. This rather undermined the subsequent debate.

The Chairman then invited questions. There was considerable criticism of the board for past events. The issue of the recent "write-downs" of investment values was raised and well fielded by the Chairman and by Patrick Reeve of Close Bros (the Chairman, Maxwell Packe, handled the meeting well and gave clear responses to questions). I raised two questions:

1. If for any reason the merger of the companies does not go ahead, would the directors stand down in any case? The answer was yes.
2. What would be the likely cost and benefit of the merger, ie. the pay-back period. Although clearly the details of the merger were still to be worked out, it was anticipated that this would be about 2 years. I encouraged the board to proceed with the merger as quickly as possible as clearly it would be financially advantageous.

Mr Clark only spoke briefly, following prompting by another shareholder to put his case. Apart from making some complimentary remarks about Close Bros he had little else to say, which is surprising considering the number of points he has raised in written communications to shareholders.

After about an hour's debate, a poll was called on the key motions – there was no "show of hands" voting. Apparently the Chairman had been advised to skip that because of possible "crowding" of the room by Clark with supporters. As there was no significant new information supplied at the meeting, I voted the UKSA proxies in favour of the board proposals. The results of the poll were announced some hours later. It showed that over 75% of votes cast were in favour of the board, as against less than 25% for Mr Clark's

proposals. The voting "turnout" was 48%, which is a good level in that it is much higher than most VCT company votes, and might have been even higher if shareholders had not been tired by the amount and volume of material sent to them, which only served to confuse many shareholders.

Incidentally it is interesting to observe that it did not prove as easy to take control of a VCT as feared by Foresight Technology VCT when they argued last year for a change of their Articles based on this risk. Despite the enormous amount of effort and money that seemed to have been expended by Mr Clark on his campaign, he only managed to obtain a comparable number of proxy votes to UKSA with our relatively meagre resources. With the company and its directors also advising shareholders as to the best way forward, the generally negative campaign by Mr Clark made little headway. Shareholder democracy is not dead after all, and can be mobilised when required.

**Murray VCT 3.** The next morning, the EGM and AGM of Murray VCT3 were held. Numbers attending were fewer, possibly due to the early start. I queried the procedure to be followed, pointing out that announcing the proxy votes at the start took the guts out of the meeting as it pre-empted the debate, and dropping the show of hands voting was also contrary to UKSA recommendations. The Chairman, Mr Timms, agreed to revert to the normal procedure after support for my view from the floor.

Similar questions were raised to the first meeting, but I and other shareholders also raised the issue of the benefits to VCT 3 shareholders of participating in the merger (Mr Clark's camp had suggested in previous material that there were some possible issues in that regard). This issue was clarified by the Chairman who suggested that it would be as beneficial for VCT3 shareholders as for those in the other companies.

Mr Clark attended but did not speak at the meeting. The resolutions at the EGM were defeated on a show of hands, and subsequently the poll results confirmed that by votes of approximately 72% to 28% on the different resolutions, with UKSA supporting the board of course. Turnout was 48% again.

**Murray VCT.** The final meeting was the EGM of Murray VCT Plc. Attendance again fell to about 25 people, but this included a group of mainly young people (ie. not typical VCT investors) surrounding Mr Clark. Is it possible that some of his supporters had recently acquired a few shares in the market so as to be able to attend and vote at the meeting?

The board again faced severe criticism for lack of action over many years about the poor investment performance, and queries were raised about the sequence of events surrounding the failed "management buy-out" by the Murray Johnstone fund managers. But again, there was no significant new information disclosed. I encouraged the meeting to consider the future rather than to harp over past events. Mr Clark again did not put his case.

On the show of hands voting, Mr Clark's associates voted as a block with the result that his resolutions were carried (by roughly 14 votes to 9), but the Chairman called for a poll in all cases as expected. The poll results were again roughly 72% to 28% against Mr Clark's resolutions. Turnout was 55%. Let us hope that Mr Clark does not try to claim any success from his "show of hands" vote which is unlikely to impress knowledgeable observers.

## Looking Forward

UKSA now hopes that Mr Clark will abandon his campaign to change the directors of these companies. He has cost the companies, and indirectly you as shareholders, a considerable amount of money in countering his arguments, and putting the directors' point of view. This effort has distracted both the directors, and the fund managers, from pursuing the objectives of the companies.

However Mr Clark has at least stimulated debate and some action which has resulted in the success of the UKSA campaign. We wanted some changes in the directors, and a merger of these companies, and that should now proceed.

A press release that was issued after the Murray VCT 2 EGM and which gives some more background information is present on our web site at (this is a pdf file):

[http://www.uksa.org.uk/UKSA\\_Press023\\_Murray\\_VCT2.pdf](http://www.uksa.org.uk/UKSA_Press023_Murray_VCT2.pdf)

Note that the United Kingdom Shareholders Association represents the interests of private shareholders and the Murray VCT campaign is just one example of how we help to fight for shareholders rights. Please look at the benefits of membership in UKSA if you have not already done so – go to our web site page at <http://www.uksa.org.uk/Membership.htm> for more information or telephone 020-8467-2686. 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.

Yours sincerely

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