

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult an appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 immediately. If you have sold or transferred all your Shares in the Company, please forward this Circular together with the enclosed Prospectus and Application Form to the purchaser, transferee, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

If you are not the beneficial holder of Shares, you should seek instructions from the beneficial owner immediately in order that rights under the Enhanced Buyback Offer are not lost.

The Enhanced Buyback Offer is not being made directly or indirectly in or into, or by the use of the mail of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce or of any facility of a national securities exchange of, the United States, Canada, Australia or Japan and the Enhanced Buyback Offer cannot be accepted by any such use, means, instrumentality or facility from or within the United States, Canada, Australia or Japan.

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Directors (*all non-executive*):
James Ferguson, *Chairman*
Christopher Fleetwood
John Hustler
Timothy Levett
John Waddell

27 January 2010

Dear Shareholder

Enhanced buyback offer and new dividend reinvestment plan

Introduction

On 17 December 2009 I wrote to you to ask for your support in relation to proposals for the extension of the life of the Company, the introduction of an enhanced share buyback, a proposed issue of Shares and certain amendments to the Articles. I am pleased to inform you that resolutions giving effect to these proposals were passed at the general meeting of the Company held on 12 January 2010.

The purpose of this document is to set out the terms and conditions of the Enhanced Buyback Offer together with the procedure for participating in the Enhanced Buyback Offer, details of which can be found in the accompanying Application Form, and to outline the main features of the Dividend Reinvestment Plan ('DRIP'). You will also find enclosed with this document a copy of the Prospectus in relation to the Offer and a copy of the rules and application form ('DRIP Form') in relation to the Dividend Reinvestment Plan.

Action to be taken by Shareholders

Enhanced Buyback Offer Application Form

Shareholders will find accompanying this document an Application Form for use by them in connection with the Enhanced Buyback Offer. Shareholders who wish to make an application in respect of some or all of the Shares registered in their name on the Record Date should complete the Application Form in accordance with the instructions printed thereon and in the section of this document headed "Terms and Conditions of the Enhanced Buyback Offer" and return it by post or by hand (during normal business hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, by no later than 11.00am on 26 February 2010. A reply-paid envelope is enclosed for this purpose.

In addition, participating Shareholders who hold Shares in certificated form should return their share certificate(s) (at their own risk) for the Shares in respect of which they are making an application in the Enhanced Buyback Offer. Shareholders who hold Shares in CREST should comply with the procedures set out in the Application Form and in the section of this document headed "Terms and Conditions of the Enhanced Buyback Offer" in respect of transferring uncertificated Shares in escrow through CREST.

Shareholders who do not wish to sell Shares in the Enhanced Buyback Offer should not return their Application Forms. An Application Form, once lodged, may not be withdrawn.

Full terms and conditions of the Dividend Reinvestment Plan are enclosed with this document, together with a DRIP Form. It is expected that the first applicable dividend in relation to which the Dividend Reinvestment Plan will operate will be the final dividend for the financial year ending 31 March 2010, which is expected to be paid in July 2010. Shareholders who wish to participate in the Dividend Reinvestment Plan should complete the DRIP Form in accordance with the instructions printed thereon and return it by post or by hand (during normal business hours) to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible. A reply-paid envelope is enclosed for this purpose.

As the existing dividend investment scheme is no longer available, even if you have already elected to participate in the existing dividend investment scheme, you are now asked to complete the enclosed DRIP Form in order to participate in the Dividend Reinvestment Plan in respect of future dividends. If you do not complete and return a DRIP Form then future dividends will be paid to you in cash.

Summary of the Enhanced Buyback Offer

Under the Enhanced Buyback Offer, each Shareholder is entitled to have up to 10% of his or her shareholding purchased by the Company at the Enhanced Buyback Price (88.1 pence per Share), which represents a discount of 1% to the unaudited NAV as at 31 December 2009, adjusted for any declared but unpaid dividends. **Shareholders may make applications under the Enhanced Buyback Offer in respect of more than 10% of their total shareholding on the basis that some Shareholders may not wish to participate in the Enhanced Buyback Offer, in which case any such entitlements not taken up will be reallocated on a pro rata basis to Shareholders making applications in respect of more than 10% of their shareholding.**

Cash arising on the sale of shares in the Enhanced Buyback Offer will not be released to Shareholders but will be applied in taking up new Shares in the Offer in respect of the 2009/10 tax year, as described in the Prospectus, a copy of which is enclosed with this document. The Enhanced Buyback Offer will open at the same time as applications can be made under the Offer but will close at 11.00am on 26 February 2010.

In arriving at the proposal to buy back a maximum of 10% rather than a higher proportion of the issued share capital, your Board has taken into account the desirability of preserving the benefit of funds raised through issues of Shares prior to 6 April 2006, which under current legislation can be invested in VCT qualifying holdings under less restrictive conditions than funds raised subsequently.

Shareholders who subscribed for new Shares before 6 April 2006 now have an opportunity to sell some of those Shares under the Enhanced Buyback Offer and to apply the net proceeds in subscribing for new Shares without losing the initial income tax relief granted in respect of their earlier subscription. Shareholders who subscribed prior to 6 April 2004 should note that Shares acquired first will be treated for taxation purposes as being disposed of first. Where Shareholders have deferred capital gains on Shares subscribed for prior to 6 April 2004, the deferred gains will become taxable at the prevailing capital gains tax rate if the Shares are bought back by the Company. Shareholders who apply under the Enhanced Buyback Offer in respect of Shares which were issued on or after 6 April 2006 under the dividend investment scheme will lose the income tax relief granted in respect of the initial subscription; Shares issued on or after 6 April 2006 must be held for five years from the date of issue in order for the Shareholder to retain the initial income tax relief granted in respect of the initial subscription.

Where a buyback is made by a VCT direct from a Shareholder, as is currently proposed by the Company, and the buyback price is higher than the issue price of the Shares concerned, the difference is treated by HM Revenue & Customs as a dividend. Shareholders who have acquired shares under the dividend investment scheme in January and/or July 2009 should note that the issue price of those Shares is less than the Enhanced Buyback Price. Therefore, if Shareholders make applications under the Enhanced Buyback Offer in respect of Shares acquired under the dividend investment scheme in January and/or July 2009, the difference between the issue price and the Enhanced Buyback Price will not be tax free and will be subject to income tax through the Shareholder's self assessment.

Dividend reinvestment - new plan and discontinuance of existing scheme

Your Board has decided that a new Dividend Reinvestment Plan should be introduced. The dividend investment scheme was withdrawn immediately following the issue of Shares in relation to the interim dividend for the financial year ending 31 March 2010, which was paid on 15 January 2010. It is expected that the first applicable dividend in relation to which the new plan will operate will be the final dividend for the financial year ending 31 March 2010, which is expected to be paid in July 2010.

Under the Dividend Reinvestment Plan, participants' dividends will be invested in existing Shares purchased in the market, rather than being used to subscribe for new Shares as under the former scheme. On the basis of current law, plan participants will not qualify for income tax relief on the amount applied in acquiring new Shares and so will not have to hold the Shares for the five year qualifying period applicable to new

subscriptions. Shareholders should note that Shares acquired first will be treated as being disposed of first, whether or not income tax relief was obtained on those Shares.

The tax consequences of a Shareholder choosing to participate in the Dividend Reinvestment Plan will depend upon his or her personal circumstances. Dividends paid by the Company are tax free provided your holding was acquired within the annual qualifying limit of £200,000, and should not be reported in your annual tax return. Any loss or gain accruing on a disposal of the Company's Shares acquired within the annual qualifying limit of £200,000 will be neither a chargeable gain nor an allowable tax loss for the purposes of capital gains tax. If you are in any doubt about your tax position, you should consult an independent financial advisor authorised under the Financial Services and Markets Act 2000.

There is no cost to Shareholders for joining or leaving the Dividend Reinvestment Plan but Shareholders will be charged a dealing fee of 0.5% on the value of Shares purchased. Shareholders will also be required to pay stamp duty reserve tax at the prevailing rate (currently 0.5%) on the value of Shares purchased.

The Company's registrar, Equiniti Limited, will buy Shares as soon as possible after the relevant dividend date but you should be aware that the ability of Equiniti Limited to do this will depend on the availability of Shares in the market.

Your Board believes that the adoption of the new plan may help to stimulate the secondary market in the Company's Shares.

Overseas Persons

The attention of all Shareholders is drawn to paragraph 9 of the section headed "Terms and Conditions of the Enhanced Buyback Offer".

It is the responsibility of all Shareholders to satisfy themselves as to the observance of any legal requirements in their jurisdiction, including, without limitation, any relevant requirements in relation to the ability of such Shareholders to complete and return an Application Form or a TTE Instruction.

If you have any questions on either the Enhanced Buyback Offer or the Dividend Reinvestment Plan, please call the Company Secretary Chris Mellor on 0191 244 6000.

Yours sincerely



JAMES FERGUSON
Chairman

Expected Timetable of Events

2010

Announcement of Enhanced Buyback Offer	27 January
Record date for the Enhanced Buyback Offer	close of business on 12 January
Latest time and date for receipt of Application Forms	11.00am on 26 February
Announcement of take-up level under the Enhanced Buyback Offer	1 March

Terms and conditions of the Enhanced Buyback Offer

1 Applications

- 1.1 Every Eligible Shareholder on the Register on the Record Date may apply in respect of Shares (up to the number of Shares registered in his or her name on the Record Date) for purchase by the Company, on the terms and subject to the conditions set out in this document and the accompanying Application Form (which together constitute the "Enhanced Buyback Offer"). Shareholders are not obliged to make an application under the Enhanced Buyback Offer.
- 1.2 The Enhanced Buyback Offer is made at the Enhanced Buyback Price.
- 1.3 Upon the Enhanced Buyback Offer becoming unconditional, and unless the Enhanced Buyback Offer has been terminated in accordance with the provisions of paragraph 7 below, the Company will accept the applications of Shareholders validly made in accordance with these terms and conditions, subject as mentioned below, on the following basis:
- (a) each Eligible Shareholder will be entitled to sell to the Company a number of Shares equivalent to the Basic Entitlement of that Eligible Shareholder;
 - (b) each Eligible Shareholder will also be entitled to sell Shares in excess of his or her Basic Entitlement, to the extent that other Shareholders do not apply at all or apply in respect of less than the whole of their own individual Basic Entitlement; any such excess applications will be satisfied pro rata in proportion to the number of Shares in respect of which applications are made in excess of the Basic Entitlement rounded down to the nearest whole number of Shares; and
 - (c) the Basic Entitlement will apply to each Eligible Shareholder (Eligible Shareholders who hold for multiple beneficial owners may decide the allocation between such beneficiaries in their own discretion).
- 1.4 The Enhanced Buyback Offer will close on the Closing Date except to the extent that the Company extends the period for applications under the Enhanced Buyback Offer, in which case a new closing date will be given. The Company reserves the right, subject to applicable legal and regulatory requirements, to amend the expected timetable shown on page 3 of this document, which includes extending the period for applying under the Enhanced Buyback Offer at any time prior to 11.00am on 26 February 2010. Any material change to the expected timetable will be notified to Shareholders by way of an announcement through a regulatory information service provider of the London Stock Exchange. Any such changes will comply with all applicable legal and regulatory requirements, including, but not limited to, the duration of any extensions.

2 Conditions

- 2.1 The Enhanced Buyback Offer is conditional on the following (together the "Conditions"):
- (a) the Enhanced Buyback Offer not having been terminated in accordance with paragraph 7; and
 - (b) the Offer remaining open.

The conditions set out above may be waived by the Company in its sole discretion.

3 Procedure for application

By marking Box 2D on the Application Form with a cross [x] and by signing and submitting the Application Form or if your Shares are held in uncertificated form and application is made by TTE Instruction, you will be deemed to have instructed Equiniti Limited to remit the net proceeds of your participation in the Enhanced Buyback Offer to the Company which will subscribe on your behalf for Offer Shares under the Offer on the terms and conditions set out in Part VII of the securities note, forming part of the Prospectus. Such subscriptions will be made in respect of the 2009/10 tax year only.

There are different procedures for application under the Enhanced Buyback Offer depending on whether your Shares are held in certificated or uncertificated form.

If you hold Shares in certificated form, you may only apply by completing and returning the Application Form in accordance with the procedure set out in paragraph 3.1 below. Additional Application Forms are available from Equiniti Limited by telephone on 0871 384 2050.

If you hold Shares in uncertificated form (that is, in CREST), you may only apply by TTE Instruction in accordance with the procedure set out in paragraph 3.3 below and, if those Shares are held under different account IDs, you should send a separate TTE Instruction for each member account ID.

If you are in any doubt as to how to complete the Application Form or as to the procedure for application under the Enhanced Buyback Offer, please contact Equiniti Limited by telephone on 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259).

Please note that, for legal reasons, the helpline is only able to provide information contained in this document, information relating to the Company's register of members and information regarding completion of forms and is unable to give advice on the merits of the Enhanced Buyback Offer or to provide legal, financial, tax or investment advice. You are reminded that, if you are a CREST Sponsored Member, you should contact your CREST sponsor before taking any action.

3.1 *Procedure for Shares held in certificated form (that is, not in CREST)*

To apply in respect of Shares held in certificated form you must complete, sign and have witnessed the Application Form.

The completed, signed and witnessed Application Form should be sent either by post in the accompanying reply-paid envelope (for use in the UK only) or by hand during normal business hours only along with the relevant share certificate(s) and/or other documents of title to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA as soon as possible and, in any event, so as to be received no later than 11.00am on 26 February 2010. The Company shall be entitled (in its sole discretion) to accept late Application Forms, but, subject to the exercise of this discretion, applications received after 11.00am on 26 February 2010 will not be valid. No acknowledgement of receipt of documents will be given.

If your share certificate(s) and/or other documents of title are not readily available (for example, if they are with your stockbroker, bank or other agent) or are lost, the Application Form should nevertheless be completed, signed and returned as described above so as to be received by Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA not later than 11.00am on 26 February 2010 together with any share certificate(s) and/or documents of title you may have available, accompanied by a letter of explanation stating that the (remaining) share certificate(s) and/or other document(s) of title will be forwarded as soon as possible thereafter and, in any event, not later than 11.00am on 26 February 2010. Equiniti Limited will effect such procedures as are required to transfer your Shares to the Company under the Enhanced Buyback Offer. If you have lost your share certificate(s) and/or other document(s) of title, you should write to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, for a letter of indemnity in respect of the lost share certificate(s) which, when completed in accordance with the instructions given, should be returned to Equiniti Limited so as to be received not later than 11.00am on 26 February 2010.

If you are not the beneficial holder of Shares and it is the intention that the Offer Shares should be registered in the name of the beneficial holder, you should mark Box 2E on the Application Form with a cross [x] and insert the name, address and National Insurance number of the person in whose name the Offer Shares are to be registered.

3.2 *Validity of Application Form*

Notwithstanding the powers in paragraph 8.4 below the Company reserves the right to treat as valid only Application Forms which are received entirely in order by 11.00am on 26 February 2010 and which are accompanied (in the case of Shares held in certificated form) by the relevant share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof or (in the case of Shares held in uncertificated form) by the relevant TTE Instruction, in each case in respect of the entire number of Shares in respect of which application is made. The Record Date for the Enhanced Buyback Offer is close of business on 12 January 2010.

Notwithstanding the completion of a valid Application Form, the Enhanced Buyback Offer may be suspended or terminated or may lapse in accordance with these terms and conditions. The Company shall be entitled to accept Application Forms which are received after 11.00am on 26 February 2010 in its sole discretion. The decision of the Company as to the Shares in respect of which applications have been validly made shall be conclusive and binding on all Shareholders.

3.3 *Procedure for Shares held in uncertificated form (that is, in CREST)*

If the Shares in respect of which you wish to apply under the Enhanced Buyback Offer are held in uncertificated form, you should take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Shares in respect of which you wish to make an application under the Enhanced Buyback Offer to an escrow balance, specifying Equiniti Limited (in its capacity as a CREST receiving agent under its participant ID and Member Account ID referred to below) as the Escrow Agent, **as soon as possible and, in any event, so that the transfer to escrow settles by no later than 11.00am on 26 February 2010. The Company shall be entitled (in its sole discretion) to accept late transfers to escrow.**

If you are a CREST Sponsored Member, you should refer to your CREST Sponsor before taking any action. Your CREST Sponsor will be able to confirm details of your Participant ID and the member account ID under which your Shares are held. In addition, only your CREST Sponsor will be able to send the TTE Instruction to Euroclear in relation to the Shares in respect of which you wish to apply. You should send (or, if you are a CREST Sponsored Member, procure that your CREST Sponsor sends) a TTE Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the corporate action number of the Enhanced Buyback Offer. This is allocated by Euroclear and will be available on screen from Euroclear;
- the number of Shares to be transferred to an escrow balance;
- your Member Account ID;
- your participant ID;
- the Participant ID of the Escrow Agent, in its capacity as a CREST receiving agent. This is 6RA82;
- the Member Account ID of the Escrow Agent. This is RA003201;

- the intended settlement date for the transfer to escrow. This should be as soon as possible and, in any event, by no later than 11.00am on 26 February 2010;
- the ISIN of the Shares, which is GB0031152027;
- input with the standard delivery instruction, priority 80; and
- a contact name and telephone number in the shared note field.

After settlement of the TTE Instruction, you will not be able to access the Shares concerned in CREST for any transaction or for charging purposes, notwithstanding that they will be held by Equiniti Limited as your agent until completion or lapsing of the Enhanced Buyback Offer. If the Enhanced Buyback Offer becomes unconditional, Equiniti Limited will transfer your Shares to the Company. You are recommended to refer to the CREST manual published by Euroclear for further information on the CREST procedures outlined above. For ease of processing you are requested, wherever possible, to ensure that an Application Form relates to only one transfer to escrow. You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a TTE Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST Sponsor) to enable a TTE Instruction relating to your Shares to settle prior to 11.00am on 26 February 2010. In this connection you are referred in particular to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company shall be entitled (in its sole discretion) to accept late TTE Instructions to settle but, subject to the exercise of this discretion, TTE Instructions which settle after 11.00am on 26 February 2010 will not be valid.

An appropriate announcement will be made if any of the details contained in this paragraph 3.3 are altered.

3.4 *Deposits of Shares into, and withdrawals of Shares from, CREST*

CREST procedures (including timings) apply in relation to any Shares that are, or are to be, converted from uncertificated to certificated form, or from certificated to uncertificated form, during the course of the Enhanced Buyback Offer (whether such conversion arises as a result of a transfer of Shares or otherwise). Shareholders who are proposing to convert any such Shares are recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Shares as a result of the conversion to take all necessary steps in connection with such person's participation in the Enhanced Buyback Offer (in particular, as regards delivery of any share certificate(s) and/or other document(s) of title or transfers to an escrow balance as described above) prior to 11.00am on 26 February 2010.

4 **Shares not purchased**

4.1 If only part of a holding of Shares is sold pursuant to the Enhanced Buyback Offer or if, because of scaling back, any Shares in excess of the Basic Entitlement are not purchased pursuant to the terms of the Enhanced Buyback Offer:

- where the Shares are held in certificated form, the Shareholder will be entitled to receive a certificate in respect of the balance of the remaining Shares; or
- where the Shares are held in uncertificated form (that is, in CREST), the unsold Shares will be transferred by the Escrow Agent by means of a TFE Instruction to the original available balance from which those Shares came.

5 **Application Form**

Each Shareholder by whom, or on whose behalf, an Application Form is executed hereby irrevocably undertakes, represents, warrants and agrees to and with the Company (so as to bind him or her and his or her personal representatives, heirs, successors and assigns) that:

- 5.1 the execution of the Application Form shall constitute an offer to sell to the Company such Basic Entitlement or, if relevant, the number of Shares inserted in Box 2B or 2C of the Application Form, in each case, on and subject to the terms and conditions set out or referred to in this document and the Application Form and that, once lodged, such offer shall be irrevocable;
- 5.2 such Shareholder has full power and authority to submit an Application Form, sell, assign or transfer the Shares in respect of which such offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Shares with full title guarantee, fully paid and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Closing Date including the right to receive all dividends and other distributions declared paid or made after that date;
- 5.3 by marking Box 2D on the Application Form with a cross [x] and by executing the Application Form, such Shareholder has instructed Equiniti Limited to remit the net proceeds of his or her participation in the Enhanced Buyback Offer to the Company and has instructed the Company to subscribe on his or her behalf for Offer Shares under the Offer on the terms and conditions set out in Part VII of the securities note forming part of the Prospectus. Such subscriptions will be made in respect of the 2009/10 tax year only. The Company shall be entitled (in its sole discretion) to treat as valid any Application Form where Box 2D has not been completed provided that such Application Form has been validly executed;
- 5.4 by marking Box 2E on the Application Form with a cross [x] and by executing the Application Form, such Shareholder has instructed Equiniti Limited to arrange for the relevant number of Offer Shares to be issued to the person indicated in the Application form;

- 5.5 the execution of the Application Form will, subject to the Enhanced Buyback Offer becoming unconditional, in respect of Shares held in certificated form, constitute the irrevocable appointment of any director or officer of the Company as such Shareholder's attorney and/or agent (the "attorney"), and an irrevocable instruction and authority to the attorney to complete and execute all or any instruments of transfer and/or other documents at the attorney's discretion in relation to the Shares referred to in paragraph 5.1 above in favour of the Company or such other person or persons as the Company may direct and to deliver such instrument(s) of transfer and/or other documents at the discretion of the attorney, together with the share certificate(s) and/or other document(s) relating to such Shares, for registration within six months of the Enhanced Buyback Offer becoming unconditional and to do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the Enhanced Buyback Offer and to vest in the Company or its nominee(s) or such other person(s) as the Company may direct such Shares;
- 5.6 such Shareholder will ratify and confirm each and every act or thing which may be done or effected by the Company or any of its Directors or any person nominated by the Company in the proper exercise of its or his or her powers and/or authorities hereunder;
- 5.7 if holding Shares in certificated form, such Shareholder will deliver to Equiniti Limited his or her share certificate(s) and/or other document(s) of title in respect of the Shares referred to in paragraph 5.1 above, or an indemnity acceptable to the Company in lieu thereof, or will procure the delivery of such document(s) to such person as soon as possible thereafter and, in any event, not later than the Closing Date;
- 5.8 such Shareholder shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by the Company to be desirable, in each case to complete the purchase of the Shares and/or to perfect any of the authorities expressed to be given hereunder;
- 5.9 such Shareholder has not received or sent copies or originals of the Application Form or any related documents to any overseas jurisdiction and has not otherwise utilised in connection with the Enhanced Buyback Offer, directly or indirectly, the mails or any means or instrumentality (including, without limitation, facsimile, transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange, of any overseas jurisdiction, that the Application Form has not been mailed or otherwise sent in, into or from the overseas jurisdiction and that such Shareholder is not accepting the Enhanced Buyback Offer from any overseas jurisdiction;
- 5.10 if such Shareholder is an Overseas Shareholder, (a) the Shareholder is not in any Restricted Territory or in any territory in which it is unlawful to make or accept the Enhanced Buyback Offer or to use the Application Form in any manner in which the person has used or will use it, (b) the Shareholder has fully observed any applicable legal and regulatory requirements of the territory in which such Overseas Shareholder is resident or located and (c) the invitation under the Enhanced Buyback Offer may be made to such Overseas Shareholder under the laws of the relevant jurisdiction;
- 5.11 the provisions of the Application Form shall be deemed to be incorporated into the terms and conditions of the Enhanced Buyback Offer;
- 5.12 the execution of the Application Form constitutes a warranty by such Shareholder that the information given by or on behalf of the Shareholder in the Application Form will be true in all respects at the time the Company purchases the Shares referred to in paragraphs 5.1 and 5.2 above as if it had been given afresh at such time and shall not be extinguished by such purchase;
- 5.13 on execution, the Application Form takes effect as a deed; and
- 5.14 the execution of the Application Form constitutes such Shareholder's submission to the exclusive jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Enhanced Buyback Offer and/or the Application Form. A reference in this paragraph 5.14 to a Shareholder includes a reference to the person or persons executing the Application Form and, in the event of more than one person executing an Application Form, the provisions of this paragraph will apply to them jointly and to each of them.

6 Applications through CREST

Each Shareholder by whom, or on whose behalf, an application through CREST is made irrevocably undertakes, represents, warrants and agrees to and with the Company (so as to bind him or her and his or her personal representatives, heirs, successors and assigns) that:

- 6.1 the input of the TTE Instruction shall constitute an offer to sell to the Company such number of Shares as are specified in the TTE Instruction or in respect of which an application is deemed to be made, in each case, on and subject to the terms and conditions set out or referred to in this document and that once the TTE Instruction has settled, such application shall be irrevocable after 11.00am on 26 February 2010;
- 6.2 such Shareholder has full power and authority to submit a TTE Instruction, sell, assign or transfer the Shares in respect of which such offer is accepted (together with all rights attaching thereto) and, when the same are purchased by the Company, the Company will acquire such Shares with full title guarantee, fully paid and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto, on or after the Closing Date including the right to receive all dividends and other distributions declared, paid or made after that date;
- 6.3 such Shareholder hereby instructs Equiniti Limited to remit the net proceeds of his or her participation in the Enhanced Buyback Offer to the Company and instructs the Company to subscribe on his or her behalf for Offer Shares under the Offer on the terms and conditions set out in Part VII of the securities note forming part of the Prospectus. Such subscriptions will be made in respect of the 2009/10 tax year only;

- 6.4 the input of the TTE Instruction will, subject to the Enhanced Buyback Offer becoming unconditional, constitute the irrevocable appointment of Equiniti Limited as the Shareholder's attorney and/or agent (the "attorney") and an irrevocable instruction and authority to the attorney (i) subject to the Enhanced Buyback Offer becoming unconditional, to transfer to the Company (or to such person or persons as the Company may direct) by means of CREST all of the Relevant Shares (as defined below) in respect of which the Enhanced Buyback Offer is accepted or deemed to be accepted (but not exceeding the number of Shares in respect of which applications have been made pursuant to the Enhanced Buyback Offer); and (ii) if the Enhanced Buyback Offer does not become unconditional and lapses, or there are Shares in respect of which applications have not been successfully made under the Enhanced Buyback Offer, to give instructions to Euroclear, as promptly as practicable after the lapsing of the Enhanced Buyback Offer, to transfer Relevant Shares to the original available balances from which those Shares came. For the purposes of this paragraph 6.4, "Relevant Shares" means Shares in uncertificated form and in respect of which a transfer or transfers to escrow has or have been effected pursuant to the procedures described in these terms and conditions;
- 6.5 such Shareholder will ratify and confirm each and every act or thing which may be done or effected by the Company or any of its directors or any person nominated by the Company or Equiniti Limited in the proper exercise of its or his or her powers and/or authorities hereunder;
- 6.6 it shall do all such acts and things as shall be necessary or expedient and execute any additional documents deemed by the Company to be desirable, in each case to complete the purchase of the Shares and/or to perfect any of the authorities expressed to be given hereunder;
- 6.7 if such Shareholder is an Overseas Shareholder, (a) he or she is not in any Restricted Territory or in any territory in which it is unlawful to make or accept the Enhanced Buyback Offer, (b) he or she has fully observed any applicable legal and regulatory requirements of the territory in which such Overseas Shareholder is resident or located and (c) the invitation under the Enhanced Buyback Offer may be made to such Overseas Shareholder under the laws of the relevant jurisdiction;
- 6.8 the input of the TTE Instruction constitutes such Shareholder's submission to the jurisdiction of the courts of England in relation to all matters arising out of or in connection with the Enhanced Buyback Offer;
- 6.9 if, for any reason, any Shares in respect of which a TTE Instruction has been made are, prior to the Closing Date, converted into certificated form, the application through CREST in respect of such Shares shall cease to be valid and the Shareholder will need to comply with the procedures for application in respect of Shares in certificated form as set out in this document in respect of the Shares so converted, if he or she wishes to make a valid application in respect of such Shares pursuant to the Enhanced Buyback Offer; and
- 6.10 if the appointment of agent provision under paragraph 6.4 above shall be unenforceable or invalid or shall not operate so as to afford any director or officer of the Company or Equiniti Limited the benefit or authority expressed to be given therein, the Shareholder shall with all practicable speed do all such acts and things and execute all such documents that may be required to enable the Company or Equiniti Limited to secure the full benefits of paragraph 6.4 above.

7 Termination of the Enhanced Buyback Offer

If (i) the Company (acting by the Directors) shall at any time prior to the Company effecting the purchase of the Shares in respect of which applications have been made resolve that the completion of the purchase of Shares in the Enhanced Buyback Offer is no longer in the best interests of the Company and/or the Shareholders as a whole or would have unexpected adverse fiscal consequences (whether by reason of a change in legislation or practice or otherwise) for the Company or its Shareholders if the Enhanced Buyback Offer were to proceed, or (ii) if at any time prior to 11.00am on 26 February 2010, any of the Conditions have not been satisfied, the Company shall be entitled in its complete discretion by a public announcement to withdraw the Enhanced Buyback Offer and in such event the Enhanced Buyback Offer shall cease and determine absolutely without any liability on the part of the Company.

8 Additional Provisions

- 8.1 Each Shareholder may apply under the Enhanced Buyback Offer in respect of some or all of his or her holding of Shares by the Closing Date, subject to the scaling back of applications in excess of such Shareholder's Basic Entitlement. If (i) Box 2 of the Application Form is not completed; or (ii) in the Company's determination (in its absolute discretion) Box 2 has not been validly completed, provided that the Application Form is otherwise in order and accompanied by all other relevant documents, the application may be accepted as a valid application in respect of the number of Shares delivered in accordance with paragraph 5.7 above.
- 8.2 Shares acquired by the Company under the Enhanced Buyback Offer will be on-market purchases in accordance with the rules of London Stock Exchange and the UK Listing Authority.
- 8.3 Shares sold by Shareholders pursuant to the Enhanced Buyback Offer will be acquired with full title guarantee, fully paid and free from all liens, charges, encumbrances, equitable interests, rights of pre-emption or other third party rights of any nature and together with all rights attaching thereto on or after the Closing Date including the right to receive all dividends and other distributions declared, paid or made after that date.
- 8.4 Unless lapsed, extended or terminated in accordance with the provisions of this document, the Enhanced Buyback Offer will close at 11.00am on 26 February 2010 and it is expected that by close of business on 1 March 2010 the Company will make a public announcement of the total number of Shares in respect of which applications have been made and, if appropriate, the proportion of such Shares which will be purchased by the Company from Shareholders who have submitted applications in respect of Shares in excess of their Basic Entitlement.

- 8.5 Each Shareholder who submits or procures the submission of an application in respect of Shares will thereby be deemed to have agreed that, in consideration of the Company agreeing to process his or her application, such Shareholder will not revoke his or her application or withdraw his or her Shares. Shareholders should note that once an Application Form has been submitted, Shares may not be sold, transferred, charged or otherwise disposed of other than in accordance with the Enhanced Buyback Offer.
- 8.6 Any omission to despatch this document or the Application Form or any notice required to be despatched under the terms of the Enhanced Buyback Offer to, or any failure to receive the same by, any person entitled to participate in the Enhanced Buyback Offer shall not invalidate the Enhanced Buyback Offer in any way or create any implication that the Enhanced Buyback Offer has not been made to any such person.
- 8.7 No acknowledgement of receipt of any Application Form(s), share certificate(s) and/or document(s) of title will be given. All applications, communications, notices, certificates, documents of title and remittances to be delivered by or sent to or from Shareholders (or their designated agents) will be delivered by or sent to or from Shareholders (or their designated agents) at their own risk.
- 8.8 All powers of attorney and authorities on the terms conferred by or referred to in these terms and conditions or the Application Form are given by way of security for the performance of the obligations of the Shareholders concerned and are irrevocable in accordance with section 4 of the Powers of Attorney Act 1971.
- 8.9 All applications by certificated holders must be made on the relevant prescribed Application Form, duly completed in accordance with the instructions set out thereon which constitute part of the terms of the Enhanced Buyback Offer. An Application Form will only be valid when the procedures contained in these terms and conditions and in the Application Form are complied with. The Enhanced Buyback Offer and all applications will be governed by and construed in accordance with English law. Delivery or posting of an Application Form will constitute submission to the exclusive jurisdiction of the English courts.
- 8.10 If the Enhanced Buyback Offer does not become unconditional, lapses or is terminated, all documents lodged pursuant to the Enhanced Buyback Offer will be returned promptly by post, within 14 Business Days of the Enhanced Buyback Offer lapsing or terminating, to the person or agent whose name and address is set out in Box 1 or, if applicable, Box 4 of the Application Form or, if none is set out, to the applicant Shareholder or, in the case of joint holders, the first named at his or her registered address. In the case of Shares held in uncertificated form, Equiniti Limited in its capacity as the Escrow Agent will, within 14 Business Days of the Enhanced Buyback Offer lapsing, give instructions to Euroclear to transfer all Shares held in escrow balances and in relation to which it is the Escrow Agent for the purposes of the Enhanced Buyback Offer by TFE Instruction to the original available balances from which those Shares came. In any of these circumstances the Application Form will cease to have any effect.
- 8.11 The instructions, terms, provisions and authorities contained in or deemed to be incorporated in the Application Form shall constitute part of the terms of the Enhanced Buyback Offer. The definitions set out in this document apply to the terms and conditions set out in this document.
- 8.12 Subject to paragraphs 1 and 2, the Enhanced Buyback Offer will close at 11.00am on 26 February 2010. No Application Form, share certificate(s) and/or document(s) of title or indemnity or TTE Instruction received after that time will be accepted, except at the sole discretion of the Company.
- 8.13 Further copies of this document and the Application Form may be obtained on request from Equiniti Limited by telephone on 0871 384 2050 (or, if you are calling from outside the United Kingdom, +44 121 415 0259) or at Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.
- 8.14 Any change to the terms, or any extension or termination, of the Enhanced Buyback Offer will be followed as promptly as practicable by a public announcement thereof no later than 1.00pm on the Business Day following the date of such change, extension or termination. Such an announcement will be notified to a regulatory information service provider of the London Stock Exchange. References to the making of an announcement by the Company include the release of an announcement on behalf of the Company or by the Company to the press and delivery of, by telephone or facsimile or other electronic transmission of, such announcement to a regulatory information service of the London Stock Exchange.
- 8.15 Shareholders will not be obliged to pay brokerage fees, commissions or transfer taxes or stamp duty in the UK on the purchase by the Company of Shares pursuant to the Enhanced Buyback Offer.
- 8.16 Except as contained in this document, no person has been authorised to give any information or make any representations with respect to the Company or the Enhanced Buyback Offer and, if given or made, such other information or representations should not be relied on as having been authorised by the Company. Under no circumstances should the delivery of this document or the delivery of any consideration pursuant to the Enhanced Buyback Offer create any implication that there has been no change in the assets, properties, business or affairs of the Company since the date of this document.
- 8.17 The Company reserves the absolute right to inspect (either itself or through its agents) all Application Forms and may consider void and reject any application that does not in the Company's sole judgment (acting reasonably) meet the requirements of the Enhanced Buyback Offer. The Company reserves the absolute right to waive any defect or irregularity in the application in respect of any Shares, including any Application Form (in whole or in part), which is not entirely in order or which is not accompanied by (in the case of Shares held in uncertificated form) the relevant TTE Instruction or (in the case of Shares held in certificated form) the related share certificate(s) and/or other document(s) of title or any indemnity acceptable to the Company in lieu thereof. In that event, for Shares held in certificated form, however, the consideration under the Enhanced Buyback Offer will only be applied towards a subscription under the Enhanced Buyback Offer when the Application Form is entirely in order and the share certificate(s) or other document(s) of title or indemnities

satisfactory to the Company has/have been received. All questions as to the number of Shares in respect of which an application is made and the validity, form and eligibility (including the time of receipt) of any application will be determined by the Company in its absolute and sole discretion, which determination shall be final and binding on all of the parties (except as otherwise required under applicable law). None of the Company, Equiniti Limited or any other person will be under any duty to give notification of any defects or irregularities in applications or incur any liability for failure to give any such notification.

8.18 The provisions of the Contracts (Rights of Third Parties) Act 1999 do not apply to this document.

9 Overseas Shareholders

9.1 The making of the Enhanced Buyback Offer in or to persons who are citizens or nationals of, or resident in, overseas jurisdictions or to custodians, nominees or trustees for citizens, nationals or residents of overseas jurisdictions may be prohibited or affected by the laws of the relevant overseas jurisdiction. Shareholders who are Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any such Shareholder wishing to participate in the Enhanced Buyback Offer to satisfy himself or herself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, the compliance with other necessary formalities and the payment of any transfer or other taxes or other requisite payments due in such jurisdiction. Any such Shareholder will be responsible for payment of any such transfer or other taxes or other requisite payments due to whomsoever payable and the Company and any person acting on their behalf shall be fully indemnified and held harmless by such Shareholder for any such transfer or other taxes or other requisite payments such person may be required to pay. No steps have been taken to qualify the Enhanced Buyback Offer or to authorise the extending of the Enhanced Buyback Offer or the distribution of the Application Form in any territory outside the United Kingdom.

9.2 In particular, the Enhanced Buyback Offer is not being made, directly or indirectly, in or into, or by use of the mails of, or by any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce, or of any facility of a national securities exchange of, the Restricted Territories and the Enhanced Buyback Offer cannot be accepted by any such use, means, instrumentality or facility or from within the Restricted Territories. Accordingly, the Application Form and any related documents are not being and must not be mailed or otherwise distributed or sent in or into the Restricted Territories, including to Shareholders with registered addresses in the Restricted Territories or to persons in the Restricted Territories. Receipt of this document and/or the Application Form will not constitute an offer in those jurisdictions in which it would be illegal to make such an offer and in those circumstances, this document and/or the Application Form will be deemed to have been sent for information only and should not be copied or redistributed. Persons receiving such documents or wishing to accept the Enhanced Buyback Offer should not distribute or send them in, into or from the Restricted Territories or use such mails or any such means, instrumentality or facility in connection with the Enhanced Buyback Offer and so doing will render invalid any related purported acceptance of the Enhanced Buyback Offer. All accepting Shareholders must provide addresses outside the Restricted Territories for the return of documents lodged pursuant to the Enhanced Buyback Offer. A Shareholder will be deemed not to have accepted the Enhanced Buyback Offer if (i) such Shareholder is unable to make the representation and warranty set out in paragraphs 5 and 6; or (ii) such Shareholder completes Box 1 or, if applicable, Box 4 of the Application Form with an address in the Restricted Territories or has a registered address in the Restricted Territories and in either case such Shareholder does not insert in Box 1 or, if applicable, Box 4 of the Application Form the name and address of a person or agent outside the Restricted Territories; or (iii) such Shareholder inserts in Box 1 or, if applicable, Box 4 of the Application Form the name and address of a person or agent in the Restricted Territories; or (iv) the Application Form received from him or her is in an envelope postmarked in, or which otherwise appears to the Company or its agents to have been sent from, the Restricted Territories. The Company reserves the right, in its absolute discretion, to investigate, in relation to any acceptance, whether the representation and warranty referred to in paragraphs 5 and 6 given by any Shareholder is correct and, if such investigation is undertaken and as a result the Company determines (for any reason) that such representation and warranty is not correct, such acceptance shall not be valid.

9.3 If, in connection with making the Enhanced Buyback Offer and notwithstanding the restrictions described above, any person (including, without limitation, custodians, nominees and trustees) whether pursuant to a contractual or legal obligation or otherwise, forwards this document, the Application Form or any related offering documents in, into or from the Restricted Territories or uses the mails of, or any means or instrumentality (including, without limitation, facsimile transmission, telex and telephone) of interstate or foreign commerce or any facility of a national securities exchange of, the Restricted Territories in connection with such forwarding, such persons should: (i) inform the recipient of such fact; (ii) explain to the recipient that such action may invalidate any purported acceptance by the recipient; and (iii) draw the attention of the recipient to this paragraph 9.

9.4 The provisions of this paragraph 9 and any other terms of the Enhanced Buyback Offer relating to Overseas Shareholders may be waived, varied or modified as regards specific Shareholders or on a general basis by the Company in its absolute discretion but only if the Company is satisfied that such waiver, variance or modification will not constitute or give rise to a breach of applicable securities or other legal or regulatory requirements.

9.5 The provisions of this paragraph 9 supersede any terms of the Enhanced Buyback Offer inconsistent herewith.

9.6 Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. The comments set out in this document are intended as a general guide only and

Shareholders who are in any doubt about their position should consult their professional adviser in the relevant territory.

10 Modifications

The terms of the Enhanced Buyback Offer shall have effect subject to such non-material modifications as the Company may from time to time approve in writing. The times and dates referred to in this document may be amended by the Company.

Definitions

In this Circular, unless the context otherwise requires, the following expressions bear the following meanings:

Act	the Companies Act 2006
Admission	admission of Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities
Application Form	the application form in relation to the Enhanced Buyback Offer which is enclosed with this document
Articles	the articles of association of the Company as amended from time to time
Basic Entitlement	10% of the Shares held by an Eligible Shareholder
Business Day	any day (excluding Saturdays, Sundays and public holidays) on which banks are open for normal banking business in the City of London
Circular	this document dated 27 January 2010, addressed to the Shareholders
Closing Date	11.00am on 26 February 2010
Company	Northern 3 VCT PLC
CREST	relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755)) for the paperless settlement of transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited
Directors or Board	the directors of the Company, whose names are set out on page 1 of this document
Dividend Reinvestment Plan or DRIP	the dividend reinvestment plan described in this document, the terms and conditions of which are enclosed with this document
DRIP Form	the application form in relation to the Dividend Reinvestment Plan which is enclosed with this document
Eligible Shareholder	a Shareholder on the Register of Members of the Company at close of business on 12 January 2010
Enhanced Buyback Offer	the enhanced buyback offer enabling Shareholders to apply for the Company to acquire up to 10% of the issued share capital of the Company and to reinvest the proceeds in new Ordinary Shares, on and subject to the terms and conditions set out in this document
Enhanced Buyback Price	88.1 pence per Share
Escrow Agent	Equiniti Limited
Euroclear	Euroclear UK & Ireland Limited, the operator of CREST
Exit Shares	a Share in respect of which a successful application has been made under the Enhanced Buyback Offer
London Stock Exchange	London Stock Exchange plc
Offer	the offer made by the Company pursuant to the Prospectus in relation to the proposed issue by the Company of up to 15,000,000 Shares
Overseas Shareholder	Shareholders resident in, or citizens or nationals of, jurisdictions outside the United Kingdom
Prospectus	the prospectus issued by the Company in relation to the Offer, which comprises the Registration Document, Securities Note (a copy of which is enclosed with this document) and the Summary
Record Date	close of business on 12 January 2010
Restricted Territories	the United States, Canada, Australia and Japan
Shareholders	holders of Shares
Shares	ordinary shares of 5p each in the capital of the Company
TFE Instruction	a transfer from escrow instruction (as defined by the CREST Manual issued by Euroclear)
TTE Instruction	a transfer to escrow instruction (as defined by the CREST Manual issued by Euroclear)
UK Listing Authority	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	a venture capital trust as defined in Section 259 of the Income Tax Act 2007 (as amended)