

## INCENTIVE AGREEMENT

between

Matrix Private Equity Partners LLP

and

Matrix Income & Growth 4 VCT plc

and

Matrix Group Limited

Dated: 1 November 2006

**DUNDAS & WILSON LLP**

5th Floor Northwest Wing  
Bush House  
Aldwych  
London  
WC2B 4EZ

Tel 020 7240 2401  
Fax 020 7240 2448  
DX127 LDE

Ref: GLH/TRI001.0001

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This Agreement is made the 1<sup>st</sup> day of NOVEMBER 2006

**Between:**

- (1) **Matrix Private Equity Partners LLP** incorporated in England with registered number OC320577 and whose registered office is at One Jermyn Street, London SW1Y 4UH (the "**Manager**");
- (2) **Matrix Income & Growth 4 VCT plc** (formerly Triven VCT plc) incorporated in England with registered number 3707697 and whose registered office is at One Jermyn Street, London SW1Y 4UH (the "**Company**");
- (3) **Matrix Group Limited** incorporated in England with registered number 03309770 and whose registered office is at One Jermyn Street, London SW1Y 4UH (the "**Matrix Group**").

**Whereas:**

- (A) The Manager is the investment adviser to the Company under a revised Investment Adviser's Agreement ("**Investment Agreement**") of even date.
- (B) The Company has agreed to incentivise the Manager on the terms of this Agreement.
- (C) Matrix Group will share in any payment received under this Agreement.

**It is agreed as follows:**

**1. DEFINITIONS AND INTERPRETATION**

- 1.1 The following words and expressions where used in this Agreement (including the Recitals) have the meanings given to them below:

"**Accounts**" the audited accounts of the Company for any Accounting Period;

"**Accounting Period**" means the period of one year (or less in the case of the First Accounting Period) ending on or about 31 January in each year and so on for other periods (and if the accounting reference date of the Company shall alter appropriate alterations shall be made to this Agreement);

**"Auditors"**

the auditor or auditors for the time being of the Company or in the event of their being unable or unwilling to carry out any action requested of them pursuant to the provisions of these presents such other firm or accountants as may be nominated or approved by the Manager and the Company;

**"Business Day"**

a day on which dealings take place on the London Stock Exchange;

**"Change of Control"**

the acceptance of an offer, the making of an agreement or the issue of shares by the Company resulting in the offeror, purchaser or allottee or that person and those acting in concert (as defined in the City Code on Takeovers and Mergers) with him acquiring control of more than 50 per cent of the equity share capital of the Company or of shares conferring more than 50 per cent of the votes capable of being cast in respect of all of the equity shares in the capital of the Company at the time of such acquisition;

**"Dividend"**

a dividend of the Company on the assumption that all Shares at the time the dividend is paid are owned by qualifying investors as defined in part II of Schedule 15B of ICTA 1988 who have given any declaration or certificate required in respect of such ownership and that all such Shares have been acquired within the permitted maximum for each qualifying investor as defined in the said Part II provided that if at the relevant time (a) as a result of Section 30 Finance (No. 2) Act 1997, amendments to Schedule 15B or otherwise tax credits are not reimbursed to holders of Shares or (b) such Schedule 15B is no longer in force, or

	no longer applies to exempt dividends paid on shares in a venture capital trust from income tax;
<b>"Dividends per Share"</b>	the cumulative sum of all Dividends per Share declared and paid in any Accounting Period;
<b>"Listing"</b>	the admission of all or any part of the share capital of the Company to the Official List of the United Kingdom Listing Authority and to trading on London Stock Exchange's market for listed securities;
<b>"London Stock Exchange"</b>	London Stock Exchange plc;
<b>"Net Asset Value"</b>	the aggregate of the gross assets of the Company less all liabilities of the Company;
<b>"Net Asset Value per Share"</b>	the Net Asset Value divided by the number of Shares in issue;
<b>"Prospectus"</b>	the prospectus to be issued by the Company on or around 1 November 2006 relating to an offer of up to £20,000,000 of Shares (the <b>"Offer"</b> );
<b>"Recipients"</b>	the Manager and/or Matrix Group as the context permits;
<b>"Shareholder"</b>	a holder of Shares;
<b>"Share Capital"</b>	the authorised or issued (as the case may be) share capital of the Company for the Shares as the context permits in this Agreement;
<b>"Shares"</b>	ordinary shares of 1p each in the capital of the Company ;
<b>"Target Rate"</b>	Dividends per Share of equivalent to 6 per cent of the Net Asset Value per Share on the

Business Day immediately following the date of the close of the Offer (the "NAV Base")(including for the avoidance of doubt the associated tax credit, if any, available to shareholders) as increased annually from the end of the Third Accounting Period by the Retail Price Index (All Products) ("RPI") which shall also be the RPI base for such calculation. In addition, the above will be increased by any deficit in Dividends per Share from any previous Accounting Period after such date.

**"VCT Status Monitor"**

as defined in the Investment Agreement

- 1.2 Where used in this Agreement the terms "subsidiary", "subsidiary undertaking", "holding company", "equity share capital" and "financial year" shall have the meanings respectively attributed to them at the date of this Agreement by the Companies Act 1985.
- 1.3 A reference to any statute or statutory provision in this Agreement:
- 1.3.1 includes any order, instrument, plan, regulation, permission and direction made or issued under such statute or statutory provision or deriving validity from it; and
- 1.3.2 shall be construed as a reference to such statute or statutory provision as in force at the date of this Agreement (including, for the avoidance of doubt, any amendments made to such statute or statutory provision that are in force at the date of this Agreement); and
- 1.3.3 shall also be construed as a reference to any statute or statutory provision of which such statute or statutory provision is a re-enactment or consolidation; and
- 1.3.4 shall also be construed as a reference to any later statutory provision of which such statutory provision is a re-enactment or consolidation.
- 1.4 The headings in this Agreement are for convenience only and shall not affect its meaning.

- 1.5 References to a clause, are (unless otherwise stated) to a clause of this Agreement.
- 1.6 Words importing one gender shall (where appropriate) include any other gender and words importing the singular shall (where appropriate) include the plural and vice versa.

## 2. INCENTIVE ARRANGEMENTS

- 2.1 From the end of the Accounting Period ending on 31 January 2009 and in each subsequent Accounting Period throughout the life of the Company the Recipients will receive a payment by way of profit share ("**the Incentive Payment**") equal to 20% of any amount by which Dividends declared and paid in that Accounting Period exceed the Target Rate **provided always** that any payment of the Incentive Payment is further conditional upon the average Net Asset Value per Share in any Accounting Period in which such Dividends are declared and paid being maintained at the NAV Base or more (or such other base figure set in accordance with clause 2.5). The Incentive Payment will be shared between the Manager and Matrix Group on a 75:25 basis unless by agreement otherwise between themselves. The Incentive Payment will be structured in such a way (whether by cash, dividends or some other instrument) that will be agreed by the Company and the Manager at that time.
- 2.2 The first Incentive Payment will be made 5 Business Days after the annual general meeting of the Company at which accounts showing that the Target Rate has been achieved are received by the Shareholders of the Company.
- 2.3 Thereafter, the Incentive Payment will be paid on an annual basis 5 Business Days after the annual general meeting of the Company at which the Accounts are received by the Shareholders of the Company.
- 2.4 At the time that the Accounts are being prepared Matrix-Securities Limited (as part of their accounting function) will prepare a draft calculation of the amount of the Incentive Payment and as soon as reasonably practicable following their preparation, will send a copy of the calculation to the Board and to the Auditors. The Auditors, on the instructions of the Board, will review the calculation (and any underlying assumptions) of the Incentive Payment and will report to the Board. If the Board agrees the Incentive Payment then it will be paid in accordance with this clause. However if the Board does not agree the amount of the Incentive Payment the Board (on behalf of the Company) and the Manager (with their accountants if desired) shall seek to agree any adjustments to the Incentive Payment. If agreement cannot be reached within 10 Business Days then the parties shall jointly appoint the Auditors or

another independent firm of chartered accountants or if agreement is not reached upon the identity of such an accountant either party may require the appointment of an independent firm of chartered accountants nominated by the President for the time being of the Institute of Chartered Accountants in England and Wales to determine the amount of the Incentive Payment. An accountant appointed pursuant to this clause shall be required to determine the Incentive Payment within 20 Business Days of his nomination. The accountant shall act as expert and not as arbitrator and his decision shall in the absence of manifest error be final and binding on all the parties hereto. The accountant's costs shall be borne by the party who is held to have calculated the Incentive Payment incorrectly or failing this as the independent accountant in his absolute discretion shall determine.

- 2.5 The basis on which the Incentive Payment is calculated and its conditions may be adjusted in such manner as the Company and the Recipients agree and which the Auditors confirm in writing to be in their opinion fair and reasonable arising from any consolidation, subdivision, increase or similar change to the share capital of the Company or any other change to the Company which would have an effect on the basis of such conditions and calculations.
- 2.6 Except where otherwise stated, all amounts payable by the Company to the Recipients hereunder shall be exclusive of Value Added Tax (if any), which should be payable, if applicable, by the Company to the Manager in addition to such amounts on receipt of a valid VAT invoice.
- 2.7 Save in the case of clause 3 no amount of Incentive Payment actually paid to the Recipients pursuant to this clause 2 shall be repayable by them to the Company.

### 3. **ADDITIONAL CONDITION**

If the Manager's relationship with the Company is terminated by the Company for the reason of fraud or gross negligence on the part of the Manager then any Incentive Payment which has been paid or which is payable will be reduced by the aggregate amount of any diminishment of the Net Asset Value of the Company or the amount of any Dividends paid or payable by the Company resulting from such fraud or gross negligence together with any associated costs of dealing with the effect of such events (including without limitation any third party costs and fees) for any one or more Accounting Periods in which such fraud or gross negligence exists. For the avoidance of doubt the reduction in the Incentive Payment and the Recipients' liability to repay such payment will never be greater than the amount which the Recipients have received or are entitled to receive in any one or more Accounting Periods.



#### 4. OFFERS

4.1 If before or after the Incentive Payment becomes payable in whole or part either

4.1.1 an offer is made to all or any of the Shareholders which, if accepted, could lead to a Change of Control or a general offer is made to the shareholders of the Company to acquire their holdings in whole or in part, or

4.1.2 a resolution is passed at any time to wind up the Company, or

4.1.3 the Management Agreement of even date between the Company and the Manager is terminated or the Manager's appointment under it is terminated for any reason other than the fraud or gross negligence on behalf of the Manager; then

such event (if before) shall be deemed to be a date on which the Incentive Payment shall become immediately payable and (if after) will be an event which will crystallise future payments of the Incentive Payment:

4.2 Save in the case of 4.3 below, in the case of any of 4.1 above the amount of Incentive Payment together with the amount of any future payments of Incentive Payments to be paid will be determined by the parties acting reasonably and lawfully taking into consideration, without limitation, relevant facts and circumstances such as the amount of any offer, the amount of dividends paid and any growth in Net Asset Value up to and including the time of the event, the timing of the event i.e. in terms of the lifetime of the Company, the level and market valuations of investments made by the Company and the parties may require the Auditors (acting as experts and not arbitrators) at the time to provide assistance and guidance in determining such factors and to confirm in writing what adjustment they consider to be fair and reasonable.

4.3 If any of the events set out in 4.1 above occur within the initial three year period of the Manager's appointment under the Management Agreement then the parties agree that the outgoing Manager and Matrix Group will be respectively entitled to a proportion of the 75% and 25% share of any future Incentive Payment eventually payable. This proportion will be calculated as:

the total cost of qualifying investments made after 18<sup>th</sup> October 2006 (including those realised subsequently)

divided by

80% of the total of:-

cash held at 18 October 2006 (less the dividend to be paid on 26 October 2006) and the net funds raised as a result of the Offer until the Offer is closed.

## 5. INFORMATION

During the period of this Agreement the Company shall promptly furnish to the Manager details of all Dividends and other cash distributions paid by the Company and all tax credits (if any) repaid to the Shareholders on or prior to payment thereof.

## 6. ASSIGNMENT AND SURRENDER

- 6.1 The Recipients shall not without the consent of the Company (such consent not to be unreasonably withheld) assign or surrender or otherwise realise in any way all or any of its rights and benefits under this Agreement to any person other than to employees and former employees of the Recipients or a company controlled by either of them.

## 7. NOTICES

- 7.1 Any notice shall be in writing and signed by or on behalf of the person giving it. Except in the case of personal service, any notice shall be sent or delivered to the party to be served at the address set out above. Any alteration in such details shall, to have effect, be notified to the other parties in accordance with this clause.

- 7.2 Service of a notice must be effected by one of the following methods:

7.2.1 personally on an individual or in the case of any party that is a body corporate, personally on a director or the secretary of any such party and shall be treated as served at the time of such service;

7.2.2 by prepaid first class post (or by airmail if from one country to another) and shall be treated as served on the second (or if by airmail the fourth) Business Day after the date of posting. In proving service it shall be sufficient to prove that the envelope containing the notice was correctly addressed, postage paid and posted; or

7.2.3 by delivery of the notice through the letterbox of the party to be served.

8. APPLICABLE LAW

This Agreement shall be governed by and construed in accordance with the laws of England.

9. COUNTERPARTS

This Agreement may be executed in counterparts each of which shall be deemed to be an original hereof

This Agreement has been duly executed by the parties on the day and year first above written.

Signed by  
For and on behalf of  
**Matrix Private Equity Partners LLP**  
in the presence of:

)  
) *Mark W*  
) *[Signature]*

Signature of witness: *A Keyse*  
Name: ALLISON KEYSE

Address: 5th Floor, North West Wing, Bush House,  
Aldwych, London, WC2B 4EZ

Signed by  
For and on behalf of  
**Matrix Income & Growth 4 VCT plc**  
in the presence of:

)  
) *C. M. Moore*  
) *[Signature]*

Signature of witness: *A Keyse*  
Name: ALLISON KEYSE

Address: 5th Floor, North West Wing, Bush House,  
Aldwych, London, WC2B 4EZ.

Signed by  
For and on behalf of  
**Matrix Group Limited**  
in the presence of:

)  
) *[Signature]*  
) *[Signature]*

Signature of witness: *[Signature]*  
Name: SARAH PENFOLD

Address: 61 BAOLIS ROAD  
LONDON E17 5LG