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If you have sold or otherwise transferred all of your Capital Shares, please forward this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferor.

THE EQUITY PARTNERSHIP INVESTMENT COMPANY PLC

(Incorporated in the Isle of Man with registered number 103447C)

Issue of Zero Dividend Preference Shares and repayment of Bank Loan

Restructuring of investment management arrangements

Notice of Extraordinary General Meeting

This document should be read as a whole. Your attention is drawn to the letter from the Chairman of The Equity Partnership Investment Company plc, which is set out on pages 3 to 9 of this document, in which the Directors of The Equity Partnership Investment Company plc, having been advised by Teather & Greenwood Limited, unanimously recommend that Capital Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting.

Notice of an Extraordinary General Meeting of the Company, to be held at 10.30 a.m. on 21 April 2006 is set out on page 16. A Form of Proxy for use at the Extraordinary General Meeting is enclosed. To be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed thereon to the Company's registrars, Northern Trust International Fund Administration Services (Isle of Man) Limited of St James's Chambers, Athol Street, Douglas, Isle of Man IM1 1JE, as soon as possible and, in any event, so as to arrive not later than 10.30 a.m. on 19 April 2006.

The completion and return of a Form of Proxy for the Extraordinary General Meeting will not preclude Capital Shareholders from attending and voting at that meeting should they choose to do so.

Teather & Greenwood Limited, which is authorised and regulated by the Financial Services Authority, is acting exclusively for the Company in connection with the matters set out in this circular and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Teather & Greenwood Limited or for providing advice in connection with any matter referred to herein.

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In this document, use of any gender includes the other genders and all references to time are references to London time.

PART 1

LETTER FROM THE CHAIRMAN OF THE COMPANY

The Equity Partnership Investment Company PLC

(incorporated in the Isle of Man with registered number 103447C)

Registered Office:
PO Box 174
St James's Chambers
Athol Street
Douglas
Isle of Man
IM99 1PP

4 April 2006

To Capital Shareholders and, for information only, Income Shareholders and holders of Warrants

Dear Shareholder

**ISSUE OF ZERO DIVIDEND PREFERENCE SHARES AND REPAYMENT OF BANK LOAN
RESTRUCTURING OF INVESTMENT MANAGEMENT ARRANGEMENTS**

Introduction

On 9 March 2006, the Company announced proposals whereby, subject to the approval of Capital Shareholders:

- the arrangements between the Company and the Investment Manager would be restructured so as to reflect the Company's increased exposure to private equity investments and provide incentives for the private equity management team more in line with market practice; and
- the Bank Loan would be repaid in full and the Group refinanced by the issue of up to £20 million of Zero Dividend Preference Shares by EPIC Securities, a wholly owned subsidiary of the Company.

Accompanying this document is a copy of the prospectus which provides information on the Company and EPIC Securities and the Zero Dividend Preference Shares.

This document sets out details of the Proposals and of the Extraordinary General Meeting at which resolutions to approve the Proposals will be proposed. Capital Shareholders are encouraged to complete their forms of proxy in respect of the Extraordinary General Meeting and return them as soon as possible.

The Private Equity Restructuring Proposals are classified as a related party transaction under the Listing Rules on the grounds that EPE is a related party through ESI's 30 per cent. interest in EPE (ESI being a subsidiary of the Investment Manager) and because Giles Brand, who is currently responsible for the day to day management of the Private Equity Portfolio, and Andrew Castle, who partnered with Giles Brand and the Investment Manager with respect to EPIC Reconstruction PLC, are considered to be persons able to exercise a significant influence.

Background

On its launch in August 2001 the Company issued 20,736,333 Income Shares at 100p each and 34,561,666 Capital Shares at 100p each under the terms of the prospectus dated 14 August 2001. As at 31 January 2006, the latest practicable date prior to the publication of this document, Total Assets amounted to approximately £80.4 million, of which approximately £17.5 million was represented by

amounts due under the Bank Loan, the redemption value of the Income Shares was approximately £20.7 million and the balance of approximately £42.2 million was the net assets attributable to the Capital Shares (*source: unaudited internal accounting records*). In addition, there are 6,912,333 Warrants in issue entitling the holders to subscribe for one Capital Share per Warrant at a subscription price of 100p. The Warrants are exercisable up to 30 November 2006.

Dividends have been paid on the Income Shares, initially at the rate of 10p, rising in line with the RPI over the life of the Company. In respect of the financial year ended 31 July 2005, four quarterly dividends were declared totaling 10.779p. For the current financial year, two quarterly dividends have been declared to date, each of 2.77265p.

Restructuring of investment management arrangements

Background

At launch, EPIC's target asset allocation was for 20 per cent. of its portfolio to be invested in unquoted equities. However, there was no formal limit on investment in unquoted equities and the target asset allocation was stated to be subject to prevailing market conditions from time to time. As I reported in the 2005 Annual Report, there has been a significant move away from cash, bonds and structured income products into unquoted equity investments, whilst the Company has remained a passive investor. The current target asset allocation, as referred to in the Company's 2005 annual report, is: quoted equities 40 per cent.; investment funds 15 per cent.; unquoted equities (other than strategic investments) 30 per cent.; strategic investments 10 per cent. (being EPIC's 33.5 per cent. holding in the Investment Manager and 14 per cent. holding in Strand Partners Limited); and structured income products 5 per cent.

The Investment Manager has developed considerably since inception four years ago, from a fund manager focused on fixed income and equity mandates for institutional clients to a creator and innovator of specialist funds in property, private equity, insurance and environmental products.

Private Equity Portfolio

A potential benefit to EPIC resulting from the increasing focus on alternative asset classes has been EPIC's increased exposure to private equity, highlighted in the 2005 Annual Report, and the high returns this asset class can offer investors.

As the approach to private equity investing has developed, the focus has shifted increasingly from small minority equity stakes of between 1 and 5 per cent. of investee companies to complex structured transactions where EPIC has invested in equity stakes of up to 29.9 per cent. as well as in certain intermediate lending instruments such as preference shares, loan stock and mezzanine instruments. Mezzanine is a flexible form of finance which fills the gap between relatively lower risk senior secured bank loans and the relatively higher risk equity interests.

The yield requirements of the Income Shares have led the Investment Manager to seek yielding investments that have both income and capital characteristics. The use of mezzanine instruments that pay out above EPIC's implied cost of capital of approximately 7 per cent. whilst facilitating parallel investment in equity has proved to be an effective way of helping to manage exposure to unquoted companies in EPIC's portfolio. EPIC has successfully identified and invested in asset rich companies such as Communitas and Palatinat Schools and cash flow rich companies such as Nexus Industries and Ryness Electrical that are suitable for mezzanine lending. In each of the above situations, EPIC invested 29.9 per cent. in the equity thereby securing the potential for growth as well as a high yield on the mezzanine portion.

Growth capital opportunities have also been successful during the period. EPIC invested in Futura Medical PLC during 2002 and realised approximately 2.7 times its investment in 2003. Blueheath PLC floated in 2004, and, as at 31 January 2006, had an implied market value of approximately 1.4 times its investment. EPIC invested in Pharmacy2U Limited in 2002, has received interest at 10 per cent. per annum for three years and recently sold approximately 15 per cent. of its holding for approximately 4 times cost.

The Investment Manager's ability to structure and participate in larger and more complex investments as described above has been facilitated by the fact that private equity investing has become a large part of the Investment Manager's business. The launch of EPIC in 2001, EPIC Brand Investments PLC in 2002 and EPIC Reconstruction PLC in 2003 has given the Investment Manager increased exposure and access to private equity best practice and deal flow. At 31 December 2005 the Investment Manager had over £55 million of private equity assets under management or advice focused on growth capital, leveraged and distressed transactions.

Appointment of EPE to advise in respect of the Private Equity Portfolio

In order to accommodate the new funds, the private equity team has grown. Currently the Investment Manager employs five individuals to work within private equity, with more set to join during 2006. In order to retain the private equity team and recruit additional members as required it is proposed to transfer the employment of the existing team members and the management of the Private Equity Portfolio, to a newly created third party entity, EPE. The Private Equity Portfolio will be transferred to EPIC LLP, a limited liability partnership of which the Company will be the principal member. EPE will also be a member and will be responsible for providing advisory services to EPIC LLP. When an investment is realised, the net proceeds attributable to EPIC will be distributed to EPIC by EPIC LLP. Should a new private equity investment be proposed, the approval of the Board will be required for the loan of funds to enable such investment to proceed. New private equity investments may be made by a parallel limited liability partnership vehicle to be constituted with the same members and on terms no less favourable to EPIC than those applicable to EPIC LLP.

Under these proposed arrangements, Giles Brand, who is currently responsible for the day to day management of the Private Equity Portfolio, will continue to manage EPIC's private equity portfolio in a new role as co-head of EPE. Andrew Castle, who partnered with Giles Brand and the Investment Manager with respect to EPIC Reconstruction PLC, will join EPE as co-head. These two principal executives will own 70 per cent. of EPE, with the remaining 30 per cent. being held by ESI currently a 75.3 per cent. subsidiary of the Investment Manager.

EPE intends to focus on providing investment advice, initially for EPIC and EPIC Reconstruction PLC. As part of the process of creating EPE, subject to the approval of Capital Shareholders, revised management remuneration arrangements are being proposed so as to bring the arrangements more in line with market practice, to incentivise the management team and to align their interests more fully with those of Shareholders.

Revised fee structure

It is proposed that, with effect from the Effective Date, EPE will be appointed to advise EPIC LLP in respect of its assets. A basic advisory fee will be payable by EPIC LLP to EPE of 0.5 per cent. per annum of the net assets of EPIC LLP (and, for these purposes, the amount of any loans made to EPIC LLP by its members shall not be taken into account in calculating the net assets of EPIC LLP) subject to a minimum of £100,000 for the first two years, out of which the operating costs of EPE will be borne. This will be in addition to the management fee payable by EPIC to the Investment Manager of one per cent. of Total Assets per annum. Based on the target asset allocation, the effective level of management fees will increase from 1 per cent. to 1.15 per cent. of Total Assets per annum.

In addition, a proportion of realised profits on the Private Equity Portfolio will be payable to a newly created entity to be named EPIC Carry LLP, subject to an annual return of 7 per cent. being achieved. More specifically, if, with effect from the Effective Date, the total distributions to EPIC from EPIC LLP amount to at least the amount loaned by EPIC to EPIC LLP plus 7 per cent. per annum (compound) excess distributions over and above that hurdle will accrue to EPIC Carry LLP until such time as the aggregate distributions to EPIC Carry LLP amount to 25 per cent. of the aggregate distributions to EPIC over and above the value of the Private Equity Portfolio as at the Effective Date. Thereafter, excess distributions will be split 20:80 between EPIC Carry LLP and EPIC. **For this purpose, returns on mezzanine investments will be brought into account to establish whether the 7 per cent. hurdle has been met but sums received in respect of mezzanine investments will be solely for the account of EPIC.**

On the realisation of investments, interim payments may be made to EPIC Carry LLP on account of its putative entitlement to carried interest, but any such payments will be subject to clawback if and to the extent that such interim payments exceed EPIC Carry LLP's ultimate entitlement to carried interest, on the basis of the total cumulative distributions by EPIC LLP to EPIC when the portfolio has been fully realised.

The value of the Private Equity Portfolio transferred to EPIC LLP on the Effective Date will be established by reference to an independent valuation to be carried out by PricewaterhouseCoopers.

Further details of these arrangements are set out in Part 2 to which your attention is drawn. The agreement governing the fees payable by EPIC LLP to EPE and the carried interest to EPIC Carry LLP is summarised in paragraph 3 of Part 3 and is amongst the agreed form documents on display as referred to in paragraph 5 of Part 3.

At the inception of EPIC, the Investment Management Agreement provided for a performance fee to be payable, in respect of any financial year in which growth in the Net Asset Value of the Group (subject to certain adjustments) exceeded a benchmark of LIBOR plus 3 per cent., equal to 10 per cent. of the excess. Consequent upon the arrangements described above, the value of EPIC's investment in EPIC LLP, will, in the current and subsequent financial years, be ignored for the purposes of calculating any performance fee payable to the Investment Manager. The performance fee arrangements will remain subject to a "high watermark" and, as is currently the case, for the purposes of calculating any entitlement to a performance fee any increase in the value of EPIC's investment in the Investment Manager, and any income derived from that investment, will be ignored until such time as a market quotation or listing is obtained for the Investment Manager's shares. An agreed form deed of amendment to the Investment Management Agreement is amongst the documents on display as referred to in paragraph 5 of Part 3.

The arrangements described above are subject to the approval of Capital Shareholders at the Extraordinary General Meeting.

Repayment of the Bank Loan and issue of Zero Dividend Preference Shares by EPIC Securities

Repayment of the Bank Loan

In addition to its equity capital, the Group has a loan facility of up to £30 million from the Bank, of which a principal amount of £13.75 million has been drawn down and is repayable on 10 February 2007. The effective rate of interest payable on the Bank Loan is a margin of 1.05 per cent. over LIBOR. The interest is "rolled up" and repayable, along with the principal amount, on maturity. The agreement for the Bank Loan contains certain financial covenants. These impose constraints upon the Group's ability to invest in certain categories of investment, including a covenant that at least 50 per cent. of investments should be quoted investments, bonds rated A or above and cash and that no more than 25 per cent. of investments should be unquoted. The Bank Loan may be repaid early together with interest accrued (which amounted to approximately £3.7 million as at 28 February 2006) without any penalty being incurred. Repayment of the Bank Loan on 28 February 2006 would have resulted in a total payment to the Bank of approximately £17.45 million.

In order to mitigate the impact of Sterling interest rate increases, for the purpose of efficient portfolio management the Company entered into an interest rate swap with the Bank for a notional amount of £13.75 million the effect of which was to cap the cost of the loan at 6.70 per cent. per annum. This associated interest rate swap was cancelled on 23 February 2006, crystallising a payment to the counterparty of £231,000, representing the fair value of the instrument at that time.

The Board perceives there to be a strong market at present for zero dividend preference shares and considers therefore that it would be beneficial to the Company's Income and Capital Shareholders to repay the Bank Loan with the proceeds of the Placing. Replacement of the Bank Loan with the Zero Dividend Preference Shares will leave the Company free of the constraints imposed by the Bank Loan and provide funding through to July 2011.

Placing of New Zero Dividend Preference Shares

The Company proposes the issue of 20 million Zero Dividend Preference Shares at 100p per share by way of the Placing and these shares have been placed by Teather & Greenwood conditional, inter alia, upon admission of the Zero Dividend Preference Shares to the Official List and to trading on the London Stock Exchange's market for listed securities becoming effective. Because the Company does not have a fixed life, the Zero Dividend Preference Shares will be issued by its wholly-owned subsidiary, formed for the purpose, EPIC Securities.

The Zero Dividend Preference Shares will have an initial capital entitlement of 100p, increasing to 139.3p on the Repayment Date, which is equivalent to a Redemption Yield of 6.5 per cent. on the Placing Price of 100p. The Zero Dividend Preference Shares do not carry any entitlement to receive income.

Based on the Principal Bases and Assumptions contained in Part 4 of the Prospectus, the final capital entitlement of the Zero Dividend Preference Shares would have a Cover of approximately 2.7 times assuming that there is no growth in Total Assets up to the Repayment Date, and the Hurdle Rate required for Zero Dividend Preference Shareholders to receive their final capital entitlement of 139.3p on the Repayment Date would be minus 15 per cent.

Zero Dividend Preference Shareholders will not be entitled to attend or vote at general meetings of the Company. However their approval as a separate class is required for certain actions which would affect their rights.

It is intended that the Zero Dividend Preference Shares will provide replacement funding for the Group in place of the Bank Loan. However, Shareholders should note that, whilst the Bank Loan is repayable early at any time, the Zero Dividend Preference Shares are expected to remain in place until the Repayment Date in 2011.

Effect on Cover for the Income Shares

As at 31 January 2006, the Cover for the Income Shares was 3.02 times. It is expected that the effect of the Proposals, based on the estimated costs of their implementation of approximately £750,000, would be to reduce such Cover to 2.99 times.

Arrangements with EPIC Securities

Following the issue of the Zero Dividend Preference Shares, EPIC Securities will loan the net cash proceeds of the Placing to the Company to enable it to repay the Bank Loan. EPIC Securities will subscribe at par in cash for one or more subordinated, interest-free loan notes to be issued by the Company to EPIC Securities, the aggregate nominal amount of which will be equal to the net cash proceeds of the Placing. The Loan Note will not be transferable and, in the event of a winding-up of the Company, the rights of EPIC Securities to repayment will be subordinated to the claims of the Group's other creditors. The Loan Note will be repayable at par on the Repayment Date and the Company will undertake in the instrument constituting the Loan Note that, for so long as the Loan Note remains outstanding:

- (i) for so long as it is the holder of all the issued ordinary share capital of EPIC Securities, it will not vote to pass a resolution at any general meeting of EPIC Securities relating to any matters which would require the previous sanction of a separate general meeting of the holders of the Zero Dividend Preference Shares under the articles of association of EPIC Securities unless such previous sanction has first been obtained;
- (ii) it shall not enter into any transaction (including any issue of further Shares) which, if it were entered into by EPIC Securities would require the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of Zero Dividend Preference Shares under the articles of association of EPIC Securities or otherwise as required by law, without such sanction having first been obtained;
- (iii) except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of Zero Dividend Preference Shares or as required by law, it will not make any repayment of capital to the holders of Capital Shares or repurchase any Income Shares or

Capital Shares, save for any repurchase of Income Shares or Capital Shares that has been approved by EPIC's Shareholders prior to the date of the Loan Note instrument;

- (iv) except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of the Zero Dividend Preference Shares or as required by law or the Listing Rules, it shall ensure that the board of directors of EPIC Securities as constituted from time to time are the same individuals who form the Board; and
- (v) except with the previous sanction of an extraordinary resolution passed at a separate general meeting of the holders of Zero Dividend Preference Shares or as required by law, it will restrict the borrowings of the Company and shall exercise voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to procure (as regards subsidiaries, to the extent possible) that the aggregate principal amount from time to time outstanding in respect of all moneys borrowed by the Group does not at any time exceed 5 per cent. of the Group's Net Asset Value.

The Company will also enter into an undertaking with EPIC Securities under which it will agree to contribute (by way of gift, capital contribution or otherwise) such amount as would be necessary to ensure that EPIC Securities has sufficient assets on the Repayment Date to satisfy the final capital entitlement of the Zero Dividend Preference Shares. In the event of a winding-up of the Company, EPIC Securities' rights under the undertaking will be subordinated to the claims of the Group's other creditors. The Company will give undertakings to EPIC Securities, for so long as its obligations under the undertaking remain outstanding, on the same terms as are set out in paragraphs (i) to (v) above.

Following repayment of the Bank Loan, the Board intends that the Group will not incur any indebtedness in future other than short term borrowing purely for operational (as opposed to investment) purposes, capped in any event at 5 per cent. of the Group's Net Asset Value.

Further Share issues

Further Shares may be issued by the Company and/or EPIC Securities in due course, subject to any shareholder approvals that may be required at the relevant time. In any event, no further Shares will be issued ranking in priority to or *pari passu* with the Zero Dividend Preference Shares without the approval of Zero Dividend Preference Shareholders unless a cover test which is set out in the articles of association of EPIC Securities is met.

The Directors have no present intention to issue any further Shares. However, if Warrants are exercised on or before their expiry in November this year, giving rise to the issue of up to 6,912,333 additional Capital Shares, the Board will consider issuing additional Income Shares at that time to maintain the ratio between the two classes.

Costs and Expenses

It is estimated that the total costs of the Proposals will be approximately £750,000 million (excluding the cost of cancelling the interest rate swap on 23 February 2006). For the avoidance of doubt, these costs cover all aspects of the Proposals, including the Private Equity Restructuring Proposals and the Placing. Other than in respect of costs and expenses attributable to the Placing, these costs will be written off on implementation of the Proposals. The costs and expenses attributable to the Placing will be amortised over the period ending on the Repayment Date.

Extraordinary General Meeting

At the end of this document is a notice convening the Extraordinary General Meeting of the Company to be held at the offices of Northern Trust International Fund Administration Services (Isle of Man) Limited at St James's Chambers, Athol Street, Douglas, Isle of Man IM1 1JE at 10.30 a.m. on 21 April 2006. At the Extraordinary General Meeting Resolutions will be proposed to approve the Proposals. Pursuant to the provisions of the articles of association of the Company only Capital Shareholders will be entitled to vote on the Resolutions.

Action to be Taken

Accompanying this letter is a form of proxy for use by Capital Shareholders at the Extraordinary General Meeting. Shareholders are encouraged to complete the forms of proxy as appropriate and return them to the Company's registrars, Northern Trust Administration Services (Isle of Man) Limited of St James's Chambers, Athol Street, Douglas, Isle of Man IM1 1JE as soon as possible but in any event so as to be received no later than 10.30 a.m. on 19 April 2006.

If you complete and return the Form of Proxy, you may also attend and vote at the Extraordinary General Meeting in person should you wish to do so.

Board Recommendation

The Board, which has been so advised by Teather & Greenwood, considers that the Proposals are fair and reasonable as far as Shareholders are concerned. The Board, therefore, unanimously recommends that Capital Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting as the Directors intend to do in respect of their own beneficial holdings, being in aggregate 50,000 Capital Shares (representing approximately 0.14 per cent. of the issued Capital Shares). In giving its advice, Teather & Greenwood has taken into account the Directors' commercial assessments.

Yours faithfully,

Cameron McPhail

Chairman

PART 2

INFORMATION RELATING TO PRIVATE EQUITY ARRANGEMENTS

Note: all of the arrangements described below are conditional in all respects on Resolution 1 to be proposed at the Extraordinary General Meeting being passed.

1. Transfer of the Private Equity Portfolio to EPIC LLP

On the Effective Date, the Private Equity Portfolio will be transferred to EPIC LLP and the Company will become a member of EPIC LLP. Other than EPE's entitlement to receive its advisory fee and any right of EPIC Carry LLP to receive carried interest (each as described further below), the Company will have 100 per cent. of the economic interest in EPIC LLP. The Company will have legal control over EPIC LLP through a veto right over the making or realisation of investments and the power to terminate the appointment of EPE as investment adviser.

The Private Equity Portfolio will be transferred at a value to be determined by the independent valuation referred to in paragraph 4 below. The consideration for the transfer will remain outstanding as an interest-free loan repayable by EPIC LLP to the Company out of the proceeds of disposals.

EPIC LLP will have three members, the Company, EPIC Carry LLP and EPE (which will have an interest of 0.001 per cent.). The members will enter into a members' agreement which will govern the basis on which payments are made into and out of the limited liability partnership, including (a) payments to and from the Company in respect of assets disposed of or to be acquired, (b) advisory fees payable to EPE, and (c) EPIC Carry LLP's carried interest entitlement described in paragraph 3 below. EPIC and EPIC LLP will also enter into a portfolio agreement pursuant to which EPIC will transfer the Private Equity Portfolio to EPIC LLP. Agreed forms of these agreements are amongst the documents on display as referred to in paragraph 5 of Part 3. The Board retains the discretion to agree minor amendments to these agreements which it considers are not prejudicial to the interests of Shareholders.

The members of EPIC Carry LLP will be Giles Brand, Andrew Castle and Robert Leeming. These individuals will enter into a members' agreement with EPIC Carry LLP. Under this agreement 100 per cent. of the profits of EPIC Carry LLP will be allocated to Giles Brand, Andrew Castle and Robert Leeming. The agreement will contain an acknowledgement that further entitlements to carried interest will be considered annually and that, if granted to persons other than the existing members, such persons will become members at that time. An agreed form of this agreement is amongst the documents on display as referred to in paragraph 5 of Part 3. The Board retains the discretion to agree minor amendments to this agreement which it considers are not prejudicial to the interests of Shareholders.

2. Management arrangements and fees

EPIC's interest in EPIC LLP will be included in the Company's portfolio for the purposes of calculating the one per cent. annual management fee payable by EPIC to the Investment Manager. For this purpose the value of EPIC's interest in EPIC LLP will be based on the valuation of its underlying investments from time to time.

As part of the Private Equity Restructuring Proposals, the Investment Management Agreement (a summary of which is set out in paragraph 3 of Part 3) will be amended so that the Private Equity Portfolio being transferred to EPIC LLP on the Effective Date and the value of EPIC's investment in EPIC LLP in the future will be ignored for the purposes of calculating any performance fee payable to the Investment Manager. An agreed form of this deed of amendment is amongst the documents on display as referred to in paragraph 5 of Part 3. The Board retains the discretion to agree minor amendments to this deed which it considers are not prejudicial to the interests of Shareholders.

Under the members' agreement for EPIC LLP, EPE will be entitled to a basic quarterly advisory fee equal to 0.125 per cent. of EPIC LLP's net assets (and, for these purposes, the amount of any loans made to EPIC LLP by its members shall not be taken into account in calculating the net assets of EPIC LLP), subject to an annual minimum of £100,000 for the first two years. This is to be calculated on the

basis of quarterly valuations of EPIC LLP's portfolio. EPE's appointment as investment adviser may be terminated by EPIC (on behalf of EPIC LLP) or EPE on 12 months' prior written notice or on one month's notice in the event of (a) a material breach by the other of their obligations which is not remedied within 30 days or (b) the other having a receiver, administrator or liquidator appointed. EPIC (on behalf of EPIC LLP) may also terminate if EPE ceases to be authorised by the FSA (either directly or through an authorised representative) or if Giles Brand (or such replacement member of EPE as is approved by EPIC) is not available to perform his duties for a period of 180 days.

EPE will have three members, ESI, Andrew Castle and Giles Brand. Their capital contributions and net profit allocations under that agreement will be 30 per cent., 35 per cent. and 35 per cent. respectively. EPE will be an appointed representative of ESI, which is an FSA authorised person.

3. Carried interest

In addition, under the members' agreement for EPIC LLP a carried interest will be payable to EPIC Carry LLP equivalent to 20 per cent. of the income and gains from the equity portion of the portfolio, subject to a hurdle rate of return of 7 per cent. per annum being achieved for EPIC. Following the hurdle rate of return being achieved, distributions will first be made to EPIC Carry LLP until it has been paid an amount equal to 25 per cent. of all distributions in excess of the value of the Private Equity Portfolio which were made to the Company prior to the hurdle being achieved. Thereafter, distributions will be split 80:20 between the Company and EPIC Carry LLP respectively.

"Equity portion" for these purposes refers to investments in share capital and loan capital below the level of mezzanine investments. Returns on EPIC LLP's mezzanine investments will be solely for the account of EPIC (i.e. the 80:20 split will not apply), but will be brought into account when establishing whether the hurdle has been met (see further below).

The hurdle will be achieved if, with effect from the Effective Date, the total distributions to EPIC from EPIC LLP amount to at least the amount loaned by the Company to EPIC LLP plus 7 per cent. per annum (compound).

The carried interest will be payable by reference to the monies actually distributed by EPIC LLP to the Company. On the realisation of an investment by EPIC LLP, if, after taking account of other realisations and any unrealised gains and losses, the return on the Private Equity Portfolio exceeds the hurdle set out above, an amount representing 50 per cent. of the carried interest entitlement on that investment shall be loaned by EPIC LLP to EPIC Carry LLP and paid at the expiry of six months from the realisation date, subject to adjustment to take account of any intervening realisations or revaluations. If and to the extent that amounts so paid ultimately exceed the entitlement of EPIC Carry LLP to carried interest based on monies ultimately distributed by EPIC LLP to EPIC when the portfolio has been fully realised, the excess of the loan shall be repayable to EPIC LLP. Such repayment obligation shall attach as appropriate to the individual recipients of the carried interest (on a several basis rather than joint and several). Any repayments shall be made on an after-tax basis, i.e. after deduction of any amounts paid or payable to any taxation authority in respect of such amounts.

In the event of early departure, an individual's entitlement to carried interest shall be adjusted and repayment may be made to EPIC Carry LLP (as appropriate), by reference to a vesting schedule to be established by EPIC Carry LLP and disclosed to the Board.

In determining whether the hurdle has been satisfied, returns on both equity and mezzanine investments in the Private Equity Portfolio are to be brought into account. The opening value of the Private Equity Portfolio will be fixed by the independent valuation described in paragraph 4 below.

The members of EPIC Carry LLP shall consider further entitlements to carried interest annually and such allocations will be notified to the Board.

4. Base value

The base value of the Private Equity Portfolio is to be established on the Effective Date by reference to an independent valuation to be undertaken by PricewaterhouseCoopers, as of the Effective Date.

In respect of any investments agreed to be sold within four months of the Effective Date, the sale price will, if higher than the valuation, be substituted for the base value.

5. Co-investment

The EPE management team is to co-invest £100,000 (in aggregate) in each future investment and to split their investment 50/50 between mezzanine and equity and otherwise at the same time and on the same terms as EPIC LLP's or any parallel limited liability partnership vehicle's (see paragraph 6 below) investments. The Board may sanction a lower level of co-investment into small transactions (being those where the total commitment of EPIC LLP or any parallel limited liability partnership vehicle is less than £1,000,000) at the request of EPE. The co-investment level and proportions will be the same for each follow-on investment made by EPIC LLP or any parallel limited liability partnership vehicle in portfolio companies.

6. New and follow-on investments

Commitments to make new or follow-on investments will be approved unanimously in each case by the members' of EPIC LLP (including EPIC). Full details, including any fees payable by the investee company to EPE, are to be disclosed to the Board prior to such decision being made.

The Board and the private equity management team may agree that new private equity investments will be made by a parallel limited liability partnership vehicle to be established in due course. This vehicle will have the same members and will be constituted on exactly the same terms as EPIC LLP, save that the arrangements for carried interest may differ. Any difference in the arrangements for carried interest for such a vehicle would not be to the detriment of EPIC.

7. Fees on exit

On exit from an investment in EPIC LLP's portfolio, fees payable to EPE by the investee company are to be capped at 1 per cent. of the consideration receivable by EPIC LLP and are to be disclosed to the Board.

PART 3

ADDITIONAL INFORMATION

1. Major shareholders

So far as is known to the Company and the Directors, as at 31 March 2006, the latest practicable date prior to publication of this document, the following persons had an interest in the Company's share capital which was notifiable under the Law:

Income Shares

	<i>Holdings</i>	<i>% of class</i>
Nortrust Nominees Limited	3,640,300	17.56
Ferlim Nominees Limited	3,539,850	17.07
Chaucer Syndicates Limited	2,500,000	12.06
The Corporation of Lloyd's (account number 5358901)	2,500,000	12.06
Brit Insurance Limited	1,000,000	4.82
BNY (OCS) Nominees Limited	928,976	4.48
The Corporation of Lloyd's (account number 5395423)	900,000	4.34

Capital Shares

	<i>Holdings</i>	<i>% of class</i>
The Corporation of Lloyd's (account number 5472545)	7,000,000	20.25
Brit Insurance Holdings PLC	5,000,000	14.47
Nortrust Nominees Limited TDS	3,900,000	11.28
Nortrust Nominees Limited	3,550,000	10.27
HSBC Global Custody Nominees (UK) Limited (account number 981685)	2,669,200	7.72
HSBC Global Custody Nominees (UK) Limited (account number 767595)	1,370,243	3.96
BNY (OCS) Nominees Limited	1,250,000	3.62

2. Significant change

There has been no significant change in the financial or trading position of the Company since 31 July 2005, the date to which the most recent audited financial statements have been published. As at 31 January 2006, the latest practicable date of calculation prior to publication of this document, the unaudited net assets attributable to the Capital Shares were £42.2 million or 122.04p per Capital Share.

3. Material contracts

The following are the only material contracts, not being contracts entered into the ordinary course of business, which: (i) are or may be material and have been entered into by the Group within the two years immediately preceding the date of this document; or (ii) have been entered into by the Group at any time before the date of this document where those contracts contain provisions under which the Company has an obligation or entitlement which is or may be material to the Company as at the date of this document, and in each case are considered to be information which Capital Shareholders would reasonably require in order to make a properly informed assessment of how to vote.

- 3.1 The Investment Management Agreement dated 14 August 2001 between the Company and the Investment Manager under which the Company appointed the Investment Manager to be responsible for the management of its investment portfolio on a discretionary basis subject to the overall supervision of the Board.

The Investment Management Agreement was for an initial two year period and is terminable by either party by 12 months' prior written notice given at any time expiring on or after the first anniversary of the date of Admission, subject to earlier termination by either party in the event of, *inter alia*, a party having a receiver, administrator or liquidator appointed or committing a material breach of the Investment Management Agreement. The Investment Management Agreement will terminate automatically without compensation becoming payable to the

Investment Manager upon the passing of a resolution for the reorganisation or winding up of the Company. In addition, the Investment Management Agreement will be terminable forthwith at the Company's option following any period of 180 days during which neither Jo Welman nor a replacement key director of the Investment Manager approved by the Board (previously or during such 180 day period) is available to perform his duties as an executive director of the Investment Manager.

The Investment Manager is entitled to a quarterly investment management advisory fee payable in arrears on 30 April, 31 July, 31 October and 31 January in each year equal to one quarter of one per cent. of Total Assets, valued at the close of business on the last business day of each quarter (together with any applicable VAT). The Investment Manager will also be entitled to a performance based fee in respect of any financial year where the growth in the Net Asset Value of the Company (after adding back the dividends paid by the Company to the Income Shareholders during the relevant period and making adjustment for any Warrants exercised during the relevant period) exceeds a benchmark annual return of LIBOR (as at the first business day of the year in question) plus three (3) per cent. per annum. The performance fee, payable following publication of the audited accounts for the year in question, shall be an amount equal to 10 per cent. of any out-performance of the benchmark provided always that a performance fee will be payable only if and to the extent that the Net Asset Value of the Company at the end of the year in question (adjusted as aforesaid) exceeds the highest Net Asset Value of the Company recorded at the end of any previous year or the Net Asset Value of the Company immediately following completion of the placing carried out in connection with the IPO (whichever is higher and subject in either case to adjustment as aforesaid). For the purposes of calculating any entitlement to a performance fee any investment of the Company in the Investment Manager and any income derived from that investment will be ignored until such time as a market quotation or listing is obtained for the Investment Manager shares.

Under the terms of the Investment Management Agreement, where the Company invests in any other investment vehicle(s) managed or advised by the Investment Manager or any associate, the aggregate fees receivable by the Investment Manager and any such associate from the Company and such other investment vehicle(s) shall, unless the Board shall otherwise determine in any particular case, be adjusted so that no incremental benefit accrues to the Investment Manager as a result of such investment being made and the benefit of such adjustment shall be apportioned between the Company and such other investment vehicle(s) in a manner to be approved by the Board.

The Investment Manager is entitled to be reimbursed all commissions, transfer fees, registration fees, stamp duty and similar liabilities, the fees of any advisers appointed pursuant to the Investment Management Agreement and any other costs incurred in the ordinary course of its duties as an investment manager (plus VAT (if applicable)) properly incurred in the performance of its duties.

- 3.2 The agreed form members' agreement for EPIC LLP summarised in Part 2.
- 3.3 The agreed form portfolio agreement between EPIC and EPIC LLP summarised in Part 2.
- 3.4 The agreed form deed of amendment to the Investment Management Agreement summarised in Part 2.

4. Consents

Teather & Greenwood Limited has given and not withdrawn its consent to the inclusion of the references to its name in this document in the form and context in which they are included.

5. Documents on display

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays and public holidays excepted) at the offices of Latham & Watkins, 99 Bishopsgate, Eleventh Floor, London EC2M 3XF until 21 April 2006:

- 5.1 the agreed form members' agreement for EPIC LLP;
- 5.2 the agreed form portfolio agreement between EPIC and EPIC LLP;
- 5.3 the agreed form members' agreement for EPIC Carry LLP;
- 5.4 the agreed form deed of amendment to the Investment Management Agreement between the Company and the Investment Manager (and the current Investment Management Agreement);
- 5.5 the memorandum and articles of association of the Company; and
- 5.6 the audited report and accounts of the Company for the financial years ended 31 July 2003, 2004 and 2005.

Dated: 4 April 2006

The Equity Partnership Investment Company PLC

(incorporated in the Isle of Man with registered number 103447C)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an **EXTRAORDINARY GENERAL MEETING** of The Equity Partnership Investment Company PLC (the “Company”) will be held at the offices of Northern Trust International Fund Administration Services (Isle of Man) Limited at St James’s Chambers, Athol Street, Douglas, Isle of Man IM1 1JE on 21 April 2006 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions.

ORDINARY RESOLUTIONS

1. **THAT** the Private Equity Restructuring Proposals as defined and described in the Circular issued by the Company dated 4 April 2006 be and are hereby approved.
2. **THAT** the proposal to repay the Bank Loan (as defined in the Circular) in full and refinance by the issue of up to 20,000,000 Zero Dividend Preference Shares by EPIC Securities PLC, a wholly owned subsidiary of the Company, be and is hereby approved.

By order of the Board

Registered Office
PO Box 174
St. James’s Chambers
Athol Street
Douglas
Isle of Man IM99 1PP

Notes

A member entitled to attend and vote at the EGM may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. The appointment of a proxy will not prevent a member from subsequently attending and voting at the EGM in person.

DEFINITIONS

“Bank”	Barclays Bank PLC;
“Bank Loan”	the term loan facility provided to EPIC by the Bank under a facility agreement dated 10 August 2001;
“Board” or “Directors”	the directors of the Company;
“Business Day”	any day on which banks are open for business generally in the City of London;
“Capital Shareholders”	holders of Capital Shares from time to time;
“Capital Shares”	capital shares of 10p each in the capital of the Company;
“Company” or “EPIC”	The Equity Partnership Investment Company plc, a public company incorporated in the Isle of Man with registered number 103447C;
“Cover”	in relation to the Zero Dividend Preference Shares, the ratio of Total Net Assets to the final capital entitlement of the Zero Dividend Preference Shares and, in relation to the Income Shares, the ratio of Total Net Assets less the current capital entitlement of the Zero Dividend Preference Shares to the redemption value of the Income Shares;
“CREST”	the system for paperless settlement of trades in securities and the holding of uncertificated securities which is operated by CRESTCo;
“CRESTCo”	CRESTCo Limited;
“Effective Date”	the date on which the Private Equity Portfolio is transferred to EPIC LLP, expected to be on or around 24 April 2006;
“EPE”	EPIC Private Equity LLP, a limited liability partnership which will provide advisory services to EPIC LLP;
“EPIC LLP”	EPIC Investments LLP, a limited liability partnership into which the Private Equity Portfolio is to be transferred under the Private Equity Restructuring Proposals;
“EPIC Securities”	EPIC Securities PLC, a public company incorporated in the Isle of Man with registered number 115527C;
“ESI”	EPIC Specialist Investments Limited;
“Extraordinary General Meeting”	the extraordinary general meeting of the Company convened for 21 April 2006, notice of which is set out on page 16;
“Form of Proxy”	the form of proxy accompanying this document for use by Capital Shareholders in connection with the Extraordinary General Meeting;
“Group”	the Company and its subsidiary undertakings (including EPIC Securities);

“Hurdle Rate”	the minimum annual compound percentage rate of underlying capital and income growth in Total Assets which at the Repayment Date would result in the Zero Dividend Preference Shareholders receiving 139.3p per share;
“Income Shareholders”	holders of Income Shares from time to time;
“Income Shares”	income shares of 10p each in the capital of the Company;
“Investment Management Agreement”	the investment management agreement between the Company and the Investment Manager dated 14 August 2001;
“Investment Manager”	EPIC Investment Partners Limited (formerly The Equity Partnership Limited);
“IPO”	the initial public offering of the Company which took place in August 2001;
“LIBOR”	the 12 month London Inter Bank Offered rate for Sterling deposits at or about 11.00 a.m. on the relevant date, as published in the Financial Times or, where referred to in respect of the Bank Loan, the British Bankers Association Interest Settlement Rate for the relevant period displayed on the appropriate page of the Telerate screen or if the screen rate is not available the rate quoted by the Bank to leading banks in the London interbank market (in each case as of 11.00 a.m. on the relevant date);
“Listing Rules”	the listing rules made by the UK Listing Authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
“Loan Note”	the interest-free subordinated loan note or notes to be issued by the Company to EPIC Securities as described in the paragraph headed “Arrangements with EPIC Securities” in Part 1;
“London Stock Exchange”	London Stock Exchange plc;
“Net Asset Value”	the total of the consolidated share capital and reserves from time to time of the Company, EPIC LLP or the Group, as the context may require, calculated in accordance with the Group’s accounting policies;
“Notice”	the notice of the Extraordinary General Meeting set out in this document;
“Official List”	the official list of the UK Listing Authority;
“Placing”	the placing by Teather & Greenwood, on behalf of EPIC Securities, of Zero Dividend Preference Shares as described in the Prospectus;
“Private Equity Portfolio”	the investments of the Company in private equity (including related mezzanine investments but excluding strategic investments) on the Effective Date;
“Private Equity Restructuring Proposals”	the proposed restructuring of the management arrangements for the Company’s Private Equity Portfolio described in Part 2 (including, for the avoidance of doubt, the transfer of the Private Equity Portfolio to EPIC LLP, the entry by the Company into a members’ agreement in respect of any parallel limited liability partnership vehicle which may be used to make new private

	equity investments and the appointment of EPE as investment adviser in respect of any such vehicle);
“Proposals”	together: (i) the Private Equity Restructuring Proposals; and (ii) the repayment of the Bank Loan and the issue of the Zero Dividend Preference Shares as described in Part 1;
“Prospectus”	the prospectus issued on the same date as this circular by EPIC Securities in connection with the application for admission of the Zero Dividend Preference Shares to the Official List and to trading on London Stock Exchange’s main market for listed securities;
“Regulations”	the Transfer of Securities Regulations 1996 (as amended from time to time) and the Uncertificated Securities Regulations 2005, of the Isle of Man;
“Repayment Date”	31 July 2011;
“Resolutions”	the resolutions to be proposed at the Extraordinary General Meeting;
“RPI”	the Retail Prices Index published monthly by the Office for National Statistics;
“Shareholders”	Capital Shareholders, Income Shareholders, Zero Dividend Preference Shareholders and/or the holders of any class of share that may be issued by the Company or EPIC Securities in the future, as the context may require;
“Shares”	Capital Shares, Income Shares, Zero Dividend Preference Shares and/or any class of share that may be issued by the Company or EPIC Securities in the future, as the context may require;
“Teather & Greenwood”	Teather & Greenwood Limited;
“Total Assets”	the aggregate value of the Group’s assets less current liabilities;
“Total Net Assets”	the aggregate value of the Group’s assets less all liabilities (excluding the Zero Dividend Preference Shares and Income Shares);
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority, acting in its capacity as the competent authority for the purposes of the Financial Services and Markets Act 2000;
“Warrants”	warrants to subscribe for Capital Shares issued pursuant to the warrant instrument executed by the Company dated 14 August 2001;
“Zero Dividend Preference Shareholders”	holders of Zero Dividend Preference Shares from time to time; and
“Zero Dividend Preference Shares”	zero dividend preference shares of 10p each in the capital of EPIC Securities.

