

BARONSMEAD

Offers for Subscription to raise in aggregate up to £30 million

Baronsmead VCT Offer to raise up to £10 million

Baronsmead VCT 2 Offer to raise up to £5 million

Baronsmead VCT 3 Offer to raise up to £5 million

Baronsmead VCT 4 Offer to raise up to £5 million

Baronsmead VCT 5 Offer to raise up to £5 million

SECURITIES NOTE

20 November 2012



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT ABOUT THE CONTENTS OF THIS DOCUMENT OR AS TO WHAT ACTION YOU SHOULD TAKE, YOU ARE RECOMMENDED TO SEEK YOUR OWN FINANCIAL ADVICE IMMEDIATELY FROM YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL INTERMEDIARY AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FSMA).

THIS DOCUMENT CONSTITUTES A SECURITIES NOTE (THE SECURITIES NOTE) ISSUED BY BARONSMEAD VCT PLC, BARONSMEAD VCT 2 PLC, BARONSMEAD VCT 3 PLC, BARONSMEAD VCT 4 PLC AND BARONSMEAD VCT 5 PLC (THE COMPANIES). ADDITIONAL INFORMATION RELATING TO THE COMPANIES IS CONTAINED IN A REGISTRATION DOCUMENT ISSUED BY THE COMPANIES (THE REGISTRATION DOCUMENT). THIS SECURITIES NOTE, THE REGISTRATION DOCUMENT AND A SUMMARY (THE SUMMARY) HAVE BEEN PREPARED IN ACCORDANCE WITH THE PROSPECTUS RULES MADE UNDER FSMA, AND HAVE BEEN APPROVED BY THE FINANCIAL SERVICES AUTHORITY (FSA) IN ACCORDANCE WITH FSMA AND CONSTITUTE A PROSPECTUS ISSUED BY THE COMPANIES DATED 20 NOVEMBER 2012. THE PROSPECTUS HAS BEEN FILED WITH THE FSA IN ACCORDANCE WITH THE PROSPECTUS RULES AND YOU ARE ADVISED TO READ THE PROSPECTUS IN FULL.

THIS DOCUMENT HAS BEEN PREPARED FOR THE PURPOSES OF COMPLYING WITH THE PROSPECTUS DIRECTIVE, ENGLISH LAW AND THE RULES OF THE UKLA AND THE INFORMATION DISCLOSED MAY NOT BE THE SAME AS THAT WHICH WOULD BE DISCLOSED IF THIS DOCUMENT HAD BEEN PREPARED IN ACCORDANCE WITH THE LAWS OF A JURISDICTION OUTSIDE ENGLAND.

Each Company and the Directors of each of the Companies (whose names are set out on page 51) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of each Company and its Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Baronsmead VCT plc

(Incorporated in England and Wales with Registered number 03035709)

Baronsmead VCT 2 plc

(Incorporated in England and Wales with Registered number 03504214)

Baronsmead VCT 3 plc

(Incorporated in England and Wales with Registered number 04115341)

Baronsmead VCT 4 plc

(Incorporated in England and Wales with Registered number 04313537)

Baronsmead VCT 5 plc

(Incorporated in England and Wales with Registered number 05689280)

Offers for Subscription

to raise in aggregate up to £30 million by way of an issue of New Shares

Sponsored by Howard Kennedy

Howard Kennedy Corporate Services LLP (**Howard Kennedy**), which is authorised and regulated in the United Kingdom for the conduct of investment business by the Financial Services Authority, is acting exclusively for the Companies and for no one else in connection with the Offers, and, subject to the responsibilities and liabilities imposed by FSMA or the regulatory regime established thereunder, will not be responsible to any person other than the Companies for providing the protections afforded to customers of Howard Kennedy or for providing advice to them in relation to the Offers or any other matter referred to in this document. Howard Kennedy is not making any representation or warranty, express or implied, as to the contents of this document.

Each Company's existing Shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. Applications will be made to the UK Listing Authority for the New Shares to be admitted to the Official List and to the London Stock Exchange for such New Shares to be admitted to trading on its main market for listed securities. It is expected that admission to the Official List will become effective and that dealings in the New Shares will commence three Business Days following allotment.

Copies of this Securities Note, the Registration Document and the Summary (and any supplementary prospectus published by the relevant Company or Companies) are available free of charge from the offices of the Companies' investment manager, ISIS EP LLP, 100 Wood Street, London EC2V 7AN and each Company's website: www.baronsmeadvct.co.uk, www.baronsmeadvct2.co.uk, www.baronsmeadvct3.co.uk, www.baronsmeadvct4.co.uk and www.baronsmeadvct5.co.uk.

None of the New Shares have been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, (the **Securities Act**) or under the securities laws of Canada, Australia, Japan or South Africa (each a **Restricted Territory**) and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of, US Persons (as defined in Regulation S made under the Securities Act) or any national, citizen or resident of the United States or any of the Restricted Territories. The Offers are not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. In particular, prospective shareholders who are resident in the United States or any Restricted Territory should note that this document is being sent for information purposes only. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction. The Subscription Form is not being and must not be forwarded to or transmitted in or into the United States or a Restricted Territory. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation to forward this document and/or the Subscription Form should read the paragraph entitled "Overseas Investors" on page 85 of the Registration Document before taking any action.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS ON PAGE 3. AN INVESTMENT IN THE COMPANIES IS ONLY SUITABLE FOR INVESTORS WHO ARE CAPABLE OF EVALUATING THE RISKS AND MERITS OF SUCH AN INVESTMENT AND HAVE SUFFICIENT RESOURCES TO BEAR ANY LOSS THAT MAY ARISE.

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Risk Factors

The following are those risk factors which are material to each Company's Shares and of which each Company's respective Directors are aware. Material risk factors relating to the Companies are contained in the Registration Document. Additional factors which are not presently known to the Directors, or that the Directors currently deem immaterial, may also have an effect on the market risk attaching to their respective Company's Shares.

- The value of an investment in a Company and the dividend stream may go down as well as up. Shareholders may get back less than the amount originally invested in a Company.
- The value of Shares in a Company depends on the performance of its underlying assets. The market price of the New Shares may not fully reflect their underlying net asset value and will be determined, among other things, by the interaction of supply and demand for such Shares in the market, as well as the net asset value per Share. Trading in VCT shares is not active, so shares tend to be valued at a discount to their net asset value and may be difficult to realise. As a result, Shareholders may be offered a price which is less than the full value of a Company's underlying assets. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable.
- While each Company has sought to buy back its Shares in the past there is no guarantee that there will be any buy back or other opportunity for Shareholders to realise their holdings in the future. Accordingly, if the Shares trade at a discount to the net asset value per Share, an investor may not be able to realise the net asset value per Share until liquidation of the Company or the occurrence of another corporate event (if any) which enables Shareholders to realise their Shares at or close to net asset value per Share.
- Investment in the Shares should be viewed as long term in nature and is not suitable for all individuals. Shareholders have no right to have their Shares repurchased by the Companies at any time. Any Shareholder wishing to dispose of his Shares will therefore be required to dispose of such Shares by means of a market transfer.
- Although each Company's existing Shares are already listed, and it is intended that the New Shares will be listed, on the premium segment of the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, it is likely that there will not be a liquid market in such New Shares (which may be partly due to up front tax relief not being available for VCT shares bought in the market and as VCT shares generally trade at a discount to net asset value) and Shareholders may have difficulty in selling their Shares as a result. Accordingly, admission to the Official List and to trading on the main market for listed securities of the London Stock Exchange should not be taken as implying that there will be a liquid market for the Shares. Shareholders may not be able to realise their investment at net asset value or at all.

Expected Timetable

Offers open	11 December 2012
Subscription Forms received before this date will be time stamped and allocated under the Offers in order of receipt	
Latest date for receipt of proxies for the General Meetings	9 December 2012
General Meetings	11 December 2012
Deadline for receipt of Subscription Forms to be eligible for the early investment incentive	12.00 noon on 19 December 2012
First allotment	on or around 21 December 2012
Offers close	12.00 noon on 5 April 2013
Dealings in New Shares commence	three Business Days following allotment
Definitive share certificates dispatched	within ten Business Days of allotment

Note:

Each Board may close its respective Company's Offer earlier than the date stated above if it is fully subscribed by an earlier date or may extend such Offer to a date up to and including 30 April 2013. Each Board further reserves the right to accept Subscription Forms and to allot and arrange for the listing of New Shares in its Company in respect of Subscriptions received for its Company's Offer on or prior to the closing date of such Offer as each Board sees fit, which may not be on the dates stated above.

Offer Statistics

The number of New Shares to be allotted in each Offer will be determined by each Company's respective Offer Price as set out below.

The Offer Price at which the New Shares will be allotted in respect of each Offer will be calculated on the basis of the following formula (the "Pricing Formula"):

Latest published NAV of an existing Share at the time of allotment divided by X and rounded up to the nearest 0.1p per share.

'X' for these purposes will be 0.945 (to allow for issue costs of up to 5.5 per cent.) or such other number between 0.945 and 1 as may be agreed by each Board and the Manager (to reflect a reduction in issue costs) and announced to the London Stock Exchange through a Regulatory Information Service prior to the date of an allotment.

Investors will receive the following additional New Shares for Subscription Forms received by 12.00 noon on 19 December 2012	equivalent to 0.75 per cent. of the amount subscribed
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	Maximum amount to be raised under each Offer	Estimated net proceeds (assuming full subscription) under each Offer
Baronsmead VCT Offer	£10,000,000	£9,450,000
Baronsmead VCT 2 Offer	£5,000,000	£4,725,000
Baronsmead VCT 3 Offer	£5,000,000	£4,725,000
Baronsmead VCT 4 Offer	£5,000,000	£4,725,000
Baronsmead VCT 5 Offer	£5,000,000	£4,725,000
Minimum Subscription under each Offer		£1,000
Minimum aggregate Subscription under the Offers		£5,000
Maximum costs of each Offer – see note in relation to Pricing Formula		5.5 per cent.

Part I: Letter From The Chairmen

20 November 2012

Dear Investor

We are delighted to offer new investors and existing shareholders the opportunity to invest in Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3, Baronsmead VCT 4 and Baronsmead VCT 5. The Companies are managed by one of the most experienced teams in the VCT industry.

The amount each Company is seeking to raise through its own Offer is shown in the table below, which is up to £30 million (before costs) in aggregate across the Offers.

Amount to be raised (before costs)	
Baronsmead VCT Offer	up to £10 million
Baronsmead VCT 2 Offer	up to £5 million
Baronsmead VCT 3 Offer	up to £5 million
Baronsmead VCT 4 Offer	up to £5 million
Baronsmead VCT 5 Offer	up to £5 million

Each of the Boards believes that now is an advantageous time in the economic cycle for their respective Company to augment its existing pool of investments by making further new investments in UK smaller companies.

In deciding on how much each Company should seek to raise, the Directors have taken into account how much additional cash their respective Company is expected to need over the next two years to enhance the available liquid resources of that Company.

Amounts subscribed under each Offer will be invested directly in New Shares in the relevant Company. This will enable investors to participate in the investment returns of that Company's existing investment portfolio and to receive all dividends declared by the relevant Company after the allotment of the relevant New Shares.

Investors may elect to invest equally in all of the Offers or invest different amounts under one or more of the Offers, subject to the Offers not having closed by the time the Subscription Form is processed. The Offer Price at which the New Shares will be issued will be calculated by way of the Pricing Formula which is based on the latest published NAV per Share of the relevant Company as at the time of allotment, adjusted for the costs of the Offer. An early investment incentive is being offered for Subscriptions which are received and accepted by noon on the 19 December 2012 of additional New Shares equivalent to 0.75 per cent. of the amount subscribed.

Further details of the Offers are set out in Part II of this Securities Note and in the Terms and Conditions of Subscriptions. The Baronsmead VCT Offer, the Baronsmead VCT 2 Offer and the Baronsmead VCT 5 Offer are each conditional on the passing of the Special Resolution to authorise their Directors to allot New Shares and to disapply the statutory pre-emption rights in respect of such allotments which are to be proposed at their respective General Meetings. However, investors are encouraged to return their Subscription Form as soon as possible as the early investment incentive closes 8 days after the General Meetings. Subscription Forms will be time stamped to enable allocations to be made under each Offer in order of receipt, as far as is practically possible.

The UK Government started the Venture Capital Trust scheme on 6 April 1995. It is designed to encourage individuals to invest indirectly in a range of small higher-risk trading companies whose shares and securities are not listed on a recognised stock exchange, by investing through Venture Capital Trusts. Provided they meet certain conditions, VCTs are approved by HMRC for the purpose of the scheme. Qualifying Investors may be entitled to the various tax reliefs that are set out in Part V of this Securities Note. This includes relief from initial income tax at a rate of up to 30 per cent. on the amount subscribed. In addition, VCTs are exempt from corporation tax on any gains arising on the disposal of their investments. However, HMRC's approval of a VCT does not guarantee the safety or success of any investments investors may make in VCTs. Consequently, you are strongly advised to get advice from a professional adviser before you decide whether or not to invest.

We very much look forward to welcoming participation in the Offers from existing and new Shareholders.

Yours faithfully

Peter Lawrence

Chairman

Baronsmead VCT plc

www.baronsmeadvct.co.uk

Clive Parritt

Chairman

Baronsmead VCT 2 plc

www.baronsmeadvct2.co.uk

Anthony Townsend

Chairman

Baronsmead VCT 3 plc

www.baronsmeadvct3.co.uk

Robert Owen

Chairman

Baronsmead VCT 4 plc

www.baronsmeadvct4.co.uk

John Davies

Chairman

Baronsmead VCT 5 plc

www.baronsmeadvct5.co.uk

Part II: The Offers

Amount to be raised

The amount each Company is seeking to raise through its own Offer is shown in the table below, which is up to £30 million (before costs) in aggregate across the Offers. The Offers are not underwritten.

Amount to be raised (before costs)	
Baronsmead VCT Offer	up to £10 million
Baronsmead VCT 2 Offer	up to £5 million
Baronsmead VCT 3 Offer	up to £5 million
Baronsmead VCT 4 Offer	up to £5 million
Baronsmead VCT 5 Offer	up to £5 million

Terms of the Offers

Subscribers may elect to invest equally in all of the Offers or invest different amounts under one or more of the Offers, subject to the Offers not having closed by the time the Subscription Form is processed as detailed in the application procedure on pages 11 to 13. Subscribers must subscribe a minimum in aggregate of £5,000, with a minimum of £1,000 per elected Offer and thereafter in multiples of £1,000 per Offer. There is no maximum amount a Subscriber may subscribe for under the Offers. However, a Subscriber may wish to consider the annual VCT allowance of £200,000 per Qualifying Investor, as detailed in Part V of this Securities Note, and the acquisition of other shares in VCTs that they may have made prior to subscribing to the Offers during the current tax year.

The Offers by each of Baronsmead VCT, Baronsmead VCT 2 and Baronsmead VCT 5 are each subject to the passing of the Special Resolution to authorise their Directors to allot New Shares and to disapply the statutory pre-emption rights in respect of such allotments, which is to be proposed at their respective General Meetings. In the event that the Special Resolution to approve a Company's Offer is not passed, the Offer by that Company will not proceed and any Subscription monies relating to that Offer will be dealt with as specified on the Subscription Form as if that Offer were closed. Shareholders may elect for the Subscription monies to be divided equally amongst the remaining Offers, or to have the relevant Subscription monies returned (without interest). The Offers for the other Companies will not be affected. The New Shares will rank *pari passu* with existing Shares.

The Offers are not conditional on the passing of any resolution other than, in the case of Baronsmead VCT, Baronsmead VCT 2 and Baronsmead VCT 5, the Special Resolution. Therefore, in the event that approval is not given to the amendment to a Company's investment policy at its respective General Meeting, any funds raised pursuant to its Offer will be invested in accordance with its existing investment policy, as set out in this document.

Pricing Formula

The number of New Shares to be allotted in each Offer will be determined by each respective Offer Price calculated on the basis of the following formula (the **Pricing Formula**):

Latest published NAV of an existing Share at the time of allotment divided by X rounded up to the nearest 0.1p per share.

X for these purposes will be 0.945 (to allow for issue costs of up to 5.5 per cent.) or such other number between 0.945 and 1 as may be agreed by each Board and the Manager (to reflect a reduction in issue costs) and announced to the London Stock Exchange through a Regulatory Information Service provider prior to the date of an allotment.

The number of New Shares to be issued under each Offer will be rounded down to the nearest whole number (fractions of New Shares will not be allotted). If there is a surplus of funds from an investor's Subscription amount, the balance will be returned (without interest) in the form of a cheque made payable to the Subscriber sent to the address shown on the Subscription Form (save where the amount is less than £1 per Offer, in which case it will be retained by the relevant Company).

An illustration of the Pricing Formula

Set out below is an illustration of the application of the Pricing Formula based on the published NAV of each Company as at 31 October 2012 (being the latest practicable date prior to the publication of this document):

	Unaudited NAV per Share as at 31 October 2012 (p)	Illustrative Offer Prices per New Share (p)*
Baronsmead VCT	76.97	81.5
Baronsmead VCT 2	102.33	108.3
Baronsmead VCT 3	107.96	114.3
Baronsmead VCT 4	98.90	104.7
Baronsmead VCT 5	60.80	64.4

Note: * The Offer Prices used above are for illustrative purposes only as the NAV per Share for each Company may be different for the purposes of calculating the actual Offer Prices applicable for each allotment of New Shares under each Offer (which may be higher or lower than in the example above).

In the above table the Pricing Formula assumes a value for X of 0.945 to allow for issue costs of 5.5 per cent. The issue costs of 5.5 per cent. include commission payable to financial intermediaries of up to 3 per cent. Following the implementation of the Retail Distribution Review on 31 December 2012, financial intermediaries can only be remunerated by charges agreed directly with their retail clients with respect to the financial advice that they provide to such clients. In the event that any of the Offers remain open after 19 December 2012, the Directors of each relevant Company may announce a reduction in issue costs for their respective Offer as commission will cease to be payable to financial intermediaries with respect to financial advice that they provide to their client and so will no longer be incorporated in the overall issue costs borne by each Company. Any reduction will be announced to the London Stock Exchange through a Regulatory Information Service. The Companies may also (following consultation with the Manager) provide or publish an amended Subscription Form to that set out in this document reflecting the implementation of the Retail Distribution Review, pursuant to which Subscriptions under the Offers will be accepted.

Timetable

Each Offer will open on 11 December 2012. The Baronsmead VCT Offer, the Baronsmead VCT 2 Offer and the Baronsmead VCT 5 Offer are subject to the passing of the Special Resolution at their respective General Meetings. The Offers will close on 5 April 2013. However, each Board may close its Company's Offer earlier than the date stated above or may extend such Offer to a date up to and including 30 April 2013. Subscriptions Forms received before the date that the Offers open will be time stamped and Subscriptions will be allocated in order of receipt as far as practically possible.

Investors from whom Subscription Forms are received by noon on 19 December 2012 will receive an additional allocation of 0.75 per cent. of the amount subscribed. The total value of the additional allocation will be invested in New Shares.

The first allotments of Shares under the Offers are expected to occur on or around 21 December 2012. In relation to each allotment, an announcement will be released through a Regulatory Information Service, including details of the number of New Shares allotted and the Offer Price for the allotment.

The amount subscribed to each Offer will be announced once the relevant Offer has closed through a Regulatory Information Service.

Effect of the Offers

The impact of the Offers on each Company's earnings, on the basis that the associated costs are incorporated into the Pricing Formula used to calculate the Offer Price, will be neutral. Each Company's assets will be increased by the net proceeds of the relevant Offer.

Use of proceeds

The funds raised by each Company pursuant to its Offer will be added to the liquid resources available for investment so as to put each Company into a position to take advantage of attractive investment opportunities over the next two to three years, in accordance with its investment policy. Further details of the reasons for the Offers are set out in the Letter from the Chairmen in Part I of this Securities Note.

Costs of the Offers

The costs of each Offer (including irrecoverable VAT and permissible commission payable to authorised advisers of up to 3 per cent. but excluding permissible annual trail commission) will be paid by the relevant Company. The Manager has agreed to meet any permissible annual trail commission payments and reimburse and indemnify each Company in respect of expenses of its Offer in excess of 5.5 per cent. of the gross proceeds of the Offer (excluding permissible annual trail commission), whilst it is appointed as the investment manager to the Company. Should the costs in respect of each Offer (excluding permissible annual trail commission) be less than 5.5 per cent of the gross proceeds of the Company's Offer, each Company will pay the balance to the Manager. This balance will be adjusted if there is a reduction in issue costs agreed by each Board and the Manager as explained in the paragraph headed Pricing Formula of this Part II.

The maximum amount payable by each Company in respect of Offer costs will, therefore, be an amount equivalent to 5.5 per cent. of the gross proceeds of the Offer. Based on the figures contained in the section entitled "Amount to be raised" on page 8, the estimated total costs of the Offers would therefore be:

	Total Costs
Baronsmead VCT Offer	up to £550,000
Baronsmead VCT 2 Offer	up to £275,000
Baronsmead VCT 3 Offer	up to £275,000
Baronsmead VCT 4 Offer	up to £275,000
Baronsmead VCT 5 Offer	up to £275,000

Intermediary commissions

Introductory commission will, where permissible, be paid to authorised financial intermediaries at a rate of either 2 per cent. or 3 per cent. on the value of successful subscriptions submitted through them.

The introductory commission is calculated by taking 3 per cent. of the amount invested. For those financial intermediaries who elect to take an introductory commission of 2 per cent., an additional annual trail commission will, where permissible, be paid for up to four years. This annual trail commission will, where permissible, be 0.4 per cent. of the amount subscribed by those investors who submitted their Subscription Forms through a financial intermediary. In order to keep the costs of the Offers to 5.5 per cent. of the gross proceeds of the Offers and avoid any dilution of the existing Shares, the Manager will pay the annual trail commission. The annual trail commission will cease to be payable if the Shares are sold by the relevant investors or if the Company is wound up. Intermediaries must substantiate the interests of investors who hold their Shares through nominees to the satisfaction of the Manager. Introductory commission will only be paid to authorised financial intermediaries.

Authorised financial intermediaries may agree to waive all or part of the introductory commission available to them, and, by marking the relevant box on the Subscription Form, authorise the Receiving Agent to apply an amount equal to the amount of commission that would otherwise be payable to the authorised financial intermediary in a subscription for further New Shares on behalf of their client at the Offer Price as determined by the Pricing Formula. No commission is payable on reinvested commission or on any additional allocation received under the early investment incentive arrangements described above.

On behalf of each Company, the Receiving Agent will aggregate any permissible introductory commissions payable to a financial intermediary with respect to their clients' Subscriptions to the Offers and arrange to pay this sum to the financial intermediary within 28 Business Days of New Shares being allotted with respect to their clients' Subscriptions. Similarly, on behalf of the Manager, the Receiving Agent (or such other agent appointed by the Manager from time to time) will aggregate any permissible trail commissions payable to a financial intermediary with respect to their clients' Subscriptions to the Offers and arrange to pay this sum to the financial intermediary in January 2014, January 2015, January 2016 and January 2017.

Directors' Subscriptions

As at the date of this document, the following Directors and their connected persons (within the meaning of s.253 of CA 2006) intend to subscribe for the following amounts under the Offers indicated:

Director	Amount to be subscribed	Offer
Valerie Marshall	£5,000	Baronsmead VCT Offer
Anthony Townsend	£20,000	Baronsmead VCT 3 Offer
Peter Lawrence	£100,000	Baronsmead VCT Offer
John Davies	£10,000	Baronsmead VCT Offer
	£10,000	Baronsmead VCT 5 Offer
Clive Parritt	£12,000	Baronsmead VCT 2 Offer
Gillian Nott	£35,000	Baronsmead VCT Offer
	£20,000	Baronsmead VCT 2 Offer
	£20,000	Baronsmead VCT 3 Offer
Godfrey Jillings	£70,000	Baronsmead VCT Offer
Alan Pedder	£20,000	Baronsmead VCT 4 Offer
Robin Williams	£10,000	Baronsmead VCT 4 Offer
Ian Orrock	£10,000	Baronsmead VCT 3 Offer
David Hunter	£25,000	Baronsmead VCT 5 Offer
John Mackie	£20,000	Baronsmead VCT Offer

Application procedure

Subscribers may elect to invest equally in all of the Offers or invest different amounts under one or more of the Offers, subject to the Offers being open at the time their Subscription Forms are received. Subscribers must subscribe a minimum in aggregate of £5,000, with a minimum of £1,000 per elected Offer and thereafter in multiples of £1,000 per Offer.

Where Subscribers have elected to invest equally in all of the Offers, as far as practically possible, the following will apply at the time their Subscription Forms are processed:

- If all of the Offers remain open, the Subscriptions will be invested equally in all of the Offers.
- If one or more of the Offers has closed, the Subscriptions will be invested equally in all of the Offers which remain open.
- If all of the Offers have closed, the total amount subscribed will be returned.

Where Subscribers have elected to invest different amounts under one or more of the Offers, as far as practically possible, the following will apply at the time their Subscription Forms are received:

- If all of the chosen Offers remain open, the Subscriptions will be invested as elected on the Subscription Form.
- If one or more but not all of the chosen Offers have closed, Subscribers may elect to have either:
 - (1) their Subscriptions, in respect of the closed Offer(s), re-allocated equally to the other Offers that they have subscribed to that remain open; or
 - (2) their Subscriptions, in respect of the closed Offer(s), re-allocated equally to any Offers that remain open; or
 - (3) their Subscriptions, in respect of the closed Offer(s), returned; or
 - (4) their Subscriptions returned in full (i.e. no Subscription will be made).
- If all of the Offers have closed, the total amount subscribed will be returned.

In the event that the Special Resolution to enable a Company to implement its Offer is not passed at the General Meeting, then that Offer will not proceed, and for the purposes of allocation of Subscriptions, that Offer will be treated as if it were closed prior to the receipt of any Subscription Forms and Subscriptions will be allocated on the basis set out above.

Applications under each Offer will be accepted on a first come, first served basis (provided cheques are not post-dated other than with respect to any date prior to the date of the General Meetings), subject always to the discretion of the Directors. Subscribers are encouraged to submit their Subscription Form early in order to be confident that their application will be successful.

Subscription Forms received before 11 December 2012 will be time and date stamped and allocated under the Offers in the order of receipt (provided cheques are not post dated to a date after the date of the General Meeting). Subscriptions under the Offers will be processed from 11 December 2012. Applications accompanied by a post-dated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date. Multiple applications under the Offers from the same Subscriber will be processed in order of receipt.

The Terms and Conditions of Subscriptions for the New Shares under each Offer are set out on pages 37 to 40 of this Securities Note. By signing the Subscription Form, Subscribers will be declaring that they have read the terms and conditions of Subscription and agree to be bound by them. Subscribers are advised to read the Notes on how to complete the Subscription Form on pages 41 to 45 of this document, in particular in respect of how to make elections as to investing in all or specific Offers and the consequences of one or more of the Offers already being fully subscribed or deemed to have closed by the time the Subscription Form is received.

Each Company and its respective Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of Shares by financial intermediaries. The offer period within which subsequent resale or final placement of Shares by financial intermediaries can be made and for which consent to use the Prospectus is given is from the date of the Prospectus until 5 April 2013, unless previously extended by the Directors to a date not later than 30 April 2013. There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus in the UK.

Information on the terms and conditions of the offer by the financial intermediary will be given to Subscribers by financial intermediaries at the time the offer is made to them by the financial intermediary. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out on page 12 of this Securities Note.

Frequently asked questions

From where do I obtain a Subscription Form?

The Subscription Form can be found attached at the end of this Securities Note. In the event that any of the Offers remain open after 19 December 2012, an amended Subscription Form may be provided or published pursuant to which Subscriptions under the Offers will be accepted. Additional Subscription Forms can be obtained from the website of each Company and from the Manager and the Promoter, whose contact details are set out on page 51 of this document.

To whom should I make the cheque payable?

Cheques should be made payable to “Baronsmead VCT plc - offer subscriptions a/c 300002 00441134”. Baronsmead VCT will retain the Subscription monies in a separate bank account, on trust for the relevant Companies to which the Subscription relates.

Where should I send my Subscription?

Your Subscription Form and cheque should be sent to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF.

If you would like to pay by bank transfer, please contact the Receiving Agent, The City Partnership, on 0131 243 7210

What happens after I invest?

The Receiving Agent, The City Partnership, will send you (and your financial intermediary, if applicable) by return post confirmation that your Subscription Form has been received and confirmation of how your Subscription is to be applied. If the Receiving Agent has any questions about your Subscription you will be contacted by telephone or email in the first instance, so it is important that you provide your contact information on the Subscription Form.

When can I expect to receive share and tax certificates?

The Receiving Agent, The City Partnership, will send share and tax certificates approximately ten Business Days after the allotment of the New Shares. These documents are important and should be kept in a safe place. Administration and other fees will be charged for replacement share certificates to be issued. You can provide your CREST details if you would like any New Shares which are allotted to you to be credited to your CREST account.

The first allotments are expected to take place in accordance with the expected timetable shown on page 4 of this document, with subsequent allotments taking place shortly after the publication of each Company's NAV. However, the first allotments can take place earlier by each Company at the discretion of its Board, subject, in the case of Baronsmead VCT, Baronsmead VCT 2 and Baronsmead VCT 5, to the passing of the Special Resolution at their respective General Meetings. Allotments will be announced through a Regulatory Information Service.

Whom do I contact if I have any questions concerning the application?

Please call the Receiving Agent, on 0131 243 7210. The City Partnership cannot give investment, tax or financial advice.

Part III: The Companies

Investment objectives

Each Company is a tax-efficient listed company which aims to achieve long-term investment returns for private investors. Funds raised under each Offer will be utilised by the relevant Company in accordance with its investment policy. The Companies co-invest with each other, enabling them to invest into larger transactions and into more established unquoted companies.

Established companies with invested portfolios

The Companies were established between 1995 and 2006 and between them have a combined net asset value of approximately £291 million as at 31 October 2012. Each Company has an existing portfolio of between 49 to 71 companies. In addition, Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3 and Baronsmead VCT 5 have also invested in Wood Street, a fund giving them investment exposure to a further 32 AIM-traded and fully listed companies.

The combined aggregated portfolios of each of the Companies as at 31 October 2012 was invested as follows:

Unquoted: £150,554,000

AIM-traded: £114,220,000

Cash & fixed interest: £26,539,000

A summary of each Company's investment portfolio as at 31 October 2012, being the latest practicable date prior to the publication of this document, is shown in the following table. Further details of the existing portfolios of each Company are set out in Part IV of the Registration Document.

Company	Number of directly held portfolio companies	% of net assets in asset class		
		Unquoted	AIM-traded (held directly or indirectly) and listed companies	Cash and fixed interest
Baronsmead VCT	70	58%	35%	7%
Baronsmead VCT 2	71	50%	37%	13%
Baronsmead VCT 3	68	54%	37%	9%
Baronsmead VCT 4	65	60%	29%	11%
Baronsmead VCT 5	49	16%	83%	1%

The future performance of each Company's portfolio will be determined in the short to medium term by their existing investment portfolios. As investments are sold and new investments made, the longer term performance of each Company's portfolio will be determined by the Manager's ability to find, select and manage such new investments. The market for stock in smaller unquoted and quoted companies is often less liquid than that for larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such investments. In addition, past performance is no indication of future performance.

Track record

Since the launch of Baronsmead VCT in November 1995, the Companies have raised in aggregate approximately £343 million (net of expenses). As at 31 October 2012, in aggregate, the net asset value of the Companies was £291 million having paid or declared dividends of approximately £156 million and having bought back shares at an aggregate cost of £38 million.

Since their respective launches between 1995 and 2006, each Company has paid average annual dividends that have ranged between 7.1p and 3.8p per Share (equivalent to 9.5p and 5.1p per Share to those Qualifying Investors who are higher rate tax payers). Over the last five years, each Company has paid average annual dividends that have ranged between 7.5 and 4.0p per Share (equivalent to 10.0p and 5.3p per Share to those Qualifying Investors who are higher rate tax payers). A summary of the track record of each Company since their respective launches is set out in the table below.

	Launch date	NAV* £m	Average annual dividends paid per Share since launch* (p)	NAV total return per Share since launch* (p)
Baronsmead VCT	Nov 1995	62.7	7.06	275.03
Baronsmead VCT 2	April 1998	73.3	6.44	255.10
Baronsmead VCT 3	Jan 2001	67.9	5.76	210.26
Baronsmead VCT 4	Dec 2001	61.1	5.24	178.03
Baronsmead VCT 5	Jan 2006	26.3	3.84	88.64

*As at 31 October 2012

Note: AIC methodology: NAV total return to the investor, including the original amount invested (rebased to 100p) from launch, assuming dividends paid were reinvested at the NAV of that Company at the time the Shares were quoted ex-dividend.

The differences in the investment returns between the Companies, as shown above, are largely a legacy matter. The differences are mostly as a result of the different time periods since each of the Companies was launched, the market conditions during those times and Baronsmead VCT 5's former investment policy. The amounts raised by each Company in its initial offering varied, and prior to 2005 each relevant Company invested different amounts in portfolio investments according to their respective available cash resources.

Since 2005, Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3 and Baronsmead VCT 4 have each invested the same proportion in each new unquoted investment. Baronsmead VCT 5, on the other hand, has a lower proportion of its assets invested in unquoted investments. The main reason for this is that when it was launched in 2006, its investment policy was to invest primarily in AIM-traded companies. In December 2010, Baronsmead VCT 5's shareholders gave their consent to a change of investment policy to that of a generalist VCT to enable it to invest in unquoted companies as well as AIM-traded and other listed investments alongside the other Baronsmead VCTs. In addition, as a result of the timing of its change of investment policy and its size relative to the other Baronsmead VCTs, Baronsmead VCT 5 also receives a lower allocation of unquoted investments compared to the other Baronsmead VCTs.

Outlook for the Companies

Each Board intends to build on the progress of recent years and to continue to meet the objective of achieving long-term investment returns.

Collectively, the Companies have one of the largest pools of VCT funds raised before 6 April 2006. As a result, the Manager has the ability to continue to make investments under the previously less restrictive VCT rules which allow the Companies to invest in management buy-outs and have a lower investment exposure to equities and a higher exposure to loan stock.

Investment policies

The investment policy of each Company as at the date of this document is set out in Part II of the Registration Document. Each of Baronsmead VCT, Baronsmead VCT 2 and Baronsmead VCT 3 is seeking Shareholder approval at their respective General Meeting to make an amendment to its investment policy so that each Company may continue to increase its investment in non-VCT qualifying quoted investments held indirectly through a collective investment vehicle. The amended

investment policy for each of these Companies, if approved by their respective Shareholders, will be the same as the investment policy currently adopted by Baronsmead VCT 5.

The Manager

ISIS is the investment manager of each Company and has managed VCTs since their inception in 1995. As at 30 September 2012, ISIS managed approximately £1.1 billion on behalf of its Venture Capital Trust and institutional clients.

The Manager aims to bring capital and strategic support to profitable growth businesses that have ambitious management teams, scalable business models and the potential for market leadership. The Manager takes an active role in helping the portfolio companies to grow through organic development and/or acquisition, providing expertise from within its own team and helping to source external support when required.

The Manager's VCT team

Details of the senior members of the Manager's VCT team are set out below:

Wol Kolade has been the managing partner (formerly managing director) of ISIS since 2000 and leads the team of investment professionals. He joined ISIS Equity Partners plc in 1993 from Barclays Bank plc and has played a key role in the strategic and operational development of the business and, in particular, the development of ISIS' investment strategy. He is a past chairman of the British Private Equity and Venture Capital Association.

Andrew Garside (partner) joined ISIS in 2005 and is responsible for the new investment activity for the Baronsmead VCTs, leading the unquoted investment teams in London, Birmingham and Manchester. He is also jointly responsible for the overall management of the Baronsmead VCTs. He has extensive private equity experience having previously worked for 3i plc for 14 years (1989 to 2004), latterly as the director for 3i North, based in Leeds.

Pete Clarke (partner with effect from 1 January 2013) joined ISIS in 2002 to open the Manchester office and head up new investment activity in the region. In 2007, Pete took up a new role with responsibility for the VCT portfolio on a national basis as well as certain individual investments, including taking Scriptswitch and Reed & Mackay through to exit. In 2011 he returned to the north of England to focus on further building the new investment activity in the region, operating out of the Manchester office. Pete worked initially for Rio Tinto and then Electrocomponents and subsequently spent two years with Murray Johnstone's private equity business, before joining ISIS.

Adam Holloway (partner) joined ISIS in 1999 and has overall responsibility for all portfolio management activities within ISIS. He also directly manages investments and has been an active board member of several Baronsmead investee companies. Previously he worked at Deloitte where his experience encompassed corporate finance, corporate restructuring and insolvency.

Sheenagh Egan (partner) joined ISIS in 1997. She is the Chief Operating Officer of ISIS and is jointly responsible for the overall management of the Baronsmead VCTs. Before joining ISIS, her experience encompassed both corporate finance, advising on private equity transactions, and corporate recovery. She trained as a chartered accountant with Deloitte, and has also worked for PricewaterhouseCoopers.

Paul Morris (partner with effect from 1 January 2013) joined ISIS in September 2003 as a member of the new investment team. Paul previously spent eighteen years with Barclays, the last seven years of which were within the leveraged finance team. During his time in leveraged finance, he completed more than 30 deals.

Ken Wotton joined ISIS in February 2007 as a fund manager on the quoted investment team. He had previously spent two years at Evolution Securities where he worked in equity research, specialising in the Telecoms and Technology sectors, focusing on smaller companies with significant experience of AIM market fund raisings. Prior to that, he spent five years in the equity research department of Commerzbank Securities where he focused on the pan-European Telecoms sector. Ken qualified as a chartered accountant with KPMG in London.

Michael Probin joined ISIS in 1999 and is responsible for investor relations with respect to the Baronsmead VCTs. He has experience of tax efficient investments, having previously worked on Business Expansion Scheme products at AXA Sun Life Group from 1989 to 1999.

Management retention

Each Board wishes the Manager to maintain the quality of its investment teams in the VCT and private equity market place. Following extensive advice from professional advisers, a co-investment incentive scheme was introduced in November 2004 to support this objective to help to attract, recruit, retain and incentivise the Manager's staff, which is in line with current market practice in the private equity industry. Each Company is part of this scheme.

The members and certain staff of the Manager are entitled to subscribe for in aggregate 12 per cent. of the investment being made in ordinary shares in the unquoted investee company by the relevant Companies. Members of the scheme have to invest in all unquoted investments (unless the aggregate amount to be invested in ordinary shares by the Companies is greater than £1.425 million and participation would be onerous) and cannot cherry pick which investments to participate in.

Shareholder benefits

Dividends

The dividend policy of each Company is to seek to maintain a regular flow of dividends to its Shareholders, and is set out on the inside front cover of its Annual Report and Accounts and in the Registration Document.

The Board of each Company has sought to maintain a regular flow of dividends to its shareholders over time, as illustrated in the table below, which sets out the dividends paid and declared over the five years to 31 December 2012. It has done so through the retention of some of the profits realised from the sale of investments for the payment of future dividends, where it has been possible and appropriate to do so. Each Board intends to continue this strategy in the future where appropriate, and at the sole discretion of the Board of that Company, should it consider it to be in the best interests of its Shareholders, and subject to the legal and regulatory requirements at the time.

Dividends paid and declared in the five years to 31 December 2012 (p per Share)						
	2008	2009	2010	2011	2012	Averages
Baronsmead VCT	8.00	6.00	6.00	8.00	6.00	6.80
Baronsmead VCT 2	7.00	5.50	5.50	7.00	7.50	6.50
Baronsmead VCT 3	7.50	7.50	7.50	7.50	3.00	7.50*
Baronsmead VCT 4	7.00	7.00	7.00	7.00	3.00	7.00*
Baronsmead VCT 5	4.00	4.00	4.00	4.00	2.00	4.00*

* 2012 only includes interim dividends paid. Final dividends have not yet been proposed. Therefore the average annual dividend is based on the 4 year period 2008-2011.

It is the intention of each Company that its Shareholders receive dividends twice each year following the publication of their respective interim and final results, as shown in the table below.

	Interim reporting date	Normally paid	Financial year end	Normally paid
Baronsmead VCT & Baronsmead VCT 2	31 March	May/June	30 September	January/ February
Baronsmead VCT 3, Baronsmead VCT 4 & Baronsmead VCT 5	30 June	August/ September	31 December	April/May

The ability of each Company to meet its dividend policy objective cannot be guaranteed and depends primarily on the level and timing of profitable realisations of its investments. As a result, there may be variations in the amounts and timing of dividends paid year on year. The value of the investment, and the dividend stream from a Company, can rise and fall.

Shareholder friendly policies

The Baronsmead VCTs have played a leading role in the evolution of VCTs and communication of VCT investment and tax benefits to Shareholders and their advisers. The Directors are committed to a policy of regular and open communication with Shareholders and this is expressed not only in the statutory accounts but also through quarterly updates, annual general meetings and shareholder surveys that occur from time to time.

Share buy-back policies

Each Company buys back its Shares if, in the opinion of its Board, a repurchase of Shares would be in the best interests of its Shareholders as a whole. Historically, the repurchase price has represented a discount to net asset value of approximately 10 per cent., although the Boards have recently resolved that they will, in future, endeavour to buy back their respective Company's Shares at a 5 per cent. discount to net asset value. Any purchases of Shares will be made subject to the Listing Rules of the UK Listing Authority and will be made within the guidelines established from time to time by the Boards.

Pre-emption rights

Save to the extent they have been or are disapplied by a special resolution of Shareholders, the pre-emption provisions of CA 2006 apply to each Company.

If the Special Resolution is passed at each of the General Meetings, the maximum number of Shares which may be issued on a non-pre-emptive basis, the percentage of the issued share capital of the respective Companies represented by such Shares and the dilutive effect on existing Shareholders' voting control of each Company (assuming they do not subscribe for any New Shares) if the maximum number of such Shares were issued, are set out in the following table:

Company	Maximum no. of Shares Directors will be authorised to allot on a non pre emptive basis	Percentage of issued share capital (excluding treasury shares) represented by these Shares	Percentage dilution in existing Shareholders' voting control
Baronsmead VCT	17,363,833	21.3%	17.6%
Baronsmead VCT 2	8,731,450	12.2%	10.9%
Baronsmead VCT 3	6,342,593	10.1%	9.2%
Baronsmead VCT 4	6,210,247	10.1%	9.1%
Baronsmead VCT 5	14,381,184	33.2%	24.9%

Note: Baronsmead VCT 3's and Baronsmead VCT 4's disapplication authority was renewed at their respective annual general meetings in 2012 and their respective Directors do not intend to renew the existing authorities before their respective 2013 annual general meetings.

The Boards

The Directors of each Company have overall responsibility for that Company's affairs and operate within the guidelines of the Combined Code of Best Practice, including its provisions on board composition and independence, and seek to follow the AIC Code on Corporate Governance as a Best Practice standard.

The Directors of each Company, in conjunction with the Manager, are determined to maintain the VCT status of the relevant Company and in this regard recognise its critical importance to existing

and potential Shareholders. Each Board has put in place procedures designed to ensure that VCT status is maintained and monitor this closely through the provision of regular reports from the Manager and the VCT Tax Adviser for each Company against the various tests.

Each Board is also responsible for ensuring that its respective Company is managed so that risks to its profits and assets are minimised. They have established an ongoing formal process to ensure that risk exposure is reviewed regularly. As part of this regular review, the Boards test market service providers in order to improve both service standards and value for money.

The Directors, all of whom are non-executive and independent of the Manager, together have relevant experience of similar investment funds, regulatory organisations, corporate governance of listed companies, the private equity industry and investee companies. Details of the Directors of each Company are set out in the Registration Document.

Management and administration arrangements

ISIS is the Manager, administrator and secretary of each Company.

The annual running costs of each Company, including fees payable to ISIS, Directors' fees, professional fees and the costs incurred by each Company in the ordinary course of business (but excluding any irrecoverable VAT and performance fees payable to ISIS), are capped at 3.5 per cent. of the relevant Company's net assets, with any excess being met by ISIS by way of a reduction in future management fees.

ISIS is paid the following fees in respect of its appointment as Manager, administrator and secretary of each of the Companies.

Baronsmead VCT

Annual management fee

ISIS is paid an annual management fee equivalent to 2.0 per cent. of the Company's net assets which is paid quarterly in arrears.

Performance fee

ISIS is also entitled to a performance fee. No performance fee is payable to the Manager until the total return on shareholders' funds exceeds an annual threshold of the higher of 4 per cent. or base rate plus 2 per cent., calculated on a compound basis. To the extent that the total return exceeds the threshold over the relevant period then a performance fee will be paid to the Manager of 10 per cent. of the excess. The amount of any performance fee which is paid in an accounting period shall be capped at 5 per cent. of shareholder's funds for that period.

Administration and secretarial fee

ISIS is entitled to a quarterly fee for the provision of company secretarial, accounting and other management and administrative services of £14,612. Such figure is subject to adjustment by reference to increases in the Retail Prices Index.

Baronsmead VCT 2

Annual management fee

ISIS is paid an annual management fee equivalent to 2.0 per cent. of the Company's net assets which is paid quarterly in arrears.

Performance fee

ISIS is also entitled to a performance fee. No performance fee is payable to the Manager until the total return on shareholders' funds exceeds an annual threshold of base rate plus 2 per cent. calculated on a compound basis. To the extent that the total return exceeds the threshold over the relevant period then a performance fee will be paid to the Manager of 10 per cent. of the excess. The amount of any performance fee which is paid in an accounting period shall be capped at 5 per cent. of shareholder's funds for that period.

Administration and secretarial fee

ISIS is entitled to an annual fee for the provision of company secretarial, accounting and other management and administrative services of £9,095, plus a variable fee equal to 0.03125 per cent. multiplied by the amount by which the net assets of Baronsmead VCT 2 as of the close of business on the last business day of the relevant quarter exceed £5 million, but subject to a maximum annual fee of £105,634. Such figure is subject to adjustment by reference to increases in the Retail Prices Index.

Baronsmead VCT 3

Annual management fee

ISIS is paid an annual management fee equivalent to 2.5 per cent. of the Company's net assets which is paid quarterly in arrears.

Performance fees

A performance fee is payable to the Manager when the total return on net proceeds of the ordinary shares exceeds 8 per cent. per annum (simple) on net funds raised. To the extent that the total return exceeds the threshold, a performance fee (plus VAT) will be paid to the Manager of 10 per cent. of the excess. The performance fee payable in any one year is capped at 5 per cent. of net assets.

Administration and secretarial fee

ISIS is entitled to an annual fee for the provision of company secretarial, accounting and other management and administrative services of £8,454, plus a variable fee equal to 0.03125 per cent. multiplied by the amount by which the net assets of Baronsmead VCT 3 as of the close of business on the last business day of the relevant quarter exceed £5 million, but subject to a maximum annual fee of £102,212. Such figure is subject to adjustment by reference to increases in the Retail Prices Index.

Baronsmead VCT 4

Annual management fee

ISIS is paid an annual management fee equivalent to 2.5 per cent. of the Company's net assets which is paid quarterly in arrears.

Performance fees

A performance fee is payable to the Manager when the total return on net proceeds of the ordinary shares exceeds 8 per cent. per annum (simple) on net funds raised. To the extent that the total return exceeds the threshold, a performance fee (plus VAT) will be paid to the Manager of 10 per cent. of the excess. The performance fee payable in any one year is capped at 5 per cent. of net assets.

Administration and secretarial fee

ISIS is entitled to an annual fee for the provision of company secretarial, accounting and other management and administrative services of £11,181, plus a variable fee equal to 0.03125 per cent. multiplied by the amount by which the net assets of Baronsmead VCT 4 as of the close of business on the last business day of the relevant quarter exceed £5 million, but subject to a maximum annual fee of £100,000. Such figure is subject to adjustment by reference to increases in the Retail Prices Index.

Baronsmead VCT 5

Annual management fee

ISIS is paid an annual management fee equivalent to 2.1 per cent. of the Company's net assets which is paid quarterly in arrears. The annual investment fee will be increased by 0.1 per cent. of the net assets of the Company on each anniversary of the date on which the Company made its first unquoted investment, being October 2011, up to a maximum fee of 2.5 per cent. of the net assets of the Company.

Performance fees

The Manager is currently entitled to a performance fee of 10 per cent. of the excess of the total return to Shareholders exceeding 8 per cent. per annum (on a simple not compound basis). Such performance fee will not be triggered, however, until the total return on the net proceeds of the initial offer of the Company's Shares exceeds 140 per cent. The performance fee payable in respect of any period for which it is calculated shall not exceed 5 per cent. of the NAV of the Company for that period and any balance remaining unpaid is carried forward to the next calculation.

Administration and secretarial fee

ISIS is entitled to a fee for the provision of company secretarial, accounting and other management and administrative services of £10,000 per quarter plus Retail Price Index increases (which currently is £11,266.81 per quarter) plus a variable fee equal to 0.125 per cent. of the amount by which the NAV of the Company as at the last Business Day of the relevant quarter exceeds £5,000,000.

Other fees received by the Manager

In addition to the fees described above, which are paid by the Companies, the Manager receives advisory fees in connection with new investments which are paid by the relevant investee company. Where expenses have been incurred and the investment does not proceed, the Manager pays any abort fees. Details of these fees are disclosed each year in the relevant Company's annual report and accounts. The Manager also receives monitoring fees from unquoted portfolio companies.

Part IV: Additional Information

Incorporation

Baronsmead VCT

Baronsmead VCT was incorporated and registered in England and Wales as a public company with limited liability on 21 March 1995 registered number 03035709. Baronsmead VCT operates under CA 2006 and the regulations made thereunder.

Baronsmead VCT 2

Baronsmead VCT 2 was incorporated and registered in England and Wales as a public company with limited liability on 29 January 1998 registered number 03504214. Baronsmead VCT 2 operates under CA 2006 and the regulations made thereunder.

Baronsmead VCT 3

Baronsmead VCT 3 was incorporated and registered in England and Wales as a public company with limited liability on 22 November 2000 registered number 04115341. Baronsmead VCT 3 operates under CA 2006 and the regulations made thereunder.

Baronsmead VCT 4

Baronsmead VCT 4 was incorporated and registered in England and Wales as a public company with limited liability on 30 October 2001 registered number 04313537. Baronsmead VCT 4 operates under CA 2006 and the regulations made thereunder.

Baronsmead VCT 5

Baronsmead VCT 5 was incorporated and registered in England and Wales as a public company with limited liability on 27 January 2006 registered number 05689280. Baronsmead VCT 5 operates under CA 2006 and the regulations made thereunder.

Working capital statements

Baronsmead VCT

Baronsmead VCT is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Baronsmead VCT 2

Baronsmead VCT 2 is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Baronsmead VCT 3

Baronsmead VCT 3 is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Baronsmead VCT 4

Baronsmead VCT 4 is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Baronsmead VCT 5

Baronsmead VCT 5 is of the opinion that its working capital is sufficient for its present requirements, that is for at least the twelve month period from the date of this document.

Statements of capitalisation and indebtedness

Baronsmead VCT

As at 19 November 2012 (the latest practicable date prior to publication of this document), Baronsmead VCT had no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

Baronsmead VCT 2

As at 19 November 2012 (the latest practicable date prior to publication of this document), Baronsmead VCT 2 had no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

Baronsmead VCT 3

As at 19 November 2012 (the latest practicable date prior to publication of this document), Baronsmead VCT 3 had no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

Baronsmead VCT 4

As at 19 November 2012 (the latest practicable date prior to publication of this document), Baronsmead VCT 4 had no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

Baronsmead VCT 5

As at 19 November 2012 (the latest practicable date prior to publication of this document), Baronsmead VCT 5 had no indebtedness, whether guaranteed, unguaranteed, secured, unsecured, direct and/or contingent and there is no current intention of incurring any such indebtedness for at least the twelve month period from the date of this document.

The capitalisation of each Company as at 31 October 2012 is set out in the table below:

	Baronsmead VCT £'000	Baronsmead VCT 2 £'000	Baronsmead VCT 3 £'000	Baronsmead VCT 4 £'000	Baronsmead VCT 5 £'000
Called-up share capital	8,712	8,087	7,147	6,852	4,488
Capital redemption reserve	0	0	10,862	8,622	0
Share premium account	3,407	3,531	18,566	24,717	0
Capital reserve	39,342	47,364	19,111	10,508	23,553
Revaluation reserve	10,545	13,636	11,744	10,233	(1,071)
Revenue reserve	661	701	484	141	(632)
Total	62,667	73,319	67,914	61,073	26,338

Issued share capital and dilution

Baronsmead VCT

The issued share capital of Baronsmead VCT as at the date of this document is 81,417,048 Shares (excluding 5,703,751 Shares held in treasury). If the Baronsmead VCT Offer is fully subscribed (assuming an Offer Price of 81.5p per Share and disregarding the early investment incentive), the existing 81,417,048 Shares (ignoring those held in treasury) would represent 86.9 per cent. of the enlarged issued share capital of Baronsmead VCT.

Baronsmead VCT 2

The issued share capital of Baronsmead VCT 2 as at the date of this document is 71,647,952 Shares (excluding 9,218,819 Shares held in treasury). If the Baronsmead VCT 2 Offer is fully subscribed (assuming an Offer Price of 108.3p per Share and disregarding the early investment incentive), the existing 71,647,952 Shares (ignoring those held in treasury) would represent 93.9 per cent. of the enlarged issued share capital of Baronsmead VCT 2.

Baronsmead VCT 3

The issued share capital of Baronsmead VCT 3 as at the date of this document is 62,909,037 Shares (excluding 8,564,214 Shares held in treasury). If the Baronsmead VCT 3 Offer is fully subscribed (assuming an Offer Price of 114.3p per Share and disregarding the early investment incentive), the existing 62,909,037 Shares (ignoring those held in treasury) would represent 93.5 per cent. of the enlarged issued share capital of Baronsmead VCT 3.

Baronsmead VCT 4

The issued share capital of Baronsmead VCT 4 as at the date of this document is 61,749,931 Shares (excluding 6,771,130 Shares held in treasury). If the Baronsmead VCT 4 Offer is fully subscribed (assuming an Offer Price of 104.7p per Share and disregarding the early investment incentive), the existing 61,749,931 Shares (ignoring those held in treasury) would represent 92.8 per cent. of the enlarged issued share capital of Baronsmead VCT 4.

Baronsmead VCT 5

The issued share capital of Baronsmead VCT 5 as at the date of this document is 43,321,836 Shares (excluding 1,558,296 Shares held in treasury). If the Baronsmead VCT 5 Offer is fully subscribed (assuming an Offer Price of 64.4p per Share and disregarding the early investment incentive), the existing 43,321,836 Shares (ignoring those held in treasury) would represent 84.8 per cent. of the enlarged issued share capital of Baronsmead VCT 5.

VCT status

The Board of each Company has managed and intends to continue to manage the affairs of its Company in order that it complies with the legislation applicable to VCTs. In this regard, each Company has retained PricewaterhouseCoopers LLP to advise on its VCT status. Each Company has continued to conduct its affairs so as to comply with Section 274 of the Tax Act for its current financial year and will continue to do so for subsequent periods. However, there can be no guarantee that VCT status will be maintained and investors' attention is drawn to Part V of this document.

Settlement and dealings

Definitive share certificates, together with certificates to claim income tax relief, are expected to be dispatched by post within 10 Business Days of the allotment of the New Shares. Temporary documents of title will not be used in connection with the Offers.

Shares are capable of being transferred by means of the CREST system. Shareholders who wish to take advantage of the ability to trade in shares in uncertificated form, and who have access to a CREST account, may arrange with their CREST sponsor to convert their holdings into dematerialised form. You should provide your CREST details if you would like any New Shares which are allotted to you to be credited directly to your CREST account.

Each Company's existing Shares are listed on the premium segment of the Official List and are admitted to trading on the main market for listed securities of the London Stock Exchange. Applications will be made to the UK Listing Authority and the London Stock Exchange for the New Shares to be issued pursuant to the Offers to be admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. The New Shares will be in registered form and will be freely transferable.

All of the Shares being offered under the Offers are ordinary shares denominated in sterling. The ISIN numbers of the New Shares to be issued by each Company are set out below:

Baronsmead VCT	GB0000803584
Baronsmead VCT 2	GB0002631934
Baronsmead VCT 3	GB0030028103
Baronsmead VCT 4	GB0031095283
Baronsmead VCT 5	GB00BOYZHK97

Shareholder authorities

Baronsmead VCT

The following special resolution will be proposed at the General Meeting of Baronsmead VCT to be held on 11 December 2012. The Baronsmead VCT Offer is conditional on the passing of this resolution.

That:

- 1.1 in addition to the existing authorities to the extent unused, the directors of the Company are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the **Act**) to exercise all the powers of the Company to allot ordinary shares of 10p each in the Company (**Shares**) and to grant rights to subscribe for or to convert any security into Shares in the Company (**Share Rights**) up to an aggregate nominal amount of £1,500,000, provided that the authority conferred by this paragraph 1.1 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on 30 April 2013 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Share Rights to be granted after such expiry; and
- 1.2 in addition to existing authorities to the extent unused, the directors of the Company be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 1.1 of this resolution or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 1.2 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on 30 April 2013 and provided further that this power shall be limited to the allotment and issue of Shares with an aggregate nominal value representing up to £1,500,000 in connection with the Offer (as defined in the circular to shareholders of the Company dated 20 November 2012) pursuant to which the proceeds may in whole or part be used to purchase Shares.

Baronsmead VCT 2

The following special resolution will be proposed at the General Meeting of Baronsmead VCT 2 to be held on 11 December 2012. The Baronsmead VCT 2 Offer is conditional on the passing of this resolution.

That:

- 1.1 in addition to the existing authorities to the extent unused, the directors of the Company are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the **Act**) to exercise all the powers of the Company to allot ordinary shares of 10p each in the Company (**Shares**) and to grant rights to subscribe for or to convert any security into Shares in the Company (**Share Rights**) up to an aggregate nominal amount of £600,000, provided that the authority conferred by this paragraph 1.1 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on 30 April 2013 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Share Rights to be granted after such expiry; and
- 1.2 in addition to existing authorities to the extent unused, the directors of the Company be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 1.1 of this resolution or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 1.2 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on 30 April 2013 and provided further that this power shall be limited to the allotment and issue of Shares with an aggregate nominal value representing up to £600,000 in connection with the Offer (as defined in the circular to shareholders of the Company dated 20 November 2012) pursuant to which the proceeds may in whole or part be used to purchase Shares.

Baronsmead VCT 3

The following resolutions were passed at the annual general meeting of Baronsmead VCT 3 held in 2012:

That, in substitution for all subsisting authorities to the extent unused, the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the CA 2006, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (**Rights**) up to an aggregate nominal amount of £1,799,926 during the period commencing on the passing of the resolution and expiring on the fifth anniversary of the date of the passing of the resolution (unless previously revoked, varied, renewed or extended by the Company in general meeting), but so that the authority shall allow the Company to make before the expiry of the authority offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry and the directors of the Company shall be entitled to allot shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.

That, the directors of the Company be empowered, pursuant to sections 570 and 573 of the CA 2006 to allot equity securities as defined in section 560 of the CA 2006 including the grant of rights to subscribe for or convert any security into shares of the Company, for cash pursuant to the share allotment authority referred above, and to sell equity securities held by the Company as treasury shares for cash, as if section 561(1) of the CA 2006 did not apply to any such allotment and sales of equity securities, provided that such power shall be limited to:

- (a) the allotment of equity securities up to an aggregate nominal amount representing 10 per cent. of the issued share capital (excluding treasury shares) pursuant to one or more offers for subscription;
- (b) the allotment of equity securities up to an aggregate nominal amount representing 10 per cent. of the issued share capital (excluding treasury shares) from time to time which may be at a discount to NAV pursuant to any dividend reinvestment scheme operated by the Company; and
- (c) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (a) and (b) above) up to an aggregate nominal amount representing 10 per cent. of the Company's issued share capital (excluding treasury shares) from time to time which may be at a discount to NAV

in each case where such proceeds of issue may be used to purchase shares in the Company and the power conferred by the resolution shall expire on the date falling 15 months after the date of the passing of the resolution (unless previously revoked, varied, renewed or extended by the Company in general meeting) or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2013, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred by the resolution had not expired.

Baronsmead VCT 4

The following resolutions were passed at the annual general meeting of Baronsmead VCT 4 held in 2012:

That, in substitution for all subsisting authorities to the extent unused, the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the CA 2006, to exercise all the powers of the Company to allot shares in the Company and to grant rights to subscribe for or to convert any security into shares in the Company (**Rights**) up to an aggregate nominal amount of £1,748,227 during the period commencing on the passing of the resolution and expiring on the fifth anniversary of the date of the passing of the resolution (unless previously revoked, varied, renewed or extended by the Company in general meeting), but so that the authority shall allow the Company to make before the expiry of the authority offers or agreements which would or might require shares to be allotted or Rights to be granted after such expiry.

That, the directors of the Company be empowered, pursuant to sections 570 and 573 of the CA 2006 to allot equity securities as defined in section 560 of the CA 2006 including the grant of rights to subscribe for or convert any security into shares of the Company, for cash pursuant to the share

allotment authority referred above, and to sell equity securities held by the Company as treasury shares for cash, as if section 561(1) of the CA 2006 did not apply to any such allotment and sales of equity securities, provided that such power shall be limited to:

- (a) the allotment of equity securities up to an aggregate nominal amount representing 10 per cent. of the issued share capital (excluding treasury shares) pursuant to one or more offers for subscription;
- (b) the allotment of equity securities up to an aggregate nominal amount representing 10 per cent. of the issued share capital (excluding treasury shares) from time to time which may be at a discount to NAV pursuant to any dividend reinvestment scheme operated by the Company; and
- (c) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (a) and (b) above) up to an aggregate nominal amount representing 10 per cent of the Company's issued share capital (excluding treasury shares) from time to time which may be at a discount to NAV

in each case where such proceeds of issue may be used to purchase shares in the Company and the power conferred by the resolution shall expire on the date falling 15 months after the date of the passing of the resolution (unless previously revoked, varied, renewed or extended by the Company in general meeting) or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2013, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the power conferred by the resolution had not expired.

Baronsmead VCT 5

The following special resolution will be proposed at the General Meeting of Baronsmead VCT 5 to be held on 11 December 2012. The Baronsmead VCT 5 Offer is conditional on the passing of this resolution.

That:

- 1.1 in addition to the existing authorities to the extent unused, the directors of the Company are generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the **Act**) to exercise all the powers of the Company to allot ordinary shares of 10p each in the Company (**Shares**) and to grant rights to subscribe for or to convert any security into Shares in the Company (**Share Rights**) up to an aggregate nominal amount of £1,000,000, provided that the authority conferred by this paragraph 1.1 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on 30 April 2013 but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require Shares to be allotted or Share Rights to be granted after such expiry; and
- 1.2 in addition to existing authorities to the extent unused, the directors of the Company be and hereby are empowered pursuant to sections 570 and 573 of the Act to allot or make offers or agreements to allot equity securities (which expression shall have the meaning ascribed to it in section 560(1) of the Act) for cash pursuant to the authority given pursuant to paragraph 1.1 of this resolution or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to such allotment, provided that the power provided by this paragraph 1.2 shall expire (unless renewed, varied or revoked by the Company in a general meeting) on 30 April 2013 and provided further that this power shall be limited to the allotment and issue of Shares with an aggregate nominal value representing up to £1,000,000 in connection with the Offer (as defined in the circular to shareholders of the Company dated 20 November 2012) pursuant to which the proceeds may in whole or part be used to purchase Shares.

Rights attaching to the New Shares

The New Shares to be issued by each of the Companies shall rank equally and *pari passu* with the existing Shares issued by that Company and shall have the following rights in relation to the Company which has issued them:

- (a) as to dividends and other distributions: holders of the New Shares shall be entitled to receive all dividends and other distributions made, paid or declared by the relevant Company *pari passu* and equally with each other and with the existing Shares;
- (b) as to voting: each New Share carries the right to receive notice of and to attend or vote at any general meeting of the Company. Subject to disenfranchisement in the event of non-compliance with any default notice or to any special terms as to voting upon which any shares may be issued or may be held, on a show of hands, every member present in person or by proxy and entitled to vote shall have one vote and, on a poll, every member present in person or by proxy and entitled to vote shall have one vote for every Share held by him;
- (c) as to capital and surplus profits: on a winding-up, the holders of the New Shares are entitled to receive back their nominal value and will participate in the distribution of any surplus assets of the relevant Company *pro rata* with all other Shares in the capital of the Company;
- (d) as to transfers: except as provided for in the Articles, the New Shares are freely transferable by instrument of transfer in writing in any usual form or in any form approved by the Boards and are capable of being transferred by means of the CREST system;
- (e) as to pre-emption rights: holders of the New Shares are entitled to the statutory pre-emption rights on any issue of new Shares or the sale of any existing Shares from treasury for cash, save to the extent such rights have been disapplied by a special resolution of Shareholders in accordance with the CA 2006; and
- (f) as to redemption: the New Shares are not redeemable at the option of the relevant Company or the Shareholders.

Mandatory bids, squeeze-out and sell-out rules relating to the Shares

The City Code on Takeovers and Mergers (the City Code) applies to each Company. Under Rule 9 of the City Code, if:

- (a) a person acquires an interest in shares in a Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (b) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquiror and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the relevant Company at a price not less than the highest price paid for any interests in its Shares by the acquiror or his concert parties during the previous 12 months.

Under sections 974 – 991 of the CA 2006, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the CA 2006 must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the CA 2006, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is

served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on weekdays, weekends and public holidays excepted, at the offices of Norton Rose LLP, 3 More London Riverside, London SE1 2AQ whilst the Offers are open:

- the Memorandum and Articles of each Company
- the material contracts of each Company as referred to in paragraph 4 of each Section A to E of Part V of the Registration Document
- the audited financial statements for Baronsmead VCT and Baronsmead VCT 2 for the years ended 30 September 2010, 2011 and 2012 and the audited financial statements for Baronsmead VCT 3 and Baronsmead VCT 4 for the years ended 31 December 2009, 2010, and 2011 and the half yearly reports for the six months ended 30 June 2011 and 2012, and for Baronsmead VCT 5 for the three years ended 31 January 2009, 31 January 2010 and 31 December 2011, the eleven months ended 31 December 2010 and the half yearly reports for the six months ended 30 June 2011 and 2012
- the Registration Document
- this Securities Note; and
- the Summary.

The information in Parts III of this document that has been sourced from a third party has been accurately reproduced and, as far as the Companies are aware and are able to ascertain from information published by this third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of this information is ISIS.

Howard Kennedy is acting as sponsor to the Companies in respect of their respective applications for Admission. Howard Kennedy has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.

Part V: Taxation Considerations

Tax position of investors

1 Tax reliefs

The following is only a summary of the current law concerning the tax position of individual Qualifying Investors in VCTs. Potential investors are recommended to consult a duly authorised independent financial adviser as to the taxation consequences of an investment in a VCT. The tax rules or their interpretation in relation to an investment in the Companies and / or rates of tax may change during the life of the Companies and can be retrospective.

The tax reliefs set out below are those currently available to individuals aged 18 or over who subscribe for New Shares under the Offers and will be dependent on personal circumstances. Whilst there is no specific limit on the amount of an individual's acquisition of shares in a VCT, tax reliefs will only be given to the extent that the total of an individual's subscriptions or other acquisitions of shares in VCTs in any tax year does not exceed £200,000. Qualifying Investors who intend to invest more than £200,000 in VCTs in any one tax year should consult their professional advisers.

(a) Income tax

(i) Relief from income tax on investment

A Qualifying Investor subscribing for New Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

To obtain relief a Qualifying Investor must subscribe on his own behalf although the New Shares may subsequently be transferred to a nominee.

The relief is given at the rate of 30 per cent. on the amount subscribed regardless of whether the Qualifying Investor is a higher rate, additional rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the Qualifying Investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

(ii) Dividend relief

A Qualifying Investor, who acquires shares in VCTs in any tax year having a value of up to a maximum of £200,000, will not be liable to income tax on dividends paid on those shares and there is no withholding tax thereon.

(iii) Purchases in the market

A Qualifying Investor who purchases existing shares in the market will be entitled to claim dividend relief (as described in paragraph 1(a)(ii) above) but not relief from income tax on investment (as described in paragraph 1(a)(i) above).

(iv) Withdrawal of relief

Relief from income tax on a subscription for VCT shares (including New Shares) will be withdrawn if the VCT shares are disposed of (other than between spouses or on death) within five years of issue or if the VCT loses its approval within this period as detailed below.

Dividend relief ceases to be available once the Qualifying Investor ceases to own VCT shares in respect of which it has been given or if the VCT loses its approval within this period as detailed below.

(b) Capital gains tax

(i) Relief from capital gains tax on the disposal of VCT shares

A disposal by a Qualifying Investor of VCT shares will give rise to neither a chargeable gain nor an allowable loss for the purposes of UK capital gains tax. The relief is limited to the disposal of VCT shares acquired within the limit of £200,000 for any tax year.

(ii) Purchases in the market

An individual purchaser of existing shares in the market will be entitled to claim relief from capital gains tax on disposal (as described in paragraph 1b(i) above).

(c) Loss of VCT approval

For a company to be fully approved as a VCT it must meet the various requirements for full approval as set out below.

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

2 Illustration of effect of tax relief for Qualifying Investors

The table below has been prepared for illustrative purposes only and does not form part of the summary of the tax reliefs contained in this section. The table shows how the initial tax reliefs available can reduce the effective cost of an investment of £10,000 in a VCT by a Qualifying Investor subscribing for VCT shares to only £7,000:

	Effective cost	Tax relief
Investors unable to claim any tax reliefs	£10,000	Nil
Qualifying Investor able to claim full 30% income tax relief	£7,000	£3,000

Income tax relief is only available if the shares are held for the minimum holding period of five years. The limit for obtaining income tax relief on investments in VCTs is £200,000 in each tax year.

3 Obtaining tax reliefs

The Companies will provide to each Qualifying Investor a certificate which the Qualifying Investor may use to claim income tax relief, either by obtaining from HMRC an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

Tax position of the Companies

The Companies each have to satisfy a number of tests to qualify as a VCT. A summary of these tests is set out below.

1 Qualification as a VCT

To qualify as a VCT, a company must be approved as such by HMRC. To obtain such approval it must:

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70 per cent. by VCT Value of its investments in shares or securities in Qualifying Investments, of which 70 per cent. must be in eligible shares (30 per cent. for funds raised before 6 April 2011);
- (e) have at least 10 per cent. by VCT Value of each Qualifying Investment in eligible shares;
- (f) not have more than 15 per cent. by VCT Value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (g) not retain more than 15 per cent. of its income derived from shares and securities in any accounting period; and
- (h) not make an investment in a company which causes that company to receive more than £5 million of State Aid investment (including from VCTs) in the twelve months ending on the date of this investment.

The term 'eligible shares' means shares which carry no preferential rights to assets on a winding-up and no rights to be redeemed, although they may have certain preferential rights to dividends. For funds raised before 6 April 2011, 'eligible shares' are shares which do not carry any rights to be redeemed or a preferential right to dividends or to assets on a winding-up.

2 Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Chapter 4 of Part 6 of the Tax Act 2007.

The conditions are detailed, but include that the company must be a Qualifying Company, have gross assets not exceeding £15 million immediately before and £16 million immediately after the investment, have fewer than 250 full-time (or full-time equivalent) employees, apply the money raised for the purposes of a qualifying trade within a certain time period, cannot be controlled by another company and at the time of investment does not obtain more than £5 million of investment from EU state aided risk capital measures in the 12 month period ending on the date of the investment by the VCT. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

3 Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on PLUS Markets and AIM) and must carry on a qualifying trade. For this purpose certain activities are excluded (such as dealing in land or shares or providing financial services). The qualifying trade must either be carried on by, or be intended to be carried on by, the Qualifying Company or by a qualifying subsidiary at the time of the issue of shares or securities to the VCT (and at all times thereafter).

A Qualifying Company must have a permanent establishment in the UK, but a Qualifying Company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

A Qualifying Company may have no subsidiaries other than qualifying subsidiaries which must, in most cases, be at least 51 per cent. owned.

From 6 April 2012 there is a 'disqualifying purpose' test under which an investment will not be a Qualifying Investment if the investee company has been set up for the purpose of accessing tax reliefs or is in substance a financing business, although the Boards currently anticipate that these measures are unlikely to affect the Companies.

VCT funds raised after 5 April 2012 cannot be used by a Qualifying Company to fund the purchase of existing shares in another company.

4 Approval as a VCT

A VCT must be approved at all times by HMRC. Approval has effect from the time specified in the approval.

A VCT cannot be approved unless the tests detailed above are met throughout the most recent complete accounting period of the VCT and HMRC is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such further funds become subject to the tests.

Each Company has received approval as a VCT from HMRC.

5 Withdrawal of approval

Approval of a VCT may be withdrawn by HMRC if the various tests set out above are not satisfied. The exemption from corporation tax on capital gains will not apply to any gain realised after the point at which VCT status is lost.

Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

The above is only a summary of the conditions to be satisfied for a company to be treated as a VCT.

Part VI: Definitions

In this document, the following words and expressions have the following meanings:

Admission	the respective date on which the New Shares allotted pursuant to the Offers are listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities
AIM	the AIM Market of the London Stock Exchange
Baronsmead VCT	Baronsmead VCT plc
Baronsmead VCT Offer	the offer for subscription of New Shares in Baronsmead VCT contained in this document
Baronsmead VCT 2	Baronsmead VCT 2 plc
Baronsmead VCT 2 Offer	the offer for subscription of New Shares in Baronsmead VCT 2 contained in this document
Baronsmead VCT 3	Baronsmead VCT 3 plc
Baronsmead VCT 3 Offer	the offer for subscription of New Shares in Baronsmead VCT 3 contained in this document
Baronsmead VCT 4	Baronsmead VCT 4 plc
Baronsmead VCT 4 Offer	the offer for subscription of New Shares in Baronsmead VCT 4 contained in this document
Baronsmead VCT 5	Baronsmead VCT 5 plc
Baronsmead VCT 5 Offer	the offer for subscription of New Shares in Baronsmead VCT 5 contained in this document
Baronsmead VCTs	the VCTs managed by ISIS
Boards	the boards of Directors of the Companies (and each a Board)
Business Day	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
CA 2006	the Companies Act 2006 (as amended)
Chairmen	the chairmen of the Companies and each a Chairman
Companies	Baronsmead VCT, Baronsmead VCT 2, Baronsmead 3, Baronsmead VCT 4 and Baronsmead VCT 5 (and each a Company)
CREST	the computerised settlement system to facilitate the transfer of title to securities in uncertificated form operated by Euroclear UK & Ireland Limited
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
FSA	the Financial Service Authority
FSMA	the Financial Services and Markets Act 2000
General Meetings	the general meetings of Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3 and Baronsmead VCT 5 to be held on 11 December 2012 at which Shareholders' approval will be sought to approve, inter alia, the relevant Company's Offer and / or amend the relevant Company's investment policy (and each a General Meeting)
HMRC	Her Majesty's Revenue and Customs
ISIS or the Manager	ISIS EP LLP
London Stock Exchange	London Stock Exchange plc

NAV or net asset value	means, in relation to a Share, the net asset value of a Share calculated in accordance with the relevant Company's accounting policies and, in relation to a Company, the aggregate net asset value attributable to that Company's issued Shares (excluding any Shares held in treasury)
New Shares	new Shares in a Company to be issued under its Offer
Offers	the Baronsmead VCT Offer, the Baronsmead VCT 2 Offer, the Baronsmead VCT 3 Offer, the Baronsmead VCT 4 Offer and the Baronsmead VCT 5 Offer (and each an Offer)
Offer Price	the subscription price of the New Shares under each Offer as calculated in accordance with the Pricing Formula
Official List	the official list of the UK Listing Authority
Pricing Formula	the formula to be used to calculate the Offer Price of the New Shares under each Offer as set out in this document
Prospectus	this Securities Note, the Registration Document and the Summary, each dated 20 November 2012
Qualifying Company	an unquoted (including Plus Markets-traded and AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
Qualifying Investor	an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT
Qualifying Investment	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 6 of the Tax Act
Registrar	Computershare Investor Services PLC
Receiving Agent/The City Partnership	The City Partnership (UK) Limited
Registration Document	the registration document issued by the Companies dated 20 November 2012
Regulatory Information Service	a regulatory information service approved by the FSA
Restricted Territories	Canada, Australia, Japan and South Africa
Securities Note	this document dated 20 November 2012
Shareholders	holders of Shares in any one or more of the Companies (and each a Shareholder)
Shares	ordinary shares of 10p each in the capital of a Company (and each a Share)
Special Resolution	the special resolution which each of Baronsmead VCT, Baronsmead VCT 2 and Baronsmead VCT 5 are putting to their Shareholders at their respective General Meetings to (i) authorise their Directors to allot New Shares and (ii) disapply the pre-emption rights in respect of such allotment
Subscriber	a person whose name appears as such in a Subscription Form for use in connection with the Offers
Subscriptions	offers by Subscribers pursuant to each Offer and made by completing Subscription Forms and posting (or delivering) these to the Receiving Agent or as otherwise indicated on the Subscription Forms (and each a Subscription)
Subscription Form	the subscription form for use in connection with the Offers as set out towards the end of this document, or any amended subscription form for Subscriptions received from 20 December 2012

Summary	the summary issued by the Companies dated 20 November 2012 in connection with the Offers
Tax Act	the Income Tax Act 2007 (as amended)
this document	the Securities Note, including the terms and conditions of Subscriptions
UK Listing Authority	the FSA in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
United States	the United States of America, its states, territories and possessions (including the District of Columbia)
VCT Value	the value of an investment calculated in accordance with Section 278 of the Tax Act
Venture Capital Trust or VCT	a venture capital trust as defined in Section 259 of the Tax Act
Wood Street	means Wood Street Microcap Investment Fund, an investment company with variable capital incorporated in England and Wales with company number IC000714

Terms and Conditions of Subscriptions

The following terms and conditions apply to each Offer.

Save where the context otherwise requires, words and expressions defined in this document have the same meanings when used in the terms and conditions of Subscriptions, the Subscription Form and explanatory notes.

The section headed “*Notes on how to complete the Subscription Form*” forms part of these terms and conditions of Subscriptions.

- (a) The contract created by the acceptance of a Subscription under each Offer will be conditional on admission to the premium segment of the Official List in respect of the relevant New Shares in the relevant Company becoming effective, unless otherwise so resolved by the Board of the relevant Company and in the case of the Baronsmead VCT Offer, the Baronsmead VCT 2 Offer, and the Baronsmead VCT 5 Offer, will also be conditional on the passing of the Special Resolution to be proposed at their respective General Meetings.
- (b) The right is reserved by each Company to present all cheques and bankers’ drafts for payment on receipt and to retain its relevant share certificates and Subscription monies, pending clearance of such successful Subscribers’ cheques and bankers’ drafts. Each Company may treat its relevant Subscriptions as valid and binding even if not made in all respects in accordance with the prescribed instructions and each Company may, at its discretion, accept a Subscription for its Offer in respect of which payment is not received by that Company prior to the closing date of that Offer. If any Subscription is not accepted in full or if any contract created by acceptance does not become unconditional, the Subscription monies or, as the case may be, the balance thereof in excess of £1 per Offer will be returned (without interest) by returning each relevant Subscriber’s cheque or bankers’ draft or by crossed cheque in favour of the Subscriber, through the post at the risk of the person(s) entitled thereto. Balances of less than £1 per Offer may be retained by the relevant Company and used for its own purposes. In the meantime, Subscription monies will be retained by Baronsmead VCT plc in a separate account (such monies being allocated and held on trust by Baronsmead VCT plc for the relevant Company to which the Subscription relates). Each Board reserves the right to close its respective Company’s Offer earlier than the closing date of such Offer if fully subscribed or to extend such Offer to a date up to and including 30 April 2013. Subscriptions which are accompanied by post-dated cheques (other than cheques which are post dated to any date prior to the date of the General Meetings) will not be accepted, subject to each Board’s direction to accept such subscriptions. If any dispute arises as to the date or time on which a Subscription is received, each Board’s determination shall be final and binding.
- (c) By completing and delivering a Subscription Form, you confirm and warrant that in respect of each Offer for which you are subscribing you:
 - (i) offer to subscribe the monetary amount stated on the Subscription Form in respect of the relevant Company for such number of New Shares in that Company (or such lesser amount for which your Subscription in that Company is accepted and subject to paragraph (f) below) obtained by dividing the monetary amount by the applicable Offer Price of the New Shares resulting from the application of the Pricing Formula (as described in the Prospectus), subject to these terms and conditions of Subscriptions, and subject to the memorandum and articles of association of the relevant Company;
 - (ii) agree that, in consideration of the relevant Company agreeing to process your Subscription, your Subscription will not be revoked until the relevant Offer is closed and that this paragraph shall constitute a collateral contract between you and the relevant Company which will become binding upon despatch by post to, or (in the case of delivery by hand) on receipt by, the Receiving Agent of your Subscription Form;
 - (iii) agree and warrant that your cheque or bankers’ draft may be presented for payment on receipt and will be honoured on first presentation and agree that if it is not so honoured you will not be entitled to receive a certificate in respect of the New Shares in the relevant Company until you make payment in cleared funds for such New Shares in that Company and such payment is accepted by that Company in its absolute discretion, (which acceptance shall be on the basis that you indemnify the relevant Company and

the Receiving Agent against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and you agree that, at any time prior to the unconditional acceptance by the relevant Company of such late payment, that Company may (without prejudice to its other rights) void the agreement to allot such New Shares in itself to you and may issue or allot such New Shares to some other person, in which case you will not be entitled to any payment in respect of such New Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or bankers' draft accompanying your Subscription Form, without interest;

- (iv) agree that, in respect of those New Shares in the relevant Company for which your Subscription has been received and is not rejected, your Subscription may be accepted at the election of that Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;
- (v) agree that Baronsmead VCT plc will hold (on behalf of the relevant Company) any monies in respect of your Subscription relating to its Offer, together with the other monies received in respect of its own Offer, on trust for the payment of the Offer Price in respect of New Shares in that Company you have subscribed for or failing such payment to be returned to you without interest earned in respect of such monies which will be paid to that Company;
- (vi) agree that any monies refundable to you may be retained by Baronsmead VCT plc pending clearance of your remittance and any verification of identity which is, or which that Company or the Receiving Agent may consider to be, required for the purposes of the Money Laundering Regulations 2007 and that such monies will not bear interest;
- (vii) authorise the Receiving Agent to send share certificate(s) or arrange for your CREST account to be credited in respect of the number of New Shares in the relevant Company for which your Subscription is accepted and authorise Baronsmead VCT plc (on behalf of the relevant Company) to send a crossed cheque for any monies returnable, by post, at your own risk, without interest, to your address set out in the Subscription Form and to procure that your name is placed on the register of members of the relevant Company in respect of such New Shares;
- (viii) agree that all Subscriptions, acceptances of Subscriptions and contracts resulting therefrom and any non-contractual obligations arising out of or in connection with your Subscription shall be governed by and construed in all respects in accordance with English law and that you submit to the jurisdiction of the English courts and agree that nothing shall limit the right of the relevant Company to bring any action, suit or proceeding arising out of or in connection with any such Subscriptions, acceptances of Subscriptions and contracts in any other manner permitted by law or any court of competent jurisdiction;
- (ix) agree and acknowledge that you are making your Subscription on the basis of the information and statements concerning the relevant Company and the New Shares in that Company contained in the Prospectus and that no person responsible solely or jointly for this document or any part thereof or involved in the preparation thereof shall have any liability for any other information or representation relating to that Company or its New Shares or for any change in the law or regulations affecting VCTs;
- (x) irrevocably authorise the Receiving Agent and/or the relevant Company or any person authorised by any of them, as your agent, to do all things necessary to effect registration of any New Shares in that Company subscribed by or issued to you into your name and authorise any representative of the Receiving Agent or of the relevant Company, as relevant, to execute any document required thereof;
- (xi) agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information and statements concerning the relevant Company and its New Shares contained therein;
- (xii) confirm that you are not a US Person within the meaning of Regulation S made under the United States Securities Act of 1933, as amended, or a resident of any of the Restricted Territories and that you are not applying for any New Shares with a view to their offer,

sale, delivery to or for the benefit of any US Person or a resident of any of the Restricted Territories, and that you have reviewed the restrictions contained in paragraphs (d) and (e) below and warrant compliance therewith;

- (xiii) declare that you are an individual aged 18 or over;
 - (xiv) agree that all documents in connection with the relevant Offer and any returned monies will be sent by post at your risk;
 - (xv) agree (if your Subscription is for more than £10,000) to the Receiving Agent carrying out the necessary enquiries to verify your identity to ensure compliance with the Money Laundering Regulations 2007. Verification of the investor's identity may be provided by means of a "Letter of Introduction", from an intermediary or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The Receiving Agent will supply specimen wording on request. If a Subscription is made direct (not through an intermediary), you must provide the following documents: either a certified copy of your passport or driving licence; and a recent (no more than three months old) original bank or building society statement, or utility bill, or recent tax bill, in your name. Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk. If a cheque is drawn by a third party, the above will also be required from that third party;
 - (xvi) agree that ISIS will neither treat you as its customer by virtue of your Subscription being accepted nor owe you any duties or responsibilities concerning the price of the New Shares in the relevant Company or the suitability for you of New Shares in that Company or be responsible to you for providing the protections afforded to its customers;
 - (xvii) declare that a loan has not been made to you or any associate which would not have been made, or would not have been made on the same terms, but for you offering to subscribe for, or acquiring, New Shares in the relevant Company and that the New Shares in that Company are being acquired for bona fide commercial purposes and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;
 - (xviii) declare that the Subscription Form has been completed to the best of your knowledge;
 - (xix) warrant that, if you sign the Subscription Form on behalf of somebody else, you have due authority to do so on behalf of that other person, and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties, undertakings and authority contained herein and undertake to enclose your power of attorney or a copy thereof duly certified by a solicitor or bank with the Subscription Form; and
 - (xx) consent to the information provided on the Subscription Form being provided to the Receiving Agent and the Registrar to process shareholding details and send notifications to you.
- (d) No person receiving a copy of the Prospectus or any part thereof, or a Subscription Form in any territory other than the UK may treat the same as constituting an invitation or offer to him, nor should he in any event use such Subscription Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Subscription Form could lawfully be used without contravention of any regulation or other legal requirements. It is the responsibility of any person outside the UK wishing to make a Subscription in a Company to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
- (e) The New Shares in each Company have not been and will not be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States. In addition, the Companies have not been and will not be registered under the United States Investment Company Act of 1940, as amended. No Subscription will be accepted if it bears an address in the United States.

- (f) Subscribers will be bound by the allocation of Subscription(s) indicated by them on their Subscription Form, including any re-allocation. The basis of allocation for each Offer will be determined by the relevant Board in its absolute discretion. The right is reserved to reject in whole or in part and scale down any Subscription or any part thereof including, without limitation, Subscriptions in respect of which any verification of identity which any of the Companies or the Receiving Agent consider may be required for the purposes of the Money Laundering Regulations 2007 has not been satisfactorily supplied. Each Board in its absolute discretion may decide to close, suspend or extend its own Offer to a date up to and including 30 April 2013. Each Offer shall be suspended if the issue of such New Shares in the relevant Company would result in a breach of the Listing Rules of the FSA. Dealings prior to the issue of certificates for New Shares will be at the risk of Subscribers. A person so dealing must recognise the risk that a Subscription may not have been accepted to the extent anticipated or at all.
- (g) Investors for whom Subscription Forms are received prior to 12 noon on 19 December 2012 will receive additional New Shares equivalent to 0.75 per cent. of the amount subscribed. The total value of the additional allocation will be invested in additional New Shares. No commission will be paid to intermediaries in respect of New Shares under this early investment incentive.
- (h) Authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their stamp or full address details and FSA number, will, where permissible, be paid initial commission of 3 per cent. or, if so elected, 2 per cent. with additional annual trail commission for four years of 0.4 per cent. on the aggregate amount paid in respect of the New Shares allotted by a Company under its Offer in respect of such Subscription Form. Authorised financial intermediaries may agree to waive part or all of their initial commission in respect of a Subscription. If this is the case, then Subscriptions will be increased by the amount of initial commission waived and the enlarged Subscription will be applied in subscribing for New Shares in the relevant Company. No further fees or commission will be paid in respect of such additional New Shares in that Company. Financial intermediaries should keep a record of Subscription Forms submitted bearing their FSA number to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on the Subscription Forms.
- (i) Each Company (after consultation with the Manager) may change the availability and terms of initial and trail commission payable to financial intermediaries, by an announcement to the London Stock Exchange through a Regulatory Information Service provider authorised by the FSA, which will be applicable to Subscriptions received on or after a specified date. The Companies may also provide or publish one or more amended Subscription Forms to that set out in the Prospectus pursuant to which Subscriptions under each Offer will be accepted.
- (j) If the Companies are required to publish a supplementary prospectus, Subscribers who have yet to be entered on to the relevant Company's register of members will be given two days to withdraw from their Subscription. In the event that notification of withdrawal is given by post, such notification will be effected at the time the subscriber posts such notification, rather than at the time of receipt by the Receiving Agent.

Notes on how to complete the Subscription Form

Please complete all relevant parts of the Subscription Form in accordance with the instructions in these notes.

Sections 1–3 of the Subscription Form require you to provide your personal details, your Subscription details and any re-allocation or return instructions. Section 4 asks you to confirm whether or not you have received financial advice in relation to your Subscription and to describe the type of financial intermediary you have used, if any, with respect to your Subscription. Section 5 asks you to provide your CREST details if you would like any New Shares allotted to you to be credited to your CREST account. Section 6 requires you to sign, state your name and date your Subscription Form.

If you have used a financial intermediary, Sections 7 and 8 require them to provide their firm's details so that the Receiving Agent can deal with the instructions as to (i) whether any permissible commission is to be paid and / or waived and reinvested and (ii) how any commission payable is to be administered.

Section 7 should be completed by your financial intermediary and is to be used where you have been provided with financial advice with respect to your Subscription.

Section 8 should be completed by your financial intermediary where they are acting on an "execution only" basis and have not provided you with financial advice with respect to your Subscription.

Sections 7 and 8 should not be completed if you apply directly and have not used a financial intermediary with respect to your Subscription. Commission, where permissible, can be paid only to authorised financial intermediaries.

You can make multiple Subscriptions using more than one Subscription Form. If you submit more than one Subscription Form, each Subscription Form will be dealt with in order of receipt but the first form you submit must be for a minimum aggregate subscription of £5,000 but any subsequent Subscription Form that you submit need only be for a minimum of £1,000 and multiples of £1,000 thereafter. You must inform the Receiving Agent of any multiple subscriptions by marking the Subscription Form appropriately. The Subscription Form is printed towards the end of this Securities Note as well as being available separately. Additional Subscription Forms can be obtained from the website of each Company and from the Manager and the Promoter, whose contact details are set out on page 51 of this document.

Section 1 - Personal Details

1.1 Name and address, etc.

Insert using block capitals your full name, full address including the post code, daytime telephone number, email address, National Insurance number and date of birth. Should the Receiving Agent need to contact you about your Subscription they will need your contact details to enable them to do so.

It is very important that you complete this section clearly and accurately, as the Receiving Agent will send a confirmation letter to you at the address shown in this section. If your Subscription to the Offers is successful your name and address as stated in this section will be entered on to the Register of the relevant Company and printed on the tax and share certificates.

Existing Shareholders in any of the Companies will have received a separate Subscription Form with their name and address details completed. Existing Shareholders must provide their contact details and other personal information as it will enable the Receiving Agent to process their Subscription and contact them should they need to do so.

Section 2 – Subscription Details

2.1 Amount you wish to subscribe equally to all of the Offers:

Insert (in figures) the total aggregate value of the investment you wish to make pursuant to the Offers. This amount will be invested, as far as is practically possible, equally in all of the Offers that are open at the time your Subscription Form is processed. This may mean that you invest in only one Offer if all of the other Offers have closed, or deemed closed, by the time your Subscription Form is processed. Your Subscription must be for a minimum aggregate amount of £5,000 and thereafter in multiples of £1,000.

If all of the Offers have closed, or deemed closed, by the time your Subscription Form is received then the total amount of your Subscription will be returned to you. In the event that the Special Resolution is not passed at a Company's General Meeting, then the Offer by that Company will not proceed and, for the purposes of allocation of Subscriptions, will be treated as if it were closed and the Subscriptions allocated as explained below.

Please note that if you Subscribe by completing section 2.1 of the Subscription Form you should not complete Section 3, which deals with re-allocation / return of Subscriptions. This is because amounts subscribed under Section 2.1 will be allocated automatically equally, as far as practically possible, among all of the Offers that are open at the time your Subscription is processed.

OR

2.2 Amount you wish to subscribe to the individual Offer(s):

Insert (in figures) in the relevant box(es) the value of the investment you wish to make pursuant to each Company's individual Offer. Your Subscription must be for a minimum aggregate amount of £5,000 and the amount you subscribe to each Company's individual Offer must be in multiples of £1,000.

If you chose to complete Section 2.2 you should also complete Section 3 to indicate whether you want your Subscription(s) either re-allocated or returned in the event that one or more, but not all, of the Offers under which you have chosen to Subscribe has/have closed, or has/have been deemed closed, by the time your Subscription Form is received. If you do not complete Section 3, your Subscription will be dealt with as if you had ticked Box 3 in that section as set out below.

If all of the Offers to which you have chosen to subscribe have closed by the time your Subscription Form is received then the total amount you have subscribed will be returned to you.

Section 3 – Re-allocation / Return Instructions

You should complete this section only if you have chosen to invest in the Offers through section 2.2 of the Subscription Form.

Re-allocation/Return Instructions

In the event that one or more, but not all, of the Offer(s) under which you have chosen to subscribe has/have closed by the time your Subscription Form is processed and you want your Subscription re-allocated or returned tick:

Box 1 – so that your Subscription is invested equally in the remaining Offers for which you have subscribed and which are open. This may mean that your entire Subscription is allocated to just one Offer if all of the other Offers have closed by the time your Subscription Form is processed;

OR

Box 2 – so that your Subscription is invested, as far as is practically possible, equally in all the remaining Offers which are open. This may mean that your entire Subscription is allocated to just one Offer if all of the other Offers have closed by the time your Subscription Form is received and that all or part of your Subscription is allocated to an Offer which was not originally selected by you for investment.

OR

Box 3 – so that your Subscription is returned to you but for that sum which is retained and invested in the Offers for which you have Subscribed and which are open such that a minimum amount of £5,000 is Subscribed in total.

OR

Box 4 – so that your entire Subscription is returned to you, including the Subscription monies in respect of any Offers under which you have chosen to Subscribe that are still open by the time your Subscription Form is processed.

In the event that you choose to have your Subscription re-allocated by ticking Boxes 1, 2 or 3 as described above, the Receiving Agent will inform you of the resultant allocation of your Subscription as a result of the re-allocation when acknowledging receipt of your Subscription Form.

Section 4 – Type of Financial Intermediary (if any)

You should complete this section only if you have used a financial intermediary with respect to your Subscription. If you apply directly and have not used a financial intermediary with respect to your Subscription you should not complete this section.

You should tick box 4.1 if you have received financial advice with respect to your Subscription to the Offers. (If you tick box 4.1 your financial intermediary should complete section 7 of the Subscription Form.)

You should tick box 4.2 if you have not received financial advice with respect to your Subscription to the Offers and have used a financial intermediary on an “execution only” basis. (If you tick box 4.2 your financial intermediary should complete Section 8 of the Subscription Form.)

You should tick box 4.3 if you have used a financial intermediary on an “execution only” basis i.e. that financial intermediary has not provided financial advice to you in relation to your Subscription, but you have received such advice from a different financial intermediary. (If you tick box 4.3 the financial intermediary who is to receive the commission should complete section 7 of the Subscription Form.)

Section 5 - CREST details (if any)

Any New Shares allotted to you will be in a registered form capable of being transferred by means of the CREST system. Subscribers who wish to take advantage of the ability to trade in New Shares in uncertificated form, and who have access to a CREST account, may arrange to have their shares allotted directly to their CREST account, or subsequently to convert their holdings into dematerialised form in CREST. Investors should be aware that New Shares delivered in certificated form are likely to incur higher dealing costs than those in respect of New Shares held in CREST. The Company’s share register will be kept by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ.

Section 6 - Signature and date

You must sign, state your name and date the Subscription Form in Section 6.

By signing and dating the Subscription Form you agree to invest in the relevant Company(ies) in accordance with the terms and conditions of Subscription as set out on pages 37 to 40 of this Document.

If this section of the form is unsigned the Receiving Agent will not be able to process your Subscription and your Subscription monies will be returned to you.

Payment

Pin a cheque or bankers’ draft to the Subscription Form for the exact amount shown in the box in section 2.1 **or** the total of the amount/s shown in the boxes in section 2.2. Your cheque or banker’s draft must be made payable to “Baronsmead VCT plc – offer subscriptions a/c 300002 00441134”. Your payment must relate solely to the Offer(s). Cheques may be presented for payment on receipt. Subscriptions under the Offers will be processed upon receipt. A Subscription Form accompanied by a post-dated cheque (other than a cheque which is post dated to any date prior to the date of the General Meetings) will not be accepted.

Your cheque or banker’s draft must be drawn in sterling on an account with a United Kingdom or European Union regulated credit institution, and which is in the sole or joint name of the Subscriber and must bear the appropriate sort code in the top right-hand corner.

The right is reserved to reject any Subscription in respect of which the Subscriber's cheque or banker's draft has not been cleared on first presentation. Any monies returned will be sent through the post at the risk of the persons entitled thereto by cheque crossed "A/C Payee only" in favour of the Subscriber without interest.

If you would like to pay by bank transfer, please contact the Receiving Agent on 0131 243 7210

Administration of Shareholder Account

Existing Shareholders

Existing Shareholders' dividend payment / reinvestment details and shareholder communications preferences will not be altered as a result of New Shares being issued to them in respect of the Company(ies) in which they are already invested. Should an existing Shareholder wish to change any of the existing instructions with regard to the administration of the existing Shareholder account(s) they should do so separately by writing to the Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ, or by going to www.investorcentre.co.uk.

New shareholders

Shortly after New Shares have been allotted, the Registrar for the relevant Company(ies), Computershare Investor Services PLC, will write to you to invite you to indicate whether you would like to reinvest your dividends or have them paid directly into your bank account and receive electronic or hard copies of the relevant Company(ies) reports. Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk. The Registrar will charge administration fees for re-issuing any cheques that are not presented for payment.

Money Laundering Notice – Important Procedures for Applications for more than £10,000

The verification requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the Subscriber is required for Subscriptions of more than £10,000. Failure to provide the necessary evidence of identity may result in your Subscription being treated as invalid or in delay of confirmation.

If the aggregate Subscription under the Offers is more than £10,000 and:

- A is made through an authorised financial intermediary then verification of the Subscriber's identity may be provided by means of a "Letter of Introduction", from an IFA or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The Receiving Agent will supply specimen wording on request;
- B is made direct (not through a financial intermediary), you must ensure that the following documents are enclosed with the Subscription Form:
 - 1. a certified copy of either your passport or driving licence; and
 - 2. a recent (no more than 3 months old) original bank or building society statement, or utility bill (not being a mobile phone bill), or recent tax bill, in your name.

Copies should be certified by a solicitor or bank. Original documents will be returned by post at your risk.

Sections 7 and 8 – Financial Intermediaries' Details

Appropriately authorised financial intermediaries who are entitled to receive commission and who have provided financial advice to their client with respect to their Subscription to the Offer(s) should complete Section 7.

Appropriately authorised financial intermediaries who are entitled to receive commission and who have not provided financial advice and have acted in an execution only capacity with respect to their client's subscription to the Offer(s) should complete Section 8.

Financial Intermediaries' Contact Details

Appropriately authorised financial intermediaries who are entitled to receive commission should complete Section 7.1 (where financial advice has been given) or 8.1 (execution only), giving their contact name and address and their FSA Number. Please note the financial intermediaries' obligation to advise their clients of the risk factors set out on page 3 of this Securities Note and pages 3 and 4 of the Registration Document.

Commission payable to Financial Intermediaries

Introductory commission will be paid to authorised financial intermediaries at a rate of (i) 3 per cent. on the aggregate amount invested under the Offers and no annual trail commission or (ii) 2 per cent. on the aggregate amount invested under the Offers plus annual trail commission of 0.4 per cent. on the aggregate amount invested under the Offers for four years.

Authorised financial intermediaries can waive some or all of this introductory commission and have it invested on behalf of their clients in additional New Shares in the relevant Company(ies) pro rata to the sum invested in the Company(ies) by their client. Please insert the amount of introductory commission to be waived and reinvested, if any, in the boxes in Section 7.2 (where financial advice has been given) or Section 8.2 (execution only).

For those financial intermediaries who provide financial advice to their clients in relation to their Subscription, commission is only payable if the financial advice is provided on or before 19 December 2012.

For financial intermediaries who act on an "execution only" basis i.e. do not provide financial advice to their clients, commission can be paid provided that the client has not received financial advice in relation to their Subscription on or after 20 December 2012.

Bank Details for Commission Payments

Financial intermediaries who are entitled to receive commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete Section 7.3 (where financial advice has been given) or Section 8.3 (execution only).

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Subscription form for the offers for Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3, Baronsmead VCT 4 and Baronsmead VCT 5

If you are in any doubt about the action to take you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial intermediary authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

IMPORTANT – Before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS to complete the form.

Make your cheque or banker's draft out to "Baronsmead VCT plc - offer subscriptions a/c 300002 00441134" and cross it with the words "A/C Payee only". Return this form by post or by hand (during normal business hours) to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF so as to arrive by no later than 12 noon on 5 April 2013. If you post your Subscription Form you are recommended to use first class post and to allow at least four days for delivery.

By completing and signing this Subscription Form you accept that you will be subscribing in accordance with the terms and conditions set out on pages 37 to 40 of the Securities Note dated 20 November. The definitions in that document apply to this Subscription Form.

SECTION 1 - PERSONAL DETAILS

1.1 NAME AND ADDRESS

Title and Full Name:

Address:

..... Post Code:

Email address: Daytime Telephone Number:

National Insurance Number: Date of Birth:

SECTION 2 - SUBSCRIPTION DETAILS

2.1 FOR SUBSCRIPTIONS TO BE INVESTED EQUALLY IN ALL OF THE OFFERS WHICH ARE OPEN AT THE TIME THE SUBSCRIPTION FORM IS PROCESSED.

I wish to subscribe in aggregate under the Offers for New Shares £ (minimum £5,000), or such lesser amount for which these Subscriptions will be accepted, which is **to be invested, as far as practically possible, equally in each Company pursuant to their respective Offers which are open at the time my Subscription Form is processed.** I accept that this may mean that I invest in only one Offer.

IF YOU HAVE CHOSEN TO INVEST UNDER SECTION 2.1, THERE IS NO NEED TO COMPLETE SECTION 3 OF THE SUBSCRIPTION FORM.

OR

2.2 FOR SUBSCRIPTIONS TO ONE OR MORE OF THE OFFERS OR FOR DIFFERENT AMOUNTS

I wish to subscribe under each Offer for New Shares the amount specified in the box(es) below in respect of the relevant Company(ies), or such lesser amount for which each Subscription is accepted.

AMOUNTS TO BE INVESTED IN THE FOLLOWING COMPANY(IES) PURSUANT TO THEIR RESPECTIVE OFFERS:

A. Baronsmead VCT:	£	<input type="text"/>	(minimum £1,000)
B. Baronsmead VCT 2:	£	<input type="text"/>	(minimum £1,000)
C. Baronsmead VCT 3:	£	<input type="text"/>	(minimum £1,000)
D. Baronsmead VCT 4:	£	<input type="text"/>	(minimum £1,000)
E. Baronsmead VCT 5:	£	<input type="text"/>	(minimum £1,000)
TOTAL	£	<input type="text"/>	(minimum £5,000)

IF YOU HAVE CHOSEN TO INVEST IN THE OFFERS UNDER SECTION 2.2 PLEASE COMPLETE SECTION 3 OVERLEAF.

If all of the Offers to which you have chosen to subscribe have closed by the time your Subscription Form is received the total amount you have subscribed will be returned to you.

SECTION 3 – RE-ALLOCATION / RETURN INSTRUCTIONS

ONLY COMPLETE THE FOLLOWING SECTION IF YOU HAVE CHOSEN TO INVEST IN THE OFFERS UNDER SECTION 2.2.

RE-ALLOCATION/ RETURN INSTRUCTIONS

In the event that one or more, but not all, of the Offers for which I have subscribed has/have closed by the time my Subscription Form is processed then I hereby request (by ticking the appropriate box) that the sums Subscribed in respect of these closed Offers are either:

- | | | |
|----|---|--------------------------|
| 1) | Re-allocated so that they are invested equally in the remaining Offers for which I have Subscribed and which are open | <input type="checkbox"/> |
| | OR | |
| 2) | Re-allocated so that they are invested equally in all the remaining Offers which are open | <input type="checkbox"/> |
| | OR | |
| 3) | My Subscription is returned to me but for that sum which is retained and invested in the Offers for which I have subscribed and which are open such that a minimum of £5,000 is subscribed in total | <input type="checkbox"/> |
| | OR | |
| 4) | The entire sum I subscribed is returned to me. | <input type="checkbox"/> |

SECTION 4 – TYPE OF FINANCIAL INTERMEDIARY (IF ANY)

ONLY COMPLETE THIS SECTION IF YOU HAVE USED A FINANCIAL INTERMEDIARY WITH RESPECT TO THIS SUBSCRIPTION.

Commission, where permissible, can be paid only to authorised financial intermediaries. Please indicate below, by ticking the appropriate box, whether you have received financial advice in relation to your Subscription and which type of financial intermediary you have used, if any

- | | | |
|-----|---|--------------------------|
| 4.1 | Financial intermediary – adviser (financial advice has been given).
(If you tick box 4.1 your financial intermediary should complete Section 7 of the Subscription Form) | <input type="checkbox"/> |
| 4.2 | Financial intermediary – execution only (no financial advice has been given).
(If you tick box 4.2 your financial intermediary should complete Section 8 of the Subscription Form) | <input type="checkbox"/> |
| 4.3 | Financial intermediary – execution only (but financial advice has been given by a different authorised financial intermediary)
(If you tick box 4.3 the financial intermediary who is to receive the commission should complete section 7 of the Subscription Form.) | <input type="checkbox"/> |

However, commission will not be paid where the financial advice was given on or after 20 December 2012).

SECTION 5 – CREST DETAILS

CREST Member Account ID:			
CREST Participant ID:			
Participant Name:			
Contact name for CREST queries:		Contact Telephone:	

SECTION 6 – SIGNATURE

YOU MUST SIGN, STATE YOUR NAME AND DATE THIS SUBSCRIPTION FORM OTHERWISE IT WILL NOT BE ACCEPTED AND YOUR SUBSCRIPTION(S) WILL BE RETURNED.

- 1) By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscription contained on pages 37 to 40 of the document issued by the Companies containing the Offers dated 20 November 2012 and agree to be bound by them.
- 2) I understand that this is a LONG-TERM investment and I have read the RISK FACTORS on page 3 of the Securities Note and pages 3 and 4 of the Registration Document.
- 3) I will be the beneficial owner of the New Shares in the Companies to be issued pursuant to the Offers.
- 4) I hereby confirm that to the best of my knowledge all of the information I have supplied in the Subscription Form is correct. HM REVENUE & CUSTOMS MAY INSPECT THIS FORM. IT IS A SERIOUS OFFENCE TO MAKE A FALSE DECLARATION.

- | | |
|------|------------------|
| 6.1. | Signature: |
| 6.2 | Name: |
| 6.3 | Date: |

SECTION 7 - FINANCIAL INTERMEDIARIES' DETAILS

FOR SUBSCRIPTIONS WHERE FINANCIAL ADVICE HAS BEEN PROVIDED TO THE SUBSCRIBER. THIS SECTION WILL ONLY BE VALID FOR USE UNTIL 19 DECEMBER 2012.

To be completed by financial intermediaries who have provided financial advice with respect to their clients' Subscriptions to the Offer(s). FSA Number must be quoted.

All financial intermediaries MUST advise their clients of the Risk Factors set out on page 3 of the Securities Note and pages 3 and 4 of the Registration Document containing the Offers dated 20 November 2012.

7.1 Firm Name:
Contact (Adviser/Administrator) (delete as appropriate):
FSA Number:
Email:
Telephone No:
Fax No:
Address:
.....
.....
..... Post Code:

7.2 INTRODUCTORY COMMISSION

Introductory commission of 3% (no annual trail) or 2% (plus annual trail of 0.4% for four years) on the aggregate amount invested under the Offers will be paid to financial intermediaries who provide advice in relation to their clients' Subscriptions on or before 19 December 2012.

Please state your choice by ticking the appropriate box:

☐ 3% (no annual trail) ☐ 2% (plus annual trail)

Insert the amount of the introductory commission you wish to be waived and reinvested in additional New Shares for your client e.g. 0%, 1%, 1.5%, 2%, 2.5% or 3% of the aggregate amount invested.

7.3 DIRECT PAYMENT OF COMMISSION(S) TO A BANK ACCOUNT

If you would like your commission(s) to be paid directly into your bank or building society account please tick this box.

☐

Please provide your Bank or Building Society details below. The Companies and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account Name:

Account Number (please quote all digits and zeros): Sort Code:

Name of Bank or Building Society:

Branch:

Branch Address:

..... Post Code:

Please forward, until further notice, all commission(s) that may from time to time become due as a result of my client's investment in any one or more of the Companies

THIS SECTION OF THE SUBSCRIPTION FORM MUST BE SIGNED AND DATED BY THE FINANCIAL INTERMEDIARY OTHERWISE ANY COMMISSION PAYMENTS WILL BE DELAYED

Signature: Date:

By signing this form I HEREBY DECLARE THAT financial advice has been provided to my client on or before 19 December 2012 and that they have been advised of the Risk Factors on page 3 of the Securities Note and pages 3 and 4 of the Registration Document dated 20 November 2012.

SECTION 8 - FINANCIAL INTERMEDIARIES' DETAILS

FOR SUBSCRIPTIONS WHERE NO FINANCIAL ADVICE HAS BEEN PROVIDED TO THE SUBSCRIBER BY A FINANCIAL INTERMEDIARY WHO HAS ACTED ON AN EXECUTION ONLY BASIS. THIS SECTION WILL ONLY BE VALID FOR USE UNTIL 19 DECEMBER 2012.

To be completed by financial intermediaries who have not provided financial advice with respect to their clients' Subscriptions to the Offer(s). FSA Number must be quoted.

All financial intermediaries MUST draw their clients' attention the Risk Factors set out on page 3 of the Securities Note and pages 3 and 4 of the Registration Document containing the Offers dated 20 November 2012.

8.1 Firm Name:
Contact (Adviser/Administrator) (delete as appropriate):
FSA Number:
Email:
Telephone No:
Fax No:
Address:
.....
.....
..... Post Code:

8.2 INTRODUCTORY COMMISSION

Introductory commission of 3% (no annual trail) or 2% (plus annual trail of 0.4% for four years) on the aggregate amount invested under the Offers will be paid provided that the client has not received financial advice in relation to their Subscription on or after 19 December 2012.

Please state your choice by ticking the appropriate box:

☐ 3% (no annual trail) ☐ 2% (plus annual trail)

Insert the amount of the introductory commission you wish to be waived and reinvested in additional New Shares for your client e.g. 0%, 1%, 1.5%, 2%, 2.5% or 3% of the aggregate amount invested.

8.3 DIRECT PAYMENT OF COMMISSION(S) TO A BANK ACCOUNT

If you would like your commission(s) to be paid directly into your bank or building society account please tick this box.

☐

Please provide your Bank or Building Society details below. The Companies and The City Partnership (UK) Limited cannot accept responsibility if any details provided by you are incorrect.

Account Name:

Account Number (please quote all digits and zeros): Sort Code:

Name of Bank or Building Society:

Branch:

Branch Address:

..... Post Code:

Please forward, until further notice, all commission(s) that may from time to time become due as a result of my client's investment in any one or more of the Companies

THIS SECTION OF THE SUBSCRIPTION FORM MUST BE SIGNED AND DATED BY THE FINANCIAL INTERMEDIARY OTHERWISE ANY COMMISSION PAYMENTS WILL BE DELAYED

Signature: Date:

By signing this form I HEREBY DECLARE THAT we have not provided financial advice to our client in relation to their Subscription and that to the best of our knowledge and belief no other financial intermediary has provided such advice.

Directors, Manager and Advisers

Directors of Baronsmead VCT plc

Peter Lawrence
Godfrey Jillings
John Mackie
Valerie Marshall

Directors of Baronsmead VCT 3 plc

Anthony Townsend
Andrew Karney
Gillian Nott OBE
Ian Orrock

Directors of Baronsmead VCT 5 plc

John Davies
Gillian Nott OBE
David Hunter
Charles Pinney

Solicitors to the Companies

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Auditors

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Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Receiving Agent

The City Partnership
Thistle House
21-23 Thistle Street
Edinburgh EH2 1DF
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Promoter

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74 Chancery Lane
London WC2A 1AD

Directors of Baronsmead VCT 2 plc

Clive Parritt
Gillian Nott OBE
Howard Goldring
Christina McComb

Directors of Baronsmead VCT 4 plc

Robert Owen
Ian Kirkpatrick
Alan Pedder CBE
Robin Williams

Manager and Secretary

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