

# BARONSMEAD

Offers for Subscription to raise, in aggregate, up to £40 million

Baronsmead VCT Offer to raise up to £10 million

Baronsmead VCT 2 Offer to raise up to £10 million

Baronsmead VCT 3 Offer to raise up to £10 million

Baronsmead VCT 4 Offer to raise up to £10 million

SECURITIES NOTE

22 January 2014





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 (SECURITIES NOTE) ISSUED BY BARONSMEAD VCT PLC, BARONSMEAD VCT 2 PLC, BARONSMEAD VCT 3 PLC AND BARONSMEAD VCT 4 PLC (THE COMPANIES). ADDITIONAL INFORMATION RELATING TO THE COMPANIES IS CONTAINED IN A REGISTRATION DOCUMENT ISSUED BY THE COMPANIES (REGISTRATION DOCUMENT). THIS SECURITIES NOTE, THE REGISTRATION DOCUMENT AND A SUMMARY (SUMMARY) HAVE BEEN PREPARED IN ACCORDANCE WITH THE PROSPECTUS RULES MADE UNDER FSMA AND HAVE BEEN APPROVED BY THE FINANCIAL CONDUCT AUTHORITY (FCA) IN ACCORDANCE WITH FSMA AND CONSTITUTE A PROSPECTUS ISSUED BY THE COMPANIES DATED 22 JANUARY 2014. THE PROSPECTUS HAS BEEN FILED WITH THE FCA 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 UK LISTING AUTHORITY (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 45) 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.

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## 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)*

## Offers for Subscription

*to raise, in aggregate, up to £40 million by way of an issue of New Shares*

**Sponsored by Howard Kennedy Corporate Services LLP**

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Howard Kennedy Corporate Services LLP (**Howard Kennedy**), which is authorised and regulated in the United Kingdom for the conduct of investment business by the FCA, 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 UKLA and traded on the London Stock Exchange's main market for listed securities. Applications will be made to the UKLA 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](http://www.baronsmeadvct.co.uk), [www.baronsmeadvct2.co.uk](http://www.baronsmeadvct2.co.uk), [www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk) and [www.baronsmeadvct4.co.uk](http://www.baronsmeadvct4.co.uk).

The New Shares have not been, nor will they be, registered in the United States under the United States Securities Act of 1933, as amended, (**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. 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 71 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 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.
- The disposal of New Shares within five years of their issue will result in some or all of the 30 per cent. income tax relief available upon investment becoming repayable. On this basis, investing in New Shares should be considered a long-term investment. The Government confirmed in the Autumn Statement on 5 December 2013 that legislation would be introduced, intended to come into force with effect from 6 April 2014, relating to linked subscriptions and sales of VCT shares. The draft 2014 Finance Bill, published on 10 December 2013, restricts the availability of income tax relief on a subscription for shares in a VCT issued after 5 April 2014 where it is 'linked' to a sale of shares in the same VCT. For these purposes, linked means (i) the sale of the shares in the VCT was conditional on the subscription for shares in the same VCT (or vice versa) or (ii) the subscription for shares in the VCT and the sale of shares in the same VCT were within six months of each other (irrespective of which comes first). If the subscription is 'linked', the amount on which upfront VCT income tax relief can be claimed will be reduced by the amount of the consideration of any linked sales. In addition, the Government announced in the 2013 Autumn Statement that it will consult further on potential changes to the VCT rules to address the use of converted share premium accounts to return capital to investors where that return does not reflect profits on the VCT's investments. These changes are also expected to be effective from 6 April 2014.
- 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. There is no guarantee that dividends will be paid nor that any dividend objective will be met.
- 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 the 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 may, therefore, be required to dispose of such Shares by means of a market transfer.
- The information in this document is based on existing legislation, including taxation legislation. The tax reliefs described are those currently available. The tax rules or their interpretation in relation to an investment in any one or more of the Companies and/or rates of tax may change during the life of those Companies and may be retrospective. The value of tax reliefs depends on the personal circumstances of holders of Shares in any one or more of the Companies, who should consult their own tax advisers before making any investment.

## Expected Timetable

Offers open	22 January 2014
First allotment	on or around 14 March 2014
Offers close	12.00 noon on 2 April 2014
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 25 April 2014. 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 the relevant Board sees fit, which may not be on the dates stated above.

## Statistics for the Offers

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 (**Pricing Formula**):

**Latest published NAV of an existing Share (adjusted as necessary for dividends declared but not yet paid) at the time of allotment divided by 0.97 (to allow for issue costs of 3.0 per cent.) and rounded up to the nearest 0.1p per Share.**

	Maximum amount to be raised under each Offer	Net proceeds (assuming full Subscription) under each Offer
Baronsmead VCT Offer	£10,000,000	£9,700,000
Baronsmead VCT 2 Offer	£10,000,000	£9,700,000
Baronsmead VCT 3 Offer	£10,000,000	£9,700,000
Baronsmead VCT 4 Offer	£10,000,000	£9,700,000
Minimum aggregate Subscription under one or more of the Offers		£4,000
Minimum Subscription under each Offer		£1,000
Costs of each Offer	3.0 per cent. of the amount raised	



# Part I: Letter from the Chairmen

22 January 2014

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 and Baronsmead VCT 4. 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; the amount to be raised in aggregate across the Offers is £40 million (before costs).

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

In aggregate, the Companies raised £23.7 million (after costs) between December 2012 and February 2013. Since 1 January 2013, the Companies have invested approximately £34.2 million, in aggregate, comprising 13 new investments and 13 follow-on investments. As a result, each Company is seeking to raise further funds to augment its capacity to continue to invest across the business cycle in new and existing portfolio 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 that have a record date 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 as necessary for dividends declared but not yet paid and the costs of the Offer. Further details of the Offers are set out in Part II of this Securities Note and in the Terms and Conditions of Subscriptions.

Qualifying Investors may be entitled to the various tax reliefs that are set out in Part V of this Securities Note. This includes upfront income tax relief 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 seek 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 Shareholders and new investors.

Yours faithfully

**Peter Lawrence**

Chairman

Baronsmead VCT plc

[www.baronsmeadvct.co.uk](http://www.baronsmeadvct.co.uk)

**Clive Parritt**

Chairman

Baronsmead VCT 2 plc

[www.baronsmeadvct2.co.uk](http://www.baronsmeadvct2.co.uk)

**Anthony Townsend**

Chairman

Baronsmead VCT 3 plc

[www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk)

**Robert Owen**

Chairman

Baronsmead VCT 4 plc

[www.baronsmeadvct4.co.uk](http://www.baronsmeadvct4.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; the amount to be raised in aggregate across the Offers is £40 million (before costs). The Offers are not underwritten.

Amount to be raised (before costs)	
Baronsmead VCT Offer	up to £10 million
Baronsmead VCT 2 Offer	up to £10 million
Baronsmead VCT 3 Offer	up to £10 million
Baronsmead VCT 4 Offer	up to £10 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 9 and 10. Subscribers must subscribe, in aggregate, a minimum of £4,000 in one or more of the Offers, with a minimum of £1,000 per elected Offer, and thereafter in multiples of £1,000 per elected Offer.

The New Shares will rank *pari passu* with existing Shares from the date of issue. There is no maximum amount for which a Subscriber may subscribe 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 may have been made prior to subscribing to the Offers during the current tax year.

### Pricing Formula

The number of New Shares to be allotted under each Offer will be determined by dividing the Subscription amount for that Offer by an Offer Price calculated on the basis of the following formula (**Pricing Formula**) applied to the relevant Company:

**Latest published NAV of an existing Share at the time of allotment (adjusted as necessary for dividends declared but not yet paid) divided by 0.97 (to allow for issue costs of 3.0 per cent.) and rounded up to the nearest 0.1p per Share.**

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 £1.50 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 unaudited NAV of each Company as at 30 November 2013 (being the latest published NAV by each Company prior to the publication of this document):

	<b>Unaudited NAV per Share as at 30 November 2013 (p)</b>	<b>Unaudited NAV per Share (adjusted for dividends declared but not paid) as at 30 November 2013 (p)*</b>	<b>Illustrative Offer Prices per New Share (p)**</b>
Baronsmead VCT	80.19	80.19	82.7
Baronsmead VCT 2	103.80	103.80	107.1
Baronsmead VCT 3	116.64	112.14	115.7
Baronsmead VCT 4	103.72	99.72	102.9

\* Baronsmead VCT 3 and Baronsmead VCT 4 each paid second interim dividends of 4.5p per Share and 4.0p per Share, respectively, on 20 December 2013. The ex-dividend date was, in each case, 4 December 2013.

\*\* 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 to each allotment of New Shares under each Offer (which may be higher or lower than in the example above).

## Timetable

Each Offer will open on 22 January 2014 and close on 2 April 2014. 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 25 April 2014. Subscriptions will be allocated in order of receipt as far as practicably possible.

The first allotments of New Shares under the Offers are expected to occur on or around 14 March 2014. In relation to each allotment, an announcement will be released by each Company through a Regulatory Information Service, including details of the number of New Shares allotted in that Company and the relevant Offer Price for the allotment. The total amount subscribed to each Offer will be announced through a Regulatory Information Service once the relevant Offer has closed.

The Government confirmed in the Autumn Statement on 5 December 2013 that legislation would be introduced, intended to come into force with effect from 6 April 2014, relating to 'linked' subscriptions and sales of VCT shares. The draft 2014 Finance Bill, published on 10 December 2013, will restrict the availability of upfront VCT income tax relief on a subscription for shares in a VCT issued after 5 April 2014 where the subscription of shares in the VCT and the sale of shares in the same VCT were within six months of each other (irrespective of which comes first). If the subscription is so 'linked', the amount on which upfront VCT income tax relief can be claimed will be reduced by the amount of the consideration of any linked sales. Were this legislation to come into force as currently drafted, and in the event that any of the Offers are extended such that New Shares are issued after 5 April 2014, the amount of upfront VCT income tax relief existing Shareholders of any of the Companies will be able to claim on a Subscription will be reduced by the amount of the consideration of any linked sales if they have sold or sell any shares in a Company and invest in New Shares in the same Company either six months before or six months after the date of issue of the New Shares. On this basis, New Shares issued prior to 5 April 2014 will not be subject to the above restriction.

## 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 its 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.

## Costs of the Offers

The costs of each Offer will be paid by the relevant Company. The Manager has agreed to reimburse and indemnify each Company in respect of the expenses of its Offer in excess of 3.0 per cent. of the gross proceeds of that Company's Offer (excluding permissible annual trail commission). The Manager has also agreed to pay permissible annual trail commission payments, whilst it, FPPE or a sister LLP to ISIS, 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 3.0 per cent. of the gross proceeds of that Company's Offer, each Company will pay an amount equal to the balance to the Manager.

The amount payable by each Company in respect of the Offer costs will, therefore, be an amount equal to 3.0 per cent. of the gross proceeds of its Offer. On this basis, and assuming that each Offer is fully subscribed, the total costs of each Offer will be:

	<b>Total costs</b>
Baronsmead VCT Offer	£300,000
Baronsmead VCT 2 Offer	£300,000
Baronsmead VCT 3 Offer	£300,000
Baronsmead VCT 4 Offer	£300,000

## Intermediary commissions

In order to keep the costs of the Offers to 3.0 per cent. of the gross proceeds of the Offers, and to avoid any dilution of the existing Shares, the Manager will, where permissible, pay annual trail commission to financial intermediaries at the rate of 0.4 per cent. of the aggregate amount subscribed for four years. Such annual trail commission will be paid to financial intermediaries who have acted in an 'execution only' capacity and where Subscribers have not received financial advice in respect of their Subscriptions from another financial intermediary.

The annual trail commission will cease to be payable if the Shares are sold by the relevant subscribers, if the relevant Company is wound up, if the Manager, FPPE or a sister LLP to ISIS, is no longer the investment manager of the relevant Company or if the Manager is no longer permitted under the FCA rules to make such a payment. Intermediaries must substantiate the interests of investors who hold their Shares through nominees to the satisfaction of the Manager.

The Receiving Agent, or other agent appointed by the Manager, will aggregate any permissible trail commissions payable to a financial intermediary with respect to its clients' Subscriptions to the Offers, on behalf of the Manager, and arrange to pay this sum to the financial intermediary in January 2015, January 2016, January 2017 and January 2018.

## Directors' Subscriptions

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

Company	Amount to be subscribed in aggregate	Offer
Baronsmead VCT	£260,000	Baronsmead VCT Offer
Baronsmead VCT 2	£80,000	Baronsmead VCT 2 Offer
Baronsmead VCT 3	£185,000	Baronsmead VCT 3 Offer
Baronsmead VCT 4	£50,000	Baronsmead VCT 4 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 processed. Subscribers must subscribe a minimum, in aggregate, of £4,000 in one or more of the Offers, with a minimum of £1,000 per elected Offer, and thereafter in multiples of £1,000 per elected 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 processed:**

- 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.

Applications under each Offer will, as far as practically possible, be accepted on a first come, first served basis, subject always to the discretion of the relevant Board. Subscribers are encouraged to submit their Subscription Form early in order to be confident that their application will be successful.

Applications accompanied by a post-dated cheque will not be accepted. 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 32 to 35 of this Securities Note. By signing the Subscription Form, Subscribers will be declaring that they have read the Terms and Conditions of Subscriptions and agree to be bound by them.

Subscribers are advised to read the Notes on how to complete the Subscription Form on pages 36 to 40 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 processed.

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 2 April 2014, unless previously extended by the Directors to a date not later than 25 April 2014. There are no conditions attaching to this consent. Financial intermediaries may only 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 10 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. Additional Subscription Forms can be obtained from the website of each Company as well as from the Manager and the Promoter, whose contact details are set out on page 45 of this document.

### **To whom should I make the cheque payable?**

Cheques should be made payable to "Baronsmead VCT 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 send in my Subscription Form?**

The Receiving Agent, The City Partnership, will send you (and your financial intermediary, if applicable) within two Business Days confirmation that your Subscription Form has been received and confirmation of how, once processed, your Subscription is intended 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. However, allotments can take place earlier or at any other time by each Company at the discretion of its Board. Allotments will be announced through a Regulatory Information Service.

### **Whom do I contact if I have any questions concerning my Subscription?**

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.

### Investment policies

Each Company's investment policy is to invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM. The investment policy of each Company as at the date of this document is set out in full in Part II of the Registration Document.

### Established companies with invested portfolios

The Companies were established between 1995 and 2001 and between them have a combined net asset value of approximately £297 million as at 30 November 2013. Each Company has an existing portfolio of between 68 and 73 companies. In addition, Baronsmead VCT, Baronsmead VCT 2 and Baronsmead VCT 3 have also invested in Wood Street, a fund giving them investment exposure to a further 37 AIM-traded and fully listed companies.

A summary of each Company's unaudited investment portfolio as at 30 November 2013, 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 investments directly held in portfolio companies	Percentage of net assets in asset class			
		Investments in unquoted companies	Investments in AIM-traded and fully listed companies	Investment in Wood Street	Cash and investments in fixed interest securities
Baronsmead VCT	71	42%	34%	9%	15%
Baronsmead VCT 2	73	40%	38%	9%	13%
Baronsmead VCT 3	70	41%	35%	9%	15%
Baronsmead VCT 4	68	46%	35%	0%	19%

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 £326 million (net of costs). As at 30 November 2013, in aggregate, the unaudited net asset value of the Companies was £297 million having paid or declared dividends of approximately £188 million and having bought back shares at an aggregate cost of £42 million.

Each Company has paid average annual dividends that have ranged between 5.5p and 7.0p per Share (equivalent to 7.3p and 9.3p per Share to those Qualifying Investors who are higher rate tax payers), since their respective launches between 1995 and 2001. Over the last five years, each Company has paid average annual dividends that have ranged between 6.4p and 7.5p per Share (equivalent to 8.5p and 10.0p 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 and in the last five years is set out in the table below.

	Launch date	NAV* £m	Average annual dividends paid per Share since launch* (p)	Unaudited NAV total return per Share since launch* (p)	Average annual dividends paid per Share in last five years* (p)	Unaudited NAV total return per Share in last five years* (p)
Baronsmead VCT	Nov 1995	74.3	7.0	323.3	6.4	172.9
Baronsmead VCT 2	April 1998	78.2	6.6	297.3	7.0	173.1
Baronsmead VCT 3	Jan 2001	77.0	6.0**	242.8	7.5**	166.1
Baronsmead VCT 4	Dec 2001	67.7	5.5**	199.8	7.0**	167.7

\* As at 30 November 2013 (unaudited).

\*\*After taking into account the second interim dividends paid by Baronsmead VCT 3 and Baronsmead VCT 4 on 20 December 2013 of 4.5p per Share and 4.0p per Share, respectively.

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 and the market conditions during those times. 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, the Companies have each invested the same proportion in each new unquoted investment.

## 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 had raised £239 million (after costs) prior to 6 April 2006. As a result, the Companies have the ability to continue to make investments under the previously less restrictive VCT rules which allow them to invest in management buy-outs and have a lower investment exposure to equities and a higher exposure to loan stock.

## The Manager

ISIS is the investment manager of each Company and has managed VCTs since their inception in 1995. As at 30 September 2013, ISIS and FPPE managed approximately £1.2 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** 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 15 years (1989 to 2004), latterly as the director for 3i North, based in Leeds.

**Pete Clarke** 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** 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** 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** 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 and leads the quoted investment team managing AIM and other listed investments on behalf of the Baronsmead VCTs and Wood Street. 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.

Founding members and certain members and employees of the Manager are invited to participate in the scheme. Members of the scheme are required to subscribe for, in aggregate, 12 per cent. of each 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 or the investee company is within the biotechnology or biopharmaceutical sectors) and cannot choose in which investments to participate.

## Co-investment with other funds

Each Company's unquoted investment strategy is to invest in larger, established companies alongside other funds managed by the Manager which includes each of the Baronsmead VCTs and, prior to 2004, its institutional clients. Since May 2013, the Companies have co-invested with ISIS Growth I LP, an institutional limited partnership established specifically for the purposes of investing alongside the Baronsmead VCTs in new unquoted investments. This enables the Companies to participate in investments where the initial investment commitment exceeds £5 million (this being the maximum amount of investment an investee company can receive from state aided risk capital measures).

## 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. 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 in the previous five financial years (p per Share)							
	Financial year to	2009	2010	2011	2012	2013	Averages
Baronsmead VCT	30 September	6.00	6.00	8.00	6.00	6.00	6.40
Baronsmead VCT 2	30 September	5.50	5.50	7.00	7.50	9.50	7.00
Baronsmead VCT 3	31 December	7.50	7.50	7.50	7.50	7.50	7.50
Baronsmead VCT 4	31 December	7.00	7.00	7.00	7.00	7.00	7.00

It is the intention of each Company that its Shareholders receive dividends twice a 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	December/ January
Baronsmead VCT 3 & Baronsmead VCT 4	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 in, and the dividend stream from, a Company can rise and fall.

## Shareholder communications

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. In November 2012, each Company announced that it will seek to buy back its Shares at a 5 per cent. discount to net asset value instead of at a 10 per cent. discount to net asset value. Any purchases of Shares will be made subject to the Listing Rules of the UK Listing Authority, other statutory and regulatory restrictions and will be made within the guidelines established from time to time by each Board.

## The Boards

The Directors of each Company have overall responsibility for that Company's affairs and operate within the guidelines of the UK Corporate Governance Code, 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, each Board tests its 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. FPPE, a sister LLP to ISIS, manages each Company's cash and fixed interest investments.

The annual running costs of each Company, including fees payable to ISIS, FPPE, 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 an amount equal to 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. Any fees paid with respect to FPPE's management of cash and fixed interest investments are deducted from the management fee payable to ISIS.

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 equal 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 an amount equal to 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 shareholders' 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 £85,104, paid on a quarterly basis of £21,276. 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 equal 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 an amount equal to 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 shareholders' 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 £36,380, paid on a quarterly basis 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 equal to 2.5 per cent. of the Company's net assets which is paid quarterly in arrears.

*Performance fee*

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 an amount equal to 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 £33,816, paid on a quarterly basis 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 equal to 2.5 per cent. of the Company's net assets which is paid quarterly in arrears.

### *Performance fee*

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 an amount equal to 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 £44,724, paid on a quarterly basis 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.

### *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. The Manager also receives monitoring fees from unquoted portfolio companies. Details of these fees are disclosed each year in the relevant Company's annual report and accounts.

Both the management and performance fees set out above (the management fee taking priority) are reduced by an amount equal to any fee received by the Manager and/or FPPE in respect of investments made by the relevant Company in Wood Street.

## Alternative Investment Fund Managers Directive (AIFMD) and intended novation

The AIFMD is a European directive which seeks to harmonise the regulatory framework for European managers of certain alternative investment funds (AIFs). The AIFMD was transposed into English law by the Alternative Investment Fund Managers Regulations 2013, which came into force on 22 July 2013. The Baronsmead VCTs are considered as AIFs under the regulations and are, therefore, required to appoint an alternative investment fund manager (AIFM). Each Company intends to register as its own AIFM prior to the deadline of 22 July 2014.

In connection with this, it is intended that in May 2014 each Company's investment management arrangements with ISIS (as well as those of Baronsmead VCT 5 plc) will be novated to FPPE. The founding members of FPPE are the same as the founding members of ISIS. The professionals responsible for making investments and the management of the Companies are expected to either transfer to FPPE or, in certain cases, may remain as employees of ISIS which will recharge FPPE for their services. FPPE is authorised and regulated by the FCA and authorised under the Market in Financial Instruments Directive.

In practice, no material change to the services provided to the Companies (or the arrangements referred to in the Prospectus) is expected and the key VCT investment team members referred to above would remain responsible for each of the Company's investments. FPPE would have access to the dealflow, contacts and network of ISIS, which should continue to benefit the Companies.

For further information, please see Part I of the Registration Document.

## Advising Ordinary Retail Investors

Each Company currently conducts its affairs so that its Shares can be recommended by financial intermediaries to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The FCA's restrictions which apply to non-mainstream investment products do not apply to any of the Shares because they are shares in a VCT which, for the purposes of the new rules relating to non-mainstream investment products, are excluded securities and may be promoted to ordinary retail investors without restriction.



## 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.

### 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.

### Statements of capitalisation and indebtedness

#### ***Baronsmead VCT***

As at 21 January 2014 (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 21 January 2014 (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 21 January 2014 (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 21 January 2014 (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.

The capitalisation of each Company as at 30 November 2013 is set out in the table below:

	<b>Baronsmead VCT £'000</b>	<b>Baronsmead VCT 2 £'000</b>	<b>Baronsmead VCT 3 £'000</b>	<b>Baronsmead VCT 4 £'000</b>
Called-up share capital	9,914	8,534	7,573	7,322
Capital redemption reserve	0	0	10,862	8,622
Share premium account	11,656	7,809	22,866	28,998
Capital reserve	38,920	45,763	21,522	13,024
Revaluation reserve	13,304	15,572	12,810	8,670
Revenue reserve	529	501	1,387	1,087
Total	74,323	78,179	77,020	67,723

## **Issued share capital and dilution**

### **Baronsmead VCT**

The issued share capital of Baronsmead VCT as at the date of this document is 92,385,680 Shares (excluding 6,753,751 Shares held in treasury). The maximum number of Shares which may be issued by Baronsmead VCT under its Offer (this being the maximum authority available) is 27,715,704 Shares. If the maximum of 27,715,704 Shares were to be issued by Baronsmead VCT, the existing 92,385,680 Shares (ignoring those held in treasury) would represent 76.92 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 75,214,950 Shares (excluding 10,123,819 Shares held in treasury). The maximum number of Shares which may be issued by Baronsmead VCT 2 under its Offer (this being the maximum authority available) is 22,564,485 Shares. If the maximum of 22,564,485 Shares were to be issued by Baronsmead VCT 2, the existing 75,214,950 Shares (ignoring those held in treasury) would represent 76.92 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 66,032,705 Shares (excluding 9,699,214 Shares held in treasury). The maximum number of Shares which may be issued by Baronsmead VCT 3 under its Offer (this being the maximum authority available) is 19,974,811 Shares. If the maximum of 19,974,811 Shares were to be issued by Baronsmead VCT 3, the existing 66,032,705 Shares (ignoring those held in treasury) would represent 76.78 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 65,297,059 Shares (excluding 7,920,130 Shares held in treasury). The maximum number of Shares which may be issued by Baronsmead VCT 4 under its Offer (this being the maximum authority available) is 19,703,117 Shares. If the maximum of 19,703,117 Shares were to be issued by Baronsmead VCT 4, the existing 65,297,059 Shares (ignoring those held in treasury) would represent 76.82 per cent. of the enlarged issued share capital of Baronsmead VCT 4.

## 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 ITA 2007 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 ten 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

## Shareholder authorities

### *Baronsmead VCT*

The following resolutions were passed at the annual general meeting of Baronsmead VCT held in December 2013:

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 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 £4,634,284 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 the resolution had not expired.

That, in substitution for all subsisting authorities to the extent unused, the Directors of the Company be empowered, pursuant to sections 570 and 573 of CA 2006 to allot equity securities as defined in section 560 of CA 2006, for cash pursuant to the authority referred to above, as if section 561(1) of CA 2006 did not apply to any such allotment or sale provided that such power shall be limited to:

- (a) the allotment of equity securities up to an aggregate nominal amount representing 30 per cent. of the Company's 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 Company's 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 next annual general meeting of the Company, 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 2***

The following resolutions were passed at the annual general meeting of Baronsmead VCT 2 held in December 2013:

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 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 £3,765,747.50 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 the resolution had not expired.

That, in substitution for all subsisting authorities to the extent unused, the Directors of the Company be empowered, pursuant to sections 570 and 573 of CA 2006 to allot equity securities as defined in section 560 of CA 2006 for cash pursuant to the authority referred to above, or by way of a sale of treasury shares, as if section 561(1) of CA 2006 did not apply to any such allotment or sale, provided that such power shall be limited to:

- (a) the allotment of equity securities up to an aggregate nominal amount representing 30 per cent. of the Company's 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 Company's 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 next annual general meeting of the Company, 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 3***

The following resolutions were passed at the annual general meeting of Baronsmead VCT 3 held in April 2013:

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 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 £3,340,135 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 the resolution had not expired.

That, the directors of the Company be empowered, pursuant to sections 570 and 573 of CA 2006 to allot equity securities as defined in section 560 of 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 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 30 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 2014, 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 April 2013:

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 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 £3,250,025 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 the resolution had not expired.

That, the directors of the Company be empowered, pursuant to sections 570 and 573 of CA 2006 to allot equity securities as defined in section 560 of 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 to above, and to sell equity securities held by the Company as treasury shares for cash, as if section 561(1) of 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 30 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 2014, 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.

## 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:** the New Shares are freely transferable by instrument of transfer in writing in any usual form or in any form approved by the Board of that Company and are capable of being transferred by means of the CREST system, save that the Board may, in its absolute discretion, refuse to register a share transfer unless:
  - (i) it is in respect of a share which is fully paid up;
  - (ii) it is in respect of only one class of shares;
  - (iii) it is in favour of a single transferee or not more than four joint transferees;



- (iv) it is duly stamped (if so required); and
- (v) it is delivered for registration to the registered office of the Company or such other place as the Board may from time to time determine, accompanied (save in certain circumstances) by the certificate for the shares to which it relates and such other evidence as the Board of that Company may reasonably require to prove the title of the transferor and the due execution of the transfer by him or, if the transfer is executed by some other person on his behalf, the authority of that person to do so;
- (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 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

Each Company and its Shareholders are subject to the provisions of the City Code on Takeovers and Mergers and CA 2006 which require shares to be acquired/transferred in certain circumstances.

## 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 registered offices of the Companies 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 annual report and accounts for Baronsmead VCT and Baronsmead VCT 2 for the years ended 30 September 2011, 2012 and 2013, the annual report and accounts for Baronsmead VCT 3 and Baronsmead VCT 4 for the years ended 31 December 2010, 2011 and 2012 and the unaudited half yearly reports for Baronsmead VCT 3 and Baronsmead VCT 4 for the six months ended 30 June 2012 and 2013;
- the Registration Document;
- this Securities Note; and
- the Summary.

Howard Kennedy Corporate Services LLP is acting as sponsor to the Companies in respect of their respective applications for Admission. Howard Kennedy Corporate Services LLP 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 upfront VCT income tax relief on amounts subscribed up to a maximum of £200,000 invested in VCTs in any tax year.

To obtain upfront VCT income tax 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 be beneficially entitled to the dividend or if the VCT loses its approval within the accounting period in which the dividend is paid.

#### (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 upfront VCT income tax relief available on subscription for new VCT shares 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

## 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.

## 4 2013 Autumn Statement and proposed changes to VCT rules

The Government confirmed in the Autumn Statement on 5 December 2013 that legislation would be introduced, intended to come into force with effect from 6 April 2014, relating to linked subscriptions and sales of VCT shares.

The draft 2014 Finance Bill, published on 10 December 2013, restricts the availability of income tax relief on a subscription for shares in a VCT issued after 5 April 2014 where it is 'linked' to a sale of shares in the same VCT. For these purposes, linked means (i) the sale of the shares in the VCT was conditional on the subscription for shares in the same VCT (or vice versa) or (ii) the subscription for shares in the VCT and the sale of shares in the same VCT was within six months of each other (irrespective of which comes first). If the subscription is so 'linked', the amount on which upfront VCT income tax relief can be claimed will be reduced by the amount of the consideration of any linked sales.

Were this legislation to come into force as currently drafted, and in the event that any of the Offers are extended such that New Shares are issued after 5 April 2014, the amount of upfront VCT income tax relief existing Shareholders of any of the Companies will be able to claim on a Subscription will be reduced by the amount of the consideration of any linked sales if they have sold or sell any shares in a Company and invest in New Shares in the same Company either six months before or six months after the date of issue of the New Shares.

In addition, the Government announced in the 2013 Autumn Statement that it will consult further on potential changes to the VCT rules to address the use of converted share premium accounts to return capital to investors where that return does not reflect profits on the VCT's investments. These changes are also expected to be effective from 6 April 2014.

## 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 ITA 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 ISDX 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:

<b>Admission</b>	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
<b>AIFMD</b>	the Alternative Investment Fund Managers Directive as transposed into English law by the Alternative Investment Fund Managers Regulations 2013
<b>AIM</b>	the AIM Market of the London Stock Exchange
<b>Baronsmead VCT</b>	Baronsmead VCT plc
<b>Baronsmead VCT Offer</b>	the offer for subscription of New Shares in Baronsmead VCT contained in this document
<b>Baronsmead VCT 2</b>	Baronsmead VCT 2 plc
<b>Baronsmead VCT 2 Offer</b>	the offer for subscription of New Shares in Baronsmead VCT 2 contained in this document
<b>Baronsmead VCT 3</b>	Baronsmead VCT 3 plc
<b>Baronsmead VCT 3 Offer</b>	the offer for subscription of New Shares in Baronsmead VCT 3 contained in this document
<b>Baronsmead VCT 4</b>	Baronsmead VCT 4 plc
<b>Baronsmead VCT 4 Offer</b>	the offer for subscription of New Shares in Baronsmead VCT 4 contained in this document
<b>Baronsmead VCTs</b>	the VCTs managed by ISIS
<b>Boards</b>	the boards of Directors of the Companies (and each a <b>Board</b> )
<b>Business Day</b>	any day (other than a Saturday or Sunday) on which clearing banks are open for normal banking business in sterling
<b>CA 2006</b>	the Companies Act 2006 (as amended)
<b>Chairmen</b>	the chairmen of the Companies (and each a <b>Chairman</b> )
<b>Companies</b>	Baronsmead VCT, Baronsmead VCT 2, Baronsmead 3 and Baronsmead VCT 4 (and each a <b>Company</b> )
<b>CREST</b>	the computerised settlement system to facilitate the transfer of title to securities in uncertificated form operated by Euroclear UK & Ireland Limited
<b>CREST Regulations</b>	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
<b>FCA</b>	the Financial Conduct Authority
<b>FPPE</b>	FPPE LLP, a sister LLP to ISIS
<b>FSMA</b>	the Financial Services and Markets Act 2000
<b>HMRC</b>	Her Majesty's Revenue and Customs
<b>ISDX</b>	the ICAP Securities & Derivatives Exchange, a prescribed market for the purposes of section 118 of FSMA
<b>ISIS or the Manager</b>	ISIS EP LLP, a sister LLP to FPPE
<b>ITA 2007</b>	the Income Tax Act 2007 (as amended)
<b>Listing Rules</b>	the listing rules made by the UK Listing Authority under section 74 of FSMA
<b>LLP</b>	a limited liability partnership
<b>London Stock Exchange</b>	London Stock Exchange plc

<b>NAV or net asset value</b>	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)
<b>New Shares</b>	new Shares in a Company to be issued under its Offer
<b>Novation</b>	the intended novation in May 2014 of each Company's investment management and administration arrangements with ISIS (as well as those of Baronsmead VCT 5 plc) to FPPE
<b>Offer Price</b>	the subscription price of the New Shares under each Offer as calculated in accordance with the Pricing Formula
<b>Offers</b>	the Baronsmead VCT Offer, the Baronsmead VCT 2 Offer, the Baronsmead VCT 3 Offer and the Baronsmead VCT 4 Offer (and each an <b>Offer</b> )
<b>Official List</b>	the official list of the UK Listing Authority
<b>Pricing Formula</b>	the formula to be used to calculate the Offer Price of the New Shares under each Offer as set out in this document
<b>Promoter</b>	RAM Capital Partners LLP
<b>Prospectus</b>	this Securities Note, the Registration Document and the Summary, each dated 22 January 2014
<b>Qualifying Company</b>	an unquoted (including ISDX-traded and AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of ITA 2007
<b>Qualifying Investment</b>	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 6 of ITA 2007
<b>Qualifying Investor</b>	an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT
<b>Receiving Agent or The City Partnership</b>	The City Partnership (UK) Limited
<b>Registrar</b>	Computershare Investor Services PLC
<b>Registration Document</b>	the registration document issued by the Companies dated 22 January 2014 in connection with the Offers
<b>Regulatory Information Service</b>	a regulatory information service approved by the FCA
<b>Restricted Territories</b>	Canada, Australia, Japan and South Africa (and each a <b>Restricted Territory</b> )
<b>Securities Act</b>	the United States Securities Act of 1933, as amended
<b>Securities Note</b>	this document dated 22 January 2014
<b>Shareholders</b>	holders of Shares in any one or more of the Companies (and each a <b>Shareholder</b> )
<b>Shares</b>	ordinary shares of 10p each in the capital of a Company (and each a <b>Share</b> )
<b>Subscriber</b>	a person whose name appears as such in a Subscription Form for use in connection with the Offers
<b>Subscription Form</b>	the subscription form for use in connection with the Offers as set out towards the end of this document
<b>Subscriptions</b>	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 <b>Subscription</b> )



<b>Summary</b>	the summary issued by the Companies dated 22 January 2014 in connection with the Offers
<b>Terms and Conditions of Subscriptions</b>	the terms and conditions of Subscriptions set out in this document
<b>this document</b>	the Securities Note, including the Terms and Conditions of Subscriptions
<b>UK Listing Authority</b>	the FCA in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>United States</b>	the United States of America, its states, territories and possessions (including the District of Columbia)
<b>VCT Value</b>	the value of an investment calculated in accordance with section 278 of ITA 2007
<b>Venture Capital Trust or VCT</b>	a venture capital trust as defined in section 259 of ITA 2007
<b>Wood Street</b>	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 and to trading on the London Stock Exchange’s main market for listed securities in respect of the relevant New Shares in the relevant Company becoming effective, unless otherwise so resolved by the Board of the relevant Company.
- (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 £1.50 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 £1.50 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 in a separate account (such monies being allocated and held on trust by Baronsmead VCT 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 25 April 2014. Subscriptions which are accompanied by post-dated cheques will not be accepted. 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 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 the Company you have subscribed for or, failing such payment, to return to you without interest earned any monies you have paid in respect of that Company;
- (vi) agree that any monies refundable to you may be retained by Baronsmead VCT (on behalf of the relevant Company) 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 any supplementary prospectus issued by the Companies and filed with the FCA) and that no person responsible solely or jointly for this document (and any supplementary prospectus) 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 £12,000) 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 (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. If a cheque is drawn by a third party, the above will also be required from that third party;
  - (xvi) agree that neither ISIS nor the Receiving Agent will 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) confirm and warrant that the information provided on the Subscription Form is true and accurate;
  - (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, the Manager and the Registrar to, amongst other things, 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 have not been, nor will they 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. 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 71 of the Registration Document before taking any action. 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. Multiple Subscriptions under the Offers are permitted. Subscriptions will be accepted on a first come, first served basis, subject always to the discretion of the relevant Board. 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 25 April 2014. 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, the relevant Company not having the requisite shareholder authorities from time to time to allot New Shares or a breach of any other statutory provision or regulation applicable to the relevant Company. 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) The Manager will, where permissible, pay to authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their stamp or full address details and FCA number an 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 Forms whilst the Manager is appointed as the investment manager to the relevant Company. Such annual trail commission can only be paid where the Subscriber has not received a personal recommendation to invest in the New Shares, whether the personal recommendation is given by the financial intermediary identified on the Subscription Form or another financial intermediary. Should the Manager, FPPE or a sister LLP to ISIS no longer be appointed as the investment manager of a Company, annual trail commission payments will cease in that Company. Annual trail commission will also cease to be payable if the Shares are sold by the relevant investors, if the relevant Company is wound up or if the Manager is no longer permitted under the FCA rules to make such payments. Financial intermediaries should keep a record of Subscription Forms submitted bearing their FCA number to substantiate any claim for introductory commission. Claims for introductory commission must be made and substantiated on the Subscription Forms.
- (h) 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.
- (i) The Companies reserve the right to publish revised Subscription Forms from time to time. Subscribers and their intermediaries should, therefore, check when completing a Subscription Form that no subsequent version has been published or made available by the Companies (which will be downloadable from the Companies' respective websites as detailed on page 45 of this document).



# 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 who are acting on behalf of 'execution only' clients and are not providing a platform service.

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. The first form you submit must be for a minimum aggregate subscription of £4,000 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 included towards the end of this Securities Note. 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 45 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 are deemed closed, by the time your Subscription Form is processed. Your Subscription must be for a minimum aggregate amount of £4,000 and thereafter in multiples of £1,000.

If all of the Offers have closed, or are deemed closed, by the time your Subscription Form is processed then the total amount of your Subscription will be returned to you.

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 automatically allocated 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 £4,000 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 is/are deemed, closed by the time your Subscription Form is processed. 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, or are deemed, closed by the time your Subscription Form is processed 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, or are deemed, closed by the time your Subscription Form is processed and you want your Subscription re-allocated or returned please 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, or are deemed, 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, or are deemed, closed by the time your Subscription Form is processed 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 £4,000 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 (other than platform service providers). (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 financial advice from a different financial intermediary. (If you tick box 4.3 the financial intermediary who acted in an ‘execution only’ capacity should complete Section 7 of the Subscription Form.) Annual trail commission will not be paid where financial advice has been given.

## 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 New 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 Subscriptions as set out on pages 32 to 35 of this document.

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

## Payment

Pin a cheque or banker’s 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 00441134”. Your payment must relate solely to the Offer(s). Cheques will be presented for payment on receipt. Subscriptions under the Offers will be processed upon receipt. A Subscription Form accompanied by a post-dated cheque 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 communication 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](http://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 Subscriptions for more than £12,000

The verification requirements of the Money Laundering Regulations 2007 will apply even if you are an existing Shareholder and verification of the identity of the Subscriber is required for Subscriptions of more than £12,000. 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 £12,000 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; or
- 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 three 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 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.

Appropriately authorised financial intermediaries 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) but financial advice has been given by a different authorised financial intermediary should complete Section 7.

### **Financial Intermediaries' Contact Details**

Appropriately authorised financial intermediaries should complete Section 7.1 (where financial advice has been given) or Section 8.1 ('execution only'), giving their contact name and address and their FCA 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.

### **Annual Trail Commission payable to Financial Intermediaries acting on an 'execution only' basis**

For financial intermediaries (other than platform service providers) who act on an 'execution only' basis i.e. do not provide financial advice to their clients, annual trail commission can be paid, provided that the client has not received financial advice in relation to their Subscription.

Where permissible, financial intermediaries will be paid annual trail commission by the Manager of 0.4 per cent. for four years on the aggregate amount invested under the Offers.

### **Bank Details for Annual Trail Commission Payments**

Financial intermediaries who are entitled to receive annual trail commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete Section 8.3 ('execution only').

# Subscription Form for the Offers for Baronsmead VCT, Baronsmead VCT 2, Baronsmead VCT 3 and Baronsmead VCT 4

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.

## SECTION 1 - PERSONAL DETAILS

### 1.1 NAME AND ADDRESS

Title and Full Name: .....

Address: .....

Post Code: .....

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 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 12.00 noon on 2 April 2014. 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 32 to 35 of the Securities Note dated 22 January 2014. The definitions in that document apply to this Subscription Form.

### OTHER PERSONAL DETAILS

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 £4,000), 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, YOU SHOULD NOT COMPLETE SECTION 2.2 OR 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)
TOTAL	£	<input type="text"/>	(minimum £4,000)

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, or are deemed, closed by the time your Subscription Form is processed then the total amount you have subscribed will be returned to you.

If your cheque or bank transfer has failed to clear at first presentation, your Subscription will be removed from any allotment list until your payment has cleared. During such a period you accept that other Subscribers may be added to the allotment list(s) for the Companies (as applicable) and that any delay in obtaining cleared funds from you may mean that you do not receive New Shares in the amounts or in the Companies you requested.



## 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 or, is/are deemed, 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 ☐
- OR
- 2) Re-allocated so that they are invested equally in all the remaining Offers which are open ☐
- 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 £4,000 is subscribed in total ☐
- OR
- 4) The entire sum I subscribed is returned to me ☐

## 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 who are acting on behalf of 'execution only' clients. 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)
- 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)
- 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 acted in an 'execution only' capacity should complete Section 7 of the Subscription Form. Annual trail commission will not be paid where financial advice has been given.) ☐

## 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 32 to 35 of the Securities Note dated 22 January 2014 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.

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

Appropriately authorised financial intermediaries who have not provided financial advice and have acted in an 'execution only' capacity with respect to their clients' subscriptions to the Offer(s) but financial advice has been given by a different authorised financial intermediary should also complete Section 7.

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 22 January 2014.

7.1 Firm Name: .....

Contact (Adviser/Administrator) (delete as appropriate): .....

FCA Number: .....

Email: .....

Telephone No: .....

Fax No: .....

Address: .....

.....

.....

..... Post Code: .....

**THIS SECTION OF THE SUBSCRIPTION FORM MUST BE SIGNED AND DATED BY THE FINANCIAL INTERMEDIARY**

Signature: ..... Date: .....

By signing this form I HEREBY DECLARE THAT financial advice has been provided to my client 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 22 January 2014.



## SECTION 8 - FINANCIAL INTERMEDIARIES' DETAILS

### **FOR SUBSCRIPTIONS WHERE NO FINANCIAL ADVICE HAS BEEN PROVIDED TO THE SUBSCRIBER BY ANY FINANCIAL INTERMEDIARY.**

To be completed by financial intermediaries who have not provided financial advice with respect to their clients' Subscriptions to the Offer(s) and where advice has not been provided by a different financial intermediary. FCA Number must be quoted.

All financial intermediaries MUST draw their clients' attention to 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 22 January 2014.

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

#### 8.2 COMMISSION

Annual trail commission of 0.4% for four years on the aggregate amount invested under the Offers will be paid by the Manager in accordance with the terms and conditions set out in the Securities Note dated 22 January 2014 provided that the client has not received financial advice in relation to their Subscription.

#### 8.3 DIRECT PAYMENT OF COMMISSION TO A BANK ACCOUNT

If you would like your commission 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 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**

Signature: ..... Date: .....

By signing this form I HEREBY DECLARE THAT we are not a platform services provider and 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 CBE  
Valerie Marshall

## **Directors of Baronsmead VCT 3 plc**

Anthony Townsend  
Andrew Karney  
Gillian Nott OBE  
Ian Orrock

## **Manager and Secretary**

ISIS EP LLP  
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London  
EC2V 7AN  
Telephone: 020 7506 5600

## **Solicitors to the Offers and to Baronsmead VCT plc, Baronsmead VCT 2 plc and Baronsmead VCT 3 plc**

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Birmingham  
B4 6AA

## **Auditors to Baronsmead VCT plc and Baronsmead VCT 2 plc**

KPMG LLP

## **Auditors to Baronsmead VCT 3 plc and Baronsmead VCT 4 plc**

KPMG Audit Plc  
(each of)  
Saltire Court  
20 Castle Terrace  
Edinburgh EH1 2EG

## **Receiving Agent**

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Thistle House  
21-23 Thistle Street  
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Telephone: 0131 243 7210

## **Promoter**

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London  
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## **Directors of Baronsmead VCT 2 plc**

Clive Parritt  
Gillian Nott OBE  
Howard Goldring  
Christina McComb

## **Directors of Baronsmead VCT 4 plc**

Robert Owen  
Malcolm Groat  
Alan Pedder CBE  
Robin Williams

## **Companies' Websites**

[www.baronsmeadvct.co.uk](http://www.baronsmeadvct.co.uk)  
[www.baronsmeadvct2.co.uk](http://www.baronsmeadvct2.co.uk)  
[www.baronsmeadvct3.co.uk](http://www.baronsmeadvct3.co.uk)  
[www.baronsmeadvct4.co.uk](http://www.baronsmeadvct4.co.uk)

## **Solicitors to Baronsmead VCT 4 plc**

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## **Sponsor**

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## **Registrar**

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Bristol BS99 6ZZ  
Telephone: 0870 703 0137

## **VCT Status Adviser**

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