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Circular to Shareholders of

HAZEL RENEWABLE ENERGY VCT1 PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07378392)

and

HAZEL RENEWABLE ENERGY VCT2 PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 07378395)

(together, the "**Companies**")

and

Notice of General Meetings

of the Shareholders of the Companies to be held at
59 Gloucester Place, London W1U 8JH on Monday 16 December 2013 at 11:00 am
in respect of Hazel VCT1 and 11:05 am in respect of Hazel VCT2

in connection with a proposal seeking Shareholders' approval

(i) to amend the Companies' common investment policy; and (ii) for the Companies and any of their subsidiaries to borrow moneys greater than 15% of the Companies' respective net asset values

IMPORTANT NOTICE

Whether or not you plan to attend any of the General Meetings, please complete and submit a proxy form in accordance with the instructions printed on the enclosed form. All proxy forms must be received by 11:00 am and 11:05 am on Friday 13 December 2013 for Hazel VCT1 and Hazel VCT2 respectively. No person has been authorised to give any information or representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. Neither the delivery of this document hereunder nor any subsequent subscription or sale made for Shares shall, under any circumstances, create any implication that the information contained in this document is correct as of any time subsequent to the date of this document.

An explanation of the changes to the Companies' common investment policy is set out in the Joint Chairmen's Letter on page 3 and a copy of the proposed investment policy is provided in Appendix 3 to the Joint Chairmen's Letter.

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PART ONE

Joint Letter from the Chairmen of the Companies

Hazel Renewable Energy VCT1 plc

Directors
Michael Cunningham
Ben Guest
Stephen Hay

Hazel Renewable Energy VCT2 plc

Directors
Peter Wisher
Alexander Hambro
Christian Yates
Gareth Owen

22 November 2013

Dear Shareholder,

We are writing to you to seek your authority for the Companies to implement a significant refinancing and acquisition opportunity. An explanation of this opportunity is set out below. Your authority is required in accordance with the Companies Act 2006, the Listing Rules and Articles of each Company. In order to implement the refinancing and associated acquisition, the Companies must amend their investment policies and the Listing Rules require that a material change to a company's published investment policy must be approved by the company's shareholders, therefore, a General Meeting of each Company is to be held on Monday 16 December 2013 at 59 Gloucester Place, London W1U 8JH in accordance with the notices on pages 22 and 27 of this document.

Background

In the last Half Yearly Reports, the Manager reported that the Companies were exploring the possibility of refinancing some of their existing investments in order to unlock gains and release capital for further investments. We are now pleased to report that a significant opportunity has arisen for each Company to buy-out the other investors in six Solar Generation Companies ("**SGCs**") which each own a ground-mounted solar PV project ("**Solar Projects**") remunerated under the feed-in tariff regime and in which the Companies are existing investors. The aggregate value of the buy-out of the other investors is £59.6 million, out of which £6 million will be applied to settle existing loans due by the SGCs to the Companies. Including the existing investments by the Companies, it represents an aggregate value for the SGCs of approximately £72 million.

The relevant Solar Projects are:

- Beechgrove
- Kingston
- Lake Farm
- Parsonage
- South Marston
- Wychwood

The Companies initially invested a total of c£17 million into these investments and therefore they represent a significant portion (albeit less than 50%) of the Companies' portfolio. The buy-out of other investors would be funded with a loan of approximately £65 million provided by a UK company called TRFC 2013 -1 PLC ("**the Lender**") which would be secured upon the Companies' investments in the SGCs and their underlying assets ("**the Loan**"). The Loan constitutes low cost long term debt which matches the life of the underlying assets of the SGCs. The Loan would be repayable after approximately 21 years and will reduce through capital repayments over the life of the Loan from the revenues generated by the six SGCs.

The Lender will raise its capital for this Loan in the bond market. The Companies are not involved in or privy to the Lender's bond documentation. The Lender is not a related party of the VCTs and does not have a relationship with the Investment Manager of the Companies.

The SGCs are listed in column one of the table below and their Solar Projects are either owned directly, or indirectly through the wholly owned subsidiaries, as indicated in column two of the table below.

SGCs	Wholly owned SGC subsidiaries	Solar Projects
Beechgrove Solar Limited	AEE Renewables (UK) 15 Limited	Beechgrove
AEE Renewables UK 26 Limited		Kingston
AEE Renewables UK 3 Limited		Lake Farm
Vicarage Solar Limited	ZW Parsonage Limited	Parsonage
South Marston Solar Limited	South Marston Renewables Limited	South Marston
New Energy Era Limited		Wychwood

Details of the respective shareholdings ("**Solar Project Shares**"), loans and loan stock in these SGCs are set out in Appendix 4 of this Circular.

The Manager has agreed buy-out terms with all of the non VCT investors in the SGCs and heads of terms have been agreed with the Lender to fund the buy-out.

Benefits of the buy-out

The buy-out has a number of benefits for the Shareholders of the Companies.

- The valuation being paid for the non VCT investors' shares in the SGCs has been determined on an arm's length basis. As a result of the buy-out, the Companies' existing stakes in the SGCs will also enjoy a revaluation in line with the acquisition prices paid.
- After meeting the scheduled repayments of capital and interest on the Loan, the Companies should receive additional cash flow from the investments acquired on the buy-out given that the cash flow on the share of the SGCs that were not previously owned by the VCTs is expected to be greater than the cost of the finance. This is due to the low cost of borrowing, and comparatively low transaction costs that have been negotiated by the Manager and which in turn is a function of the scale of the combined transaction.
- The Lender has offered to lend more than is necessary (i.e. the £65 million mentioned above is not required in its entirety to complete this transaction) to acquire the non VCT investors' shares, resulting in estimated surplus funds of £11.4 million which it is currently intended will be used for an special dividend and for further investments by the Companies.

Taking all 3 factors together it is expected that there will be an increase to the NAV of the Companies which will be quantified once the transaction has closed and will be subject to review by the Companies' auditors.

The Boards which have been so advised by BDO LLP, consider the terms of the buy-out to be fair and reasonable so far as the Companies' Shareholders are concerned. In providing its advice, BDO LLP has taken into account the Directors' commercial assessment of the buy-out.

Buy-out structure

It is envisaged that the buy-out will be undertaken by two new companies: Lunar 1 Limited and Lunar 2 Limited ("**the Lunar Companies**").

Each Company will hold 50% of the share capital in Lunar 2. Lunar 2 will in turn hold 90% of the share capital in Lunar 1. The Companies will hold the remaining 10% of Lunar 1's share capital in equal parts. The Loan will be made available by the Lender to Lunar 1 and Lunar 2.

Lunar 2 will utilise its share of the Loan to buy-out the other investors in the SGCs which own Beechgrove, Parsonage and South Marston, and to finance the repayment of loans owed by the South Marston SGC to the Companies.

Lunar 1 will utilise its share of the Loan to buy-out the other investors in the SGCs which own Kingston, Lake Farm and Wychwood and to finance the repayment of loans owed by the Beechgrove SGC to the Companies along with £4.25 million of a £6 million loans owed by the Lake Farm SGC.

The Companies will exchange their existing investments in the SGCs which own Beechgrove and South Marston for new investments in Lunar 2 and their existing investments in the SGCs which own Kingston and Lake Farm for new investments in Lunar 1 ("**the Roll Over**"). The Companies existing investments in the SGCs which own Parsonage and Wychwood will remain in place.

Lender's security

The Lender will take security over the SGCs and their assets and additionally over the Companies' direct investments in the SGCs which own Parsonage and Wychwood and in their direct investments in Lunar 1 arising as a result of the Roll Over of their investments in the SGCs which own Kingston and Lake Farm. The Lender will also take a floating charge over each of the Companies. This floating charge protects the Lender's ability to enforce its security over the Companies' direct investments in Lunar 1 and the Parsonage and Wychwood SGCs without the risk of being blocked from doing so by the appointment of administrators. The Lender's recourse to other assets of the Companies will be limited to £1 only.

If the Companies wish to release the floating charges, they can do so by transferring their direct investments in Lunar 1 and in Parsonage to Lunar 2 and their direct holding in Wychwood to Lunar 1. Alternatively, the floating charge would also be released if these direct holdings were transferred to a new intermediate holding company set up by the Companies ("**Lunar 3**"). The Companies investments in Lunar 2 (and any such intermediate holding company) will not be in charge to the Lender.

In doing so the Companies would be free to realise their equity in the Solar Projects by a disposal of their investments in Lunar 2 (and any such intermediate holding company) to a third party with the security arrangements for the Loan intact and without requiring the prior consent of the Lender to a disposal. This also means that when Shareholders are given the opportunity at the Annual General Meeting in 2016 to decide on whether to continue the existence of the VCTs for a further 5 years, if a continuation vote is not passed, the security taken by the Lender should not restrict the ability of the Directors to implement a voluntary liquidation, reconstruction or reorganisation of the Companies.

The structure chart in Appendix 2 shows the corporate holdings following the buy-out.

Existing investment policy and proposed amendments

The following summarises the reasons for the proposed amendments to the sections of the Companies investment policies.

Investment strategy

Lunar 1 and Lunar 2 would not themselves meet the current investment strategy of the Companies and therefore it is proposed that the investment policy is amended by the inclusion of the additional wording below:

"The Company will also invest in Lunar 1 Limited (Lunar 1) and Lunar 2 Limited (Lunar 2) and possibly also in a new intermediate holding company set up by the Company, Lunar 3 Limited (Lunar 3) which are investment companies and do not in their own right fall under this investment strategy, however the Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will invest in companies that meet this investment strategy".

Asset allocation

If the buy-out is effected, the Companies direct and indirect holdings in the SGCs will represent the following percentages of their total investment portfolios:

Solar Project	Percentage of portfolio
Beechgrove	13.2%
Kingston	16.1%
Lake Farm	16.5%
South Marston	16.5%
Parsonage	2.1%
Wychwood	2.4%

Additionally, whilst the Companies will continue to show these holdings separately in order to provide Shareholders with quantitative information concerning exposure to asset allocation and risk diversification, their direct holdings in Lunar 1 and Lunar 2 will represent 1.6% and 30% of their respective portfolios.

The Companies' existing investment policy provides that:

'In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund.'

Accordingly, the buy-out cannot be effected without the consent of the Shareholders to a variation to the existing investment policy which would permit an increase in this 15% investment limit.

The Companies therefore propose to amend the investment policy as follows:

"In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund save where such investment is in an investee company which has acquired or is to acquire, whether directly or indirectly, securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

The Company's investment in Lunar 1, Lunar 2 and (if applicable) Lunar 3 will not exceed 33% of the aggregate net asset value of its fund and its direct or indirect investment in each of AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited will not individually represent more than 17% of the aggregate net asset value of its fund."

Risk diversification

Lunar 1 and Lunar 2 would not themselves meet the current risk diversification of the Companies and therefore it is proposed that the investment policy is amended by the inclusion of the additional wording below:

"The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will follow the above risk diversification strategy with regard to their investments in AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited."

Gearing

The Companies also seek Shareholder consent to vary the gearing restriction in the existing investment policy. This currently provides that:

'It is not intended that the Company will borrow. However, the Company has the ability to borrow up to 15% of its net asset value. As at 30 September 2012, this would equal £3.2 million. There are no plans to utilise this ability at the current time.'

As the Companies will continue to treat their indirect investments in the SGCs as evidence of asset allocation and risk diversification, the Directors feel that it is appropriate, for the purposes of their investment policy, to also treat the borrowings by the Lunar Companies as if they were borrowings of the Companies themselves.

Accordingly it is proposed to vary the investment policy to allow this as follows:

'It is not intended that the Company will borrow. However, the Company will have the ability to borrow up to 15% of its net asset value save that this limit shall not apply to any loan monies used to facilitate the acquisition by the Company, whether directly or indirectly, of any securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will borrow no more than 90% of their respective net asset values to facilitate the acquisition, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.'

A copy of the whole of the proposed investment policy highlighting these changes is provided in Appendix 3 of this document.

Shareholder authority to borrow

Article 106.1 of each Company's Articles prohibits the Companies from borrowing a sum exceeding 15% of each Company's NAV and also provides that the Boards must use each Company's voting rights in their respective subsidiaries to secure, to the extent they can, that the subsidiaries' borrowing does not exceed such a sum. Article 106.1 allows each Company to disapply the borrowing restriction in the Articles with an ordinary resolution of the Shareholders.

Lunar 1 and Lunar 2 are not subsidiaries of either of the Companies, but the Boards regard it as appropriate to seek the consent of Shareholders, before the Loan is borrowed by Lunar 1 and Lunar 2 to finance the buy-out, as if that Loan did constitute borrowings by the Companies and their subsidiaries.

Accordingly, the Directors are seeking such a resolution to disapply the borrowing restriction under Article 106.1 in connection with the buy-out.

VCT qualifying status

The Companies meet the qualifying conditions necessary for continuing venture capital trust status under the VCT Rules. In particular, the Companies' qualifying investments currently represent approximately 82% of their total holdings which is significantly in excess of the VCT condition which requires that not less than 70% of total investments must be held in qualifying investments.

The Companies' qualifying investments in the Solar Projects amount to approximately 35% of their total qualifying holdings.

Following the buy-out, the shares and loan stock which the Companies will acquire in Lunar 1 and Lunar 2 as a result of the Roll Over of their investments in the SGCs which own Beechgrove, Kingston, Lake Farm and South Marston will remain qualifying as regards investments in shares for a period of 3 years and as regards loans, for a period of 5 years under the Exchange Regulations. As these grace periods expire, their investments in the shares and loans stock of Lunar 1 and Lunar 2 will cease to be qualifying investments.

The Directors have been advised by PwC, the Companies' VCT status advisors, that following the expiry of these grace periods the Companies should continue to satisfy the requirement that not less than 70% of total investments must be held in qualifying investments if, beforehand, the Companies make distributions to Shareholders amounting to, in aggregate, £4.5 million.

The ability of the Companies to make distributions of this aggregate amount arises because the Loan utilised by Lunar 1 to effect the buy-out of the Lake Farm SGC will, in part, be used to repay £4.25 million of outstanding loans owed by the Lake Farm SGC to the Companies of £6 million. It is currently intended that the monies so repaid to the Companies will be applied in the payment of a special dividend (or an enlarged annual dividend) to Shareholders amounting in aggregate to approximately £4.5 million which is likely to be declared prior to 5 April 2014.

The ability of the Companies to make this special dividend will be dependent on there being no change in the law or VCT Rules which might prevent or restrict the payment of special dividends of this nature.

Risk factors

Shareholders should carefully consider the following risk factors in addition to the other information presented in this document.

Risks relating to VCT status

- As noted above following the buy-out, the shares and loan stock which the Companies will acquire in Lunar 1 and Lunar 2 as a result of the Roll Over of their investments in the SGCs which own Beechgrove, Kingston, Lake Farm and South Marston will remain qualifying as regards investments in shares for a grace period of 3 years (until December 2016) and as regards loans, for a grace period of 5 years (until December 2018) under the Exchange Regulations. As these grace periods expire, their investments in the shares and loans stock of Lunar 1 and Lunar 2 will cease to be qualifying investments.

Share capital was last issued by the Companies on 5 April 2012. Shareholders must hold their VCT shares for a period of 5 years from their allotment during which the Companies must remain qualifying as Venture Capital Trusts in order to avoid a claw back of VCT income tax relief claimed by Shareholders in respect of their investment ("**the 5 year holding period**"). The 5 year holding

period for those Shareholders who were allotted at any time shares between December 2011 and 5 April 2012 will expire between December 2016 and 6 April 2017. If the Companies were to become non qualifying on the expiry of the 3 year grace period expiring in December 2016 those Shareholders would be vulnerable to their VCT income tax relief being clawed back by HM Revenue & Customs.

PwC has advised that immediately after the buy-out Hazel VCT1 will hold 84.2% of its portfolio in qualifying investments. After 3 years when the new shares become non qualifying this will fall to 79.7%. PwC has advised that immediately after the buy-out Hazel VCT2 will hold 87.4% of its portfolio in qualifying investments. After 3 years when the new shares become non qualifying this will fall to 79.4%. These projections are on the basis of a number of assumptions, the material assumptions being: (i) that ongoing income and expenses of the Companies are neutral; (ii) that qualifying and short term loan notes in Lake Farm are repaid as part of the refinancing; and (iii) the Companies pay a dividend of £2.25 million each before 5 April 2014. It is projected that the Companies will make additional qualifying investments from surplus funds, without the need to raise further capital from Shareholders, so that in 5 years time, when the loan stock (if not repaid beforehand) becomes non qualifying, the relevant percentage will be approximately 75%. Accordingly the Investment Manager does not regard the proposed buy-out as presenting a material risk of loss of VCT status.

Risks relating to assets

- If future asset values relating to the Solar Projects fall below the current buy-out price, then the Companies will have the secured debt against these assets without the benefit of an increase in values.
- If the cashflows from the Solar Projects are less than expected the Companies may not earn the anticipated cash flows from the investments acquired on the buy-out, and accordingly a reduced net present value of those cashflows, when added to a reduced valuation of the Companies' existing holdings commensurate, would result in a diminution of the net asset value of the Companies.
- If the cashflows from the Solar Projects are less than expected to an extent that means the Lunar Companies are unable to meet the scheduled repayments of capital and interest payments due to the Lender in respect of the buy-out Loan, the Lender will be entitled to realise its security and dispose of the shares in the Solar Generation Companies and/or the Solar Projects. In such an event there may be no surplus assets available to the Companies following the discharge of all liabilities due to the Lender with the result that the net asset value of the Companies could be very substantially reduced.

General Meetings

General Meetings of the Companies have been convened on Monday 16 December 2013 at 11:00 am for Hazel VCT1 and 11:05 am for Hazel VCT2 at 59 Gloucester Place, London W1U 8JH. The notices of these meetings and an explanation of the ordinary resolution (the "**Resolution**") to be proposed at both meetings to amend the investment policy and to disapply the borrowing restriction under Article 106.1 appear in Part Two of this document.

All Shareholders are entitled to vote on the Resolution.

Notices of the General Meetings, along with proxy forms, are set out at the back of this document.

Fees payable to the Manager

The buy-out will result in the payment of performance fees to the Manager by the other investors in the Solar Generation Companies. As these are not payments by the Companies, they do not constitute related party transactions under the Listing Rules.

As part of the transaction it is proposed that the Companies will pay the Manager an arrangement fee of in total £650,000. This arrangement fee is a related party transaction under the Listing Rules.

The Board believes that these terms provide appropriate remuneration for and incentivise the Manager to arrange and complete the buy-out. Ben Guest is a director of Hazel VCT1 as well as a member of the Manager and is also therefore regarded as a related party under the Listing Rules.

The arrangement fee is a “smaller” transaction within the meaning of Listing Rule 11.1.10 and the Companies have complied with the requirements of that rule.

Recommendations

The Boards consider that the proposed amendments to the Companies’ common investment policy and the proposed disapplication of Article 106.1 of the Companies’ Articles in order to facilitate the refinancing and acquisition opportunity which would generate surplus funds are in the best interests of each of the Companies and their respective Shareholders as a whole.

Accordingly both Boards unanimously recommend that Shareholders vote in favour of the Resolution at the General Meetings as they intend to do in respect of their own beneficial shareholdings. The Board of Hazel VCT1 hold 1.51% of the total voting rights in their Company and the Board of Hazel VCT2 hold 0.229% of the total voting rights in the Company.

Action to be taken

Enclosed with this document is a form of proxy for use at the General Meetings. Shareholders are asked to complete and return the forms of proxy for the General Meetings to Grant Whitehouse, the Companies’ company secretary, 10 Lower Grosvenor Place, London SW1W 0EN so as to be received as soon as possible, and in any event to arrive no later than 11:00 am and 11:05 am on Friday 13 December 2013 for Hazel VCT1 and Hazel VCT2 respectively.

Completion and return of a form of proxy will not affect a Shareholder’s right to attend and vote at the General Meetings should they wish to do so.

We look forward to welcoming you at these meetings and to your support for the Resolution to be proposed at them.

Yours sincerely

Michael Cunningham
Chairman of Hazel Renewable
Energy VCT1 plc

Peter Wisher
Chairman of Hazel Renewable
Energy VCT2 plc

each of 10 Lower Grosvenor Place, London, UK , SW1W 0EN

APPENDIX 1

ADDITIONAL INFORMATION

1. Share Capital

As at Latest Practicable Date the issued share capital of each Company was as follows:

	Hazel VCT1	Hazel VCT2
Ordinary Shares	22,728,053	22,793,330
A Shares	34,092,076	34,189,992

The holders of Ordinary Shares and 'A' Shares shall have rights as regards dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) which shall be applied on the following basis:

- 1) Unless and until Ordinary Shareholders receive a dividend of at least 5p per Ordinary Share and one Ordinary Share and one 'A' Share has a combined net asset value of 100p (the Hurdle), distributions will be made as to 99.9% to Ordinary Shares and 0.1% to 'A' Shares;
- 2) After (and to the extent that) the Hurdle has been met, and subject to point 3 below, the balance of such amounts shall be applied as to 40% to Ordinary Shares and 60% to 'A' Shares; and
- 3) Any amount of a dividend which, but for the entitlement of 'A' Shares pursuant to point 2 above, would have been in excess of 10p per Ordinary Share in any year shall be applied as to 10% to Ordinary Shares and 90% to 'A' Shares.

If, on the date on which a dividend is to be declared on the Ordinary Shares, the amount of any dividend which would have been payable to the 'A' Shares (the "A' Dividend Amount"), together with any previous amounts which were not paid as a result of this clause (the "A' Share Entitlement"), would together:

- a) in aggregate be less than £5,000; or
- b) be less than an amount being equivalent to 0.25p per 'A' Share then the 'A' Dividend amount shall not be declared and paid, but shall be aggregated with any 'A' Share Entitlement and retained by the Company until either threshold is reached. No interest shall accrue on any 'A' Share Entitlement.

2. The Directors shareholdings in the Companies are as set out below:

HAZEL VCT1	Number of Shares as at Latest Practicable Date	Percentages of Ordinary Shares and A Shares
M Cunningham	20,800 Ordinary Shares	0.09%
	20,800 A Shares	0.06%
B Guest	210,000 Ordinary Shares	0.92%
	10,599,322 A Shares	31.09%
S Hay	104,000 Ordinary Shares	0.51%
	115,000 A Shares	0.34%

HAZEL VCT2	Number of Shares as at Latest Practicable Date	Percentages of Ordinary Shares and A Shares
P Wisher	20,800 Ordinary Shares	0.09%
	20,800 A Shares	0.06%
A Hambro	15,600 Ordinary Shares	0.07%
	15,600 A Shares	0.05%
C Yates	10,500 Ordinary Shares	0.09%
	2,896,969 A Shares	8.47%
G Owen	404,431 Ordinary Shares	1.77%
	2,492,969 A Shares	7.29%

3. Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on weekdays, Saturdays and public holidays excepted, at the offices of Downing LLP:

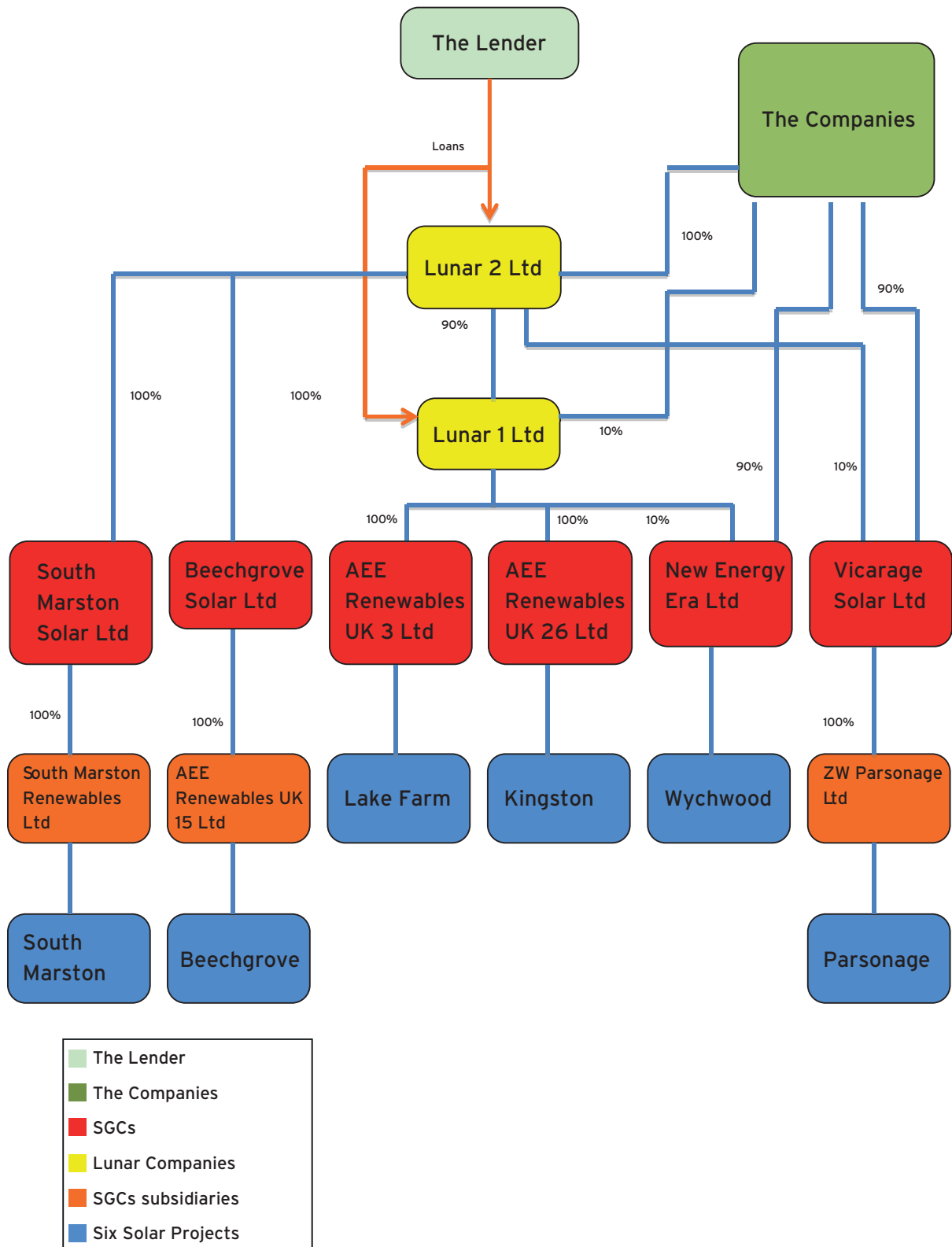
- the Memorandum of association and Articles of the Companies; and
- the annual report and accounts for the Companies for the two years ended 30 September 2012 and 30 September 2011 and the half-yearly reports for the six month periods ended 31 March 2013 and 31 March 2012.

4. Consents

BDO LLP, PwC, Hazel Capital LLP and RW Blears LLP have consented to the issue of this document with the inclusion of references to their names appearing in the form and context in which they appear.

APPENDIX 2

BUY-OUT STRUCTURE DIAGRAM



APPENDIX 3

PROPOSED INVESTMENT POLICY

The proposed amendments to the investment policy are shown in italics below:

General

The Company's objectives are to maximise tax free capital gains and income to Shareholders from dividends and capital distributions by investing the Company's funds in:

- a portfolio of VCT qualifying investments, primarily being in UK and EU based unquoted companies that specialise in long term renewable energy projects and energy developers; and
- a range of non-qualifying investments, comprised from a selection of cash deposits, fixed income funds, securities and secured loans and which will have credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated). In addition, as the portfolio of VCT qualifying investments will involve smaller start-up companies, non-qualifying loans could be made to these companies to negate the need to borrow from banks and, therefore, undermine the companies' security within the conditions imposed on all VCTs under current and future VCT legislation applicable to the Company.

Investment strategy

The Company seeks to invest in companies it is believed are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. *The Company will also invest in Lunar 1 Limited (Lunar 1) and Lunar 2 Limited (Lunar 2) and, possibly also in a new intermediate holding company set up by the Company, Lunar 3 Limited (Lunar 3), which are investment companies and do not in their own right fall under this investment strategy, however the Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will invest in companies that will meet this investment strategy.* Investee companies generally reflect the following criteria:

- a well-defined business plan and ability to demonstrate strong demand for its products and services;
- products or services which are cash generative;
- objectives of management and Shareholders which are similarly aligned;
- adequate capital resources or access to further resources to achieve the targets set out in its business plan;
- high calibre management teams;
- companies where the Manager believes there are reasonable prospects of an exit, either through a trade sale or flotation in the medium term; and
- a focus on small and long term renewable energy projects that utilise proven technology and qualify for the highest possible long term government guaranteed subsidies.

Asset allocation

The Company will invest at least 70% of its funds in VCT qualifying investments. Initially, whilst suitable qualifying investments are being identified, the funds are held as a selection of deposits, institutional money market funds and/or short term fixed income securities. Progressively, this portfolio will be realised in order to fund investments in qualifying investments.

Although under VCT legislation the Company must have 70% of its funds invested in qualifying investments within 3 years, the Company intends to invest up to 90%. Accordingly, the Company's maximum exposure to qualifying investments will be 90%. The Company intends to retain the remaining funds in non-qualifying investments to fund the annual running costs of the Company, to reduce the risk profile of the overall portfolio of its fund and to provide investments which can be realised to fund any follow-on investments in the investee companies.

It is expected that once 70% of funds raised have been invested in qualifying investments, the Company intends to hold at least eight investments to provide diversification and risk protection.

In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund *save where such investment is in an investee company which has acquired or is to acquire, whether directly or indirectly, securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.*

The Company's investment in Lunar 1, Lunar 2 and (if applicable) Lunar 3 will not exceed 33% of the aggregate net asset value of its fund and its direct or indirect investment in each of AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited will not individually represent more than 17% of the aggregate net asset value of its fund.

Risk diversification

The structure of the Company's funds, and its investment strategies, have been designed to reduce risk as much as possible.

The main risk management features include:

- portfolio of investee companies - the Company seeks to invest in at least eight different companies, thereby reducing the potential impact of poor performance by any individual investment;
- monitoring of investee companies - the Manager will closely monitor the performance of all the investments made by the Company, *Lunar 1, Lunar 2 and (if applicable) Lunar 3* in order to identify any issues and to enable necessary corrective action to be taken; and
- the Company will ensure that it has sufficient influence over the management of the business of the investee companies, in particular, through rights contained in the relevant investment agreements and other Shareholder/constitutional documents.

The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will follow the above risk diversification strategy with regard to their investments in AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

Gearing

It is not intended that the Company will borrow. However, the Company will have the ability to borrow up to 15% of its net asset value *save that this limit shall not apply to any loan monies used to facilitate the acquisition by the Company, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.*

The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will borrow no more than 90% of their respective net asset values to facilitate the acquisition, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

Listing rules

In accordance with the Listing Rules:

- (i) the Company may not invest more than 10%, in aggregate, of the value of the total assets of the Company at the time an investment is made in other listed closed-ended investment funds except listed closed-ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other listed closed-ended investment funds;
- (ii) the Company must not conduct any trading activity which is significant in the context of the Company; and
- (iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 ITA.

APPENDIX 4

DETAILS OF THE SOLAR GENERATION COMPANIES

BEECHGROVE SOLAR LIMITED

(which owns a 4MW solar farm near Hawkchurch, Devon known as "Beechgrove")

Name:	Beechgrove Solar Limited
Project Name	Beechgrove
Location of Solar Farm	Pound Farm, Wareham Road, Hawkchurch, Axminster, Devon, EX13 5XN
Registered Number:	07856340
Registered Office:	35 New Bridge Street London EC4V 6BW
Date of Incorporation:	22 November 2011
Place of Incorporation:	England and Wales
Issued share capital:	£1,280,002 consisting of 1,280,002 ordinary shares of £1 each
Shareholders (legal and beneficial):	See table below
Subsidiary	AEE Renewables UK 15 Limited

TABLE OF LOAN AND SHARE CAPITAL OF BEECHGROVE SOLAR LIMITED

Shareholder	Number of shares	%	Loan stock	%
Hazel Renewable Energy VCT1 PLC	100,001	7.81%	£803,124	7.73%
Hazel Renewable Energy VCT2 PLC	100,001	7.81%	£803,124	7.73%
Non-VCT Shareholders	1,080,000	84.38%	£8,779,218	84.53%
Total	1,280,002	100.00%	£10,385,466	100.00%

AEE RENEWABLES UK 26 LIMITED - KINGSTON

(which owns a 5MW solar farm in Bradford-on-Avon, Wiltshire known as 'Kingston')

Name:	AEE Renewables UK 26 Limited
Project Name	Kingston
Location of Solar Farm	Kingston Farm, to the south of Holt Road, The Hall Estate, Bradford on Avon, Wiltshire BA15 1AJ
Registered Number:	07485975
Issued share capital:	£16,412 consisting of 16,412 ordinary shares of £1 each
Shareholders (legal and beneficial):	See table below

TABLE OF LOAN AND SHARE CAPITAL OF AEE RENEWABLES UK 26 LIMITED

Shareholder	Number of Shares	%
Hazel Renewable Energy VCT1 plc	1,666	10.15%
Hazel Renewable Energy VCT2 plc	1,666	10.15%
Non-VCT Shareholders	13,080	79.70%
Total	16,412	100%

There is no outstanding loan.

AEE RENEWABLES UK 3 LIMITED - LAKE FARM

(which owns a 5MW solar farm in Sutton Benger, Wiltshire known as 'Lake Farm')

Name:	AEE Renewables UK 3 Limited
Project Name	Lake Farm
Location of Solar Farm	Lake Farm, Sutton Benger, Draycon Cerne, Chippenham, Wiltshire SN15 4NQ
Registered Number:	07238703
Issued share capital:	£850 consisting of 850 ordinary shares of £1 each
Shareholders (legal and beneficial):	See table below

TABLE OF LOAN AND SHARE CAPITAL OF AEE RENEWABLES UK 3 LIMITED

Shareholder	Number of shares	%	Loan stock	%	Loan facility	%
Hazel Renewable Energy VCT1 PLC	167	19.65%	£899,800	16.39%	£2,125,000	50%
Hazel Renewable Energy VCT2 PLC	167	19.65%	£899,800	16.39%	£2,125,000	50%
Non-VCT Shareholders	516	61.70%	£3,690,400	67.2%	0	0%
Total	850	100%	£5,490,000	100%	£4,250,000	100%

SOUTH MARSTON SOLAR LIMITED

(which owns a 5MW solar farm near Swindon, Wiltshire known as 'South Marston')

Name:	South Marston Solar Limited
Project Name	South Marston
Location of Solar Farm	South Marston Farm, Swindon, Wiltshire, SN3 4SF
Registered Number:	07859650
Issued share capital:	£1,480,002 consisting of 1,480,002 ordinary shares of £1 each
Shareholders (legal and beneficial):	See table below
Subsidiary	South Marston Renewables Limited

TABLE OF LOAN AND SHARE CAPITAL OF SOUTH MARSTON SOLAR LIMITED

Shareholder	Number of shares	%	Loan stock	%
Hazel Renewable Energy VCT1 PLC	111,001	7.5%	£841,501	8.11%
Hazel Renewable Energy VCT2 PLC	111,001	7.5%	£841,501	8.11%
Non-VCT Shareholders	1,258,000	85%	£10,323,250	83.78%
Total	1,480,002	100.0%	£11,164,751	100.00%

NEW ENERGY ERA LIMITED

(which owns a 0.7MW solar farm known as "Wychwood")

Name:	New Energy Era Limited
Project Name	Wychwood
Location of Solar Farm	Shipton-under-Wychwood
Registered Number:	07170256
Issued share capital:	£1,000 consisting of 1,000 ordinary shares of £1 each
Shareholders (legal and beneficial):	See table below

TABLE OF LOAN AND SHARE CAPITAL OF NEW ENERGY ERA LIMITED

Shareholder	Number of shares	%
Hazel Renewable Energy VCT1 PLC	450	45%
Hazel Renewable Energy VCT2 PLC	450	45%
Non-VCT Shareholders	100	10%
	1,000	100%

There is no outstanding loan.

VICARAGE SOLAR LIMITED

(which owns a 0.64MW solar farm known as "Parsonage")

Name:	Vicarage Solar Limited
Project Name	Parsonage
Location of Solar Farm	Parsonage Barns, Stocklinch Road, Whitelackington, Llminster, TA19 9JR
Registered Number:	07974155
Issued share capital:	£1,935,012 consisting of 1,935,012 ordinary shares of £1.00 each
Shareholders (legal and beneficial):	See table below
Subsidiaries	ZW Parsonage Limited

TABLE OF LOAN AND SHARE CAPITAL OF VICARAGE SOLAR LIMITED

Shareholder	Number of shares	%
Hazel Renewable Energy VCT1 PLC	871,006	45%
Hazel Renewable Energy VCT2 PLC	871,006	45%
	193,000	10%
Non-VCT Shareholders		
Total	1,935,012	100%

There is no outstanding loan.

DEFINITIONS

In this document and in the notice attached the following expressions have the following meanings:

"A Shares"	A Shares of 0.1p each in the capital of either or both of Hazel VCT1 and Hazel VCT2 (as applicable);
"buy-out"	the buy-out by the Lunar Companies of the shares in the Solar Generation Companies, the details of which are set out in the joint Chairmen's Letter;
"Act"	the Company Act 2006 (as amended from time to time);
"Articles"	the articles of association of either or both of the Company (as applicable);
"Beechgrove"	a 4MW solar farm known as "Beechgrove" located at Pound Farm, Wareham Road, Hawkchurch, Axminster, Devon, EX13 5XN;
"Board" or "Directors"	the board of directors of the relevant Company;
"Borrowing Limit"	the borrowing limit of 15% of the net asset value of the Company as provided by Article 106 of the Articles;
"Business Days"	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling;
"Company" / "Companies"	Hazel VCT1 and/or Hazel VCT2 (as applicable);
"Exchange Regulations"	The Venture Capital Trust (Exchange of Shares and Securities) Regulations 2002;
"FCA"	the Financial Conduct Authority;
"FiT"	Feed-in Tariff;
"FSMA"	the Financial Services and Markets Act 2000;
"General Meetings" or "Meetings"	the meetings of Shareholders convened in accordance with the notices enclosed with this document;
"Half Yearly Report"	the half yearly report of either or both of the Companies for the period ended 31 March 2013 published on 28 May 2013;
"Hazel VCT1"	Hazel Renewable Energy VCT1 Plc, a public limited company incorporated in England with the registered number 07378392 and whose registered address is 10 Lower Grosvenor Place, London, UK SW1W 0EN;
"Hazel VCT2"	Hazel Renewable Energy VCT2 Plc, a public limited company incorporated in England with the registered number 07378395 and whose registered address is 10 Lower Grosvenor Place, London, UK SW1W 0EN;
"HMRC"	HM Revenue & Customs;
"Kingston"	a 5MW solar farm known as "Kingston" located at Kingston Farm, to the south of Holt Road, The Hall Estate, Bradford on Avon, Wiltshire BA15 1AJ;
"Lake Farm"	a 5MW solar farm known as "Lake Farm" located at Lake Farm, Sutton Benger, Draycon Cerne, Chippenham, Wiltshire SN15 4NQ;

"Latest Practicable Date"	20 November 2013, being the latest practicable date prior to the publication of this document;
"Listing Rules"	the listing rules of the UKLA;
"Lender"	TRFC 2013-1 PLC
"Loan"	loan of approximately £65 million provided by the Lender
"Lunar 1"	Lunar 1 Limited, a private limited company incorporated in England with the registered number 08653429 and whose registered address is C/o Rees Pollock, 35 New Bridge Street, London, UK EC4V 6BW;
"Lunar 2"	Lunar 2 Limited, a private limited company incorporated in England with the registered number 08653401 and whose registered office is C/o Rees Pollock, 35 New Bridge Street, London, UK EC4V 6BW;
"Lunar 3"	a new intermediate holding company in which the Companies own shares entitling them to all, bar a nominal amount, of the profits available for distribution and to which the Companies may transfer their direct investments in Lunar 1 and in the SGCs which own Parsonage and Wychwood;
"Lunar Companies"	Lunar 1 and Lunar 2;
"Manager" or "Investment Manager"	Hazel Capital LLP, an English limited liability partnership with the registered number OC327915 and whose registered address is 4th Floor, Reading Bridge House, George Street, Reading, Berkshire, England RG1 8LS, and which is authorised and regulated by the Financial Conduct Authority, the Manager of both Companies;
"NAV" or "net asset value"	the most recently published net asset values attributable to the Ordinary Shares calculated in accordance with the Company's normal accounting policies in force at the date of calculation;
"Ordinary Shares"	Ordinary Shares of 0.1p each in the capital of either or both of Hazel VCT1 and Hazel VCT2 (as applicable);
"Parsonage"	a 0.64MW solar farm known as "Parsonage" located at Parsonage Barns, Stocklinch Road, Whitelackington, LIminster, TA19 9JR;
"PwC"	PricewaterhouseCoopers LLP, the VCT status advisers to the Companies;
"Resolution"	the ordinary resolution to be proposed at the General Meetings;
"Shareholders"	holders of Shares whose names are entered on the relevant Company's register of members as at the date of the General Meetings;
"Share(s)"	Ordinary Share(s) and/or A Share(s);
"SGCs" or "Solar Generation Companies"	AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, Beechgrove Solar Limited, New Energy Era Limited, South Marston Solar Limited, and Vicarage Solar Limited, each of which is an owner of a Solar Project;
"Solar Projects"	the ground mounted solar power projects known as Beechgrove, Kingston, Lake Farm, South Marston, Parsonage and Wychwood;
"Solar Project Shares"	shares in the SGCs;

“South Marston”	a 5MW solar farm known as “South Marston” located at South Marston Farm, Swindon, Wiltshire, SN3 4SF;
“Tax Act”	the Income Tax Act 2007 (as amended);
“UKLA” or “UK Listing Authority”	the UK listing authority, being the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“VCT Relief”	the reliefs from taxation described in the VCT Rules;
“VCT Rules”	the legislation, rules and HMRC interpretation and practice regulating the establishment and operation of Venture Capital Trusts;
“Venture Capital Trust” or “VCT”	a venture capital trust as defined in Section 259 of the Tax Act; and
“Wychwood”	a 0.7MW solar farm known as “Wychwood” located at Shipton-under-Wychwood

PART TWO

HAZEL RENEWABLE ENERGY VCT1 PLC (THE "COMPANY")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Hazel Renewable Energy VCT1 plc will be held at 59 Gloucester Place, London W1U 8JH on Monday 16 December 2013 at 11:00 am for the purposes of considering and, if thought fit, passing the following composite resolution to be proposed as an ordinary resolution of the shareholders of the Company as indicated.

For the purposes of this composite resolution any defined term herein is as defined in a circular to the Company's shareholders on or around the same date as this notice (the "Circular") unless otherwise defined herein.

(a) Amendment to the existing investment policy

THAT the Company's existing investment policy be amended in the following manner:

- (i) To change the first paragraph under the heading "Investment Strategy" of the existing policy of:

The Company seeks to invest in companies it is believed are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. Investee companies generally reflect the following criteria:

By the substitution of the following paragraph:

The Company seeks to invest in companies it is believed are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. The Company will also invest in Lunar 1 Limited (Lunar 1) and Lunar 2 Limited (Lunar 2) and, possibly also in a new intermediate holding company set up by the Company, Lunar 3 Limited (Lunar 3), which are investment companies and do not in their own right fall under this investment strategy, however the Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will invest in companies that will meet this investment strategy. Investee companies generally reflect the following criteria:

- (ii) To change the fourth paragraph under the heading "Asset allocation" of the existing policy of:

In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund.

By the substitution of the following policy:

In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund save where such investment is in an investee company which has acquired or is to acquire, whether directly or indirectly, securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

The Company's investment in Lunar 1, Lunar 2 and (if applicable) Lunar 3 will not exceed 33% of the aggregate net asset value of its fund and its direct or indirect investment in each of AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited will not individually represent more than 17% of the aggregate net asset value of its fund.

- (iii) To change the second bullet point under the heading "Risk diversification" of the existing policy of:

- monitoring of investee companies - the Manager will closely monitor the performance of all the investments made by the Company in order to identify any issues and to enable necessary corrective action to be taken; and

By the substitution of the following policy:

- monitoring of investee companies - the Manager will closely monitor the performance of all the investments made by the Company, Lunar 1, Lunar 2 and (if applicable) Lunar 3 in order to identify any issues and to enable necessary corrective action to be taken; and
- (iv) To add additional wording to the end of the section headed "Risk diversification" of the existing policy:

The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will follow the above risk diversification strategy with regard to their investments in AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

- (v) To change the existing policy under the heading "Gearing" of the existing policy of:

It is not intended that the Company will borrow. However, the Company has the ability to borrow up to 15% of its net asset value. As at 30 September 2012, this would equal £3.2 million. There are no plans to utilise this ability at the current time.

By the substitution of the following policy:

It is not intended that the Company will borrow. However, the Company will have the ability to borrow up to 15% of its net asset value save that this limit shall not apply to any loan monies used to facilitate the acquisition by the Company, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will borrow no more than 90% of their respective net asset values to facilitate the acquisition, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited

(b) Authority to borrow

THAT, in accordance with article 106.1 of the Company's articles of association, the Company:

- (i) shall be permitted to borrow a sum exceeding 15% of the Company's net asset value from time to time ("**Borrowing Limit**"); and
- (ii) shall not be required to exercise any voting rights or other powers of control it enjoys in any of its subsidiaries to prevent such subsidiaries borrowing a sum exceeding the Borrowing Limit,

save that the authority shall only be used in connection with the buy-out, the details of which are set out in the Circular.

By order of the Board

10 Lower Grosvenor Place, London SW1W 0EN

Grant Whitehouse
Company Secretary
22 November 2013

Notes relating to the General Meeting are set out on page 24.

Explanation of Resolution

The resolution is a composite resolution which means that it is composed of more than one part. Shareholders must vote in favour of all parts or none at all. They do not have the option of voting on each part individually. An explanation of the parts making up the composite resolution follows below:

Amendment to investment policy

If passed, this part of the resolution will amend the Company's investment policy originally set out in the prospectus dated 20 October 2010 in 5 ways. Firstly, the provision dealing with the investment strategy has been widened so that the Company can specifically invest in Lunar 1, Lunar 2 and, possibly also in a new intermediate holding company set up by the Company, Lunar 3. As the Lunar Companies are investment companies, without this amendment, they would fall outside the scope of the Company's existing investment strategy. Secondly, the restriction limiting the size of the Company's investments to no greater than 15% of the net asset value of the Company will not apply to any investment by the Company in any investee company which has acquired or is to acquire, whether directly or indirectly, securities in the any of the SGCs. Thirdly, a provision has been inserted limiting the Company's:

- (a) aggregate holding in Lunar 1, Lunar 2 and (if applicable) Lunar 3 to 33% of the Company's net asset value; and
- (b) individual direct or indirect investments in each of the SGCs to 17% of the Company's net asset value;

Fourthly, the restriction limiting the Company's borrowing to no more than 15% of its net asset value will not apply to the buy-out. Fifthly, the ability of Lunar 1, Lunar 2 and (if applicable) Lunar 3 to borrow in connection with the buy-out has been limited to 90% of their respective net asset values. Apart from these changes, the investment policy will be as before.

Without the first and second changes, the Company would not be able to carry out the buy-out with the proposed structure set out on page 4 of the Circular without breaching the current investment policy.

With regard to the restrictions to the Company's holdings in Lunar 1, Lunar 2 and (if applicable) Lunar 3 this is to ensure that the Company spreads its investment risk in accordance with its obligations under the Listing Rules.

With regard to the fourth and fifth changes as the Company will continue to treat its indirect investments in the SGCs as evidence of asset allocation and risk diversification, the Directors feel that it is appropriate, for the purposes of its investment policy, to also treat the borrowings by Lunar 1, Lunar 2 and (if applicable) Lunar 3 as if they were borrowings of the Company itself. Accordingly, they feel it is necessary to amend the investment policy to reflect this.

Disapplication of the borrowing restrictions in the Company's Articles

If passed, this part of the resolution will allow the Company and/or its subsidiaries to borrow monies exceeding the Borrowing Limit although such authority would only be limited to the buy-out.

Although the Company is not borrowing money itself and Lunar 1 and Lunar 2 and (if applicable) Lunar 3 which are borrowing money are not subsidiaries of the Company, the Directors regard it as appropriate to seek the consent of Shareholders before the Loan is borrowed by Lunar 1 and Lunar 2 and (if applicable) Lunar 3 to finance the buy-outs as if that Loan did constitute borrowings by the Company and its subsidiaries.

Notes for the Notice of the General Meeting

- (a) A shareholder of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that shareholder. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy may demand, or join in demanding, a poll. A proxy need not be a shareholder of the Company but must attend the General Meeting in order to represent his appointor. A shareholder entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the shareholder. A shareholder who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give

instructions directly to that person. If you are not a shareholder of the Company but you have been nominated by a shareholder of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the General Meeting unless:

- answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Grant Whitehouse, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a shareholder will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Grant Whitehouse, 10 Lower Grosvenor Place, London SW1W 0EN. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.

In either case, the revocation notice must be received by Grant Whitehouse before the General Meeting or the holding of a poll subsequently thereto. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.

- (d) Completion and return of a Form of Proxy will not preclude a shareholder of the Company from attending and voting in person. If a shareholder appoints a proxy and that shareholder attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' letters of appointment, the register of directors' interests in the shares of the Company, a copy of the new Articles of Association (marked up to show the proposed changes) and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and Public Holidays excluded) from the date of this notice, until the end of the General Meeting for at least 15 minutes prior to and during the meeting.
- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:00 a.m. on Saturday 14 December 2013 or, in the event that the General Meeting are adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11:00 a.m. on Saturday 14 December 2013 or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting .

- (g) As at 22 November 2013, the Company's issued share capital comprised 22,728,053 Ordinary Shares and 34,092,076 A Shares. The total number of voting rights in the Company as at 22 November 2013 is 22,762,145,076 comprising one thousand votes for each Ordinary Share and one vote for each A Share. The website www.downing.co.uk will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights:
- You may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights ("Relevant Shareholder") to be appointed or to have someone else appointed as a proxy for the General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (k) Except as provided above, shareholders who have general queries about the General Meeting should write to the Chairman at the registered office set out above.
- (l) Shareholders may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

HAZEL RENEWABLE ENERGY VCT2 PLC (THE "COMPANY")

NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of Hazel Renewable Energy VCT2 plc will be held at 59 Gloucester Place, London W1U 8JH on Monday 16 December 2013 at 11:05 am. for the purposes of considering and, if thought fit, passing the following composite resolution to be proposed as an ordinary resolution of the shareholders of the Company as indicated.

For the purposes of this composite resolution any defined term herein is as defined in a circular to the Company's shareholders on or around the same date as this notice (the "Circular") unless otherwise defined herein.

(a) Amendment to the existing investment policy

THAT the Company's existing investment policy be amended in the following manner:

- (i) To change the first paragraph under the heading "Investment Strategy" of the existing policy of:

The Company seeks to invest in companies it is believed are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. Investee companies generally reflect the following criteria:

By the substitution of the following paragraph:

The Company seeks to invest in companies it is believed are materially de-risked and will provide Shareholders with a reliable source of tax free income and maximise the potential for capital preservation. The Company will also invest in Lunar 1 Limited (Lunar 1) and Lunar 2 Limited (Lunar 2) and, possibly also in a new intermediate holding company set up by the Company, Lunar 3 Limited (Lunar 3), which are investment companies and do not in their own right fall under this investment strategy, however the Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will invest in companies that will meet this investment strategy. Investee companies generally reflect the following criteria:

- (ii) To change the fourth paragraph under the heading "Asset allocation" of the existing policy of:

In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund.

By the substitution of the following policy:

In relation to the Company, no single investment (including most loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund save where such investment is in an investee company which has acquired or is to acquire, whether directly or indirectly, securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

The Company's investment in Lunar 1, Lunar 2 and (if applicable) Lunar 3 will not exceed 33% of the aggregate net asset value of its fund and its direct or indirect investment in each of AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited will not individually represent more than 17% of the aggregate net asset value of its fund.

- (iii) To change the second bullet point under the heading "Risk diversification" of the existing policy of:
- monitoring of investee companies - the Manager will closely monitor the performance of all the investments made by the Company in order to identify any issues and to enable necessary corrective action to be taken; and

By the substitution of the following policy:

- monitoring of investee companies - the Manager will closely monitor the performance of all the investments made by the Company, Lunar 1, Lunar 2 and (if applicable) Lunar 3 in order to identify any issues and to enable necessary corrective action to be taken; and
- (iv) To add additional wording to the end of the section headed "Risk diversification" of the existing policy:

The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will follow the above risk diversification strategy with regard to their investments in AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

- (v) To change the existing policy under the heading "Gearing" of the existing policy of:

It is not intended that the Company will borrow. However, the Company has the ability to borrow up to 15% of its net asset value. As at 30 September 2012, this would equal £3.2 million. There are no plans to utilise this ability at the current time.

By the substitution of the following policy:

It is not intended that the Company will borrow. However, the Company will have the ability to borrow up to 15% of its net asset value save that this limit shall not apply to any loan monies used to facilitate the acquisition by the Company, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited.

The Company intends that Lunar 1, Lunar 2 and (if applicable) Lunar 3 will borrow no more than 90% of their respective net asset values to facilitate the acquisition, whether directly or indirectly, of any shares or securities in the following companies: AEE Renewables UK 3 Limited, AEE Renewables UK 26 Limited, South Marston Solar Limited, Beechgrove Solar Limited, New Energy Era Limited and Vicarage Solar Limited

(b) Authority to borrow

THAT, in accordance with article 106.1 of the Company's articles of association, the Company:

- (i) shall be permitted to borrow a sum exceeding 15% of the Company's net asset value from time to time ("**Borrowing Limit**"); and
- (ii) shall not be required to exercise any voting rights or other powers of control it enjoys in any of its subsidiaries to prevent such subsidiaries borrowing a sum exceeding the Borrowing Limit,

save that the authority shall only be used in connection with the buy-out, the details of which are set out in the Circular.

By order of the Board

10 Lower Grosvenor Place, London SW1W 0EN

Grant Whitehouse
Company Secretary
22 November 2013

Notes relating to the General Meeting are set out on page 30.

Explanation of Resolution

The resolution is a composite resolution which means that it is composed of more than one part. Shareholders must vote in favour of all parts or none at all. They do not have the option of voting on each part individually. An explanation of the parts making up the composite resolution follows below:

Amendment to investment policy

If passed, this part of the resolution will amend the Company's investment policy originally set out in the prospectus dated 20 October 2010 in 5 ways. Firstly, the provision dealing with the investment strategy has been widened so that the Company can specifically invest in Lunar 1, Lunar 2 and, possibly also in a new intermediate holding company set up by the Company, Lunar 3. As the Lunar Companies are investment companies, without this amendment, they would fall outside the scope of the Company's existing investment strategy. Secondly, the restriction limiting the size of the Company's investments to no greater than 15% of the net asset value of the Company will not apply to any investment by the Company in any investee company which has acquired or is to acquire, whether directly or indirectly, securities in the any of the SGCs. Thirdly, a provision has been inserted limiting the Company's:

- (a) aggregate holding in Lunar 1, Lunar 2 and (if applicable) Lunar 3 to 33% of the Company's net asset value; and
- (b) individual direct or indirect investments in each of the SGCs to 17% of the Company's net asset value;

Fourthly, the restriction limiting the Company's borrowing to no more than 15% of its net asset value will not apply to the buy-out. Fifthly, the ability of Lunar 1, Lunar 2 and (if applicable) Lunar 3 to borrow in connection with the buy-out has been limited to 90% of their respective net asset values. Apart from these changes, the investment policy will be as before.

Without the first and second changes, the Company would not be able to carry out the buy-out with the proposed structure set out on page 4 of the Circular without breaching the current investment policy.

With regard to the restrictions to the Company's holdings in Lunar 1, Lunar 2 and (if applicable) Lunar 3 this is to ensure that the Company spreads its investment risk in accordance with its obligations under the Listing Rules.

With regard to the fourth and fifth changes as the Company will continue to treat its indirect investments in the SGCs as evidence of asset allocation and risk diversification, the Directors feel that it is appropriate, for the purposes of its investment policy, to also treat the borrowings by Lunar 1, Lunar 2 and (if applicable) Lunar 3 as if they were borrowings of the Company itself. Accordingly, they feel it is necessary to amend the investment policy to reflect this.

Disapplication of the borrowing restrictions in the Company's Articles

If passed, this part of the resolution will allow the Company and/or its subsidiaries to borrow monies exceeding the Borrowing Limit although such authority would only be limited to the buy-out.

Although the Company is not borrowing money itself and Lunar 1, Lunar 2 and (if applicable) Lunar 3 which are borrowing money are not subsidiaries of the Company, the Directors regard it as appropriate to seek the consent of Shareholders before the Loan is borrowed by Lunar 1, Lunar 2 and (if applicable) Lunar 3 to finance they buy-outs as if that Loan did constitute borrowings by the Company and its subsidiaries.

Notes for the Notice of the General Meeting

- (a) A shareholder of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that shareholder. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy may demand, or join in demanding, a poll. A proxy need not be a shareholder of the Company but must attend the General Meeting in order to represent his appointor. A shareholder entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the shareholder. A shareholder who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a shareholder of the Company but you have been nominated by a shareholder of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a shareholder asks relating to the business being dealt with at the General Meeting unless:
- answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
 - the answer has already been given on a website in the form of an answer to a question; or
 - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Grant Whitehouse, 10 Lower Grosvenor Place, London SW1W 0EN or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a shareholder will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Grant Whitehouse, 10 Lower Grosvenor Place, London SW1W 0EN. In the case of a shareholder which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
 - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Grant Whitehouse before the General Meeting or the holding of a poll subsequently thereto. If a shareholder attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a shareholder of the Company from attending and voting in person. If a shareholder appoints a proxy and that shareholder attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' letters of appointment, the register of directors' interests in the shares of the Company, a copy of the new Articles of Association (marked up to show the proposed changes) and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and

Public Holidays excluded) from the date of this notice, until the end of the General Meeting for at least 15 minutes prior to and during the meeting.

- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 11:05 a.m. on Saturday 14 December 2013 or, in the event that the General Meeting are adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 11:05 a.m. on Saturday 14 December 2013 or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting .
- (g) As at 22 November 2013, the Company's issued share capital comprised 22,793,330 Ordinary Shares and 34,189,992 A Shares. The total number of voting rights in the Company as at 22 November 2013 is 22,827,519,992 comprising one thousand votes for each Ordinary Share and one vote for each A Share. The website www.downing.co.uk will include information on the number of shares and voting rights.
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights:
 - You may have a right under an agreement between you and the shareholder of the Company who has nominated you to have information rights ("Relevant Shareholder") to be appointed or to have someone else appointed as a proxy for the General Meeting;
 - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Shareholder to give instructions to the Relevant Shareholder as to the exercise of voting rights;
 - Your main point of contact in terms of your investment in the Company remains the Relevant Shareholder (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a shareholder can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a shareholder provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (k) Except as provided above, shareholders who have general queries about the General Meeting should write to the Chairman at the registered office set out above.
- (l) Shareholders may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

CORPORATE INFORMATION

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Stephen Hay

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