BARONSMEAD

# Baronsmead VCT 3 plc and Baronsmead VCT 4 plc Securities Note

Joint Offer for Subscription of
New Ordinary Shares to raise
up to £16,000,000 in aggregate

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document and what action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (''FSMA'').**

A copy of this document, which comprises a securities note issued by Baronsmead VCT 3 plc (''Baronsmead VCT 3'') and Baronsmead VCT 4 plc (''Baronsmead VCT 4'') (together the ''Companies'' and each a ''Company'') (the ''Securities Note'') relating to an offer for subscription of ordinary shares of 10p each in the capital of each Company (''New Ordinary Shares'') for the purposes of compliance with Articles 4(2) (c) and 4(2) (d) of Directive 2003/71/EC, has been prepared in accordance with the Prospectus Rules made under section 74 of FSMA and has been approved by the FSA in accordance with section 84 of FSMA. This document has been prepared for the purposes of complying with the laws of England and Wales and the rules of the UKLA and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside England and Wales.

Additional statutory and general information relating to the Companies is contained in a registration document prepared in accordance with the Prospectus Rules (the ''Registration Document''). The Securities Note, the Registration Document and a summary (the ''Summary'') constitute a prospectus (''Prospectus''). **YOU ARE ADVISED TO READ THE FULL PROSPECTUS WHICH IS AVAILABLE FROM THE LOCATIONS LISTED IN SECTION 12 OF PART II OF THIS DOCUMENT AND ON BARONSMEAD VCT 3'S AND BARONSMEAD VCT 4'S WEBSITE (WWW.BARONSMEADVCT3.CO.UK AND WWW.BARONSMEADVCT4.CO.UK, RESPECTIVELY).** In subscribing for New Ordinary Shares you will be treated as subscribing solely on the basis of the Prospectus. ONLY THE COMBINED SECURITIES NOTE, REGISTRATION DOCUMENT AND SUMMARY COMPRISE, AND MAY BE RELIED UPON AS, A PROSPECTUS.

The Directors, whose names are set out on page 6 of this document, and the Companies each accept responsibility for the information contained in the Prospectus. The Directors and Companies declare, having taken all reasonable care to ensure that such is the case, that the information contained in the Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omission likely to affect its import.

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# Baronsmead VCT 3 plc

(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 04115341)

**AND**

# Baronsmead VCT 4 plc

(Incorporated in England and Wales under the Companies Act 1985 with Registered Number 04313537)

## Joint Offer for Subscription

To raise up to £16 million in aggregate by way of an issue of New Ordinary Shares

Sponsored by

**NOBLE**

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Noble & Company Limited (''Noble'') is authorised and regulated by the Financial Services Authority. Persons receiving this document should note that, in connection with the Joint Offer, Noble is acting for the Companies and no one else and will not be responsible to any other person for providing the protections afforded to customers of Noble nor for providing advice in relation to the Joint Offer.

Applications will be made to the UK Listing Authority for the New Ordinary Shares issued under the Joint Offer to be admitted to the Official List of the UK Listing Authority and for the New Ordinary Shares to be admitted to trading on the London Stock Exchange plc's main market for listed securities. It is expected that admission to the Official List will become effective and that dealings in the New Ordinary Shares will commence three Business Days after allotment.

The existing Ordinary Shares are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

**Your attention is drawn to pages 4 and 5 of this document which set out the risk factors associated with an investment in the Companies. None of the New Ordinary Shares have been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia, South Africa or Japan and they may not be offered or sold directly or indirectly within the United States, Canada, Australia, South Africa or Japan or to, or for the account or benefit of, US Persons or any national, citizen or resident of the United States, Canada, Australia, South Africa or Japan. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful.**

# Contents

# Expected Timetable

| | |
|---|---|
| Joint Offer opens | 18January 2010 |
| Joint Offer closes(i) | 1 April 2010 |
| First allotment | 26 February 2010 |
| Second allotment | 25 March 2010 |
| Third allotment | 3 April 2010 |
| Dealings in New Ordinary Shares commence | three Business Days after each allotment |
| CREST accounts credited | within five Business Days of each allotment |
| Definitive share certificates dispatched | within ten Business Days of each allotment |

**Early Investment Incentive**

| | |
|---|---|
| **Investors will receive the following additional New Ordinary Shares for Subscription Forms received by 12 noon on 26 February 2010** | **1 per cent. of the application** |

# Joint Offer Statistics

**Offer Price per New Ordinary Share**

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

**Latest published net asset value of an existing Ordinary Share(ii) divided by 0.945 (to allow for issue costs of 5.5 per cent.) rounded up to the nearest 0.5p per share.**

The amount of an investor's subscription will be split in proportion to the maximum amount each Company is proposing to raise under the Joint Offer (being £8 million in the case of Baronsmead VCT 3 and £8 million in the case of Baronsmead VCT 4). For example an investment of £20,000 will be split so that £10,000 will be invested in Baronsmead VCT 3 and £10,000 will be invested in Baronsmead VCT 4.

| | |
|---|---|
| Maximum amount to be raised for Baronsmead VCT 3(iii) | £8,000,000 |
| Maximum amount to be raised for Baronsmead VCT 4(iii) | £8,000,000 |
| Minimum subscription per investor | £3,000 |
| Offer costs(iv) | 5.5 per cent. |
| Expected net proceeds for Baronsmead VCT 3 at full subscription | £7,560,000 |
| Expected net proceeds for Baronsmead VCT 4 at full subscription | £7,560,000 |

Notes:

(i) The Directors reserve the right to extend the Joint Offer beyond 1 April 2010. The Joint Offer may close earlier than the date stated above if it is fully subscribed by an earlier date. The Directors reserve the right to accept Subscription Forms and to allot and arrange for the listing of New Ordinary Shares in respect of subscriptions received in respect of the Joint Offer on or prior to the closing date of the Joint Offer as the Directors see fit, which may not be on the dates stated.

(ii) The Pricing Formula, which is based on the latest published NAV, prevents a diminution in the net asset value of the existing Ordinary Shares. Potential investors should note that existing Ordinary Shares can be bought in the market, typically at prices which tend to represent a discount of approximately 10 per cent. to the NAV of each Company's Ordinary Shares. However, an investment in existing Ordinary Shares would not enable the purchaser to claim initial VCT income tax relief of 30 per cent. These tax reliefs are described more fully on page 31 of this document.

(iii) The Directors reserve the right to increase the Joint Offer.

(iv) Including initial and trail commissions payable to authorised advisers of:

- 3 per cent.; or
- 2 per cent. plus trail commission of 0.4 per cent. of the amount subscribed, for four years.

# Risk Factors

The Directors draw the attention of potential investors to all known material risk factors which may affect the Companies, the Ordinary Shares and VCTs generally. The profile of a typical investor for whom the Companies are designed is a retail investor, who is a UK income tax payer aged 18 or over with an investment range of between £3,000 and £200,000 and who is looking for exposure to unquoted investments and AIM-traded companies whilst receiving tax-free income through a dividend stream.

Any decision to invest in the Companies should be based on consideration of the Prospectus as a whole by the investor. **An investment in the Companies is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment.**

Investment in the Companies should be regarded as long-term in nature and is not suitable for all individuals, particularly with regard to the five year period for which investors must hold their New Ordinary Shares to retain initial income tax relief. **Potential investors should consult their professional or financial advisers before deciding whether and, if so, how much they should invest in the Companies.**

**Risks related to the Joint Offer**

- The market price of the Ordinary Shares may not fully reflect their underlying net asset value. The value of an investment in the Companies, and the income derived from it, may go down as well as up and an investor may not get back the amount invested.
- Although the existing Ordinary Shares are already listed and it is intended that the New Ordinary Shares will be listed on the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, it is likely that there will not be a liquid market in the Ordinary Shares (which may be partly due to up front tax relief not being available for VCT shares bought in the market and as VCT shares generally trade at a discount to NAV) and Shareholders may have difficulty in selling their shares as a result.

**General risks**

- The past performance of the Companies or other funds managed or advised by the Manager is not necessarily a guide to the future performance of the Companies. The value of a VCT depends on the performance of the underlying assets. The value of the investment and dividend stream can rise and fall. Shareholders may get back less than originally invested, even taking into account the available tax reliefs.
- There can be no guarantee that the Companies' investment objectives will be achieved.

**Investment and market risks**

- Investment in AIM-traded, PLUS Markets-traded and unquoted companies by its nature, involves a higher degree of risk than investment in companies traded on the main market of the London Stock Exchange. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining their value or the risks to which they are exposed may also not be available.
- The valuation of the portfolios and opportunities for realisation depend on stock market conditions.
- The Companies' investments may be difficult to realise. The fact that a share is traded on AIM or PLUS Markets does not guarantee its liquidity. 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.
- The market for new shares in AIM or PLUS Markets is subject to market forces and there can be no certainty that there will be sufficient new share issues to enable the Companies to achieve the intended level of investment in qualifying investments.

- The restriction of investment in companies having fewer than 50 full time employees and the £2 million cap on the amount of funds which a company can raise from VCTs, Enterprise Investment Schemes and corporate venturing funds in a 12 month period may limit the number of new investment opportunities available, and may increase the level of risk within the portfolio of companies in which the Companies invest.

**Legal risk**

- The possibility exists that new legislation or regulations in any relevant jurisdiction may be adopted in the future (including by the European Commission) that may materially adversely affect the Companies, the Manager or their interests. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Companies to change their investment policies or strategies which may have a material adverse effect on the Companies' financial performance and returns to Shareholders.

**Tax related risks**

- 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 the Companies and/or rates of tax may change during the life of the Companies and can be retrospective. The value of tax reliefs depends on the personal circumstances of holders of Ordinary Shares, who should consult their own tax advisers before making any investment.

- Each Company intends to manage its own affairs in respect of each accounting period so as to obtain, and thereafter maintain, approval as a VCT under the provisions of Section 274 ITA 2007. However, there can be no guarantee that the Companies will be able to maintain full VCT status. If the Companies (or either of them) fail to maintain full approval as a VCT before Qualifying Shareholders have held their New Ordinary Shares in that Company for five years, the income tax relief obtained on Subscription will have to be repaid by Qualifying Shareholders. Dividends paid by the affected Company in an accounting period where VCT status is lost will become taxable and a Qualifying Shareholder will generally be liable to income tax on the aggregate amount of the dividend and the notional tax credit equal to 1/9th of the dividend. The notional tax credit will discharge the income tax liability of a basic rate tax payer. Qualifying Shareholders who also pay tax at the higher rate can use the notional credit against their tax liability.

- Where full approval as a VCT is not maintained by either of the Companies, the affected Company will also lose its exemption from corporation tax on capital gains. If at any time VCT status is lost, dealings in the Ordinary Shares of that Company will normally be suspended until such time as the affected Company has published proposals either to continue as a VCT or to be wound up. Further information concerning the loss of VCT status is set out in paragraph 4 of Section C, Part III of the Registration Document.

- The sale of New Ordinary Shares within 5 years of Subscription 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 Ordinary Shares should be considered a long term investment.

- Changes in legislation, including those proposed in the Pre-Budget Report 2009, concerning VCTs in general and Qualifying Holdings, may limit the number of new qualifying investment opportunities.

# Letter from the Chairmen

**Baronsmead VCT 3**

Mark Cannon Brookes (Chairman)
Andrew Karney
Gillian Nott OBE
Robert Owen
Anthony Townsend

100 Wood Street
London EC2V 7AN
(Registered number: 04115341)

**Baronsmead VCT 4**

Philip Dunne (Chairman)
Ian Kirkpatrick
Robert Owen
Alan Pedder CBE

100 Wood Street
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(Registered number: 04313537)

18 January 2010

**Dear Investor**

We are pleased to invite you to subscribe for New Ordinary Shares in this Joint Offer for Subscription in Baronsmead VCT 3 and Baronsmead VCT 4. We believe that now is an advantageous time in the UK economic cycle to be investing in UK smaller companies. Lack of bank credit facilities and the fall in asset prices as a result of the current recession lead us to believe that the Companies will be well placed to take advantage of attractive investment opportunities over the next two to three years.

The Joint Offer seeks to raise up to £16 million (before expenses) in aggregate for Baronsmead VCT 3 and Baronsmead VCT 4, but can be extended up to a maximum of approximately £24 million (before expenses) in aggregate if, in the opinion of the Directors, it is appropriate to do so.

Baronsmead VCT 3 and Baronsmead VCT 4 seek to provide their shareholders with regular tax free dividends. In the context of the current low interest environment this could represent an attractive cash return to investors if the Directors consider it appropriate to pay such dividends. Each Company has the capacity to continue to pay dividends from their distributable capital reserves for a number of years even if no further capital profits are realised during this period.

The Companies both have strong track records, providing positive returns for their Shareholders. Over the last 5 years they have paid average annual dividends of 6.9p and 6.3p per Ordinary Share respectively. This is the equivalent of 10.2p and 9.3p per Ordinary Share to a higher rate taxpayer. Both Companies have also provided positive absolute returns to all of the Shareholders who subscribed for shares through their various prospectus fund raisings. In particular in the period since 31 December 2008 the Companies' net asset value total returns have been robust, despite the current recession and the turbulence on the London stock markets.

In addition, by investing in the Joint Offer, new and existing Shareholders have the opportunity to invest in an established and diversified pool of investments, managed by one of the most experienced teams in the VCT industry. It is expected that this portfolio will be augmented by further new investments at an advantageous time in the economic cycle.

VCTs are tax efficient investment vehicles with income tax relief on subscription of up to 30 per cent. All dividends are also tax free to Qualifying Shareholders. It is the intention of both Boards to try and maintain healthy liquidity in the market for the Companies' shares so that Shareholders wishing to sell their Ordinary Shares may do so. Although it will be subject to market conditions at the time, it is both Boards' current intention to maintain an active buy-back policy.

Following the changes announced in the 2009 Budget and implemented in the Finance Act 2009, for those individuals earning in excess of £150,000, restrictions have been introduced which curb both the level of contributions and the amount of tax relief available on those contributions made into a pension scheme with effect from 6 April 2011. Further restrictions have been introduced for this tax year and next, known as the ''anti-forestalling measures'' which prevent many individuals investing larger sums in their pension schemes ahead of these changes coming into force.

As a result, VCTs now represent an attractive supplement to traditional pension planning for people affected by these changes and others seeking to supplement their retirement planning options and tax efficient investing generally. Investors should consult their financial advisers about how these changes might affect them and whether or not investing in a VCT is suitable for them taking account of their personal circumstances.

Given the similarity of their portfolios and taking into account that approximately 20 per cent. of the Shareholders already have investments in both Companies, the respective Boards have decided that it would be in the best interests of Shareholders to launch a Joint Offer, through which the Directors intend to subscribe £73,000 in aggregate. By launching a Joint Offer, this enables the Companies to share the costs associated with making a public offer and it is therefore more economical for each Company to raise the amounts of money being sought.

Under the Joint Offer, the amount of an investor's subscription will be split in proportion to the maximum amount each Company is proposing to raise under the Joint Offer (being £8 million in the case of Baronsmead VCT 3 and £8 million in the case of Baronsmead VCT 4). For example, an investment of £20,000 will be split so that £10,000 will be invested in Baronsmead VCT 3 and £10,000 will be invested in Baronsmead VCT 4. The Offer Price at which the New Ordinary Shares will be issued will be calculated by way of the Pricing Formula based on the latest published NAV per Ordinary Share plus the costs of the Joint Offer. An incentive is being offered for early subscriptions received by noon on 26 February 2010.

Yours sincerely

**Mark Cannon Brookes**
Chairman
Baronsmead VCT 3 plc

**Philip Dunne**
Chairman
Baronsmead VCT 4 plc

# Key Features

## Investment Timing

The Directors of both Companies and the Manager believe that now is an advantageous time in the economic cycle to be investing in UK smaller companies. Prices of assets are expected to be particularly attractive and therefore further funds are being sought to enable investments in the opportunities that the Directors and the Manager expect to arise as the economy recovers from the recession. The current lack of availability of bank finance means that smaller companies have fewer options available to them when seeking finance to expand their business which is expected to improve the number of suitable investment opportunities that the Companies might seek to invest in.

## Investment Strategy

The Baronsmead VCTs have a policy of co-investing with each other, enabling them to invest into larger, more established unquoted companies. Collectively, the five Baronsmead VCTs have one of the largest pools of VCT funds raised before 6 April 2006. As a result, the Manager has the ability to continue to invest in VCT qualifying companies under rules which allow them to invest in companies with gross assets of up to £15 million before investment. This fundraising should enhance each Company's ability to invest in such companies.

## The Capacity to Continue to Pay Regular Dividends

The Board of each Company seeks to maintain a regular flow of dividends to its shareholders and normally pays dividends twice each year. Baronsmead VCT 3 and Baronsmead VCT 4 have paid dividends averaging 5.4p and 4.8p per Ordinary Share since their respective launches. Over the last 5 years they have paid average annual dividends of 6.9p and 6.3p per Ordinary Share respectively.

The Board of each Company has retained realised capital profits which are available to maintain a regular flow of dividends and to help them meet their dividend policies. However, the ability of the Boards to declare dividends on an annual basis may be restricted by the level of liquid resources available to the Companies and the quantum and timing of profitable realisation of investments in any year and as such there may be fluctuations in the level of dividends declared.

## The Manager

The Manager, ISIS EP LLP, has one of the largest and most experienced teams in the VCT industry and has been involved in managing VCTs since their inception in 1995. As at 30 September 2009, it managed approximately £240 million for the five Baronsmead VCTs and also £414 million of private equity funds raised from institutional investors. The aggregate dividends paid by the Baronsmead VCTs since their launches were £107 million and buy backs of shares totalled £28 million as at 31 December 2009.

## Track Record

As at 30 September 2009, the NAV Total Returns since their respective launches were £1.57 for Baronsmead VCT 3 and £1.34 for Baronsmead VCT 4, in each case per £1 invested, excluding any form of VCT tax relief. Since their launches, Baronsmead VCT 3 and Baronsmead VCT 4 have paid dividends totalling 48.3p and 38.0p per Ordinary Share respectively.

## Statistics as at 30 September 2009

| | Baronsmead VCT 3 *(shares first issued 29 January 2001)* | Baronsmead VCT 4 *(shares first issued 19 December 2001)* |
|---|---|---|
| Net asset value | £54.4m | £48.1m |
| Net asset value per Ordinary Share | 100.23p | 92.25p |
| Number of investee companies | 68 | 63 |
| *Since launch:* | | |
| Number of investments made | 114 | 97 |
| Ordinary Share Price Total Return per £1 invested | 140p | 117p |
| Net Asset Value Total Return per £1 invested | 157p | 134p |
| Total funds returned to Shareholders* | £28.8m | £20.0m |
| Total dividends paid and declared per Ordinary Share* | 48.3p | 38.0p |
| Average annual dividend per Ordinary Share* | 5.4p | 4.8p |
| Average annual dividend per Ordinary Share (last 5 years)* | 6.9p | 6.3p |

*These figures include the dividends announced on 1 December 2009 for payment on 30 December 2009.

Both Companies were established in 2001 and have a positive performance record over 5 and 7 years providing good returns for their Shareholders, primarily based on the consistent record of profitable exits from unquoted investments. These profitable realisations have enabled the Boards of both Companies to pay significant dividends.

The difference in the investment return as between Baronsmead VCT 3 and Baronsmead VCT 4, as shown above, is a legacy matter and is largely explained by the fact that Baronsmead VCT 3 was established earlier and initially made larger investments than Baronsmead VCT 4. Baronsmead VCT 3 first issued shares in January 2001 and raised £32.8m by 6 March of that year. Baronsmead VCT 4 first issued shares in December 2001 and raised £18.5m by 31 May 2002. Baronsmead VCT 4 subsequently raised a further £14.2m in the period between June 2002 and September 2004. The investments that Baronsmead VCT 3 made prior to Baronsmead VCT 4 beginning to invest have been sold, generating investment returns in which Baronsmead VCT 4 did not participate.

Both Companies have the same investment policy and since 2005 each Company has invested the same amount in each new investment. As at 30 September 2009, 96 per cent. of the Companies' respective investment portfolios overlapped.

## Long Term Investment

Whilst investors will need to retain their holding of New Ordinary Shares for a minimum of five years in order to retain income tax relief, investors should bear in mind that the nature of the underlying assets and the investment strategy of the Companies means that a subscription for New Ordinary Shares through this Joint Offer should be regarded as long term in nature and they are advised to read the risk factors set out on pages 4 and 5 of this document.

## Tax Benefits

VCTs offer a range of tax benefits for private investors. In the current tax year income tax relief of up to 30 per cent. is available on investments in VCTs totalling up to £200,000 per person and any future dividends on these investments are free of income and capital gains taxes. These tax reliefs are described more fully on page 31 of this document.

# Part I: Why Baronsmead?

The five Baronsmead VCTs, all of which are managed by ISIS, are recognised for giving investors the opportunity to invest in a well managed portfolio of growth businesses and delivering long-term tax efficient investment returns. The Companies aim to invest in larger, more mature unquoted and AIM companies and to achieve this they co-invest alongside the other Baronsmead VCTs. The knowledge and experience accumulated by the Manager in the period since the launch of the first Baronsmead VCT in 1995 is reflected in the Companies' respective investment strategies and processes which are designed to find, manage and realise good quality growth businesses. A disciplined investment approach is followed which utilises private equity disciplines and targets specific sectors in which the Manager has developed expertise and believes it can add value. 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 Boards of all the Baronsmead VCTs have a diverse range of skills and external experience that allow them to support and challenge the Manager to set an appropriate investment strategy and to create a strong risk management and compliance framework within which the investments are made. Each Board carefully considers and questions the valuation information and recommendations provided by the Manager on a quarterly basis before determining the portfolio valuations. The Boards of each Baronsmead VCT have advocated regular interaction and open communication with their shareholders. The high level of repeat investing by many shareholders indicates that they are supportive of the approach followed by the Boards and the Manager.

The Joint Offer enables new and existing Shareholders to have the opportunity to invest into an established and diversified pool of investments, managed by one of the most experienced teams in the VCT industry.

### 1.1 The Manager

ISIS has been the investment manager of the Baronsmead VCTs since the first Baronsmead VCT was launched in 1995. ISIS is responsible for the management of the five Baronsmead VCTs. By co-investing regularly with the other Baronsmead VCTs, the Companies has been able to invest into larger unquoted transactions and companies, as compared with the investments made by many other VCTs.

The Manager has a strong focus on unquoted origination capacity across chosen sectors where it has relevant knowledge. Once an investment has been made, the Manager has an active investment approach, placing at least one non-executive director from ISIS on each investee board and often introducing a very experienced chairman to lead the investee company. In this way, the Manager helps the investee company grow and prepare it for eventual realisation, typically over a three to five year period. In 2005, a dedicated team was created to handle investment in AIM–traded companies, using private equity disciplines, where possible, to make the initial investment decision and subsequent management through to sale.

### 1.2 Performance Record

The investment performances of the Companies have been computed using Share Price Total Return, a measure used by the investment trust industry for many years. This combines the change in share price per share (rebased to 100) and the aggregate dividends paid. The Share Price Total Return over the last five and seven years to 30 September 2009 has been 136p and 153p per £1 invested for Baronsmead VCT 3 Shareholders and 124p and 132p per £1 invested for Baronsmead VCT 4 Shareholders. This performance places the Companies in the top quartile of other generalist VCTs launched in the same tax years.

*(Source : Baronsmead VCT 3, Baronsmead VCT 4, ISIS EP LLP, Fundamental Data, Bloomberg)*

### 1.3 Dividends Paid to Shareholders

It is mainly the profitable realisations of investments in unquoted companies that have enabled the Boards to declare the significant dividends that historically have been paid by the Companies.

The record of dividends paid and declared per Ordinary Share since launch is shown below.

| Year to 31 December | Baronsmead VCT 3 (p) | Baronsmead VCT 4 (p) |
|---|---|---|
| 2001 | 2.3 | n/a |
| 2002 | 2.8 | 1.0 |
| 2003 | 4.2 | 2.2 |
| 2004 | 4.5 | 3.3 |
| 2005 | 5.5 | 4.5 |
| 2006 | 6.5 | 6.0 |
| 2007 | 7.5 | 7.0 |
| 2008 | 7.5 | 7.0 |
| 2009 | 7.5 | 7.0 |
| **Total since launch** | **48.3** | **38.0** |

Over the last 5 years, the average annual tax-free dividend paid to Baronsmead VCT 3 Shareholders has been 6.9p per Ordinary Share and the average annual tax-free dividend paid to Baronsmead VCT 4 Shareholders has been 6.3p per Ordinary Share.

### 1.4 Cash Returned to Shareholders

The cash returned to Shareholders consists of the dividends paid, as well as capital used to buy back shares from Shareholders. Since launch in January 2001 and December 2001 respectively, £28.8 million and £20.0 million has been returned to Shareholders of Baronsmead VCT 3 and Baronsmead VCT 4, as shown below.

| £millions | | Baronsmead VCT 3 | | Baronsmead VCT 4 |
|---|---|---|---|---|
| Total net funds raised since inception | | 63.5 | | 54.1 |
| Dividends paid | | | | |
| Capital | 11.0 | | 9.3 | |
| Revenue | 9.8 | | 5.7 | |
| Total dividends | | 20.8 | | 15.0 |
| Buy back of Ordinary Shares | | 8.0 | | 5.0 |
| Total cash returned to Shareholders | | 28.8 | | 20.0 |

In addition, Qualifying Shareholders will have received their initial income tax reclaims on subscriptions, dependent on their year of subscription. The percentage relief was initially 20 per cent. prior to 6 April 2004, increased to 40 per cent. until 6 April 2006 and has remained at 30 per cent. after this date.

### 1.5 Ability to pay future dividends

Dividends are payable from both net revenue and from capital gains realised on the sale of investments. There is a significant carry forward of reserves generated from such realised capital profits for both Companies. As at 30 September 2009, Baronsmead VCT 3 and Baronsmead VCT 4 had £12.7m and £6.5m of capital dividend reserves respectively, equivalent to 23.7p and 12.5p per share based on their issued share capital. This excludes the realised capital profit from the sale of ScriptSwitch on 30 October 2009 amounting to approximately £3m in each Company.

The level of dividend and the number of shares in issue will vary in the future but these capital reserves are available for the Boards to pay dividends over the next few years.

### 1.6 Established VCTs with diversified portfolios of investments

Baronsmead VCT 3 and Baronsmead VCT 4 have made 114 and 97 investments respectively since they were launched, primarily into established and profitable unquoted and AIM-traded companies. Approximately 38% of these investments have since been realised, generating significant net profits for the Companies.

The Boards' policies are to maintain well-diversified portfolios, so as to spread and reduce risk. As at 30 September 2009, there were 68 investments (£27.3 million by value in 20 unquoted companies and £12.7 million in 48 AIM-traded and other quoted companies) in the Baronsmead VCT 3 portfolio and 63 investments (£27.0 million investments in 18 unquoted companies and £9.9 million in 45 AIM-traded and other quoted companies) in the Baronsmead VCT 4 portfolio. At that date, 74 per cent. of the Baronsmead VCT 3 portfolio and 73 per cent. of the Baronsmead VCT 4 portfolio were showing improved or steady progress.

The diversity of the existing portfolios can be judged by the sector, type of asset class and period held, as shown below:

| Percentage of portfolio | Baronsmead VCT 3 | Baronsmead VCT 4 |
|---|---|---|
| ***Sectors*** | | |
| Business services | 33.9 | 34.3 |
| IT and Media | 28.2 | 28.8 |
| Consumer markets | 12.2 | 12.6 |
| Healthcare and Education | 19.8 | 18.5 |
| Energy and Environmental | 0.0 | 0.0 |
| Financial Services | 5.9 | 5.8 |
| ***Asset classes*** | | |
| Unquoted | 50.3 | 56.2 |
| AIM-traded and other quoted | 23.4 | 20.6 |
| Fixed interest | 23.5 | 16.9 |
| Liquidity | 2.8 | 6.3 |
| ***Period investment held*** | | |
| Less than 1 year | 1 | 1 |
| Between 1 and 3 years | 54 | 50 |
| Between 3 and 5 years | 31 | 34 |
| More than 5 years | 14 | 15 |

The top ten investments as at 30 September 2009 set out on the following pages gives details of the investments made and recent trading performance. Typically, the unquoted investments in each investee company have an average value of £1.4 million, some six times the size of the average AIM-traded investment.

### 1.7 Ability to Invest in Larger VCT Qualifying Companies

Since VCTs were first established in 1995 the regulations concerning VCT qualifying investments have changed several times. The most significant change took place in April 2006, which meant that, for VCTs raising funds after that date, VCT qualifying investments from those funds are restricted to companies with gross assets of no more than £7 million prior to and £8 million post, investment. For VCTs which raised funds prior to April 2006, VCT qualifying investments from those funds are restricted to companies with gross assets of no more than £15 million prior to investment. Changes in legislation, including those proposed in the Pre-Budget Report 2009, concerning VCTs in general and Qualifying holdings, may limit the number of new qualifying investment opportunities.

As established VCTs, the Baronsmead VCTs have one of the largest pools of funds which were raised prior to the changes in the VCT legislation in 2006 and accordingly have significant funds available to make investments in companies with gross assets of up to £15 million pre-investment. Under the current legislation, this enables the Baronsmead VCTs to invest in larger, more established VCT qualifying investments. The Boards intend to maximise the ability to invest/reinvest these funds so as to be able to access larger opportunities and maintain a diversified portfolio.

## 1.8 Latest Net Asset Value per Ordinary Share

All financial information in this Securities Note is to 30 September 2009 unless otherwise stated. This was the last date at which the unquoted investments in the portfolios of the Companies were valued by each Board. The most recently announced NAVs per Ordinary Share for Baronsmead VCT 3 and Baronsmead VCT 4 as at 30 November 2009 are 100.11p and 92.70p respectively. These are stated before taking into account a second interim dividend for Baronsmead VCT 3 of 4.5p per Ordinary Share (7.5p total for the year to 31 December 2009) and a second interim dividend of 4p per Ordinary Share for Baronsmead VCT 4 (7p total for the year to 31 December 2009). These dividends were announced on 1 December 2009 for payment on 30 December 2009 to Shareholders on the registers of the Companies as at 11 December 2009 and with an ex-dividend date of 9 December 2009.

On 30 October 2009, ScriptSwitch Holdings Limited was sold to UnitedHealth UK. ScriptSwitch was held at a valuation of approximately £2.9 million per Company as at 30 September 2009 and the proceeds received on the date of the sale were approximately £3.3 million for each Company. Including expected future receipts, the investment in ScriptSwitch is expected to result in a return approaching four times the cost of the investment made in May 2007.

Further investments and divestments have been made by the Companies since 30 September 2009. A full list of the portfolios of the Companies as at 15 January 2010 (being the latest practicable date prior to the publication of this document) is set out at paragraph 3 of Part II of the Registration Document.

## 1.9 Portfolios: Ten Largest Investments of Baronsmead VCT 3 and Baronsmead VCT 4

The top ten investments by fair market value as at 30 September 2009 for each Company (11 investments in total) illustrate the diversity and size of investee companies within the portfolios.

One of these investments, ScriptSwitch Holdings Limited, was sold on 30 October 2009.

The ten largest investments held by each Company represented 37 per cent. of the unaudited NAV of Baronsmead VCT 3 and 42 per cent. of the unaudited NAV of Baronsmead VCT 4 as at 30 September 2009. Furthermore, the investment portfolios have 62 companies in common, which, as at 30 September 2009, represented 96 per cent. of the Baronsmead VCT 3 portfolio by value and 100 per cent. of the Baronsmead VCT 4 portfolio by value. This illustrates the similarity of the investment portfolios of both Companies.

Ranking
BVCT 3 BVCT 4

### 1 1 REED & MACKAY HOLDINGS LIMITED — London — *High quality business travel*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | November 2005 |
| **Total Cost:** | £4,870,000 |
| **Total equity held:** | 39.20% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £1,211,000 | £1,211,000 |
| **Valuation:** | £2,984,000 | £2,984,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 9.31% | 9.31% |

| Year ended 31 March | **2008 £ million** | 2007 £ million |
|---|---|---|
| Sales | **13.4** | 10.8 |
| EBITA* | **3.2** | 2.7 |
| Profit Before Tax | **1.1** | 0.7 |
| Net Assets | **1.5** | 1.0 |
| No. of Employees | **195** | 155 |

www.reedmac.com

*EBITA represents earnings before interest, tax and amortisation

(Source: Reed & Mackay Holdings Limited, Report and Financial Statements 2008)

*Reed & Mackay provides specialist business travel management services to professional services firms and corporates. Its high touch service has been developed to deliver the complex travel requirements demanded by high performing clients from the legal, financial, insurance and entertainment sectors.*

### 2 2 SCRIPTSWITCH HOLDINGS LIMITED — Coventry — *Prescription software*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | May 2007 |
| **Total Cost:** | £1,539,000 |
| **Total equity held:** | 32.50% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £384,000 | £384,000 |
| **Valuation:** | £2,959,000 | £2,959,000 |
| **Valuation basis:** | Recent Offer | Recent Offer |
| **% of equity held:** | 7.15% | 7.15% |

| Year ended 30 June | **2008 £ million** | 2007 £ million |
|---|---|---|
| Net Assets | **(0.4)** | (0.4) |

ScriptSwitch Delivering Change for a Better Practice

(Source: ScriptSwitch Holdings Limited audited Annual Report and Accounts 2008)

www.scriptswitch.com

Note: Due to the size of the business ScriptSwitch is not required to file a full set of accounts.

*ScriptSwitch provides innovative prescribing decision support software to GPs. The software enables the GP to make better medicines management decisions at the point of prescription enabling better clinical risk management and the capability to lower total drug expenditure.* ***The business was sold on 30 October 2009.***

### 3 3 NEXUS VEHICLE HOLDINGS LIMITED — Leeds — *Vehicle rental broker*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | February 2008 |
| **Total Cost:** | £7,500,000 |
| **Total equity held:** | 57.42% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £1,868,000 | £1,868,000 |
| **Valuation:** | £2,528,000 | £2,528,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 12.63% | 12.63% |

| Year ended 30 September | **2008* £ million** |
|---|---|
| Sales | **6.9** |
| EBITA | **0.4** |
| Loss Before Tax | **(0.5)** |
| Net Assets | **0.2** |
| No. of Employees | **22** |

nexus VEHICLE MANAGEMENT

www.nexusrental.co.uk

*Accounts for 9 month period (Source: Nexus Vehicle Holdings Limited, Financial Statements 2008)

*Nexus is a broker of car and van rental, providing a comprehensive procurement service for corporate users which delivers access to a huge range of rental suppliers and vehicle types from a single ordering point. The system is internet based and offers extensive capabilities at the same time as cost effective supply.*

### 4 4 CARNELL SUPPORT SERVICES LIMITED — Penkridge — *Providing support to the highways sector*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | March 2008 |
| **Total Cost:** | £6,000,000 |
| **Total equity held:** | 37.50% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £1,499,000 | £1,499,000 |
| **Valuation:** | £2,468,000 | £2,468,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 8.25% | 8.25% |

| Year ended 30 September | **2008 £ million** |
|---|---|
| Sales | **13.8** |
| EBITA | **1.7** |
| Profit Before Tax | **0.3** |
| Net Assets | **0.7** |
| No. of Employees | **113** |

Carnell

(Source: Carnell Support Services Limited, audited Annual Report and Accounts 2008)

www.carnellcontractors.com

*Carnell provides specialist maintenance and support services to the Highways Agency's strategic road network. It provides services across a broad spectrum including infrastructure, technology, drainage and water management.*

### 5 5 CABLECOM NETWORKING HOLDINGS LIMITED — Clevedon — *Internet access solutions*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | May 2007 |
| **Total Cost:** | £5,600,000 |
| **Total equity held:** | 48.00% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £1,381,000 | £1,381,000 |
| **Valuation:** | £1,846,000 | £1,846,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 10.56% | 10.56% |

| Year ended 30 September | **2008 £ million** | 2007* £ million |
|---|---|---|
| Sales | **6.1** | 2.2 |
| EBITA | **1.3** | 0.5 |
| Loss Before Tax | **(0.1)** | (0.1) |
| Net Assets | **1.4** | 1.6 |
| No. of Employees | **40** | 36 |

CableCom Access Technologies

*Accounts for 5 month period

www.cablecomnetworking.co.uk

(Source: Cablecom Networking Holdings Limited, audited Annual Report and Accounts 2008)

*Cablecom's primary business is to deliver and manage wired and wireless broadband communication services to high density accommodation such as student halls of residences. These managed services are provided through long term contracts. In addition the business installs networked communication systems for corporate customers.*

Ranking

BVCT 3 BVCT 4

6 6

## QUANTIX LIMITED Nottingham

*Outsources based data maintenance*

(A trading name of Newincco 635 Limited)

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | March 2007 |
| **Total Cost:** | £4,800,000 |
| **Total equity held:** | 48.00% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £1,194,000 | £1,194,000 |
| **Valuation:** | £1,801,000 | £1,801,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 11.40% | 11.40% |

| Year ended 30 September | 2008 £ million | 2007 £ million |
|---|---|---|
| Sales | 8.3 | 3.4 |
| EBITA | 1.2 | 0.4 |
| Loss Before Tax | (0.3) | (0.3) |
| Net Assets | 0.7 | 1.0 |
| No. of Employees | 42 | 33 |

(Source: Newincco 635 Limited, audited Annual Report and Accounts 2008)

www.quantix-uk.com

*Quantix Limited operates in the growing field of IT outsourced services. It provides remote maintenance and support to corporates that use large databases, saving them the cost of employing specialist expertise in house. It also provides consultancy and product sales for database and IT security applications.*

7 7

## ILS GROUP LIMITED Alloa

*Acute domiciliary care*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | September 2005 |
| **Total Cost:** | £3,235,000 |
| **Total equity held:** | 60.45% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £801,000 | £801,000 |
| **Valuation:** | £1,568,000 | £1,568,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 14.36% | 14.36% |

| Year ended 30 September | 2008 £ million | 2007 £ million |
|---|---|---|
| Sales | 12.7 | 11.0 |
| EBITA | 1.8 | 1.7 |
| Profit Before Tax | 0.6 | 0.6 |
| Net Assets | 0.9 | 0.9 |
| No. of Employees | 838 | 646 |

(Source: ILS Group Limited, Directors Report and Financial Statements 2008)

www.ilsscotland.com

*ILS is one of the leading providers of acute domiciliary care in Scotland. ILS trained carers provide services in the home for care users on behalf of its Local Authority (LA) customers. As well as growing from winning new contracts as LAs outsource more work, ISIS has supported four acquisitions to date.*

8 8

## FISHER OUTDOOR LEISURE HOLDINGS LIMITED St. Albans

*Supplying the cycling industry*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | June 2006 |
| **Total Cost:** | £5,700,000 |
| **Total equity held:** | 44.00% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £1,423,000 | £1,423,000 |
| **Valuation:** | £1,433,000 | £1,433,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 10.45% | 10.45% |

| Year ended 31 January | 2009 £ million | 2008 £ million |
|---|---|---|
| Sales | 22.2 | 19.3 |
| EBITA | 1.8 | 2.1 |
| Profit Before Tax | 0.1 | 0.5 |
| Net Assets | 1.0 | 1.1 |
| No. of Employees | 83 | 83 |

www.fisheroutdoor.co.uk

(Source: Fisher Outdoor Leisure Holdings Limited, Directors Report and Financial Statements 2008)

*Fisher is a key supplier of bicycle parts and accessories to chains, on-line retailers and independent shops. It has exclusive rights to promote and distribute some of the key international branded products within the UK and also has some own branded products.*

9 21

## VECTURA GROUP PLC Wiltshire

*Creating pulmonary products*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | April 2001* |
| **Total Cost:** | £2,175,000 |
| **Total equity held:** | 1.35% |
| *BVCT 4 made first investment in Vectura May 2004 | |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £771,000 | £245,000 |
| **Valuation:** | £1,359,000 | £431,000 |
| **Valuation basis:** | Bid Price | Bid Price |
| **% of equity held:** | 0.50% | 0.16% |

| Year ended 31 March | 2009 £ million | 2008 £ million |
|---|---|---|
| Sales | 31.2 | 25.2 |
| EBITA | (7.1) | (10.4) |
| Loss Before Tax | (19.6) | (21.4) |
| Net Assets | 154.9 | 169.5 |
| No. of Employees | 238 | 243 |

www.vectura.com

(Source: Vectura Group plc, audited Annual Report and Accounts 2009)

*Vectura is a small, but rapidly growing drug formulation and drug delivery company. The role of drug delivery is to encapsulate a drug into an appropriate system that is acceptable for human use. The Company raised three rounds of capital between April 2001 and November 2002. Vectura floated on AiM in July 2004.*

10 9

## KAFÉVEND GROUP LIMITED Crawley

*SME drinks vending*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | October 2005 |
| **Total Cost:** | £5,024,000 |
| **Total equity held:** | 66.50% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £1,252,000 | £1,252,000 |
| **Valuation:** | £1,346,000 | £1,346,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 15.79% | 15.79% |

| Year ended 30 September | 2008 £ million | 2007 £ million |
|---|---|---|
| Sales | 16.1 | 14.4 |
| EBITA | 1.1 | 0.6 |
| Profit Before Tax | 1.2 | 0.7 |
| Net Assets | 2.7 | 1.9 |
| No. of Employees | 107 | 103 |

(Source: Kafevend Group Limited, audited Annual Report and Accounts 2008)

www.kafevending.co.uk

*Kafevend provides a comprehensive hot drinks vending service across the UK. It supplies corporate customers with a range of vending machines typically on rental or lease terms, and then supplies consumables and machine servicing.*

11 10

## CREW CLOTHING HOLDINGS LIMITED London

*Multi-channel clothing retailer*

All ISIS EP LLP managed funds

| | |
|---|---|
| **First Investment:** | November 2006 |
| **Total Cost:** | £3,750,000 |
| **Total equity held:** | 25.00% |

| | BVCT 3 only | BVCT 4 only |
|---|---|---|
| **Cost:** | £933,000 | £933,000 |
| **Valuation:** | £1,286,000 | £1,286,000 |
| **Valuation basis:** | Earnings Multiple | Earnings Multiple |
| **% of equity held:** | 5.94% | 5.94% |

| Year ended 26 October | 2008 £ million | 2007 £ million |
|---|---|---|
| Sales | 22.0 | 15.9 |
| EBITA | 1.4 | 1.2 |
| Profit Before Tax | 0.8 | 0.6 |
| Net Assets | 2.3 | 1.8 |
| No. of Employees | 209 | 155 |

www.crewclothing.co.uk

(Source: Crew Clothing Holdings Limited, audited Annual Report and Financial Statements 2008)

*Crew is a British brand of men's and women's casual upmarket clothing and accessories. All products are designed in-house and its range is sold through its own estate of retail outlets and also through its own website and via various wholesale accounts.*

# Part II: Baronsmead VCT 3 and Baronsmead VCT 4

**Baronsmead VCT 3 and Baronsmead VCT 4 are seeking to raise up to £16 million (before expenses) in aggregate through the Joint Offer. The Directors and the Manager believe that it is an advantageous time in the economic cycle to be investing in UK smaller companies. Subscribers to the Joint Offer will also benefit from being able to invest in two of the largest VCTs, which have established and diversified portfolios.**

## 1. Overview

### 1.1 Investment Objective

Baronsmead VCT 3 and Baronsmead VCT 4 are tax efficient listed companies which aim to achieve long-term investment returns for private investors.

### 1.2 Outlook for the Companies

Each of the Boards intend to build on the progress of recent years and to continue to meet the objective of achieving long term investment returns by maintaining the current strategy of investing in a balanced portfolio across their chosen sectors in both unquoted and AIM-traded companies. The Boards and the Manager believe that now is an advantageous time in the economic cycle to be investing in UK smaller companies, as prices of assets are expected to be attractive and bank lending has been curtailed by the current economic climate.

### 1.3 Use of funds raised

The additional funds raised under the Joint Offer should enable the Companies to carry out further investment to take advantage of the anticipated opportunities. Collectively, the five Baronsmead VCTs have one of the largest pool of funds raised before 5 April 2006 in the VCT sector and so can continue to invest in VCT qualifying companies with gross assets of no more than £15 million prior to investment. The funds raised will enhance the available liquid resources of both Companies and enable the payment of dividends and costs without reducing the overall amounts available for investment. As a result, this fundraising should enhance each Company's ability to invest in companies which qualify for VCT investment under these less restrictive rules.

### 1.4 Investing in a diversified portfolio

The Manager has adopted a 'top-down, sector-driven' approach to identifying and evaluating potential investments by assessing a forward view of, firstly, the business environment, then the sector and, finally, the specific opportunity.

The Manager believes that, to prosper in this environment, companies will need to exhibit pricing power, together with the ability to scale up their businesses. Based on its research, the Manager has selected a number of sectors that it believes will offer attractive growth prospects and investment opportunities.

Allocation of unquoted investment opportunities among the generalist Baronsmead VCTs is generally made equally, subject to the availability of funds to make the investment and other portfolio considerations, such as sector exposure and the requirement to achieve or maintain a minimum of 70 per cent. of each VCT's portfolio in Qualifying Holdings.

In the event of a conflict of interest on the part of the Manager in connection with a proposed investment by either or both of the Companies (including where an investment is proposed for the first time in an investee company in which another client of the Manager's group has an interest), such an investment will require the approval of the relevant Board. Co-investment with the other Baronsmead VCTs is monitored by the Boards and the independent directors of the other Baronsmead VCTs, with the Manager contacting the independent chairman of each of the other Baronsmead VCTs, where the conflict is discussed and resolved.

### 1.5 Unleveraged financing

Each Company's policy is to use borrowing for short term liquidity purposes only, with such borrowings restricted to 25 per cent. of the value of gross assets of that Company. As at the date of this document, the Companies have no borrowings and no financial instruments will be used for hedging purposes.

## 2. Investment Policy

The Companies each have a policy to invest primarily in a diverse portfolio of UK growth businesses, whether unquoted or traded on AIM. Investments are made selectively across a range of sectors in companies that have the potential to grow and enhance their value.

*Investment securities*

The Companies invest in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities and fixed-interest securities, as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are primarily held in ordinary shares. Pending investment in unquoted and AIM-traded securities, cash is primarily held in UK gilts or government securities and may be invested in interest bearing money market open-ended investment companies.

*UK companies*

Investments are primarily made in companies which are substantially based in the UK, although many of these investees may trade overseas. Under current legislation, the companies in which investments are made must have no more than £15 million of gross assets at the time of investment (or £7 million if the funds being invested were raised after 5 April 2006). For funds raised after 5 April 2007, in order to be classed as Qualifying Holdings, companies in which investments are made must have fewer than 50 employees and must not have raised more than £2 million via venture capital schemes in the 12 months ending on the date of the relevant investment.

*VCT regulation*

The investment policy is designed to ensure that each Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, neither Company may invest more than 15 per cent. of its investments in a single company and each must have at least 70 per cent. by value of its investments throughout the period in shares or securities comprised in Qualifying Holdings, of which 30 per cent. by value must be ordinary shares which carry no preferential rights. In addition, each Company must have at least 10 per cent. by value of its total investments in any Qualifying Company in ordinary shares which carry no preferential rights. For the investment of funds raised after 5 April 2010, at least 70 per cent. by value of Qualifying Holdings must be in shares which have no fixed rights to dividends, no preferential rights to assets on a winding up and no rights to be redeemed.

*Asset mix*

Each Company aims to be at least 90 per cent. invested in growth businesses, subject always to the quality of investment opportunities and the timing of realisations. Any un-invested funds are held in cash and interest bearing securities. It is intended that at least 75 per cent. of funds raised by each Company will be invested in Qualifying Holdings.

*Risk diversification and maximum exposures*

Risk is spread by investing in a number of different businesses within different industry sectors using a mixture of securities. The maximum qualifying amount invested in any one company is limited to £1 million in a fiscal year and, generally, no more than £2.5 million, at cost, is invested in the same company. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

*Investment style*

Investments are selected in the expectation that the application of private equity disciplines, including an active management style for unquoted companies, will enhance value and enable profits to be realised from planned exits.

*Co-investment scheme*

The Companies aim to invest in larger, more mature unquoted and AIM companies and to achieve this they each invest alongside the other Baronsmead VCTs. As such, at the time of initial investment, the combined investment can currently total up to a maximum of £6.5 million for unquoted investee companies and £4.4 million for AIM investee companies. A Co-investment scheme was introduced in November 2004 to attract, recruit, retain and incentivise the

Manager's staff in line with current market practices of private equity houses. This requires the majority of members of the investment team to co-invest alongside the Companies in the ordinary shares of all unquoted investments in accordance with a pre-existing agreement.

*Borrowing powers*

Each Company's Articles permit borrowing to give a degree of investment flexibility. Each Company's policy is to use borrowing for short term liquidity purposes only. Each Company's borrowings are restricted to 25 per cent. of the value of the gross assets of that Company.

## 3. The Manager

The Manager, ISIS EP LLP, is controlled by seven individual partners, six of whom have worked together since 2000. ISIS EP LLP was incorporated and registered in England and Wales on 1 March 2005 as a limited liability partnership, with registered number OC311889, and is authorised and regulated by the FSA. The registered address of the Manager is 100 Wood Street, London EC2V 7AN. Previously the individual partners were employees or directors of ISIS Equity Partners plc.

ISIS Equity Partners plc, and latterly ISIS EP LLP, has been the investment manager of the Baronsmead VCTs since the first Baronsmead VCT was launched in 1995.

### 3.1 The Baronsmead VCTs

The Manager is responsible for managing approximately £650 million, including the Baronsmead VCTs and several limited partnerships, which invest on behalf of institutional clients.

As at 30 September 2009, the unaudited net assets and number of shareholders of each of the five Baronsmead VCTs were:

| | Launch date | Number of shareholders | Approximate net assets | Net asset value Total Return for ordinary shares (AIC methodology*) | Average annual dividends paid since launch (per ordinary share) |
|---|---|---|---|---|---|
| Baronsmead VCT | November 1995 | 3,884 | £54.8m | 202p | 7.2p |
| Baronsmead VCT 2 | April 1998 | 3,911 | £61.2m | 184p | 6.4p |
| Baronsmead VCT 3 | January 2001 | 2,918 | £54.4m | 157p | 5.4p |
| Baronsmead VCT 4 | December 2001 | 2,569 | £48.1m | 134p | 4.8p |
| Baronsmead AIM VCT | March 2006 | 1,972 | £20.1m | 91p | 3.5p |

(Source: Baronsmead VCT 3, Baronsmead VCT 4, ISIS EP LLP)

*AIC methodology: The NAV Total Return (based on quoted investments valued at bid market price) to the investor, including the net proceeds invested (rebased to 100) from launch, assumes that all dividends received were reinvested at NAV of the relevant Baronsmead VCT at the time the dividends were paid.

### 3.2 The VCT Team

David Thorp joined ISIS in 1995 to launch the first Baronsmead VCT and since that time he and Wol Kolade have built the team that manages the five Baronsmead VCTs. Wol Kolade became Managing Partner of ISIS in 2005 when the Manager became independent of F&C Asset Management plc, the former parent company of ISIS Equity Partners plc. The senior members of the VCT team are set out below.

**Wol Kolade** (Managing Partner) leads the team of 28 investment professionals. He joined ISIS Equity Partners plc in 1993 from Barclays Bank plc. He has played a key role in the strategic and operational development of ISIS. He is a past chairman of the BVCA (The British Private Equity and Venture Capital Association) and is a Governor of the London School of Economics.

**Andrew Garside** (Partner) joined ISIS in 2005. He is responsible for all unquoted VCT transactions across the UK and contributes to the overall investment management of the Baronsmead VCTs. Previously he had worked for 3i plc (1989-2004), latterly as a 3i plc director for 3i North, based in Leeds. He has extensive knowledge of the types of UK growth company seeking to finance their next round of capital raising.

**Pete Clarke** joined ISIS in 2002. He has responsibility for all unquoted VCT portfolio investments and is a director of several unquoted companies in which the Baronsmead VCTs have invested. Previously he had three years' private equity experience after working at Rio Tinto, Electrocomponents and KPMG.

**Adam Holloway** (Partner) joined ISIS in 1999. He has overall responsibility for all portfolio management activities within ISIS as well as directly managing certain investments. Previously Adam worked at Deloitte where his experience encompassed corporate finance, corporate restructuring and insolvency.

**Henrietta Marsh** joined ISIS in 2005. She is the fund manager of Baronsmead AIM VCT plc and is responsible for the new AIM investments and the AIM portion of the portfolios across the four generalist Baronsmead VCTs. She worked for 3i plc (1988-2002) being responsible for the 3i Smaller Quoted Companies Trust (now BlackRock Smaller Companies Trust plc) between 1997 and 2002. She became a 3i plc director in 2001 before taking a family career break in 2002.

**David Thorp** joined ISIS in 1995 when he launched Baronsmead VCT and has been responsible for the growth of the five Baronsmead VCTs to become one of the largest groups in the VCT sector. He has extensive experience of private equity having joined 3i plc in 1971 becoming a director in 1985. He was chairman of the BVCA for the year to June 2001. He is a director of the AIC (Association of Investment Companies) and chairman of the AIC VCT Forum, which makes representations to HM Treasury and HM Revenue & Customs regarding VCT legislation.

**Sheenagh Egan** (Partner) joined ISIS in 1997 and is the Chief Operating Officer. Before joining ISIS, Sheenagh spent six years at Grant Thornton LLP, where her experience included advising on corporate finance and private equity transactions and corporate recovery. She trained as a chartered accountant with Deloitte LLP and has worked for PricewaterhouseCoopers LLP.

**Michael Probin** joined ISIS in 1999. He is responsible for investor relations with both Companies' Shareholders and their advisers. He has experience of tax efficient investments having previously worked on Business Expansion Scheme products at AXA Sun Life Group from 1989.

Members of the Manager have indicated their intention to invest circa £140,000 in aggregate in the Joint Offer.

### 3.3 Co-Investment scheme

The Directors wish to ensure that the Manager continues to have one of the best 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. This is in line with current market practice of private equity houses.

The co-investment scheme provides for the majority of the investment team to co-invest alongside the Companies in the ordinary shares of their unquoted investments at the same time and on the same terms and in accordance with a pre-existing agreement. As at 30 September 2009, 36 executives had invested £488,000 in 19 unquoted investments under this scheme.

## 4. The Directors

The Directors have overall responsibility for their respective Company's affairs and operate within the guidelines of the Combined Code of Best Practice and the Turnbull guidelines (where applicable) for fully listed companies. The Directors, in conjunction with the Manager, are determined to maintain the VCT status of their respective Companies and in this regard recognise its critical importance to existing and potential shareholders. The Boards have 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 Status Adviser on the status of their respective Companies against the various tests that they must meet to maintain their VCT status.

The Boards are also responsible for ensuring that their respective Company is managed so that risks to its profits and assets are minimised. The Boards have established an ongoing formal process to ensure that risk exposure is reviewed regularly. As part of this regular review, the Boards test market service providers, 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.

Both Companies are subject to the Combined Code and 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 are conscious of the need to maintain a board with an appropriate mix of skills, independence, time to devote to the Company and external experience to provide valuable insights and contribution. Each Board, acting through its nomination committee, has an appropriate ongoing method of reviewing Board composition and succession planning to achieve these goals.

Mark Cannon Brookes, the chairman of Baronsmead VCT 3, has indicated to his Board that he intends to retire as a Director during 2010 and the Board has been planning for his succession under the process explained above.

Philip Dunne, the chairman of Baronsmead VCT 4, has informed his Board that if re-elected as a Member of Parliament, in the event of a Conservative government following the next general election and him being invited to take a position in Government, he would be obliged to resign as a Director of the Company.

There is no conflict of interest between either Company, the duties of its Directors and their interests.

### 4.1 The Boards

*Baronsmead VCT 3*

Mark Cannon Brookes, Andrew Karney, Gillian Nott and Robert Owen were all appointed to the Board on 9 January 2001. Anthony Townsend was appointed to the Board on 4 August 2009.

**Mark Cannon Brookes** (70) is an investment director of Smith & Williamson Ltd. The Smith and Williamson Group had £9.1 billion of investments under management as at 31 August 2009. He is chairman of CG Asset Management Limited and is also a director of F&C UK Select Trust plc and a number of other companies, mostly overseas.

**Andrew Karney** (67) was deputy chairman and a shareholder of Language Line Limited in which Baronsmead VCT 3 and Baronsmead VCT 4 were investors. He is chairman of Tiri – making integrity work, an integrity reform non governmental organisation and a director and trustee of the charity Medical Aid for Palestinians. He was previously a director of The Guardian Media Group plc, Guardian News and Media Limited, Integrated Micro Products plc and a number of unquoted companies. He was a founder director of Cable London plc and an executive director of Logica plc.

**Gillian Nott OBE** (64) has in-depth experience of private investors as chief executive of ProShare (1994-1999). Previously she was responsible for private equity at BP and was on the board of the FSA for 6 years to 2004. She is currently a non-executive director of BlackRock Smaller Companies Trust plc and Martin Currie Portfolio Investment Trust plc and is chairman of Witan Pacific Investment Trust plc. She is also on the board of Liverpool Victoria Friendly Society plc and a deputy chairman of The Association of Investment Companies. Gill is a non-executive director of Baronsmead VCT 2 plc.

**Robert Owen** (64) is a business consultant to developing companies and also a director of Baronsmead VCT 4. Previously he was a senior manager at Coutts and Co, responsible for the overall running of the venture capital investment portfolio. He was involved with tax efficient private equity investments for many years as an adviser and commentator.

**Anthony Townsend** (61) has over 40 years' experience in financial services and in industry. He is chairman of British & American Investment Trust plc, F&C Global Smaller Companies plc, Finsbury Growth and Income Trust plc and iimia Investment Trust plc and a non-executive director of Hansa Capital Limited and the Finsbury Worldwide Pharmaceutical Trust plc. He was previously a director of Rea Brothers Group plc and was chairman of the Association of Investment Companies.

*Baronsmead VCT 4*

Philip Dunne, Ian Kirkpatrick, Robert Owen and Alan Pedder were all appointed to the Board on 5 November 2001.

**Philip Dunne** (51) was elected Member of Parliament for Ludlow in May 2005. He was, until June 2009, a non-executive director of Ruffer LLP, a private client investment management firm. Previously he had 20 years' corporate finance expertise, initially with S.G. Warburg and latterly at Phoenix Securities and Donaldson, Lufkin & Jenrette. He was until July 2006 non-executive Chairman of Ottakar's plc.

**Ian Kirkpatrick** (65) is chairman of Harvey Nash Group plc and Prime Estates Ltd. He was a non-executive director of Saracen Value Investment Trust. Previously he worked for 15 years with Bank of Scotland, predominantly in their merchant banking arm, British Linen Bank.

**Robert Owen** (64) *See above*.

**Alan Pedder CBE** (71) is a business consultant in the industrial and chemical sectors and chairman and part owner of small companies involved in real estate and superyacht management. He was non-executive chairman of both AECI Ltd (South Africa) and Remploy Ltd. Previously he worked for ICI plc and led a number of international businesses as CEO before becoming Technology Director for the Group.

# 5. Shareholder Benefits

## 5.1 Dividend policy

*Baronsmead VCT 3*

The Board of Baronsmead VCT 3 has the objective to maintain a minimum annual dividend level of around 4.5p per Ordinary Share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. There will be variations in the amount of dividends paid year on year. Since launch, the average annual tax-free dividend paid to Shareholders has been 5.4p per Ordinary Share (equivalent to a pre-tax return of 8.0p per Ordinary Share for a higher rate taxpayer). For Shareholders who received up front tax reliefs of 20 per cent., their returns would have been higher.

*Baronsmead VCT 4*

The Board of Baronsmead VCT 4 has the objective to sustain a progressive dividend policy for Shareholders but this depends primarily on the level of profitable realisations and it cannot be guaranteed. There will be variations in the amount of dividends paid year on year.

## 5.2 Dividends and dividend reinvestment

Generally a VCT must distribute by way of dividend such amount as ensures that it retains not more than 15 per cent. of its income from shares and securities. Dividends will be paid to Ordinary Shareholders on income received and accrued from the fixed interest portfolio and from any realised capital profits from the investments made.

Each Company operates a Dividend Reinvestment Plan, providing Shareholders with the opportunity to reinvest the cash dividends paid by the Companies, by the Plan Manager arranging the purchase of existing Ordinary Shares in the relevant Company through a special dealing arrangement.

Under a dividend reinvestment plan, a company pays a cash dividend which is then used to buy existing shares on the open market. This is different to a scrip dividend scheme where a company creates and issues new shares instead of paying a cash dividend. As a result, Shareholders will not be entitled to claim upfront VCT income tax relief in respect of the Ordinary Shares bought, but they will qualify for the usual VCT tax reliefs available for VCT shares purchased in the market (see Part III of this document for further details relating to tax considerations).

Shareholders may participate in the Plan, provided that they do not live in, and are not subject to the jurisdiction of, any country outside the United Kingdom that would require the Companies or the Plan Manager to comply with local government or regulatory procedures or any similar formalities.

If Shareholders join the Plan, then as many Ordinary Shares as possible will be purchased for them from the proceeds of each dividend.

On payment of a dividend by a Company, monies will be aggregated with the monies of all other Plan participants for that Company. The Plan Manager will then instruct a broker to purchase as many whole Ordinary Shares in the relevant Company as can be paid for from the aggregated monies remaining from the dividend amount after providing for the dealing commission fee and stamp duty reserve tax. Accordingly, Shareholders cannot specify any maximum or minimum price for the Ordinary Shares to be purchased. Monies from the aggregated funds will be applied to settle executed trades as settlement becomes due. The broker, which the Plan Manager selects, is required, prior to executing the instruction, to consider factors including the likelihood of execution, size of instruction, nature of stock, costs, speed of settlement prevailing stock price and execution venue and may give preference to those factors that determine the best possible result for Shareholders in terms of total consideration.

There is no entry fee to participate in either Company's Plan, although Shareholders should note that dealing commission at 0.5 per cent. (minimum £1) and stamp duty reserve tax at the prevailing rate (currently 0.5 per cent.) will be charged by the Plan Manager.

The terms and conditions of the Dividend Reinvestment Plan operated by both Companies are set out in Part V of the Registration Document.

### 5.3 Shareholder friendly policies

The Baronsmead VCTs have played a pioneering role in the evolution of VCTs and communication of VCT investment and tax benefits to shareholders and their advisers. The Boards 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 bi-annual fact sheets.

Baronsmead VCT 3's and Baronsmead VCT 4's annual report and accounts are made up to 31 December and are ordinarily sent to Shareholders in February. Shareholders also receive unaudited half-year accounts for the period to the end of June in each year.

### 5.4 Accessibility of the Manager

The Manager wishes to be accessible to Shareholders and their advisers. An open invitation is extended to individual Shareholders to meet the Manager at its offices in London. Shareholder workshops are also held regularly in London.

No investment advice can be provided by the Manager in connection with any investments in the Companies.

### 5.5 Shareholder choice

This has been achieved by offering Shareholders the ability to:

- increase their shareholdings through top-up offers;
- reinvest their dividends, enabling those whose personal objective is capital growth to achieve this in a tax efficient manner; and

- sell their shares through the operation of a buy-back policy.

It is intended to continue these policies, subject to market conditions, the rules of the London Stock Exchange and other regulatory frameworks, always having regard to the costs involved.

**5.6 Buy-back policy**

Shareholders of Baronsmead VCT 3 and Baronsmead VCT 4 are asked annually to give their authority to the Directors to acquire up to 14.99 per cent. of each of their respective Company's shares. Purchases of shares will be made subject to the Listing Rules of the UK Listing Authority and will be made within the guidelines established from time to time by the Boards. This power will be exercised only if, in the opinion of the respective Board, a repurchase of shares would be in the best interests of their Shareholders as a whole. Historically, the repurchase price has represented an approximate discount to net asset value of 10 per cent. The Manager works closely with the Companies' market-makers to keep a narrow bid-offer spread, typically in the range of approximately 2p-5p per share. The quarterly valuation of unquoted investments in the portfolio and regular communication to Shareholders enables the market to have better information on which the buying and selling of shares can be transacted. The investment and taxation advantages are articulated by the Manager so as to stimulate the development of the secondary market in the Ordinary Shares.

Approval was given by Shareholders of Baronsmead VCT 3 and Baronsmead VCT 4 at annual general meetings of each Company on 18 March 2009 and 26 March 2009 respectively to repurchase up to 14.99 per cent. of the expected issued share capital of the Companies following the Joint Offer. The authority for Baronsmead VCT 3 to repurchase its own shares will expire on 18 June 2010 or, if earlier, the conclusion of the annual general meeting to be held in 2010 unless such authority is renewed prior to such time. The authority for Baronsmead VCT 4 to repurchase its own shares will expire on 26 June 2010 or, if earlier, the conclusion of the annual general meeting to be held in 2010 unless such authority is renewed prior to such time. It is intended that the Boards shall seek renewal of these authorities on an annual basis.

**5.7 Voting**

Ordinary Shares carry the right to receive notice of and to attend or vote at any general meeting of the relevant 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 Ordinary Share held by him.

**5.8 Pre-emption rights**

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

**5.9 Duration of the Companies**

At Baronsmead VCT 3's and Baronsmead VCT 4's extraordinary general meetings held on the 25 September 2008 and 22 September 2008 respectively, the existing Shareholders approved an amendment to the Articles of Baronsmead VCT 3 and Baronsmead VCT 4 to extend the life of each of the Companies. At the annual general meeting of each Company falling after the fifth anniversary of the then latest allotment of shares in that Company, an ordinary resolution will be proposed to the effect that the Company concerned shall continue to be a VCT. The Boards may seek Shareholder approval for the postponement of the continuation vote by one year at successive annual general meetings.

If either Company is wound-up, the liquidator may, with the authority of a special resolution and subject to any other required sanction, divide among the members in specie or in kind the whole or any part of the assets of that Company and may determine how such a division shall be carried out as between members or different classes of members.

## 6. Joint Offer

Baronsmead VCT 3 and Baronsmead VCT 4 are tax efficient listed companies, which aim to achieve long-term investment returns for private investors.

### 6.1 Reasons for the Joint Offer

The Directors believe that the fundraising is an attractive investment opportunity for both existing Shareholders and new investors:

- **Timing** – The Directors believe that it is an advantageous time in the economic cycle, when prices of assets are expected to be attractive, to raise further capital to enable the Companies to continue making investments in accordance with their investment strategies.
- **Diversity and liquidity** – The Joint Offer should enable the Companies to maintain their portfolio diversity and enable the payment of dividends and costs without reducing the overall amounts available for investment in larger VCT qualifying companies with gross assets of up to £15 million prior to investment.
- **Joint Offer** – The Companies have a policy of co-investment with each other and the other Baronsmead VCTs and there is a significant overlap in terms of the investee companies within each Company's portfolio. The costs associated with making a public offer for subscription by each Company are considerable and, as a result, the Boards have agreed to make a Joint Offer for subscription as this enables the Companies to share these costs.

### 6.2 Terms of the Joint Offer

All the New Ordinary Shares being made available under the Joint Offer are created under CA 2006 and will be marketed to the public. The Joint Offer opens on 18 January 2010. The Offer Price at which the New Ordinary Shares will be allotted will be calculated separately for each Company on the basis of the following Pricing Formula:

**Latest published net asset value of an existing Ordinary Share divided by 0.945 (to allow for issue costs of 5.5 per cent.), rounded up to the nearest 0.5p per share.**

**The number of New Ordinary Shares to be allotted in each Company will be rounded down to the nearest whole number.**

**Investors from whom Subscription Forms are received by noon on 26 February 2010 will receive an additional allocation of 1 per cent. of the amount subscribed. The total value of the additional allocation will be invested in New Ordinary Shares in Baronsmead VCT 3 and Baronsmead VCT 4 in the same proportion as the application monies are allocated.**

The Pricing Formula, which is based on the latest published NAV, prevents a diminution in the net asset value of the existing Ordinary Shares. Potential investors should note that existing Ordinary Shares can be bought in the market, typically at prices which tend to represent a discount of approximately 10 per cent. to the NAV of each Company's Ordinary Shares. However, an investment in existing Ordinary Shares would not enable the purchaser to claim initial VCT income tax relief of 30 per cent. These tax reliefs are described more fully on page 31 of this document.

Applications will be made for the New Ordinary Shares issued under the Joint Offer to be admitted to the Official List of the UK Listing Authority and to be admitted to trading on the London Stock Exchange's main market for listed securities. The New Ordinary Shares will, from the date of issue, rank pari passu in all respects with the Ordinary Shares currently in issue.

The ISIN code for the Ordinary Shares in Baronsmead VCT 3 is GB0030028103 and the ISIN code for the Ordinary Shares in Baronsmead VCT 4 is GB0031095283.

The Joint Offer is not underwritten. The net proceeds of the Joint Offer will be used for investments in accordance with the investment policy of each Company and to meet annual expenses of each Company, as set out above.

The respective Boards have the authority conferred at the annual general meetings held on 18 March 2009 and 26 March 2009 respectively to issue up to 13.0 million Ordinary Shares in Baronsmead VCT 3 and 14.0 million Ordinary Shares in

Baronsmead VCT 4 to raise in aggregate up to £12 million per Company pursuant to the Joint Offer for cash, without pre-emption rights applying.

An illustration of the application of the Pricing Formula is set out below, based on the most recently published unaudited net asset values per Ordinary Share for each of Baronsmead VCT 3 and Baronsmead VCT 4.

The unaudited net asset value per Baronsmead VCT 3 Ordinary Share was 100.11p as at 30 November 2009. This would give an Offer Price per New Ordinary Share in Baronsmead VCT 3 of 106.00p (100.11/0.945) rounded up to the nearest 0.5p per share.

The unaudited net asset value per Baronsmead VCT 4 Ordinary Share was 92.70p per share as at 30 November 2009. This would give an Offer Price per New Ordinary Share in Baronsmead VCT 4 of 98.50p (92.70/0.945) rounded up to the nearest 0.5p per share.

Consequently an investor who invested £20,000 under the Joint Offer would receive:

Baronsmead VCT 3: £10,000/106.00p = 9,433 New Ordinary Shares in Baronsmead VCT 3

Baronsmead VCT 4: £10,000/98.50p = 10,152 New Ordinary Shares in Baronsmead VCT 4

This illustration ignores any additional allocation through the early investment incentive scheme or re-invested commission.

Assuming the Joint Offer is fully subscribed and not increased, and ignoring any additional allocation through the early investment incentive scheme and reinvested commissions, the number of New Ordinary Shares in Baronsmead VCT 3 and Baronsmead VCT 4 would be 7,547,169 and 8,121,827 respectively, based on the unaudited net asset values as at 30 November 2009 of 100.11p per Baronsmead VCT 3 Ordinary Share and 92.70p per Baronsmead VCT 4 Ordinary Share. This would represent an increase in the issued Ordinary Share capital of Baronsmead VCT 3 and Baronsmead VCT 4 of 11 per cent. and 13 per cent. respectively, calculated including the Ordinary Shares held in treasury by each Company.

**6.3 Joint Offer costs**

The expenses of the Joint Offer (including irrecoverable VAT and commission payable to authorised advisers of up to 3 per cent.) payable by the Companies will be 5.5 per cent. of the gross proceeds of the Joint Offer, and will be split between Baronsmead VCT 3 and Baronsmead VCT 4 in the same proportions as the application monies are allocated. The net proceeds of the Joint Offer will be £7.56 million per Company (assuming it is fully subscribed and not increased). The Manager has agreed to indemnify the Companies in respect of any expenses in excess of 5.5 per cent. of the gross proceeds of the Joint Offer.

**6.4 Commissions payable to authorised financial intermediaries**

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

The introductory commission is calculated by taking 3 per cent. of the amount invested. For those who elect to take an introductory commission of 2 per cent., an additional annual commission to authorised financial intermediaries for up to four years will be payable. This annual commission will be 0.4 per cent. of the amount invested by investors who submitted Subscription Forms through an intermediary (Ordinary Shares held in excess of those issued under the Joint Offer are disregarded). In order to keep the offer costs to 5.5 per cent. of the gross proceeds of the Joint Offer and avoid any dilution of the existing Ordinary Shares, the Manager will pay the annual commission. The annual commission will cease to be payable if the New Ordinary Shares are sold by the relevant investors or if the Companies are wound up. Intermediaries must substantiate the interests of investors who hold their New Ordinary Shares through nominees to the satisfaction of the Manager. Introductory commission will only be paid to authorised financial intermediaries.

Authorised financial intermediaries may agree to waive all or part of the introductory commission available to them, and, by marking the relevant box on the Subscription Form, authorise the Receiving Agent to apply an amount equal to the amount of commission that would otherwise be payable to the authorised financial intermediary in the subscription for further New Ordinary Shares on behalf of the applicant at the Offer Price as determined by the Pricing Formula.

### 6.5 Application procedure

Applications under the Joint Offer will be accepted on a first come, first served basis (provided cheques are not post-dated), subject always to the discretion of the Directors. Subscribers are encouraged to submit their Subscription Form early in order to be confident that their application will be successful.

The minimum application level under the Joint Offer is £3,000 and applications must be made in multiples of £1,000 thereafter. Subscribers are permitted to make more than one application under the Joint Offer, but the maximum aggregate subscription which will be eligible for full tax relief is £200,000. No commission is payable on reinvested commission. No commission is payable on any additional allocation received under the early investment incentive arrangements described above.

Applications under the Joint Offer will be processed upon receipt. Applications accompanied by a post-dated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

If it becomes necessary to scale back, any multiple applications under the Joint Offer from the same subscriber will be aggregated and, in deciding the percentage of an application to be scaled back, previous applications from the same subscriber which have already been accepted in full will be taken into account.

### 6.6 Timetable and allotment of New Ordinary Shares

The Joint Offer opens on 18 January 2010 and will close at 5 pm on 1 April 2010 (or any earlier date on which it is fully subscribed). The Directors reserve the right to extend the closing date of the Joint Offer to no later than 14 May 2010 (notification of any extension will be via a RIS announcement).

The allotment of New Ordinary Shares under the Joint Offer is at the discretion of the Directors. The first allotment is expected to take place on 26 February 2010 to coincide with the end of the early investment incentive period. The second allotment is expected to take place on 25 March 2010. The third allotment will take place on 3 April 2010. However, allotment may take place at any time and may be more or less frequent than that indicated above.

In relation to the allotments, an announcement will be released through a RIS, including details of the number of New Ordinary Shares allotted and the Offer Price for the allotment. It is anticipated that dealings in the New Ordinary Shares issued pursuant to the Joint Offer will commence three Business Days following their allotment. Share and tax certificates are expected to be sent ten Business Days following an allotment of New Ordinary Shares pursuant to the Joint Offer.

The Joint Offer will be suspended at any time when either of the Companies is unable to issue New Ordinary Shares pursuant to the Joint Offer under any statutory provision and other regulation applicable to the Companies or otherwise at the Directors' discretion.

A RIS announcement will be released once the Joint Offer has closed and will state the results of the Joint Offer.

## 7. Management and administration arrangements

This section describes the fees payable to the Manager. Section 6.3 above deals with other costs of the Joint Offer.

Baronsmead VCT 3 and Baronsmead VCT 4 have each entered into a management agreement with the Manager that may be terminated by either party on 12 months' notice.

### 7.1 Annual management fees

The Manager is paid a management fee equivalent to 2.5 per cent. per annum of the net assets of Baronsmead VCT 3 and Baronsmead VCT 4, paid quarterly in arrears.

In addition, the Manager will also receive a fixed secretarial fee of £33,816 (adjusted annually for movements in the retail price indices) and a variable fee of 0.125 per cent. on net assets over £5 million, capped at £102,212, for Baronsmead VCT 3. For Baronsmead VCT 4, the Manager will receive a fixed secretarial fee of £44,724 (adjusted annually for movements in the retail price indices) and a variable fee of 0.125 per cent. on net assets over £5 million, capped at £100,000. VAT will be applied to the above amounts where applicable.

The Manager is also entitled to the performance fees described below.

The Manager will receive monitoring and/or arrangement fees from unquoted company investments.

In addition the Manager has agreed a co-investment scheme. See section 3.3 above of this Part II for further details.

### 7.2 Performance incentive

It is VCT industry practice to reward exceptional performance of an investment manager. Accordingly, the Manager may also become entitled to receive a performance fee from the Companies. Each of the Companies operates substantially the same performance fee incentive.

A performance fee will not be payable to the Manager until the total return on Shareholders' funds exceeds an annual threshold of 8 per cent. To the extent that the total return exceeds the threshold of 8 per cent. on Shareholders' funds over the relevant period, then a performance fee (plus VAT) will be paid to the Manager. The Manager was entitled to 20 per cent. of the excess to 31 March 2007, 16.66 per cent. to 31 March 2008, 13.33 per cent. to 31 March 2009 and 10 per cent. thereafter. The amount of any performance fee which is paid in respect of an accounting period shall be capped at 5 per cent. of Shareholders' funds for that period.

In the event that the Companies purchase shares or raise new capital, the threshold returns required in order for the Manager to earn a performance fee will be adjusted so that the effect of the purchases or new capital raising is neutral.

### 7.3 Annual running costs

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

Prior to the Joint Offer, annual running costs, excluding VAT, are expected to be 3.13 per cent. of net assets for Baronsmead VCT 3 and 3.29 per cent. of net assets for Baronsmead VCT 4 in the year to 31 December 2009. The annualised costs for the same period, excluding VAT, are forecast to fall to approximately 3.06 per cent. for Baronsmead VCT 3 and 3.25 per cent. for Baronsmead VCT 4 assuming full subscription under the Joint Offer.

Expenses are charged through the revenue account, except where incurred in connection with the maintenance or enhancement of the value of each of the Companies' assets. Management fees are allocated 25 per cent. to each of the Companies' revenue account and 75 per cent. to their capital account (any performance fees are allocated 100 per cent. to the capital account), in line with the expected split of long-term income and capital returns and in accordance with standard VCT practice.

## 8. The Sponsor

Noble & Company Limited, which is authorised and regulated by the Financial Services Authority and a member of the London Stock Exchange, is the corporate finance and broking subsidiary of Noble Group Holdings Limited, the independent investment banking group.

## 9. Additional information

### 9.1 Incorporation and Administration

*Baronsmead VCT 3*

Baronsmead VCT 3 was incorporated and registered in England and Wales on 20 November 2000 with limited liability as a public limited company under CA 1985 with the name Baronsmead VCT 3 plc and with 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 on 30 October 2001 with limited liability as a public limited company under the CA 1985 with the name Baronsmead VCT 4 plc and with registered number 04313537. Baronsmead VCT 4 operates under CA 2006 and the regulations made thereunder.

### 9.2 Working capital

Baronsmead VCT 3 is of the opinion that it has sufficient working capital for its present requirements (that is, for at least 12 months following the date of this document).

Baronsmead VCT 4 is of the opinion that it has sufficient working capital for its present requirements (that is, for at least 12 months following the date of this document).

### 9.3 Statement of capitalisation and indebtedness

The following table shows the unaudited gross indebtedness of Baronsmead VCT 3 and Baronsmead VCT 4 as at 30 November 2009. The information below has been extracted from internal management accounting records.

| | Baronsmead VCT 3 £'000 | Baronsmead VCT 4 £'000 |
|---|---|---|
| **Total current debt** | | |
| Guaranteed | – | – |
| Secured | – | – |
| Unguaranteed/unsecured | – | – |
| **Total non-current debt** | | |
| Guaranteed | – | – |
| Secured | – | – |
| Unguaranteed/unsecured | – | – |

The following table shows the capitalisation of Baronsmead VCT 3 and Baronsmead VCT 4 as at 30 November 2009.

| | Baronsmead VCT 3 £'000 | Baronsmead VCT 4 £'000 |
|---|---|---|
| **Shareholder's equity** | | |
| Called up share capital | 5,970 | 5,589 |
| Legal reserve (share premium accounts) | 18,942 | 22,941 |
| Other reserves (includes revenue reserves) | 29,381 | 19,766 |
| **Total shareholders' equity** | 54,293 | 48,296 |

There has been no material change in the capitalisation of the Companies since 30 November 2009.

The following table shows the Companies' net indebtedness as at 30 November 2009. The information below has been extracted from internal management accounting records.

| | Baronsmead VCT 3<br>£'000 | Baronsmead VCT 4<br>£'000 |
|---|---|---|
| A. Cash | 3,592 | 9,437 |
| B. Cash equivalents | 13,266 | 4,791 |
| C. Trading securities (inc unquoted) | 37,032 | 33,688 |
| **D. Liquidity (A + B + C)** | 53,890 | 47,916 |
| **E. Current financial receivable** | 718 | 659 |
| F. Current bank debt | – | – |
| G. Current portion of non-current debt | – | – |
| H. Other current financial debt | 315 | 279 |
| **I. Current financial debt (F + G + H)** | 315 | 279 |
| **J. Net current financial indebtedness (I – E – D)** | (54,293) | (48,296) |
| K. Non current bank loans | – | – |
| L. Bonds issued | – | – |
| M. Other non-current loans | – | – |
| **N. Non-current financial indebtedness (K + L + M)** | – | – |
| **O. Net financial indebtedness (J + N)** | (54,293) | (48,296) |

The existing Ordinary Shares are listed on the Official List and admitted to trading on the London Stock Exchange's main market for listed securities.

## 10. Taxation and HMRC approval

The Directors have managed and intend to continue to manage the affairs of Baronsmead VCT 3 and Baronsmead VCT 4 in order that they comply with the legislation applicable to VCTs. In this regard, the Companies have retained PricewaterhouseCoopers LLP to advise on their VCT status. HMRC has accepted that the Companies have filed their returns with HMRC to 31 December 2008, demonstrating that all VCT tests to such date have been met. The Companies have continued to conduct their affairs so as to comply with Section 274 ITA 2007 for the year to 31 December 2009 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 Section C of Part III of the Registration Document.

**Any potential investor in doubt as to the tax reliefs associated with venture capital trusts should consult their independent financial adviser authorised under the FSMA.**

## 11. Settlement and dealings

### 11.1 Share certificates

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

### 11.2 Dealing

Ordinary 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.

Applications will be made to the UK Listing Authority and the London Stock Exchange plc for the New Ordinary Shares to be issued pursuant to the Joint Offer to be admitted to the Official List and to trading on the main market for listed securities of the London Stock Exchange plc. The New Ordinary Shares will be in registered form and will be transferable. The terms and conditions of Subscription are set out in Part V of this Securities Note.

## 12. Availability of the Prospectus

Copies of this document, the Registration Document and the Summary are available on Baronsmead VCT 3's and Baronsmead VCT 4's websites (www.Baronsmeadvct3.co.uk and www.Baronsmeadvct4.co.uk, respectively) and are available for inspection during normal business hours at the Document Viewing Facility, The Financial Services Authority, 25 The North Colonnade, Canary Wharf, London E14 5NS and may be obtained, free of charge, by collection from:

**ISIS EP LLP**
100 Wood Street
London
EC2V 7AN
Tel: 0207 506 5600

**Noble & Company Limited**
120 Old Broad Street
London
EC2N 1AR
Tel: 0207 763 2200

**RAM Capital Partners LLP**
74 Chancery Lane
London
WC2A 1AD
Tel: 0203 006 7530

The information in Part I and Part II of this document that has been sourced from third parties has been accurately reproduced and, as far as the Companies are aware and are able to ascertain from information published by these third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. These sources of information are ISIS EP LLP, Fundamental Data, Bloomberg and the accounts of the investee companies.

# Part III: VCTs – Taxation Considerations

A number of tax benefits are available to UK income tax payers, aged 18 or over, who invest in shares in a VCT. The tax benefits available to those individuals are different, depending on whether the individual subscribes for shares or acquires shares otherwise than by way of subscription. There is also a limit (the ''Qualifying Limit'') on the amount which, in any tax year, an individual may invest in VCTs which will qualify for any tax benefits. The current limit is £200,000. Investments in ordinary shares in VCTs in excess of the Qualifying Limit will not be eligible for any tax benefits.

Set out below is a summary of the tax benefits available to a Qualifying Shareholder.

### 1. Qualifying Shareholders (not Qualifying Purchasers)

The tax relief is available on aggregate investments in VCTs of up to £200,000 in any one tax year. Where advantage is taken of this relief, a Qualifying Subscriber will be able to reclaim total initial tax relief of up to 30 per cent. of the amount of his investment depending on the total amount of income tax suffered by him.

Maximum effect of initial tax reliefs:

Whereas the above relief is only available on subscription, for Qualifying Subscribers on investments up to a maximum of £200,000 in VCTs in any one tax year, dividends will be exempt from income tax and any profits on the disposal of the shares will be exempt from capital gains tax.

Relief from income tax of up to 30 per cent. will be available on subscriptions for shares in a VCT made before 6 April 2010, subject to the Qualifying Limit (currently £200,000 in each tax year). The relief, which will be available in the year of subscription, cannot exceed the amount which reduces the income tax liability of the Qualifying Subscriber in that year to nil. Relief may not be available if there is a loan linked with the investment.

Relief will not be available, or, where given, will be withdrawn, either in whole or in part, where there is any disposal (except on death) of the shares (or of an interest in them or right over them) before the end of the period of five years beginning with the date on which the shares were issued to the Qualifying Subscriber.

To obtain relief, a Qualifying Subscriber must subscribe for the shares in his or her own name, and not through a nominee, although the shares may subsequently be transferred into the name of a nominee. Where a Qualifying Subscriber has acquired shares in the same VCT on more than one occasion, he or she will be treated as disposing of the shares which he or she acquires on an earlier date, in priority to those which he acquires on a later date. Where he or she has acquired shares on the same occasion, some of which qualify for relief and some of which do not, he or she will be treated as disposing of the shares which do not qualify for relief in priority to those which qualify.

### 2. Qualifying Shareholders

**Exemption from capital gains tax**

Any gain or loss accruing to Qualifying Shareholders on a disposal of shares in a company which was a VCT at the time he or she acquired the shares, and remained a VCT throughout his or her period of ownership, will neither be a chargeable gain, nor an allowable loss, for the purposes of capital gains tax.

**Exempt dividend income**

Dividend income will be exempt from tax. No tax credits will be repayable in respect of dividends paid.

**Procedure for obtaining reliefs available to Qualifying Subscribers**

VCTs will supply Qualifying Subscribers with tax certificates enabling them to claim income tax relief. The certificate will specify details of the Shareholder, the date on which the shares were issued and the amount paid for the shares, and also will certify that the shares have been issued to a Qualifying Subscriber, and that certain other conditions are met to the best of the VCT's knowledge and belief. The relief may not be available unless the Qualifying Subscriber holds such a certificate.

The investor may use the certificate to claim income tax relief either by obtaining from the HMRC an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using a Self Assessment Tax Return.

Dividends received in cash on shares acquired in VCTs up to the Qualifying Limit (currently £200,000 per tax year) need not be shown in the investor's Self Assessment Tax Return.

All dividends are paid gross to the respective Company and the respective Company pays all dividends to its Shareholders gross.

# Part IV: Definitions

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

| | |
|---|---|
| ''Admission'' | admission of the New Ordinary Shares allotted under the Joint Offer to the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective |
| ''AIM'' | the AIM Market of the London Stock Exchange |
| ''Applicant'' | a Shareholder participating in the Dividend Reinvestment Plan or, where a Shareholder holds Ordinary Shares as nominee, the person, being the beneficial owner of the Ordinary Shares registered in the name of that Shareholder, participating in the Dividend Reinvestment Plan |
| ''Articles'' | the articles of association of one or both Companies (as the context requires) |
| ''Baronsmead VCT 3'' or ''BVCT 3'' | Baronsmead VCT 3 plc |
| ''Baronsmead VCT 4'' or ''BVCT 4'' | Baronsmead VCT 4 plc |
| ''Baronsmead VCT 3 Directors'' | the directors of Baronsmead VCT 3 (and each a ''Baronsmead VCT 3 Director'') |
| ''Baronsmead VCT 4 Directors'' | the directors of Baronsmead VCT 4 (and each a ''Baronsmead VCT 4 Director'') |
| ''Baronsmead VCT 3 Ordinary Shares'' | ordinary shares of 10 pence each in the capital of Baronsmead VCT 3 (and each a ''Baronsmead VCT 3 Ordinary Share'') |
| ''Baronsmead VCT 4 Ordinary Shares'' | ordinary shares of 10 pence each in the capital of Baronsmead VCT 4 (and each a ''Baronsmead VCT 4 Ordinary Share'') |
| ''Baronsmead VCTs'' | the VCTs managed by ISIS |
| ''Boards'' | the board of Directors of the Companies, and each a ''Board'' |
| ''Business Day'' | any day on which banks are generally open for business in London, other than a Saturday |
| ''C Shares'' | C shares of 50 pence each in the capital of either of the Companies (as the context requires), and each a ''C Share'' |
| ''CA 1985'' | the Companies Act 1985 (as amended) |
| ''CA 2006'' | the Companies Act 2006 |
| ''Companies'' | Baronsmead VCT 3 and Baronsmead VCT 4 (and each a ''Company'') |
| ''CREST'' | the computerised settlement system to facilitate the transfer of title to securities in uncertified form operated by Euroclear UK & Ireland Limited |
| ''Directors'' | the directors of Baronsmead VCT 3 and/or Baronsmead VCT 4 (as the context requires), and each a ''Director'' |
| ''Dividend Reinvestment Plan'' or ''Plan'' | the Baronsmead VCT 3 Reinvestment Plan and the Baronsmead VCT 4 Reinvestment Plan established in accordance with the Plan Terms and Conditions (as the context requires) |
| ''fixed interest securities'' | principally fixed interest government stocks and other fixed interest stocks or cash deposits |
| ''FSA'' | the Financial Services Authority |
| ''FSMA'' | the Financial Services and Markets Act 2000 |

| | |
|---|---|
| ''generalist VCT'' | a VCT which has a policy of investing across a range of industry sectors in primarily unquoted investments, excluding a VCT primarily focusing on investment in AIM or technology or having real estate investments |
| ''HMRC'' | HM Revenue & Customs |
| ''ISIS'' or ''Manager'' | ISIS EP LLP (or formerly, as the context requires, ISIS Equity Partners plc) |
| ''IPEVC'' | International Private Equity and Venture Capital |
| ''ITA 2007'' | the Income Tax Act 2007 |
| ''Joint Offer'' | the joint offer for subscription of New Ordinary Shares described in the Prospectus |
| ''London Stock Exchange'' | London Stock Exchange plc |
| ''NAV'' or ''net asset value'' | the net asset value of a Company calculated in accordance with that Company's accounting policies |
| ''New Ordinary Shares'' | new Ordinary Shares to be issued pursuant to the Joint Offer |
| ''Noble'' | Noble & Company Limited, which is authorised and regulated in the United Kingdom by the FSA |
| ''Offer Price'' | the price at which New Ordinary Shares will be allotted in each Company under the Joint Offer as per the Pricing Formula (as the context requires) |
| ''Official List'' | the Official List maintained by the UKLA |
| ''Ordinary Shares'' | ordinary shares of 10 pence each in the capital of either of the Companies (as the context requires), and each an ''Ordinary Share'' |
| ''Plan Manager'' | Computershare Investor Services PLC or such other person or persons who may from time to time be appointed by either Company to manage its Dividend Reinvestment Plan on its behalf |
| ''Plan Terms and Conditions'' | the terms and conditions relating to the Dividend Reinvestment Plan and set out in Part V of the Registration Document |
| ''PLUS Markets'' | an exchange regulated market operated by PLUS Markets Group plc, a company regulated by the Financial Services Authority |
| ''Pricing Formula'' | the calculation of the price at which the New Ordinary Shares will be allotted in each of the Companies, being the latest published NAV of an existing Ordinary Share divided by 0.945 (to allow for issue costs of 5.5 per cent.) rounded up to the nearest 0.5p per share |
| ''Prospectus'' | the Registration Document, this Securities Note and the Summary |
| ''Qualifying Company'' | an unquoted (including AIM-traded and PLUS Markets-traded) company carrying on a qualifying trade wholly or mainly in the UK satisfying the conditions in Part 6, Chapter 4 ITA 2007, which is summarised in Section C of Part III of the Registration Document |
| ''Qualifying Holding'' | shares in, or securities of, a Qualifying Company held by a VCT which meets the requirements described in Part 6, Chapter 4 ITA 2007, which is summarised in Section C of Part III of the Registration Document |
| ''Qualifying Limit'' | the investor's subscription limit of £200,000 per tax year |
| ''Qualifying Purchaser'' | a UK income tax payer, aged 18 or over, who purchases ordinary shares within the Qualifying Limit, otherwise than by way of subscription |
| ''Qualifying Shareholder'' | a Qualifying Subscriber and/or a Qualifying Purchaser |
| ''Qualifying Subscriber'' | a UK income tax payer, aged 18 or over, who subscribes for Ordinary Shares within the Qualifying Limit |

| | |
|---|---|
| ''Receiving Agent'' | The City Partnership (UK) Limited, Thistle House, 21–23 Thistle Street, Edinburgh EH2 1DF |
| ''Registrar'' | Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ |
| ''Registration Document'' | the registration document issued by the Companies dated 18 January 2010 in connection with the Joint Offer |
| ''RIS'' | Regulatory Information Service |
| ''Securities Note'' | this document dated 18 January 2010 |
| ''Shareholders'' | holders of Ordinary Shares, and each a ''Shareholder'' |
| ''Subscriber'' | a subscriber under the Joint Offer |
| ''Subscription'' | means the offer made by a Qualifying Subscriber by completing a Subscription Form |
| ''Subscription Form'' | the subscription form for use in respect of the Joint Offer set out at the end of this document |
| ''Summary'' | the summary issued by the Companies dated 18 January 2010 in connection with the Joint Offer |
| ''Total Return'' | the increase in the net asset value or the share price of the shares after deduction of any issue costs and assuming any dividends are re-invested (in terms of NAV or share price, as the context requires) as calculated by the Manager (unless otherwise stated) |
| ''UK Listing Authority'' or ''UKLA'' | the FSA acting in its capacity as the competent authority for the purposes of Part VI of the FSMA |
| ''venture capital trust'' or ''VCT'' | a venture capital trust as defined by Section 259 ITA 2007 |

# Part V: Terms and Conditions of Subscription

Save where the context otherwise requires, words and expressions defined in the Securities Note, dated 18 January 2010, published by the Companies have the same meanings when used in the Subscription Form and explanatory notes in relation thereto.

(a) The contract created by the acceptance of a Subscription will (unless the Boards resolve otherwise) be conditional on the Admission of New Ordinary Shares becoming effective.

(b) (i) The right is reserved by the Companies to present all cheques and banker's drafts for payment on receipt and to retain share certificates and subscription monies, pending clearance of successful Subscribers' cheques and banker's drafts. The Companies may treat Subscriptions as valid and binding even if not made in all respects in accordance with the prescribed instructions and the Companies may, at their discretion, accept a Subscription in respect of which payment is not received by the Companies prior to the closing of the Joint Offer. If any Subscription is not accepted in full or any contract created by acceptance does not become unconditional, the Subscription monies or, as the case may be, the balance thereof will be returned (without interest) by returning each relevant Subscriber's cheque or banker's draft or by crossed cheque in favour of the Subscriber, through the post at the risk of the person(s) entitled thereto.

(ii) Applications will be accepted generally on a first come, first served basis (but always subject to the absolute discretion of the Directors). The right is reserved to change the basis of allocation under the Joint Offer at the discretion of the Directors after consultation with Noble, and to reject in whole or in part and scale down and/or allot any Subscription or any part thereof. Subscriptions which are not accompanied by cheques available for immediate presentation or by other valid payment means will be dealt with at the Directors' discretion. If any dispute arises as to the date or time at or on which a Subscription is received, the Directors' determination shall be final and binding.

(iii) The right is reserved for the Companies to scale down or increase the number of New Ordinary Shares available for subscription under the Joint Offer at any time prior to the closing of the Joint Offer. The right is further reserved to extend the Joint Offer period but to not later than 14 May 2010.

(iv) The Companies reserve the right to allot and arrange for the listing of New Ordinary Shares under the Joint Offer prior to the stated closing date and generally vary the allotment and Admission timetable.

(c) By completing and delivering a Subscription Form, you as the Subscriber (and, if you sign a Subscription Form on behalf of somebody else, that person):

(i) offer to subscribe for the Subscription amount specified in your Subscription Form (or such lesser Subscription amount as may be accepted) to be divided in proportion to the maximum amount each Company is proposing to raise under the Joint Offer, for New Ordinary Shares in each of the Companies at an Offer Price calculated using the Pricing Formula on the terms of and subject to the Prospectus (and any supplementary prospectus filed with the FSA by the Companies in connection with the Joint Offer of which you are deemed to have had receipt), including these terms and conditions, and subject to the memoranda and articles of association of the Companies;

(ii) agree that, in consideration of the Companies agreeing to process your Subscription, your Subscription will not be revoked until after the closing date of the Joint Offer and that this paragraph shall constitute a collateral contract between you and the Companies 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 subject to your statutory rights of withdrawal in the event of the publication of a supplementary prospectus by the Companies;

(iii) agree and warrant that your cheque or banker's 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 the New Ordinary Shares applied for or to enjoy or receive any rights or distributions in respect of such New Ordinary Shares until you make payment in cleared funds for such New Ordinary Shares and such payment is accepted by the Companies in their absolute discretion (which acceptance shall be on the basis that you indemnify them, Noble, 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 Companies of such late payment, the Companies may (without prejudice to their other rights) void the agreement to subscribe such New Ordinary Shares and may issue or allot such New Ordinary Shares to some other person, in which case you will not be entitled to any payment in respect of such New Ordinary Shares, other than the refund to you, at your risk, of the proceeds (if any) of the cheque or banker's draft accompanying your Subscription Form without interest;

(iv) agree that in respect of those New Ordinary Shares for which your Subscription Form has been received and is not rejected, your Subscription may be accepted at the election of the Companies either by notification to the UK Listing Authority of the basis of allocation or by notification of acceptance thereof to the Receiving Agent;

(v) agree that any monies in respect of your Subscription together with any other monies received in respect of all Subscriptions may be held on trust for the payment of the Offer Price in respect of New Ordinary Shares for which you have subscribed or failing such payment be returned to you without interest and that any interest earned in respect of such monies will be paid to the Companies;

(vi) agree that any monies refundable to you may be retained pending clearance of your remittance and any verification of identity which is, or which the Companies 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 Registrar to send share certificate(s) in respect of the New Ordinary Shares for which your Subscription is accepted and/or a crossed cheque for any monies returnable by post without interest to your address set out in the Subscription Form and to procure that your name is placed on the registers of members of the Companies in respect of such New Ordinary Shares;

(viii) agree that all Subscriptions, acceptances of Subscriptions and contracts resulting therefrom shall be governed by English law, and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Companies or Noble 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 in any court of competent jurisdiction;

(ix) confirm that, in making such Subscription, you are not relying on any information or representation in relation to the Companies other than the information contained in the Prospectus (and any supplementary prospectus filed with the FSA by the Companies in connection with the Joint Offer) or any part thereof and accordingly you agree that no person responsible solely or jointly for the Prospectus (and any supplementary prospectus filed with the FSA by the Companies in connection with the Joint Offer) or any part thereof or involved in preparation thereof shall have any liability for any such information or representation;

(x) irrevocably authorise the Receiving Agent and/or Noble or any person authorised by either of them, as your agent, to do all things necessary to effect registration of any New Ordinary Shares subscribed by or issued to you into your name and authorise any representative of the Receiving Agent or of Noble to execute any document required therefor;

(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 Companies and the New Ordinary Shares contained therein;

(xii) confirm that you have reviewed the restrictions contained in paragraphs (d) and (e) below and warrant that you are not a ''US Person'' as defined in the United States Securities Act of 1933, as amended, nor a resident of Canada and that you are not applying for any New Ordinary Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada, Australia, South Africa or Japan;

(xiii) agree that all documents and cheques sent by post to, by or on behalf of the Companies or the Receiving Agent will be sent at your risk;

(xiv) agree to disclose promptly in writing to the Companies any information which the Companies or Noble or the Receiving Agent may reasonably request in connection with your Subscription including, without limitation, satisfactory evidence of identity to ensure compliance with the Money Laundering Regulations 2007 and authorise the Companies, Noble and the Receiving Agent to disclose any information relating to your Subscription as they consider appropriate;

(xv) agree that Noble will neither treat you as its customer by virtue of your Subscription being accepted nor owe you any duties or responsibilities concerning the price of the New Ordinary Shares or the suitability for you of New Ordinary Shares or be responsible to you for providing the protections afforded to its customers;

(xvi) declare that the Subscription Form has been completed to the best of your knowledge;

(xvii) undertake that you will notify the Companies if you are not, or cease to be, either a Qualifying Subscriber or beneficially entitled to the New Ordinary Shares;

(xviii) 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 Ordinary Shares and that the New Ordinary Shares are being acquired for bona fide commercial purposes and not as part of a scheme or arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax;

(xix) declare that you are aged 18 or over; and

(xx) 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 authorities 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.

(d) No person receiving a copy of the Prospectus 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 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 Ordinary Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States of America, its territories or possessions or other areas subject to its jurisdiction (the ''USA''). In addition, the Companies have not been and will not be registered under the United States Investment Advisers Act of 1940, as amended. No Subscription will be accepted if it bears an address or post mark in the USA.

(f) Dealings prior to the issue of certificates for New Ordinary Shares will be at the risk of Qualifying 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) Authorised financial intermediaries who, acting on behalf of their clients, return valid Subscription Forms bearing their details and FSA number, will be paid introductory commission of either 3 per cent. or, if elected, 2 per cent. with additional annual trail commission of 0.4 per cent. for up to four years on the amount paid in respect of the New Ordinary Shares allocated for each such Subscription Form. Authorised financial intermediaries may agree to waive part or all of their introductory commission in respect of an application. If this is the case, then such application will be treated as an application to subscribe the amount stated in Box 1 of the Subscription Form, together with the amount of commission waived. Waived commission will be applied in paying for such New Ordinary Shares (and which additional Ordinary Shares will be treated as an application in respect of the current tax year). No commission will be paid in respect of such additional New Ordinary Shares. Financial intermediaries should keep a record of Subscription Forms submitted bearing their details to substantiate any claim for introductory commission. Claims for introductory commission must be made only on the Subscription Form and substantiated on subscription.

(h) Subscribers from whom Subscription Forms are received by noon on 26 February 2010 will receive an additional allocation of 1 per cent. of the amount subscribed. The total value of the additional allocation will be reinvested in additional New Ordinary Shares in Baronsmead VCT 3 and Baronsmead VCT 4. The total value of the additional allocation will be reinvested in additional New Ordinary Shares. No commission will be paid to authorised financial intermediaries in respect of such New Ordinary Shares in Baronsmead VCT 3 and Baronsmead VCT 4.

# 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.**

There are two copies of the Subscription Form set out at the end of this document. This allows you either to retain a copy of your Subscription Form or to submit two separate Subscription Forms. The first page of the Subscription Form allows you to provide your own details about your Subscription and provides various options concerning the administration of your shareholding in the Companies. The second page allows your financial adviser to provide their details concerning commission payable to them and how that is to be administered.

## PAGE 1 – SUBSCRIPTION DETAILS

**1** *Amount you wish to subscribe:* Insert (in figures) in Box 1 the value of the investment you wish to make. Your Subscription under the Joint Offer must be for a minimum of £3,000 and above that minimum in multiples of £1,000.

Pin a cheque or banker's draft to the Subscription Form for the exact amount shown in Box 1. Your cheque or banker's draft must be made payable to ''Baronsmead VCT 3 and VCT 4 Joint Offer – LTSB'' and crossed ''A/C Payee only''. Your payment must relate solely to this Subscription. Cheques may be presented for payment on receipt. Subscriptions under the Joint Offer will be processed upon receipt. Subscription Forms accompanied by a post dated cheque will not be processed until the cheque can be presented and will not be treated as being received by the Receiving Agent until that date.

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.

Money Laundering Notice – Important Procedures for Applications of the Sterling equivalent of €15,000 (approximately £13,500) or more. The verification requirements of the Money Laundering Regulations 2007 will apply and verification of the identity of the applicant may be required. Failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delay of confirmation. If you are an existing Shareholder in any Baronsmead VCT you will not need to provide the documents again.

If the application is for the Sterling equivalent of €15,000 or more (or is one of a series of linked subscriptions the value of which exceeds that amount) and:

**A** is made through an IFA 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 City Partnership (UK) Limited will supply specimen wording on request;

or

**B** is made direct (not through an IFA), you must ensure that the following documents are enclosed with the Subscription Form:

1. a certified copy of either your passport or driving licence; and
2. a recent (no more than 3 months old) original bank or building society statement, or utility bill, 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.

**2** *Name and address, etc:* Insert (using block capitals) in Section 2 your full name, full address including the post code, daytime telephone number, National Insurance number and date of birth.

**3** *Existing Baronsmead Shareholders:* Tick the box in Section 3 if you have previously invested in any of the Baronsmead VCTs. This will enable the Receiving Agent and the Registrar to identify your existing shareholding/s which will help to prevent duplicate accounts being set up and ensure that your correct name and address are used on share and tax certificates and future correspondence.

**4** *Signature and date:* Sign and date the Subscription Form in Section 4. By signing and dating this form you agree to invest in Baronsmead VCT 3 plc and Baronsmead VCT 4 plc in accordance with the Terms and Conditions as set out on pages 35 to 37 of the Securities Note dated 18 January 2010.

### ADMINISTRATION OF SHAREHOLDER ACCOUNT

The dividends paid by the Companies can either be reinvested or taken as cash. Sections 5 and 6 of the Subscription Form allow you to indicate whether you would like to reinvest your dividends and / or have them paid directly into your bank account. Dividends paid by cheque will be sent to the Shareholder's registered address using the standard mail delivery at the Shareholder's own risk if neither Section 5 nor Section 6 is completed. The Companies' Registrar will charge administration fees for re-issuing cheques.

**5** *Dividend reinvestment:* Tick the box/es in Section 5 if you would like to participate in the Dividend Reinvestment Plans of Baronsmead VCT 3 plc and Baronsmead VCT 4 plc respectively, as appropriate. If you are subscribing for shares which you intend to transfer into a nominee name and wish to reinvest dividends please contact your nominee to ensure that they will permit dividend reinvestment for the shares that they hold on your behalf. You or your nominee can contact the Companies' Registrar on 0870 703 0137 if there any questions about dividend reinvestment.

**6** *Payment to your bank account:* In order to facilitate the payment of dividends on any shares held in the Companies directly to your bank or building society account, please complete Section 6 of the Subscription Form. Dividends paid directly into your account will be paid in cleared funds on the dividend payment date. Your bank or building society statement will identify details of the dividends as well the dates and amounts paid. Do not complete this section of the Subscription Form if you wish to participate in the Dividend Reinvestment Plans of both Companies and have ticked both of the boxes in Sections 5a and 5b.

**7** *Electronic Communications:* Please tick the box and include your email address in Section 7 of the Subscription Form if you would like to receive electronic communications from the Companies. If you tick this box, the Companies' Registrar, Computershare Investor Services PLC, will also send you an email in which they will provide details of how you can manage your shareholding account electronically. This service is free and allows Shareholders to access their share balances, check dividends received, update payment instructions and update their email and postal address.

**8** *Signature, date and post code:* Please sign and date the Administration of Shareholder Account section of the Subscription Form. Please also include your post code as this will allow the Registrar to match your details with those that the Receiving Agent will have recorded with respect to your Subscription. By signing and dating this section of the form you authorise the Companies' Registrar to administer your shareholding account in accordance with the instructions noted in the Shareholding Administration section of the Subscription Form.

## PAGE 2 – DETAILS OF YOUR FINANCIAL ADVISER

**9** *Financial Advisers' Details:* Appropriately authorised financial advisers who are entitled to receive commission should complete Section 9, giving their contact name and address and their FSA Number. Please note the financial advisers' obligation to advise their clients of the risk factors set out on pages 4 and 5 of the Securities Note.

**10** *Commission:* Introductory commission will be paid to authorised financial advisers at a rate of either 3 per cent, or 2 per cent. (with additional annual trail commission) on the amount invested. Authorised financial advisers can waive some or all of this commission and have it invested in additional New Ordinary Shares for their clients.

**10A1** Introductory commission of 3 per cent. – no annual trail commission is to be paid.

**10A2** The amount of introductory commission to be waived and invested.

**10B1** Introductory commission of 2 per cent. – annual trail commission of 0.4 per cent for four years will be paid.

**10B2** The amount of introductory commission to be waived and invested.

**11** *Bank details:* Financial advisers who are entitled to receive commission can choose to have their commission paid directly to their bank account. In order to facilitate this, please complete section 11 of the Subscription Form.

### FREQUENTLY ASKED QUESTIONS

Q: *To whom should I make the cheque payable?*
A: Cheques should be made payable to ''Baronsmead VCT 3 & VCT 4 Joint Offer – LTSB''

Q: *Where should I send my application?*
A: Your application form and cheque should be sent to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh EH2 1DF.

Q: *What happens after I invest?*
A: The City Partnership will send you (and your IFA, if applicable) confirmation that it has received your Subscription Form by return post. If it has any questions about your application it will contact you by telephone or email in the first instance so it is important that you provide your contact information on the Subscription Form.

Q: *When can I expect to receive share and tax certificates?*
A: The Companies' Registrar, Computershare Investor Services PLC, will send share and tax certificates approximately ten Business Days after the allotment of shares. Allotments are expected to take place on 26 February 2010, 25 March 2010 and 3 April 2010. However, allotments can take place at other times at the discretion of the Directors. Allotments will be announced through an RIS. These documents are important and should be kept in a safe place. An administration fee will be charged for their replacement.

Q: *Whom do I contact if I have any questions concerning the application?*
A: Please call RAM Capital Partners LLP at any time on 020 3006 7530.

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INTENTIONALLY LEFT BLANK

# BARONSMEAD VCT 3 plc & BARONSMEAD VCT 4 plc

**Please pin or staple your cheque or banker's draft here** ☐

## Subscription Form

**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 adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. IMPORTANT – Before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS.**

Make your cheque or banker's draft out to ''Baronsmead VCT 3 & VCT 4 Joint Offer – LTSB'' 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 5.00 pm on Thursday 1 April 2010. If you post your Subscription Form you are recommended to use first class post and to allow at least four days for delivery.

**SUBSCRIPTION DETAILS**

**1** I wish to subscribe £ ........ (minimum £3,000, multiples of £1,000 thereafter)

in the Companies, or such lesser amount for which this subscription will be accepted, on the terms and conditions set out in Part V of the Securities Note dated 18 January 2010.

**2** Title and Full Name: ...............................................................

Address: ...............................................................

...............................................................

...............................................................

...............................................................

Post Code:........................ Daytime Telephone Number: ...............................

Date of Birth: ........................ National Insurance Number: ...............................

**3** Please tick this box if you are an existing shareholder in any of the Baronsmead VCTs ☐

**4** Signature: ............................................ Date: ........................

By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscription contained in Part V of the Securities Note and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

For use by City Partnership only

**ADMINISTRATION OF SHAREHOLDER ACCOUNT**

Please complete any relevant sections.

**5** DIVIDEND REINVESTMENT

**5A** Tick this box if you would like to participate in Baronsmead VCT 3 plc's Dividend Reinvestment Plan. ☐

**5B** Tick this box if you would like to participate in Baronsmead VCT 4 plc's Dividend Reinvestment Plan. ☐

**6** PAYMENT OF DIVIDENDS TO YOUR BANK ACCOUNT

If you would like your dividends 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 Computershare Investor Services PLC 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: ........................

**7** ELECTRONIC COMMUNICATIONS

Tick this box and provide your e-mail address if you would like to receive communications from the Companies by e-mail and receive information about how to manage your shareholdings in the Companies electronically. ☐

E-mail Address: ...............................................................

**8A** Full Name: ...............................................................

**8B** Signature: ............................ Date: ....................Post Code: ....................

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing or which may hereafter stand, in my name in the registers of members of the Companies to the account noted above.

DATA PROTECTION ACT: ISIS EP LLP will use the information you give for administration, research and statistical purposes. Information provided by you will be held in confidence by ISIS EP LLP and will not be passed on to any other product or service companies. Your details may be used by ISIS EP LLP to send you information on other products and services they offer.
If you would prefer not to receive such information, please tick this box. ☐

**DETAILS OF FINANCIAL ADVISERS**

To be completed by intermediaries only. **FSA Number must be quoted.**

**All financial advisers MUST advise their clients of the Risk Factors set out on pages 4 and 5 of the Securities Note**

**9** Firm Name: **Chelsea Financial Services plc** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

Contact (Adviser/Administrator) (delete as appropriate): **Matthew Woodbridge** . . . . . . . . . . . . . . . . . . . . . . . . . .

E-mail Address: **info@chelseafs.co.uk**. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

FSA Number: **114493** . . . . . . . . . . . . Telephone No: **0207 384 7300** . . . . . . . . . . . . Fax No: **0207 384 7320** . . . . . . . . . . . .

Address: **St James' Hall, Moore Park Road, London** . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Post Code: **SW6 2JS** . . . . . . . . . . . . . . . . . . . . .

**10** COMMISSION OPTIONS – Please complete section 10A or 10B (NOT BOTH)

**10A** Introductory commission of 3 per cent.

**10A1** To receive commission of 3 per cent. place an 'X' in this box ☐

**10A2** Insert the amount of the 3 per cent. commission you wish to be waived and reinvested in additional New Ordinary Shares for your client e.g. 0%, 1%, 1.5%, 2%, 2.5% or ALL. ☐

**10B** Introductory commission of 2 per cent. plus trail commission.

**10B1** To receive 2 per cent. introductory commission plus annual trail commission of 0.4 per cent. for four years place an 'X' in this box ☐

**10B2** Insert the amount of the 2 per cent. introductory commission you wish to be waived and reinvested in additional New Ordinary Shares for your client % e.g. 0%, 1%, 1.5%, or ALL ☐

**11** DIRECT PAYMENT OF COMMISSION/S TO A BANK ACCOUNT

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

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

Account Name: . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

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

Name of Bank or Building Society: . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

Branch: . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

Branch Address: . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

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

Please forward, until further notice, all commission/s that may from time to time become due as a result of my client's investment in the Companies

Sign:. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . Date: . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .

**DO NOT WRITE BELOW HERE**

# BARONSMEAD VCT 3 plc & BARONSMEAD VCT 4 plc

Please pin or staple your cheque or banker's draft here ☐

## Subscription Form

**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 adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. IMPORTANT – Before completing this form please read the accompanying notes. PLEASE USE BLOCK CAPITALS.**

Make your cheque or banker's draft out to ''Baronsmead VCT 3 & VCT 4 Joint Offer – LTSB'' 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 5.00 pm on Thursday 1 April 2010. If you post your Subscription Form you are recommended to use first class post and to allow at least four days for delivery.

**SUBSCRIPTION DETAILS**

**1** I wish to subscribe £ ............ (minimum £3,000, multiples of £1,000 thereafter)

in the Companies, or such lesser amount for which this subscription will be accepted, on the terms and conditions set out in Part V of the Securities Note dated 18 January 2010.

**2** Title and Full Name: ..................................................

Address: ..................................................

..................................................

..................................................

..................................................

Post Code:........................ Daytime Telephone Number: ..................................

Date of Birth: ........................ National Insurance Number: ..................................

**3** Please tick this box if you are an existing shareholder in any of the Baronsmead VCTs ☐

**4** Signature: .................................................. Date: ..........................

By signing this form I HEREBY DECLARE THAT I have read the terms and conditions of Subscription contained in Part V of the Securities Note and agree to be bound by them. I understand this is a LONG TERM investment and have read the RISK FACTORS.

For use by City Partnership only

**ADMINISTRATION OF SHAREHOLDER ACCOUNT**

Please complete any relevant sections.

**5** DIVIDEND REINVESTMENT

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Account Name: ..................................................

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

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Branch: ..................................................

Branch Address: ..................................................

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

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E-mail Address: ..................................................

**8A** Full Name: ..................................................

**8B** Signature: .................................... Date: ....................Post Code: ....................

Please forward, until further notice, all dividends that may from time to time become due on any Shares now standing or which may hereafter stand, in my name in the registers of members of the Companies to the account noted above.

DATA PROTECTION ACT: ISIS EP LLP will use the information you give for administration, research and statistical purposes. Information provided by you will be held in confidence by ISIS EP LLP and will not be passed on to any other product or service companies. Your details may be used by ISIS EP LLP to send you information on other products and services they offer.
If you would prefer not to receive such information, please tick this box. ☐

**DETAILS OF FINANCIAL ADVISERS**

To be completed by intermediaries only. **FSA Number must be quoted.**

**All financial advisers MUST advise their clients of the Risk Factors set out on pages 4 and 5 of the Securities Note**

**9** Firm Name: **Chelsea Financial Services plc** ........................................

Contact (Adviser/Administrator) (delete as appropriate): **Matthew Woodbridge** ........................................

E-mail Address: **info@chelseafs.co.uk** ........................................

FSA Number: **114493** ............ Telephone No: **0207 384 7300** ............ Fax No: **0207 384 7320** ............

Address: **St James' Hall, Moore Park Road, London** ........................................

........................................ Post Code: **SW6 2JS** ....................

**10** COMMISSION OPTIONS – Please complete section 10A or 10B (NOT BOTH)

**10A** Introductory commission of 3 per cent.

**10A1** To receive commission of 3 per cent. place an 'X' in this box ☐

**10A2** Insert the amount of the 3 per cent. commission you wish to be waived and reinvested in additional New Ordinary Shares for your client e.g. 0%, 1%, 1.5%, 2%, 2.5% or ALL. ☐

**10B** Introductory commission of 2 per cent. plus trail commission.

**10B1** To receive 2 per cent. introductory commission plus annual trail commission of 0.4 per cent. for four years place an 'X' in this box ☐

**10B2** Insert the amount of the 2 per cent. introductory commission you wish to be waived and reinvested in additional New Ordinary Shares for your client % e.g. 0%, 1%, 1.5%, or ALL ☐

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

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Branch: ........................................

Branch Address: ........................................

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

Please forward, until further notice, all commission/s that may from time to time become due as a result of my client's investment in the Companies

Sign: ........................................ Date: ........................

**DO NOT WRITE BELOW HERE**

# Directors, Manager and Advisers

## Directors

*Baronsmead VCT 3*
Mark Cannon Brookes
Andrew Karney
Gillian Nott OBE
Robert Owen
Anthony Townsend

*Baronsmead VCT 4*
Philip Dunne
Ian Kirkpatrick
Robert Owen
Alan Pedder CBE

all of
100 Wood Street
London
EC2V 7AN
which is the registered office of the Companies
Telephone: 020 7506 5600

## Secretary

Barry Lawson
100 Wood Street
London
EC2V 7AN

## Solicitors

Norton Rose LLP
3 More London Riverside
London
SE1 2AQ

## Auditors

KPMG Audit Plc
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

## Registrar

Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ
Telephone: 0870 703 0137

## Manager

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

## Promoter

RAM Capital Partners LLP
74 Chancery lane
London
WC2A 1AD
Telephone: 020 3006 7530

## Sponsor

Noble & Company Limited
120 Old Broad Street
London
EC2N 1AR

## Receiving Agent

The City Partnership (UK) Limited
Thistle House
21–23 Thistle Street
Edinburgh
EH2 1DF
Telephone: 0131 243 7210

## VCT Status Adviser

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

## Brokers

Matrix Corporate Capital LLP
One Vine Street
London
W1J 0AH

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Capital Partners

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www.ramcapital.co.uk

100 Wood Street London EC2V 7AN T 020 7506 5600 F 020 7506 5665 www.baronsmeadvcts.co.uk

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EQUITY PARTNERS

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www.isisep.com