



LINKED OFFER

SECURITIES NOTE & APPLICATION FORM  
FOR B SHARES IN

HAZEL RENEWABLE ENERGY VCT 1 PLC  
& HAZEL RENEWABLE ENERGY VCT 2 PLC



HAZEL CAPITAL

# This document is important and requires your immediate attention.

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

THIS DOCUMENT CONSTITUTES A SECURITIES NOTE (THE SECURITIES NOTE) ISSUED BY HAZEL RENEWABLE ENERGY VCT 1 PLC AND HAZEL RENEWABLE ENERGY VCT 2 PLC (THE COMPANIES). ADDITIONAL INFORMATION RELATING TO THE COMPANIES IS CONTAINED IN A REGISTRATION DOCUMENT ISSUED BY THE COMPANIES (THE REGISTRATION DOCUMENT). THIS SECURITIES NOTE, THE REGISTRATION DOCUMENT AND A SUMMARY (THE SUMMARY) HAVE BEEN PREPARED IN ACCORDANCE WITH THE PROSPECTUS RULES MADE UNDER FSMA, AND HAVE BEEN APPROVED BY THE FINANCIAL CONDUCT AUTHORITY (FCA) IN ACCORDANCE WITH FSMA AND CONSTITUTE A PROSPECTUS ISSUED BY THE COMPANIES DATED 18 FEBRUARY 2016. THE PROSPECTUS HAS BEEN FILED WITH THE FCA IN ACCORDANCE WITH THE PROSPECTUS RULES. YOU ARE ADVISED TO READ THE PROSPECTUS IN FULL. THIS DOCUMENT HAS BEEN PREPARED FOR THE PURPOSES OF COMPLYING WITH THE PROSPECTUS DIRECTIVE, ENGLISH LAW AND THE RULES OF THE UKLA AND THE INFORMATION DISCLOSED MAY NOT BE THE SAME AS THAT WHICH WOULD BE DISCLOSED IF THIS DOCUMENT HAD BEEN PREPARED IN ACCORDANCE WITH THE LAWS OF A JURISDICTION OUTSIDE ENGLAND.

The Companies and the Directors (whose names are set out in Part VIII of this document) accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Companies and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Companies and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of New Shares by financial intermediaries, from the date of the Prospectus until the close of the Offers. There are no conditions attaching to this consent. Financial intermediaries may only use the Prospectus in the UK. The Offers are expected to close on or before 1 April 2016, unless previously extended by the Boards, but may not extend beyond 1 February 2017.

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## **Hazel Renewable Energy VCT 1 Plc**

(Registered in England and Wales with registered number 07378392)

## **Hazel Renewable Energy VCT 2 Plc**

(Registered in England and Wales with registered number 07378395)

### **Linked Offers for Subscription**

## **to raise up to £15m, in aggregate, by way of the issue of New Shares**

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

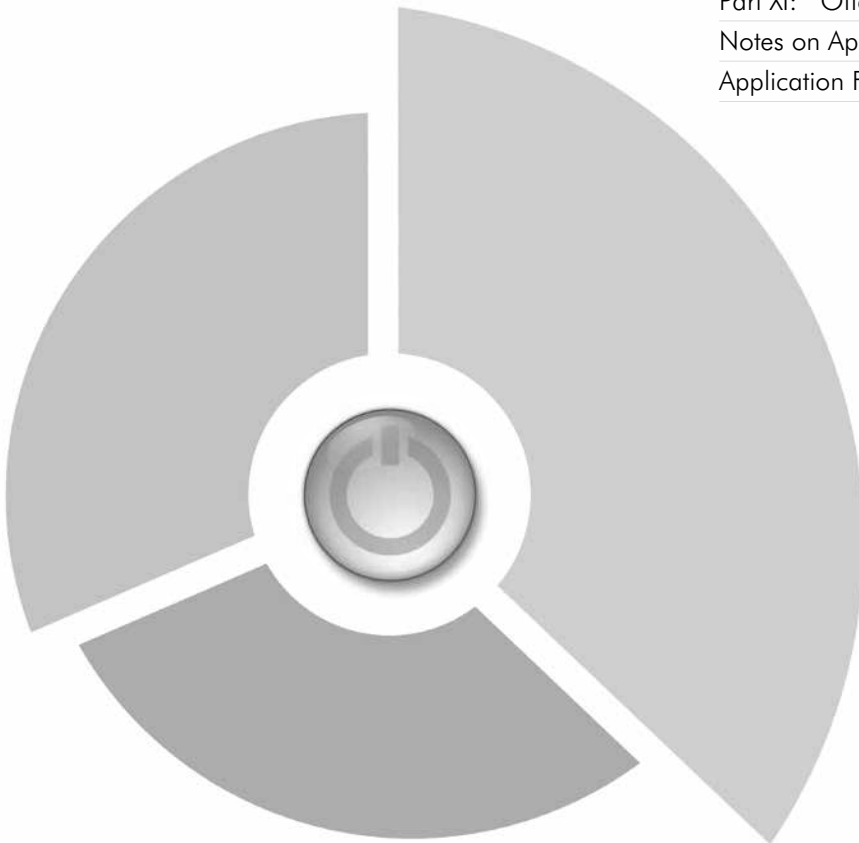
The Companies existing shares are listed on the premium segment of the Official List of the UK Listing Authority and traded on the London Stock Exchange's main market for listed securities. Applications will be made by the Companies to the UK Listing Authority for the New Shares issued by them to be admitted to the premium segment of the Official List and to the London Stock Exchange for such New Shares to be admitted to trading on its main market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the New Shares will commence three Business Days following allotment. If the Offers are over subscribed they may be increased, at the discretion of the Boards, to no more than £30m in total.

Copies of this Securities Note, the Registration Document and the Summary (and any supplementary prospectus published by the Companies) are available free of charge from the offices of the Companies' investment adviser, Hazel Capital LLP, at 2nd Floor 227 Shepherds Bush Road, London, W6 7AS, and the Companies website: [www.hazelcapital.com/currentoffers](http://www.hazelcapital.com/currentoffers).

None of the New Shares have been, nor will be, registered in the United States under the United States Securities Act of 1933, as amended, (the Securities Act) or under the securities laws of Canada, Australia, Japan or South Africa (each a Restricted Territory) and they may not be offered or sold directly or indirectly within the United States or any of the Restricted Territories or to, or for the account or benefit of US Persons (as defined in Regulation S made under the Securities Act) or any national, citizen or resident of the United States or any of the Restricted Territories. The Offers are not being made, directly or indirectly, in or into the United States or any of the Restricted Territories or in any other jurisdiction where to do so would be unlawful. In particular, prospective investors who are resident in the United States or any Restricted Territory should note that this document is being sent for information purposes only. The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any of these restrictions. Any failure to comply with any of those restrictions may constitute a violation of the securities law of any such jurisdiction. No Application Form is being, nor must be, forwarded to or transmitted in or into the United States or a Restricted Territory. Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation to forward this document and/or the Application Form should read the paragraph entitled "Overseas Investors" in paragraph 14 of Part VII of this document before taking any action.

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## Risk Factors

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

- The value of an investment in the Companies and the level of income derived from it may go down as well as up. Shareholders may get back less than the amount originally invested in the Companies.
- The past performance of the Companies or other companies or funds managed or advised by the Investment Adviser is not a guide to the future performance of the Companies. No assurance can be given that profits will be achieved or that substantial losses will not be incurred.
- The value of the New Shares depends on the performance of its underlying assets. The market price of the New Shares may not fully reflect their underlying NAV and will be determined, among other things, by the interaction of supply and demand for such shares in the market, as well as the NAV per New Share. Generally, trading in VCT shares is not active and, therefore, the New Shares are likely to be valued at a discount to their net asset value and may be difficult to realise.
- The majority of the Companies' investments are, and will generally be, in companies whose securities are not publicly traded or freely marketed and may, therefore, be difficult, and take time, to realise. There may also be constraints imposed on the realisation of investments in order to maintain the VCT tax status of the Companies. It can take a period of years for the underlying value or quality of the business of smaller companies, such as those in which the Companies invests, to be fully reflected in their market values, and their market values are often also materially affected by general market sentiment, which can be negative for prolonged periods.
- The use of battery technology for energy storage on an industrial scale is comparatively recent although the underlying components, manufacturing processes and general understanding of Lithium-based battery technology have been evolving for over 30 years. Therefore, while there are risks as to safety and reliability these do not equate to the risks associated with unproven or early stage technologies. Furthermore, long term warranties relating to reliability (life in years or cycles) should be forthcoming from suppliers.
- Investment in the New Shares should be viewed as a long-term investment.
- Shareholders should be aware that the disposal of New Shares within five years of their allotment will require the repayment of some or all of any income tax relief which they may have obtained upon investment. Accordingly, an investment in the Companies is not suitable as a short or medium term investment. Further, the disposal of Existing Shares in the Companies within six months either side of the acquisition of New Shares will result in the amount of the investment in New Shares to which VCT tax reliefs are available being reduced by an amount equal to the proceeds received on the disposal.
- Although the Existing Shares are already listed, and it is intended that the New Shares will be listed, on the premium segment of the Official List and admitted to trading on the main market for listed securities of the London Stock Exchange, it is likely that there will not be a liquid market in the New Shares and Shareholders may have difficulty in selling their New Shares as a result. Accordingly, Admission to the Official List and to trading on the main market for listed securities of the London Stock Exchange should not be taken as implying that there will be a liquid market for the New Shares. Shareholders may not be able to realise their investment at net asset value or at all.
- Investments by VCTs are Risk Finance State Aid. Where the European Commission believes that Risk Finance State Aid has been provided which is not in accordance with The Risk Finance Guidelines, it may require that the UK Government recover that Risk Finance State Aid. There is currently no mechanism in place for this, but recovery may be from the investee companies, the Companies or the Companies' investors.
- Proposals are being put to Shareholders at the Companies' annual general meetings convened for 7 March 2016 to remove the requirement in

the Articles of Association of the Companies for a regular continuation vote to be put to Shareholders. If this proposal is not passed and Shareholders vote for the Companies discontinuance the VCT tax reliefs set out below will not be available to investors.

- Although it is intended that the Companies will be managed so as to qualify as VCTs, and retain such status, there is no guarantee that such status will be achieved or maintained for the necessary periods, to enable Shareholders to retain their tax reliefs. If the Companies fail to meet the qualifying requirements of VCTs, this could result in Shareholders being required to repay the initial 30% income tax rebate received on subscription for New Shares, the loss of income tax relief on dividends paid on New Shares, the loss of tax relief previously obtained in relation to corporation tax and capital gains made by the Companies, a liability to tax on capital gains on any disposal of any New Shares and the loss of the relevant Companies listing.

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## Expected Timetable

<b>Offers open</b>	<b>18 February 2016</b>
<b>Deadline for receipt of applications under the Offers</b>	<b>12 noon on 1 April 2016</b>
<b>Offers close*</b>	<b>12 noon on 1 April 2016</b>
<b>Dealings in New Shares commence</b>	<b>three Business Days following allotment**</b>
<b>Definitive share and tax certificates dispatched</b>	<b>within ten Business Days of allotment</b>

\* The Boards may close the Offers earlier than the date stated above if the Offers are fully subscribed by an earlier date or otherwise at their discretion, or extend their Offer to a date no later than 1 February 2017.

\*\*New Shares will be allotted and issued in respect of valid applications received for the Offers on 4 April 2016 and any other date prior to 6 April 2016 on which the Directors decide, subject to receipt of the Minimum Subscription.

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## Financial Calendar

<b>Financial year end</b>	<b>30 September</b>
<b>Preliminary results announcement and posting of annual report</b>	<b>December</b>
<b>Annual general meeting</b>	<b>February/March</b>
<b>Half yearly announcement and posting of Half yearly report</b>	<b>May</b>

# Letter from The Chairmen

Dear Investor

18 February 2016

We hope you will find this share offer of interest to you, offering investment in the renewable sector with an experienced VCT fund manager with a proven track record of significant returns for investors. Despite the recent changes to the VCT Rules (November 2015), there is still a limited window of opportunities in the renewable sector, and the purpose of the Offers is to take advantage of those opportunities.

## Introduction

The Companies were launched in 2010, raising some £41.6m in total in that and the subsequent fiscal year, through the issue of linked share offers, which represented the most successful launch by a new entrant into the VCT market. Since then, the Companies have launched two top-up offers which have raised a further £8m.

Over the past 5 years, the Companies have successfully invested in a total of 19 solar and wind projects. Today, the Companies continue to own and manage 16 projects across 13 project companies with a Net Asset Value as at 30 September 2015 (the date of the Companies' last published report and accounts) of £28.9m. 12 of the 16 projects are solar projects of which 8 are ground-mounted, and the remainder are on rooftops. The remaining 4 projects are in the small wind sector. All projects are cash-generative having been acquired at attractive rates of return and having, for the most part, hit or exceeded their targeted returns. All the Companies' projects benefit from long-term government guaranteed revenue. The latter, combined with the fact that renewable technology is generally proving reliable (in particular solar PV technology) has made the investments lower risk in nature. As a result, and as expected, we believe that the Companies have succeeded in generating a stronger risk-adjusted return than is perhaps normally anticipated within a VCT structure, which also utilises the associated tax benefits to enhance returns for the benefit of investors.

For an investor in the Companies' original share offer launched in October 2010 their Total Return (NAV plus cumulative dividends paid to date) is £1.47 on a net investment (after an initial VCT income tax rebate) of 70p, a more than doubling of their net investment and equivalent to an IRR of approximately 16% p.a. assuming an approximate 5 year holding period to date for the majority of investors.

## The Opportunity

In November 2015, new VCT rules introduced some significant changes, creating a limited window of opportunity for further investments in the renewable energy sector, and the purpose of these Offers is to take advantage of that.

Accordingly, the Companies are seeking to raise, in total, £15m, by way of an issue of a new class of shares, termed B Shares, which will invest in projects which include batteries connected to either existing or new (and unsubsidised) renewable energy projects or the installation of standalone batteries connected to the grid, both in the UK and Europe (Europe - maximum 25% of net funds raised). A combination of better, more reliable, safer and considerably lower cost batteries available in the market mean that their addition to existing projects should enhance their returns whilst also making unsubsidised projects viable.

This separate share class will hold separate assets (and liabilities), as distinct from the Companies' existing portfolio of investments. The two share classes will be run separately, as too the returns and gains made from each share pool, for the benefit of their respective class of Shareholders. Following the new VCT rules, we believe that investments made after 5 April 2016 in such assets will not be qualifying holdings for VCTs. Funds raised under the Offers will result in lower running costs per Shareholder as those costs will be spread over a larger asset base.

Investors will not only gain access to an attractive pool of investments but will also be securing the services of a fund manager with a proven track record in the renewable energy sector with extensive experience in sourcing, identifying, structuring and making profitable investments.

## Investment In Renewable Energy Projects with Batteries – our Investment Adviser’s view

“Today, in Hazel Capital’s view, it is possible to make an acceptable return on certain renewable energy projects, such as a large solar farm which is located as far south as possible, without any form of subsidies. Further, as each year passes, as long as power prices do not change materially from current levels (and ideally go up) and as equipment costs continue to come down, renewable projects should become increasingly viable without subsidies.

In addition to the expected, increasing viability of unsubsidised renewable energy projects, Hazel Capital, in its opinion, believes that the availability, cost and reliability (as measured by cycle life) of batteries has improved to the extent that adding battery storage to the UK’s energy infrastructure is now believed to be an attractive investment proposition. Crucially, we believe that batteries can perform a similar but higher value-added role as opposed to other providers of ‘reserve power’ such as diesel generators. Thus, we view batteries as a ‘clean’ or ‘renewable’ energy technology as i) they do not themselves cause any emissions and ii) they can source their power from renewable sources and in any case are a far less polluting and more efficient technology than diesel gensets.

Project opportunities modelled by Hazel Capital include three areas. First, the addition of batteries to existing (subsidised) projects, secondly, new (unsubsidised) renewable energy projects with batteries integrated into the design and thirdly, the installation of standalone batteries connected to the grid. All options offer attractive returns which are also considered to have an attractive risk profile due to the low risk attributes of investments in reliable, physical assets with product warranties and the risk reduction from the diversified revenue streams that such projects will earn.

It is assumed that the majority of the returns from batteries would be earned within a 10 year project life, although a considerably longer life is entirely feasible (in terms of both battery reliability and revenue opportunities) but we nonetheless deem it prudent to heavily discount revenues beyond ten years. As a result, such projects are expected to have a shorter payback period.

While historically a renewable energy project earned the vast majority of its revenues from subsidies and power sales, today renewable energy projects with batteries can earn revenues from at least three sources that are independent of each other.

More specifically, the projects described above could earn a combination of revenues including revenues from:

1. the sale of electricity;
2. enhanced revenues from storing electricity (generated on site as well as from the grid) and selling it at a better price at another time;
3. providing grid stability services; and
4. targeting the sale of revenues at periods of peak demand.”

## The Offers

The maximum amount to be raised under the Offers is £15m subject to the Over Allotment Facility. The Offers are conditional upon the passing by Shareholders of resolutions 1 to 4 to be proposed at the Companies' General Meeting on 14 March 2016 (see page 29) and minimum level of subscription, per Offer, of £1.5m.

## The Investment Adviser

Hazel Capital advises the Boards of the VCTs on the investments in each of the Companies. Meanwhile, the day-to-day management of each Company's investments is carried out by Hazel Capital. Hazel Capital is a UK-based, FCA registered renewable energy infrastructure investment firm, established in 2007.

Hazel Capital LLP is among the leading operators of ground-mounted solar in the UK and has expertise in the clean technology sector as a whole both within the UK and internationally.

Since 2010, Hazel Capital has had a particular strategic focus on the development and construction of UK ground-mounted solar PV infrastructure. Founded by Ben Guest, the investment management team together has 80 years' experience in the renewable energy, venture capital and Cleantech markets.

Hazel Capital not only manages the Companies' assets but also manages several other projects. Hazel Capital has also acted as developer of some of these projects and, therefore, understands what is required to de-risk a project from its inception. Hazel Capital has also carried out multiple refinancing operations and sale/purchase transactions giving the firm a depth of experience to also make a project bankable and saleable. Hazel Capital currently advises on over £200m in assets, mostly invested in solar projects in the UK and one project in Spain.

## Directors and Investment Advisers commitment

To date, the Directors and members of the Investment Advisers team have collectively invested £1.05m in the Companies aligning their interests with Shareholders, and demonstrating their commitment to the Companies and will be investing some £220,000 in the Offers.

## VCT Tax Reliefs

The Offers afford investors the opportunity to benefit from significant tax advantages under the VCT rules. Qualifying investors will be entitled to an income tax rebate of 30% on their investment in the Offers, with capital gains tax exemption on sale and tax free dividends. Further details of the VCT Tax Rules are set out in Part VI of this document.



## Action

If you wish to invest in the Offers, please complete the Application Form, after having taken appropriate advice, and return it in accordance with instructions set out on page 51.

If you have any questions concerning the Offers, please contact Hazel Capital on 020 3434 1010, although no financial, legal, investment or tax advice can be given.

We very much look forward to welcoming you as an investor in the Companies.

Yours sincerely



**Michael Cunningham**  
Chairman  
Hazel Renewable Energy VCT 1 Plc

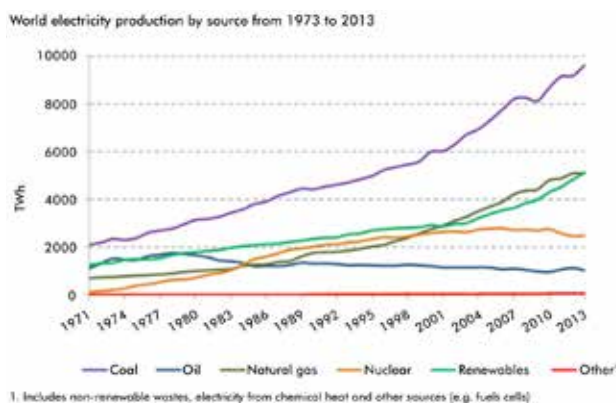


**Peter Wisler**  
Chairman  
Hazel Renewable Energy VCT 2 Plc

# Part I: Renewable Energy

Before describing the opportunity in detail, we have set out below some background to the renewable energy market.

Since the launch of the Companies in 2010 the renewable energy market in the UK and, indeed, globally, has grown significantly. Globally, the picture looks as shown in the chart below where renewable installations in particular have propelled renewables to the second spot (behind coal) already by the end of 2013, representing about 20% of total generation. The data for 2014 and 2015 is not available yet but it is expected to show an extension of market share gains.



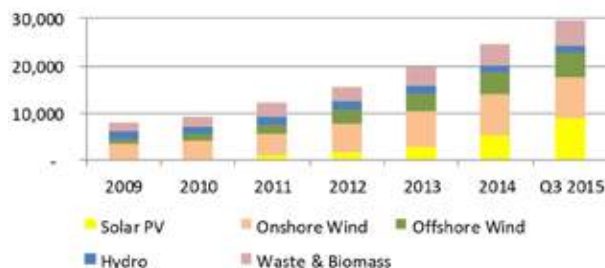
Source: IEA

In the UK, the implementation of the Feed-In tariff and Renewable Obligation Certificate regimes has also enabled rapid growth in the UK. Here, renewable power's share of electricity generation reached 23.5% in 2015 Q3, up 5.9% on its share in 2014 Q3, due to increasing renewable capacity and generally more favourable weather conditions for renewable generation.

In terms of actual generation, renewable electricity generation was 17.8 TWh in 2015 Q3, an increase of 33% on the 13.4 TWh in 2014 Q3. This was a function of the 26% increase in renewable energy capacity in the UK which stood at 29.7GW at the end of Q3 2015.

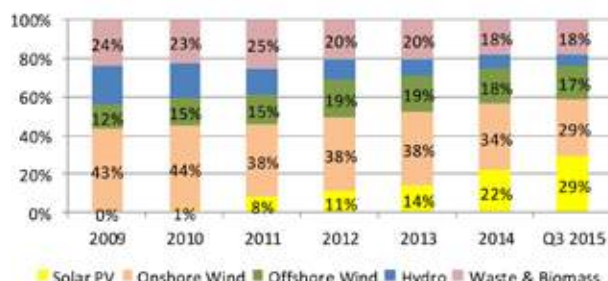
This represents a greater than doubling of renewable energy installed capacity in the three and a half years to the end of Q3 2015.

Growth of the UK Renewable Energy Market Since 2009



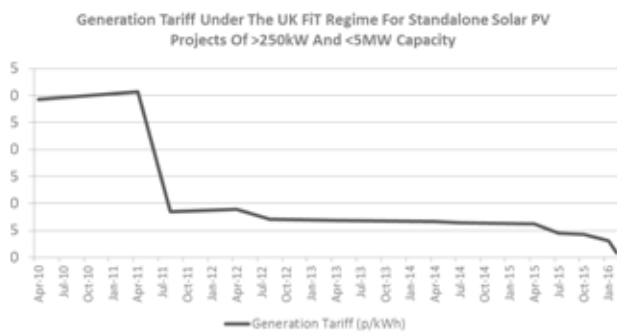
Source: UK Government: Energy Trends Section 6: Renewables

Share of UK Renewable Energy Market By Technology



Source: UK Government: Energy Trends Section 6: Renewables

The growth described above has been, in our view, largely due to subsidies improving the economics and reducing the risk of renewable installations by increasing revenues and reducing exposure to market dynamics. On the flip side, it can also be said that growth has been sustained despite subsidies being brought lower, sometimes dramatically. For example, since 2010, the level of subsidies for a feed-in tariff regime-accredited solar farm has plummeted from a peak of 30.7p/kWh generation tariff in 2011 and index-linked to RPI for 25 years to under 1p/kWh starting in February 2016 and index-linked to RPI for just 20 years (source: Ofgem). For a system larger than 5MW, it is possible that subsidies have been removed forever; at the present time there is no support for larger solar farms beyond March 2016.



Source: Ofgem

The reason growth has been sustained has been a function of rapidly falling costs, in particular in the solar industry. For example, the cost of constructing a solar farm has more than halved since 2010.

## The Opportunity

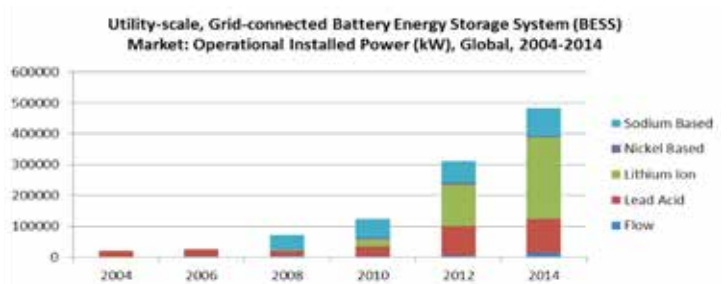
Today, in Hazel Capital's view, it is possible to make an acceptable return on certain renewable energy projects, such as a large solar farm which is located as far south as possible, without any form of subsidies. Further, as each year passes, as long as power prices do not change materially from current levels (and ideally go up) and as equipment costs continue to come down, renewable projects should become increasingly viable without subsidies.

In addition to the expected increasing viability of unsubsidised renewable energy projects, Hazel Capital has, in its opinion, believes that the availability, cost and reliability (as measured by cycle life) of batteries has improved to the extent that adding battery storage to the UK's energy infrastructure is now an attractive investment proposition. Crucially, batteries can perform a similar but higher value-added role as other providers of 'reserve power' such as diesel generators, which is why we view batteries as a 'clean' or 'renewable' project opportunity as i) they do not themselves cause any emissions and ii) they can source their power from renewable sources and in any case are a far less polluting and more efficient technology.

Batteries that have been used prior to around 3-4 years ago have mostly been Lead Acid or other long life batteries. However, with Lithium Ion technology having matured through its use in calculators, hand

held games, mobiles, laptops and more recently electric cars and grid storage systems, confidence around them has grown significantly over the last 30 years. Just as importantly battery costs have reduced significantly over the last 10 years with the largest annual percentage falls taking place in the last 2 years.

Installations have grown rapidly in recent years as shown in the chart below and will continue to grow from here as the benefits of batteries – especially in a world of renewable but intermittent power generation – are increasingly understood:



Source: Frost and Sullivan.

Project opportunities modelled by Hazel Capital include three areas. First, the addition of batteries to existing (subsidised) projects, secondly, new (unsubsidised) renewable energy projects with batteries integrated into the design and thirdly, the installation of standalone batteries connected to the grid. All options offer attractive returns which are also considered to have an attractive risk profile due to the low risk attributes of investments in reliable, physical assets with product warranties and the risk reduction from the diversified revenue streams that such projects will earn.

Batteries selected can be integrated into a readily-available, well-known inverter solutions.

Batteries are to be supplied as a containerised solution including:

- a Battery Management System (BMS)
- racking
- wiring
- harnessing
- safety features
- ventilation

And shall be available with a warranty package

While historically a renewable energy project earned the vast majority of its revenues from subsidies and power sales, today renewable energy projects with batteries can revenue from at least three sources which are independent of each other.

More specifically, the projects described above could earn a combination of sources, including revenues from:

- the sale of electricity;
- enhanced revenues from storing electricity (generated on site as well as from the grid) and selling it at a better price at another time;

- providing grid stability services; and
- targeting the sale of revenues at periods of peak demand.

The Investment Adviser will seek investment opportunities that:

- should generate an attractive cash yield and total return with a low risk profile;
- afford a shareholder loan / equity structure to facilitate cash distribution;
- should earn a yield significantly superior to treasury yields; and
- avoid construction risk with projects being funded post-construction.

## Illustration of Potential Returns

Set out below is an illustration of potential returns in various scenarios. **No forecast or projection is expressed or implied.**

Scenario*	Apr17	Apr18	Apr19	Apr20	Apr21	IRR	Gross Equivalent IRR <sup>3</sup>	Total Gross Equivalent Return
Low	£0	£5,800	£5,800	£5,800	£105,800	5%	16%	95%
Medium	£0	£6,600	£6,600	£6,600	£120,900	8%	20%	130%
High	£0	£7,400	£7,400	£7,400	£136,000	10%	24%	166%

### Notes

\*Illustrative returns are based on a £100,000 investment which is charged a 4% Promoter's Fee and earns a dividend (before the Performance Incentive) of 6, 7 or 8% for years ending April 2018 to April 2021 inclusive and earns a capital gain, assuming an exit after five years of 0, 20 or 40% for the Low, Medium and High return scenarios respectively.

1. Assumes shares are allotted by 2 April 2016.

2. All returns are shown net of an annual advisory fee of 2% and the Performance Incentive.

3. Gross Equivalent IRR assumes 30% income tax relief has been achieved upfront and grosses up dividends at a 38.1% higher rate and capital gains at 28%.

The annual advisory fee and Performance Incentive here are the same in effect as for Hazel Renewable Energy VCT Ordinary Shareholders.

## Part II: Investment Policy

### Investment Objectives

Each of the Companies' objectives are to maximise tax free capital gains and income to shareholders from dividends and capital distributions by investing the Companies' funds in:

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

### Investment Strategy

The Companies will seek to invest in investee companies that they believe are materially de-risked and will provide shareholders with a reliable source of tax free income and maximise the potential for capital preservation. Companies will generally reflect the following criteria:

- a well-defined business plan and ability to demonstrate strong demand for its products and services;
- products or services which are cash generative;
- objectives of management and shareholders which are similarly aligned;
- adequate capital resources or access to further resources to achieve the targets set out in its business plan;

- be companies where the Investment Adviser believes there are reasonable prospects of an exit, either through a trade sale or flotation in the medium term; and
- a focus on small and long term renewable energy projects that utilise proven technology and qualify for the highest possible long term government guaranteed subsidies.

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### Asset Allocation

The Companies will invest at least 70% of their funds in Qualifying Investments. Initially, whilst suitable Qualifying Investments are being identified, the funds will be invested in a mixture of deposits, institutional money market funds, or short term fixed income securities. Progressively, this portfolio will be realised in order to fund investments in Qualifying Investments.

Although under VCT legislation the Companies must have 70% of their funds invested in Qualifying Investments within 3 years, the Companies intend to invest up to 90%. Accordingly, the Companies' maximum exposure to Qualifying Investments will be 90%. The Companies intend to retain their remaining funds in non-Qualifying Investments to fund the annual running costs of the Companies, to reduce the risk profile of the overall portfolio of their funds and to provide investments which can be realised to fund any further investments in their investee companies.

It is expected that once 70% of funds raised have been invested in Qualifying Investments, each Company will have at least 8 investments (assuming full subscription) to provide diversification and risk protection, with a maximum investment in each Qualifying Investment of £1m. In any case, an investee company's gross assets will not exceed £15m prior to investment to ensure compliance with VCT legislation. In relation to the Companies, no single investment (including loans to investee companies) will represent more than 15% of the aggregate net asset value of its fund.



## Risk Diversification

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

The main risk management features include:

- portfolio of investee companies – each Company will invest in at least 8 different companies (assuming full subscription), thereby reducing the potential impact of poor performance by any individual investment;
- monitoring of investee companies – the Investment Adviser will closely monitor the performance of all the investments made by the Companies in order to identify any issues and to enable necessary corrective action to be taken; and
- at the investee company level rights contained in the investment agreements and other shareholder/constitutional documents that ensure significant influence over the management of the business of these investee companies.

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## Gearing

It is not intended that either Company will borrow. However, each Company will have the ability to borrow up to 15% of its net asset value. There are no plans to utilise this ability at the current time.

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## Change in Investment Policy

A material change in the investment policy of either Company will only be effected with the prior approval of the relevant Company's shareholders in accordance with the Listing Rules.

## Part III: Benefits of the Offers

Investors under the Offers will:

- have access to renewable projects managed by a proven fund manager in the sector;
- secure an income tax rebate on investments, of up to 30%, together with tax free gains and dividends;
- secure the services of an investment management firm with some 8 years' experience in the renewable sector with several members of the team having considerably longer experience;
- invest in Companies which have achieved a market-leading track record and a significant Total Return for initial investors;
- take advantage of a limited window of opportunity between now and 31 March 2016.

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## Companies' Current Portfolio

Each Company currently has a portfolio of some 16 underlying projects held through 13 portfolio companies which are all either entirely or majority owned by the Companies. Projects include 8 ground-mounted solar projects and 4 roof-mounted projects, all of which are in the UK. The Companies also have investments in four wind turbine projects.

Further details of the Companies' investments are set out in Part IV of the Registration Document.

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## Investment Adviser

Hazel Capital advises the Boards of the VCTs on the investments in each of the Companies. Meanwhile, the day-to-day management of each Company's investments is carried out by Hazel Capital.

Hazel Capital is a UK-based, FCA registered renewable energy infrastructure investment firm, established in 2007.

Hazel Capital LLP is among the leading operators of ground-mounted solar in the UK and has expertise in the clean technology sector as a whole both within the UK and internationally.

## Investment Advisory Team

The Investment Advisory Team together has 80 years of experience in renewable energy, venture capital and clean tech markets along with proven track record in each market. The team comprises the following individuals:

### **Ben Guest: Founder and Managing Partner**

Ben Guest founded Hazel Capital LLP in April 2007. He has 22 years' investment experience, most of which have been in the technology and cleantech sectors. In cleantech, Ben's experience spans the investment spectrum, from clean energy infrastructure, to public equities and venture capital. Ben leads the infrastructure team at Hazel Capital and oversees all aspects of investment origination, execution and on-going portfolio management. Ben is responsible for the development of Hazel Capital's pipeline of UK infrastructure assets and also oversees the firm as a whole. In addition to being a non-executive director of VCT 1 he is also non-executive director of the Companies' investee companies and of other clean technology companies.

Prior to founding Hazel Capital, Ben was a co-founder of Cantillon Capital, where he successfully managed over \$1bn in a global technology hedge fund called Cantillon Technology from 2003 to 2006. Ben started his career in 1994 at Lazard Asset Management having graduated from Imperial College, London with a BEng in Mechanical Engineering.

### **Bozkurt Aydinoglu: Partner**

Bozkurt has been a Partner of Hazel Capital LLP since 2008 and has 23 years of experience in the financial sector. At Hazel Capital he focuses on asset management, transaction execution, commercial negotiations and general management. Bozkurt has been exclusively focused on the clean energy industry since 2002 as an entrepreneur and investor. He co-founded New Energy Finance, the industry's leading research and information service, which was sold to Bloomberg in 2009, and has wide experience of investing in the industry across asset classes.

Bozkurt dedicated the first nine years of his career to capital raising, advisory and asset management work in the telecommunications and technology industries. He trained and developed his financial analysis,

transactional and commercial skills working for Nomura, Salomon Brothers (now part of Citigroup), Deloitte and Touche and Groupe Arnault. He received his MSc in Electrical Engineering from Imperial College, London in 1993.

### **Gareth Owen: Partner**

Gareth Owen joined Hazel Capital in 2011 and is a Partner. He has 18 years of investment experience executing structured transactions across a variety of different sectors. At Hazel, he is responsible for analysing, and executing investments, and has experience of implementing limited recourse debt financing of pre- and post-construction solar assets.

Prior to joining Hazel, Gareth worked at Barclays Capital between 2001 and 2009, where latterly he was a Vice President in Barclays Natural Resource Investments, a captive private equity fund of \$1.5bn investing equity in the natural resources and renewable energy sectors. Previous to this, he was an Associate Director where he led the execution of structured transactions, including the acquisition and disposal of various asset-based companies. Prior to moving to Barclays Capital, he worked in the Structured Transaction Group at Deutsche Bank, where he worked predominantly on the acquisition of asset-finance companies. Gareth started his career in infrastructure project finance at Greenwich NatWest. Gareth gained his MBA from Imperial College Business School (Distinction) and holds an MSc of Engineering Project Management and a BEng of Civil Engineering from the University of Manchester.

### **James Bailey-House: Project Operations Manager**

James Bailey-House joined Hazel Capital in 2010 as Operations Manager and has overall responsibility for the operational performance and reporting of Hazel's renewable energy portfolio of solar and wind farms. Additionally, James handles all corporate secretarial and administrative duties for the Companies and the renewable energy infrastructure projects.

James has over 17 years of experience within custodial, investment bank and hedge fund operations, with product coverage including equity, fixed income, interest rate derivatives and distressed debt. James has previously held roles at Northern Trust, JPMorgan Chase and Aviva Investors.



## The Boards

Each of the Companies has a highly experienced Board of three Directors, all of whom are non-executive and the majority of whom are independent of the Investment Adviser. Ben Guest and Bozkurt Aydinoglu, who are executives of the Investment Adviser, will not vote on any matter at a board meeting or at a committee meeting of either Company's where there is a conflict of interest with any of the other funds managed by the Investment Adviser.

### VCT 1

**Michael Cunningham (Chairman)** has worked in the investment management business for over 26 years and, within Rathbones, was an investment director with responsibility for VCTs, Rathbones' EIS Portfolios and an IHT Service, which together raised over £100m. He is also a non-executive director of Helios Underwriting plc and previously of Downing Distribution VCT 1 plc and Downing Income VCT 3 plc.

**Stephen Hay** is a self-employed business consultant. He is a former managing director of Goldman Sachs, where he worked for 20 years in a variety of roles including as director of equity research in London. He is a non-executive director of NHS Tayside, a director of PilotLite Ventures and an independent director of Rhino Doors.

**Ben Guest** (See Investment Advisory Team section above).

### VCT 2

**Peter Wisher (Chairman)** is currently Managing Director and owner of Milland Partnership Limited, a consulting company that provides financial training to the international banking sector and strategic advice to growing companies. He is chairman of Angel Publicity and has a background in senior operating positions in service related businesses. Previous positions include Chief Operating Officer of Carbon Leadership LLP and Baines Gwinner Limited, Finance Director of Pauline Hyde Limited and 10 years at merchant bank, Charterhouse, latterly as head of mergers and acquisitions.

**Christian Yates** was closely involved in establishing both Companies in 2010 whilst a Partner at Hazel Capital from 2009 to 2012. Having started his career in financial services in 1988 he has worked for a number of investment houses holding senior positions at Bear Stearns Asset Management, Julius Baer, Chase Asset Management and Lazard Asset Management. Whilst his focus has been on building and managing businesses he has gained broad investment experience across many asset classes including a private equity, hedge funds, infrastructure and real estate. He remains active, both as an investor and developer, in the field of renewable energy. He is now a private equity investor and director of and adviser to SMEs and funds covering a number of sectors including real estate, natural resources and emerging technology. He also sits on the advisory board of a UK wealth manager.

**Alexander Hambro** has been in the private equity industry for 27 years, during which time he has acted as a principal investor, manager and sponsor of private equity and venture capital teams. Alex managed the venture capital and private equity fund investment portfolio for Hambros PLC, prior to its sale to Société Générale in 1998. Since 1995 he has been chairman of Crescent Capital, a Belfast-based venture capital fund manager and an independent consultant for a number of private equity and venture capital fund management groups and family office investors including STAR Capital, Sand Aire Private Equity, Lennox Investment Management and Prospect Investment Management. In addition to his private equity activities, Alex is chairman of two AIM-listed companies; Judges Scientific PLC and Benchmark Holdings PLC, and is also chairman of Octopus Eclipse VCT PLC and Targa Fund Limited, a Jersey authorised OEIC which also invests in CLN opportunities.

**Bozkurt Aydinoglu** (See Investment Advisory Team section above).

# Management Arrangements and Cost

## Annual Fees

The Annual Running Costs of each of the Companies are capped at 3.5% of its Net Assets; any excess will either be paid by the Investment Adviser or refunded by way of a reduction to the Investment Advisers' fee. Annual Running Costs include, inter alia, Directors' fees, fees for audit and taxation advice, registrar's fees, costs of communicating with Shareholders and all the annual fees payable to the Investment Adviser, and any fees payable to the Sponsor (but will exclude any exceptional and extraordinary costs).

Under the terms of the Investment Advisory Agreement, the Investment Adviser is paid by each of the Companies an annual investment advisory fee of 2%, payable quarterly in advance based on the Net Assets of each of the Companies.

Under the terms of the Administration Agreements, Downing is paid by each of the Companies an administration fee of £35,000 p.a. for administering each of the Companies. It is intended that this fee will increase to £40,000 p.a. for each Company on the launch of the B Share class.

All arrangement, syndication, monitoring or directors' fees payable in respect of an investment are retained by the Investment Adviser for its own benefit. It is intended that the investment advisory fees payable by each of the Companies to the Investment Adviser will be allocated at least 25% to revenue and up to 75% to capital, because this is in line with the Boards' expectations of the long term returns to Shareholders.

## Performance Incentive

As is customary in the venture capital industry, the Investment Adviser is entitled to receive a performance-related incentive based upon returns to Shareholders. The amount of the Performance Incentive payable in respect of the Existing Shares is based wholly on the NAV of the Existing Shares and on the payment of annual dividends on the Existing Shares. In respect of the Ordinary Shares, members of the Investment Advisory team receive this through a share of any dividends payable on the Existing Shares, provided that certain hurdles are met. To date, some £758,493.16 has been paid to Management in respect of the performance of the Existing Shares.

In respect of the New Shares, the Investment Adviser will receive a fee based reward. The performance fee will mirror the economics of the arrangements in respect of the Ordinary Shares. Accordingly, the Investment Adviser will receive a performance fee equal to 20% of amounts distributed by the Companies in excess of 5p per B Share, up to 10p per B Share and 30% thereafter, subject to the net asset value of the B Shares not being less than £1 per share.

## Part IV: Other Information

### Buy-back Policy

The Boards believe it is fair that Shareholders should be in a position to make their own decisions regarding their own investments. Therefore, the Companies have a buy-back policy for those shareholders that wish to sell their shares offering to buy back shares at a discount to NAV of approximately 5%.

### Reporting to Shareholders

Each of the Companies' annual report and accounts will be made up to 30 September in each year and will normally be sent to Shareholders in December. Each Company's next accounting period will end on 30 September 2016. Unaudited interim reports are normally be sent to Shareholders in May. Any dividends declared are normally paid in September.

Shareholders may elect to receive this information by e-mail instead and, in that case, should ensure that their e-mail address is entered at the appropriate place on the Application Form. This financial information will also be available on the Companies' web site and released, where required, to the London Stock Exchange.

### Taxation and HM Revenue & Customs Approval

The Directors intend to conduct the affairs of each of the Companies so that they satisfy the conditions for approval as a VCT and that such approval will be maintained. HM Revenue & Customs has granted each of the Companies provisional approval under section 274 ITA as a VCT and confirmed that the shares to be issued by the Companies are eligible shares for VCT purposes. Each of the Companies intends to comply with section 274 ITA and has retained Philip Hare & Associates LLP to advise it on VCT taxation matters. The Companies were approved as VCTs in 2010.

### New Special Reserve

The Directors are aware of the possibility that the Shares may trade at a discount to their Net Asset Value at some point. The Directors consider that each Company should have the ability to purchase its Shares in the market (such shares to be automatically cancelled and not held in Treasury), subject to the provisions of the Listing Rules and the Acts, with the aim of reducing any discount and increasing the Net Asset Value of the remaining Shares. In the view of the Directors, the awareness of Investors that each Company has such a capability may tend to moderate

the scale of any discount, which may emerge, and the action of buying in Shares should enable any such discount to be narrowed.

### Category of Potential Investors

Any investor that wishes to subscribe to the Offers must be, at the time of issue, a UK income tax payer, over 18 years old and who would consider both the returns of a general VCT investment and the Companies' investment strategies as set out in this document to be both suitable and attractive. Potential investors will usually be sophisticated investors of substantial net worth and subject to the recently proposed 50% higher tax rate or the changes to pension structures.

Before deciding whether to apply for Shares under the terms of the Offers you are recommended to consult a duly authorised independent financial adviser.

### VCT Status and Monitoring

The Companies have retained Philip Hare & Associates LLP to advise on tax matters generally and, in particular, the maintenance of VCT status. HMRC has given provisional approval of the Companies as VCTs. Philip Hare & Associates Limited will assist the Investment Adviser in establishing the status of investments as Qualifying Investments and monitoring progress towards achieving full VCT approval, but will report directly to the Boards. In order to comply with VCT requirements, at least 70% by value of each Company's investments made from funds raised by an issue of shares are required to be comprised of Qualifying Investments by the accounting period commencing no later than three years after the accounting period beginning three years after the date of issue of such shares.

### Co-investment Arrangements and Conflicts of Interest

The Directors of each Company consider that the ability to co-invest with the other Company and potentially with other funds managed by the Investment Adviser (all such companies and funds together being the "Hazel Companies") is desirable as it will enable each Company to spread risk and participate in larger investments than those which it could undertake using only its own resources. Where a co-investment opportunity arises between the Hazel Companies, each Company will invest in an agreed and consistent proportion on the same terms and in the same securities as any other of the Hazel Companies. Any costs associated with any such investment will be

borne by the relevant party pro-rata to its respective investment.

Each Company's main co-investment relationship will be with the other Company and investments will generally be allocated between the two Companies on a pro-rata basis relating to the respective fund size, subject to each fund's available cash resources.

The Investment Adviser reserves the right to recommend to the Boards of the Hazel Companies the allocation of investments on a different basis from time to time. This may be required to ensure that each Hazel Company maintains status as an HMRC approved VCT, or in the interests of balancing their portfolios. A different basis may also be required to meet the requirements of potential investee companies.

Where an opportunity arises for investment in a second or subsequent round of a company in which each Hazel Company (as appropriate) has invested at an earlier stage, each of the Hazel Companies holding the existing investment will be treated as having a preferential right to take up any pro-rata entitlement that it may have in the new financing round (and the amount to be allocated according to above provisions will exclude any such entitlement to be taken up).

In the event of a conflict of interest between the Investment Adviser and any of the Hazel Companies, the matter shall be referred to the independent directors of VCT 1 and VCT 2 for their determination. The independent directors are those directors who are independent of the Investment Adviser.

Where a potential conflict arises the Investment Adviser, as a Financial Conduct Authority regulated entity, is bound by the relevant conduct of business sourcebook in relation to its dealings with each of the Companies.

## **Dividend Policy**

The Directors intend to maximise the stream of tax-free dividend distributions, primarily from income arising from the investments and partly from the successful realisation of investments for cash.

It is currently envisaged that each of the Companies will distribute most of its net income each year by way of dividend subject to liquidity, the rules of the London Stock Exchange and company legislation. It is intended that dividends will be paid once a year in September.

## Part V: Terms of the Offers

The Offers are conditional on gross subscriptions under the Offers being not less than £3m. The Offers are not underwritten. The terms and conditions of the Offers are set out on pages 45 to 49 of this document. The Offer Price per B Share will be determined as set out in Part XI.

The Offers will close at 12 noon on 1 April 2016 or, at an earlier date, at the discretion of the Boards, if the Offers are fully subscribed before then, or later if extended by the Directors to a date no later than 1 February 2017. Accordingly, valid applications under the Offers must be received no later than 12pm on 1 April 2016.

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## Launch Costs and Commission

The Investment Adviser will be paid a Promoter Fee of 2% (where no commission is payable to Intermediaries) or 4% (where commission is payable to Intermediaries) of the gross proceeds of the Offers. The Investment Adviser will be responsible for paying all the costs of the Offers including initial commissions payable to Intermediaries (on successful applications detailing their FCA number), and listing expenses. As the initial costs of the Offers cannot exceed 4% of the gross proceeds, the maximum net proceeds of the Offers will be £14,400,000 at the maximum subscription for each Company (assuming that the size of the Offers are not increased at the discretion of the Directors). The initial costs to Investors are made up of the Promoter's Fee and Adviser Charges (where applicable).

# Part VI: Taxation Considerations

## Tax Position of Investors

### 1. Tax Reliefs

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

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

#### (a) Income Tax

##### (i) Relief from Income Tax on Investment

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

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

##### (ii) Relief from Tax on Dividends

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

##### (iii) Purchases in the Market

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

relief from income tax on investment (as described in paragraph 1(a)(i) above).

##### (iv) Withdrawal of Relief

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

Dividend relief ceases to be available if the VCT loses its approval within this period as detailed below.

#### (b) Capital Gains Tax

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

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

##### (ii) Purchases in the Market

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

##### (c) Acquisition and Disposals of Shares in the same VCT

The disposal of existing shares in a VCT within six months either side of the acquisition of new shares in the same VCT (or otherwise where the acquisition and purchase is linked) will result in the amount of the investment in the new shares in the VCT to which VCT tax reliefs are available being reduced by an amount equal to the proceeds received on the disposal.

##### (d) Loss of VCT Approval

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

## **2. Obtaining Tax Reliefs**

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

# Tax Position of the Companies

## 1. Qualification as a VCT

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

- (a) not be a close company;
- (b) have each class of its ordinary share capital listed on a regulated market;
- (c) derive its income wholly or mainly from shares or securities;
- (d) have at least 70% by VCT value of its investments in shares or securities in Qualifying Investments, of which 70% must be in eligible shares (30% for funds raised before 6 April 2011);
- (e) have at least 10% by VCT value of each Qualifying Investment in eligible shares;
- (f) not have more than 15% by VCT value of its investments in a single companies or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT);
- (g) not retain more than 15% of its income derived from shares and securities in any accounting period;
- (h) not make an investment in a company which causes the company to receive more than £5m of Risk Finance State Aid Investment (including from VCTs) in the twelve months ending on the date of this investment, or more than a total of £12m of Risk Finance State Aid Investment (£20m for a Knowledge Intensive Company);
- (i) not, in respect of any share capital created on or after 6 April 2014, and any reserves created from the cancellation thereof, make any payment or distribution out of such share capital and reserves to shareholders within three years from the end of the accounting period in which that share capital was created;
- (j) not invest in a companies whose first commercial sale was more than seven years ago (ten years for a Knowledge Intensive companies) unless the company had previously received Risk Finance State Aid within 7 years (10 years for a Knowledge Intensive Company) of that investment or a turnover test is met; and
- (k) a company receiving investment from a VCT cannot use those funds to acquire a trade, intangible assets in use in a trade or to acquire shares in another company.

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

## 2. Qualifying Investments

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

The conditions are detailed, but include: that the company must be a Qualifying Company and has gross assets not exceeding £15m immediately before and £16m immediately after the investment: have fewer than 250 full-time employees: apply the money raised for the purposes of a qualifying trade within a certain time period: cannot be controlled by another company and at the time of investment does not obtain more than £5m of Risk Finance State Aid investment in the 12 month period ending on the date of the investment by the VCT, or more than £12m in total (£20m for a Knowledge Intensive Company). In certain circumstances, an investment in the company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding.

## 3. Qualifying Companies

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

The company first commercial sale must be less than seven years before the first investment from Risk Finance State Aid sources (ten years for a Knowledge Intensive Companies) or the investment must meet a turnover test.



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

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

With effect from 6 April 2012 a 'disqualifying purpose' test was introduced under which an investment will not be a Qualifying Investment if the investee company has been set up for the purpose of accessing tax reliefs or is in substance a financing business.

VCT funds raised cannot be used by a Qualifying Company to fund the purchase of shares in another company, or to acquire an existing trade or intangible assets in use in a trade.

#### **4. Approval as a VCT**

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

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

The Companies have received approval as VCTs from HMRC.

#### **5. Withdrawal of Approval**

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

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

*The above is only a summary of the conditions to be satisfied for the Companies to be treated as VCTs.*

## PART VII: Additional Information

### 1. Incorporation

Hazel Renewable Energy VCT 1 Plc was incorporated and registered in England and Wales on 16 September 2010 with limited liability as a public limited companies with registered number 07378392.

Hazel Renewable Energy VCT 2 Plc was incorporated and registered in England and Wales on 16 September 2010 with limited liability as a public limited companies with registered number 07378395.

The principal legislation under which the Companies operate and under which the New Shares will be created is the 2006 Act and regulations made thereunder. The Existing Shares are admitted to the premium segment of the Official List and are traded on the London Stock Exchange's main market for listed securities.

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### 2. Working Capital Statements

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

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### 3. Duration of Companies

Proposals are being put to Shareholders at the Annual General Meeting of each Company convened for 7 March 2016; to remove Article 179 relating to the duration of the Companies so that, if passed, the Companies will continue indefinitely.

## 4. Capitalisation and Indebtedness

4.1 The following table shows the capitalisation of the Companies as at 30 September 2015.

<b>Hazel Renewable Energy VCT 1 Plc</b>	<b>30.9.15</b>
<b>Capital and reserves (£'000)</b>	
Called up share capital	62
Share premium account	3,910
Capital reserve – realised	(840)
Special reserve	12,430
Revaluation reserve	14,090
Revenue reserve	(762)
<b>Totals</b>	<b>28,890</b>

<b>Hazel Renewable Energy VCT 2 Plc</b>	<b>30.9.15</b>
<b>Capital and reserves (£'000)</b>	
Called up share capital	62
Share premium account	3,985
Capital reserve – realised	(841)
Special reserve	12,402
Revaluation reserve	14,090
Revenue reserve	(810)
<b>Totals</b>	<b>28,888</b>

4.2 Indebtedness Statement as at 31 December 2015.

Hazel Renewable Energy VCT 1 Plc	31.12.15	Hazel Renewable Energy VCT 2 Plc	31.12.15
A Cash	76,681	A Cash	32,150
B Cash equivalents		B Cash equivalents	
C Trading securities		C Trading securities	
D Liquidity (A + B + C)	76,681	D Liquidity (A + B + C)	32,150
E Current financial receivables	377,935	E Current financial receivables	403,088
F Current bank debt		F Current bank debt	
G Current portion of non-current debt		G Current portion of non-current debt	
H Other current financial debt		H Other current financial debt	
I Current financial debt		I Current financial debt	
J Net current financial indebtedness (I – E – D)	(454,616)	J Net current financial indebtedness (I – E – D)	(435,238)
K Non-current bank loans		K Non-current bank loans	
L Bonds issued		L Bonds issued	
M Other non-current loan	(2,000,476)	M Other non-current loan	(1,986,476)
N Non-current financial indebtedness (K + L + M)	(2,000,476)	N Non-current financial indebtedness (K + L + M)	(1,986,476)
O Net financial indebtedness (J + N)	(2,455,092)	O Net financial indebtedness (J + N)	(2,421,714)

## 5. Issued Share Capital and Dilution

5.1 The issued share capital of Renewable Energy VCT 1 Plc as at the date of this document is 24,536,966 Ordinary Shares of 0.1p each and 36,805,446 A Ordinary Shares of 0.1p each. The issued share capital of Renewable Energy VCT 2 Plc as at the date of this document is 24,603,158 Ordinary Shares of 0.1p each and 36,904,733 A Ordinary Shares of 0.1p each. If the Offers are fully subscribed, the Existing Shares will represent 81% of the enlarged issued share capital of each Company and, on that basis, Existing Shareholders will, therefore, be diluted by 19% in each Company.

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## 6. Settlement and Dealings

6.1 Definitive share certificates, together with certificates to claim income tax relief, are expected to be dispatched by post within ten Business Days of the allotment of the New Shares. Temporary documents of title will not be used in connection with the Offers. New Shares are capable of being transferred by means of the CREST system. You should provide your CREST details if you would like any New Shares which are allotted to you to be credited directly to your CREST account. The Existing Shares are listed on the premium segment of the Official List and are admitted to trading on the main market for listed securities of the London Stock Exchange.

6.2 Applications will be made to the UK Listing Authority and the London Stock Exchange for the New Shares to be issued pursuant to the Offers to be admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. The New Shares will be in registered form and will be freely transferable. The new shares are to be B Ordinary Shares of 0.1p each, and are to be all denominated in sterling. The ISIN number of the New Shares to be issued by the Companies is GB00BD982C19 for Hazel Renewable Energy VCT 1 plc and GB00BD9MY492 for Hazel Renewable Energy VCT 2 plc.

## 7. Shareholder Authorities

7.1 At the annual general meeting of VCT 1 held on 9 March 2015, the following resolutions were passed:

(i) that, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of CA 2006 to exercise all the powers of the Company to allot:

- Ordinary Shares or to grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £2,454;
- A Shares or to grant rights for or to convert any security into A Shares in the Company up to an aggregate nominal amount of £3,681;

This authority is to expire at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in the general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of CA 2006 be and are hereby revoked, provided such revocation shall not have retrospective effect;

(ii) that, the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to Section 570 of CA 2006, to allot equity securities (as defined in Section 560(1) of CA 2006) for cash pursuant to the authority given in accordance with Section 551 of CA 2006, pursuant to the above, as if Section 561(1) of CA 2006 did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

7.2 At the annual general meeting of VCT 2 held on 9 March 2015, the following resolutions were passed:

(i) that, the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of CA 2006 to exercise all the powers of the Company to allot:

- Ordinary Shares or to grant rights to subscribe for or to convert any security into Ordinary Shares in the Company up to an aggregate nominal amount of £2,454;
- A Shares or to grant rights for or to convert any security into A Shares in the Company up to an aggregate nominal amount of £3,681;

This authority is to expire at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in the general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of CA 2006 be and are hereby revoked, provided such revocation shall not have retrospective effect;

(ii) that, the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next Annual General Meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to Section 570 of CA 2006, to allot equity securities (as defined in Section 560(1) of CA 2006) for cash pursuant to the authority given in accordance with Section 551 of CA 2006, pursuant to the above, as if Section 561(1) of CA 2006 did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

7.3 At the general meeting of each of the Companies convened for 14 March 2016, the following resolutions are to be proposed that:

(i) a class of B Shares of 0.1p each in the capital of the Company (B Shares) be created, having attached thereto the rights and being subject to the restrictions set out in the Articles of Association of the Company as altered by the below resolution.

(ii) in addition to any existing authority (to the extent unused), the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of CA2006 to exercise all the powers of the Company to allow shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £20,000 during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with Section 551 of CA2006 be and are hereby revoked, provided that such revocation shall not have retrospective effect.

(iii) in addition to any existing authority (to the extent unused), the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in general meeting), pursuant to section 570 of CA2006, to allot equity securities (as defined in Section 560(1) of CA2006) for cash pursuant to the authority given in accordance with Section 551 of CA2006 pursuant to the above resolution, as if section 561(1) of CA2006 did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may

allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired.

(iv) the Articles of Association of the Company be and are hereby altered, inter alia, to (i) reflect the creation of the B Shares and the rights and restrictions to be attached thereto and (ii) permit reserves arising in respect of any share class to be used by any other share class in the capital of the Company.

(v) the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of CA2006 of B Shares provided that:

- the maximum aggregate number of B Shares authorised to be purchased is 5,000,000 or, if less, 14.9% of the B Shares (as such term is defined in the circular to shareholders dated 18 February 2016);
- the maximum price which may be paid for a B Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
- the minimum price which may be paid for a B share is its respective nominal value;
- this authority shall take immediate effect;
- the Company may make a contract or contracts to purchase B Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of B Shares in pursuance of any such contract or contracts;
- and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Company's next annual general meeting following the passing of the resolution or, if later, on the expiry of 15 months from the passing of the resolution.

(vi) that, subject to the sanction of the High Court, the amount standing to the credit of the share premium account of the Company, at the date an order is made

confirming such cancellation by the Court, be and hereby is cancelled.

(vii) that, subject to the sanction of the High Court, the amount standing to the credit of the capital redemption reserve of the Company, at the date an order is made confirming such cancellation by the Court, be and hereby is cancelled.

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## 8. Rights Attaching to the B Shares

The New Shares will have the following rights.

### 8.1 Voting rights

Subject to any disenfranchisement as provided in the Articles and subject to any special terms as to voting on which any shares may be issued, on a show of hands every holder of B Shares present in person or by proxy (or, being a corporation present by a duly authorised representative) shall have one vote and, on a poll, every such holder present in person or by proxy shall have one vote for every share of which they are the holder.

### 8.2 Dividends and Other Distributions

Subject to the provisions of the Articles, holders of the B Shares shall be entitled to receive all dividends and other distributions made, paid or declared by the Company in respect of the B Shares *pari passu* with each other.

### 8.3 Rights as to Capital

The holders of B Shares are entitled to receive in that capacity such dividends as the Directors may resolve to pay out of the net assets attributable to the B Shares and from income received and accrued which is attributable to the B Shares.

On a winding-up or on a return of capital, the net assets of the Company attributable to the B share class (including any income and/or revenue arising from or relating to such assets) less such proportion of the VCT's liabilities (including fees and expenses of liquidation or return of capital) as may reasonably be allocated will be divided amongst the holders of the B share class *pro rata* according to their paid-up holdings of such shares.

## 8.4 Alteration of Share Capital

8.4.1 The Company may from time to time by ordinary resolution:

- (i) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe;
- (ii) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; and
- (iii) cancel any shares which have not been taken, or agreed to be taken, by any person and diminish the amount of its capital by the nominal amount of the shares so cancelled.

8.4.2 Subject to the provisions of the CA 2006, the Company may by special resolution:

- (i) purchase any of its own shares (including any redeemable shares);
- (ii) reduce its share capital or any capital redemption reserve, share premium account or other undistributable reserve in any manner; or
- (iii) sub-divide its shares, or any of them, into shares of a smaller nominal amount (subject, nevertheless, to the provisions of the CA 2006) and by the same resolution may confer special rights on any of the shares resulting from the sub-division.

## 8.5 Issue of Shares

Holders of the B Shares are entitled to the statutory pre-emption rights on any issue of B Shares or the sale of any existing shares from treasury for cash, save to the extent that such rights have been disapplied by a special resolution of Shareholders in accordance with the CA 2006.

## 8.6 Disclosure of Interest in Shares

If any holder of shares, or any other person appearing to be interested in shares is in default in supplying within 14 days after the date of service of a notice requiring such member or other person to supply to the company in writing all or any such information as is referred to in Section 793 of the CA 2006, the Directors may give such holder a notice imposing

restrictions upon the relevant shares for such period as the default shall continue. The restrictions available in the case of a person with a 0.25% interest are the suspension of voting or other rights conferred by membership in relation to meetings, the withholding of payment of any dividends on, and the restriction of transfer of the relevant shares.

## 8.7 Transfer of Shares

Except as described in paragraph 8.6 above, the B Shares are freely transferable by instrument of transfer in writing in any usual form or in any form approved by the Board and are capable of being transferred by means of the CREST system.

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## 9. Mandatory Bids, Squeeze-out and Sell-out Rules Relating to the Shares

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

9.1 A person acquires an interest in shares in the Companies which, when taken together with shares already held by them or persons acting in concert with him, carry 30% or more of the voting rights in any Company; or

9.2 A person who, together with persons acting in concert with them, is interested in not less than 30% and not more than 50% of the voting rights in any Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested, the acquirer and, depending on the circumstances, any concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in its shares by the acquirer or his concert parties during the previous 12 months. Under Sections 974 – 991 of the CA 2006, if the Offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90% of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily

acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the CA 2006 must, in general, be the same as the consideration that was available under the takeover offer. In addition, pursuant to Section 983 of the CA 2006, if the offeror acquires or agrees to acquire not less than 90% of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer. The offeror would be required to give any holder of shares notice of his right to be bought out within one month of that right arising. Sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of shares notifying them of their sell-out rights. If a holder of shares exercises his/her rights, the offeror is bound to acquire.



## 10. Material Interests

10.1 The Companies have entered into the Offer Agreement dated 18 February 2016 with the Directors, Howard Kennedy and Hazel, pursuant to which Howard Kennedy has agreed to act as sponsor to the Offers and Hazel has undertaken, as agent of the Companies, to use its reasonable endeavours to procure subscribers under the Offers. Neither Howard Kennedy nor Hazel is obliged to subscribe for shares under the Offers. Under the agreement, the Companies will pay to Hazel an amount equal to 4% (where commission is payable to Intermediaries) or 2% (where no commission is payable to Intermediaries) of applications accepted under the Offers and Hazel has agreed to meet all of the costs of the Offer, and indemnify the Companies for any such costs in excess of this amount. Under the agreement, which may be terminated by Howard Kennedy and Hazel in certain circumstances, certain warranties have been given by the Companies and the Directors to Howard Kennedy and Hazel, subject to certain limitations. The Companies have also agreed to indemnify Howard Kennedy in respect of its role as sponsor. The warranties and indemnity are in the usual form for a contract of this type. The agreement may be terminated by Howard Kennedy if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

10.2 Agreement (the "Investment Management Agreement" dated 20 October 2010 (as varied on 18 February 2016)) between each of the Companies and Hazel whereby Hazel provides investment advisory services to each of the Companies in respect of its portfolio of Qualifying Investments as well as its portfolio of Fixed Income Securities. Hazel will receive a fee equal to 2.0% p.a. of the Net Assets of each of the Companies. These fees will be payable quarterly in advance. The Annual Running Costs of each of the Companies are capped at 3.5% of its Net Assets; any excess will either be paid by Hazel or refunded by way of a reduction to its fees.

The Investment Management Agreement is for a minimum period of six years terminable by either party at any time thereafter by one year's prior written notice and subject to earlier termination in the event of, inter alia, a party committing a material breach of the Investment Management Deed (which is not remedied within a 30 day period).

In addition the Investment Adviser is entitled to the Performance Incentive, details of which are set out on page 18.

10.3 Agreement (the "Administration Agreement") dated 20 October 2010 between each of the Companies and Downing whereby Downing provides certain administration services to each of the Companies for an annual fee of £35,000 (plus VAT if applicable) per Company (or, if the Minimum Subscription is met, an annual fee of £40,000 (plus VAT) per Company, pursuant to a side letter between each Company and Downing dated 18 February 2016).

## 11. Directors' Interests and Other Significant Shareholdings

As at the date of this document the interests of the Directors and their immediate families (all of which are beneficial) in the share capital of the Companies which (i) are or will be notified to the Companies in accordance with rule 3 of the Disclosure and Transparency Rules ("DTR 3") by each Director; or (ii) are interests of a connected person (within the meaning in DTR 3) of a Director which are or will be required to be disclosed under DTR 3 and the existence of which is known to or could with reasonable diligence be ascertained by that Director; are or are expected to be as follows:

### Hazel Renewable Energy VCT 1 Plc

As at 17 February 2016 (being the latest practical date prior to the publication of this document):

Director	Number of Ordinary Shares	% of issued Ordinary Shares	Number of A Shares	% of issued A Shares
Michael Cunningham	27,221	0.11%	27,221	0.07%
Stephen Hay	104,000	0.42%	104,000	0.28%
Ben Guest	552,760	2.25%	11,507,366	31.27%

After the Offer has closed\*:

Director	Number of Ordinary Shares	% of issued Ordinary Shares	Number of A Shares	% of issued A Shares	Number of B Shares	% of issued of B Shares
Michael Cunningham	27,221	0.07%	27,221	0.11%	4,800	0.03%
Stephen Hay	104,000	0.28%	104,000	0.42%	4,800	0.03%
Ben Guest	552,760	2.25%	11,507,366	31.27%	96,000	0.67%

\*assuming the maximum number of B Shares (referred to on page 37) are issued under the Offers

## Hazel Renewable Energy VCT 2 Plc

As at 17 February 2016 (being the latest practical date prior to the publication of this document):

Director	Number of Ordinary Shares	% of issued Ordinary Shares	Number of A Shares	% of issued A Shares
Peter Wisher	20,800	0.08%	20,800	0.06%
Alexander Hambro	15,600	0.06%	15,600	0.04%
Christian Yates	19,673	0.08%	2,616,069	7.09%
Bozkurt Aydinoglu	nil	0.00%	2,688,331	7.28%

After the Offer has closed\*:

Director	Number of Ordinary Shares	% of issued Ordinary Shares	Number of A Shares	% of issued A Shares	Number of B Shares	% of issued B Shares
Peter Wisher	20,800	0.08%	20,800	0.06%	nil	0.00%
Alexander Hambro	15,600	0.06%	15,600	0.04%	nil	0.00%
Christian Yates	19,673	0.08%	2,616,069	7.09%	nil	0.00%
Bozkurt Aydinoglu	nil	0.00%	2,688,331	7.28%	nil	0.00%

\*assuming the maximum number of B Shares (referred to on page 37) are issued under the Offers

11.2 As at 17 February 2016 (being the latest practical date prior to the publication of this document) and after the Offers have closed, the Companies are not aware of any persons who hold or will hold, directly or indirectly, voting rights representing 3% or more of the issued share capital of that Company to which voting rights are attached (assuming that the Offer is fully subscribed).

11.3 Save as disclosed in paragraphs 11.1 and 11.2 above, the Companies are not aware of any person who will, immediately following Admission, hold (for the purposes of rule 5 of the Disclosure and Transparency Rules ("DTR 5")) directly or indirectly voting rights representing 3% or more of the issued share capital of the Companies to which voting rights are attached or could, directly or indirectly, jointly or severally, exercise control over the Companies.

11.4 The persons, including the Directors, referred to in paragraphs 11.1 and 11.2 above, do not have voting rights in respect of the share capital of the Companies (issued or to be issued) which differ from any other Shareholder.

11.5 The Companies and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Companies.

11.6 Save in respect of the arrangements referred to in paragraphs 10.2 and 11.7, no Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Companies and which were effected by the Companies in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

11.7 Ben Guest and Bozkurt Aydinoglu are members of the Investment Adviser, and, therefore, have an interest in the arrangements referred to in paragraph 10.2 above. Ben Guest and Bozkurt Aydinoglu are also directors of the Companies and as such there may be a potential conflict of interest between their duties owed to the relevant Companies and to the Investment Adviser in relation to these arrangements. Save as set out in this paragraph, there are no potential conflicts of interest between any duties owed to the Companies by the Directors and their private and/or other duties.

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## 12. Sources

Information in this document sourced from third parties has been accurately reproduced and, so far as the Companies is aware and is able to ascertain from information published by the relevant third parties, no facts have been omitted which would render such information inaccurate or misleading.

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## 13. Results of the Offers

The results of the Offers will be announced through a regulatory information service within three Business Days of the closing date of the Offers.

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## 14. Overseas Investors

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting the Offers or invitation to him to subscribe for or purchase New Shares unless, in such territory, such offer or invitation could lawfully be made. It is the responsibility of any person outside the UK wishing to make an application to satisfy themselves as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory. No action has been taken to permit the distribution of this document in any jurisdiction outside the UK where such action is required to be taken. All applicants under the Offers will be required to warrant that they are not a US person as defined under the United States Securities Act 1933, nor a resident of Canada.

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## 15. Taxes Withheld at Source

No income from the New Shares will be withheld at source.

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## 16. Consent for Prospectus to be used by Financial Intermediaries

16.1 The Companies and the Directors consent to the use of the Prospectus, and accept responsibility for the content of the Prospectus, with respect to subsequent resale or final placement of securities by financial intermediaries, from the date of the Prospectus until the close of the Offers. The Offers are expected to close not later than 12 noon on 1 April 2016 (unless extended by the Board to date no later than 1 February 2017). There are no conditions attaching to this consent. Financial intermediaries may use the Prospectus only in the UK.

**16.2 Information on the Terms and Conditions of Application of the Offers will be given to investors by financial intermediaries at the time that the Offers are introduced to investors. Any financial intermediary using the Prospectus must state on its website that it is using the Prospectus in accordance with the consent set out in paragraph 16.1 above.**

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## 17. General

17.1 The estimated costs and expenses relating to the Offer will not exceed 4% of gross funds raised by each Company under its Offer. Assuming Full Subscription under each Offer, the total net proceeds of each Offer, after all fees, are expected to be £14.4m.

17.2 Howard Kennedy Corporate Services LLP's office address is at No. 1 London Bridge, London, SE1 9BG. Howard Kennedy Corporate Services LLP is regulated by the Financial Conduct Authority and is acting in the capacity as sponsor to the Companies.

17.3 The statements attributed to the Investment Adviser in this document have been included in the form and context in which they appear with the consent and authorisation of the Investment Adviser. The Investment Adviser accepts responsibility for those

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statements, and to the best of the knowledge of the Investment Adviser (which has taken all reasonable care to ensure that such is the case) those statements are in accordance with the facts and contain no omission likely to affect its import.

17.4 The maximum number of B Shares that may be issued under this Prospectus pursuant to the Offer is 20,000,000 B Shares per Company.

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## 18. Availability of Prospectus

Copies of the Prospectus can be obtained, free of charge, whilst the Offers remain open, from the Companies' registered office or from Hazel Capital LLP, or can be downloaded at [www.hazelcapital.com](http://www.hazelcapital.com). In addition, a copy of the Prospectus has been submitted to the National Storage Mechanism and is available to the public for viewing online at the following website address: <http://www.morningstar.co.uk/uk/nsm>.

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## 19. Documents available for Inspection

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Companies at 5th Floor, Ergon House, Horseferry Road, London, SW1P 2AL whilst the Offers remain open:

19.1 the Articles and the proposed new Articles of the Companies;

19.2 the interim reports of the Companies for the periods ending 31 March 2014 and 30 March 2015 and the annual accounts for the periods ending 30 September 2013, 30 September 2014 and 30 September 2015; and

19.3 this Prospectus.

Dated: 18 February 2016

## Part VIII: Company Information

### Directors and Advisers

<b>VCT 1</b> Directors (all Non-Executive)	Michael Cunningham (Chairman) Stephen Hay Ben Guest all of 2nd Floor, 227 Shepherds Bush Road, London, W6 7AS
<b>VCT 2</b> Directors (all Non-Executive)	Peter Wisher (Chairman) Alexander Hambro Christian Yates Bozkurt Aydinoglu all of 2nd Floor, 227 Shepherds Bush Road, London, W6 7AS
Companies Secretary and Registered Office of the Companies	Grant Whitehouse 5th Floor, Ergon House, Horseferry Road, London, SW1P 2AL
Investment Adviser of the Companies	Hazel Capital LLP 2nd Floor, 227 Shepherds Bush Road, London, W6 7AS
Administrator of the Companies	Downing LLP 5th Floor, Ergon House, Horseferry Road, London, SW1P 2AL
Receiving Agents of the Companies	Downing LLP 5th Floor, Ergon House, Horseferry Road, London, SW1P 2AL
Registrars of the Companies	Capita Asset Services The Registry, 32 Beckenham Road, Beckenham Kent, BR3 4TU
Registered Auditors of the Companies	BDO LLP 55 Baker Street, London, W1W 7EU
Sponsor to the Offers	Howard Kennedy Corporate Services LLP No.1 London Bridge, London, SE1 9BG
VCT Advisers to the Companies	Philip Hare & Associates Limited 4-6 Staple Inn, Holborn, London, WC1V 7QH
Bankers to the Companies	Royal Bank of Scotland 119/121 Victoria Street, London, SW1E 6RA
Solicitors to the Offers	Howard Kennedy LLP No.1 London Bridge, London, SE1 9BG



## Part IX: Definitions

In this document, the following words and expressions have the following meanings, unless the content otherwise requires or provides:

Admission	The dates on which the B Shares allotted pursuant to the Offers are listed on the premium segment of the Official List and admitted to trading on the London Stock Exchange's main market for listed securities
Advisers	financial advisers and Intermediaries
Adviser Charge	fee, payable to an Intermediary, agreed with the Investor for the provision of a personal recommendation and/or related services in relation to an investment in B Shares, and detailed on the Application Form
Applicant	Investor who subscribes for B Shares pursuant to the Prospectus
Application	a valid application for B Shares pursuant to the Offers
Application Form(s)	form of application for B Shares under the Offers
Articles	the articles of association of either or both of the Companies
Board or Directors	the board of directors of either or both of the Companies from time to time (and each a Director)
B Shares or New Shares or Offer Shares	the shares to be issued by Companies pursuant to the Offer being B Ordinary Shares of 0.1p in the capital of the relevant Company (and each a B Share)
Business Days	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
CA 2006	the Company Act 2006 (as amended)
Company, VCT 1 or VCT 2	Hazel Renewable Energy VCT 1 Plc and/or Hazel Renewable Energy VCT 2 Plc
CREST	the computerised settlement system to facilitate the transfer of title to securities in uncertificated form operated by Euroclear UK & Ireland Limited
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
Downing	Downing LLP
Execution-only Transaction	transaction executed by an FCA authorised firm upon the specific instructions of a client where the Firm does not give advice or make a personal recommendation



Existing Shareholders	the existing shareholders in the Company (and each an Existing Shareholder and their Shares are Existing Shares)
FCA	the Financial Conduct Authority (previously known as the Financial Services Authority)
FSMA	the Financial Services and Markets Act 2000 (as amended)
Full Subscription	£15m raised under the Offers being £7,500,000 per Company (ignoring the Over Allotment facility)
General Meeting	the general meeting of the Companies convened for 14 March 2016 (or any adjournment thereof)
Hazel or the Promoter or Investment Adviser	Hazel Capital LLP
HMRC	Her Majesty's Revenue and Customs
Howard Kennedy	Howard Kennedy Corporate Services LLP
IMA	the investment management agreement dated 20 October 2010 between the Company and Hazel Capital
Intermediary	firm who signs the Application Form and whose details are set out in Box 7 of the Application Form
Investor	subscriber for B Shares under the Offers
Knowledge Intensive Company	a company satisfying the conditions in Section 331(A) of Part 6 of the Tax Act
Listing Rules	the Listing Rules issued by the FCA under the section 73a(2) FSMA (as amended)
London Stock Exchange	London Stock Exchange plc
Management	individuals engaged or otherwise involved in the management of the Companies' investments, and other persons that the Investment Adviser may in its sole discretion determine from time to time
Minimum Subscription	valid applications of at least £3million, received in respect of the Offers
NAV or net asset value	the net asset value of a share calculated in accordance with the relevant Company's accounting policies
NAV Total Return	the net asset value of a share together with dividends paid in respect of that share since inception

New Articles	the new articles of association proposed to be adopted by the Companies at the General Meeting
Offer Price	price per B share under the Offers as determined by the Pricing Formula from time to time
Offers	the offer for subscription for B Shares as set out in this document
Official List	the Official list of the UK Listing Authority
Over Allotment Facility	the over allotment facility of up to another £15m of B Shares in the Companies
Performance Incentive	the performance incentive payable to the Investment Adviser by the Companies in the circumstances described in Part III of this Securities Note
Pricing Formula	mechanism by which the pricing of the Offers may be adjusted according to the latest published NAV, the level of the Promoter's Fee and Adviser Charge
Promoter's Fee	fee payable by the Company to Hazel, calculated as a percentage of each Applicant's gross subscription in the Offers in return for which Hazel will pay the launch costs of the Offers, as detailed in paragraph 10.1 of Part VII
Prospectus	this Securities Note, the Registration Document and the Summary
Prospectus Rules	the Prospectus Rules made under Section 84 FSMA (as amended)
Qualifying Company	an unquoted company (including a company whose shares are admitted to trading on AIM or ISDX) which satisfies the requirements of Part 4 of chapter 6 of the Tax Act
Qualifying Investors	an individual aged 18 or over who satisfies the conditions of eligibility for tax relief available to investors in a VCT (and each a Qualifying Investor)
Qualifying Investment	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of chapter 6 of the Tax Act
Registrars	Capita Asset Services
Receiving Agent	Downing LLP
Registration Document	the Registration Document issued by the Company dated 18 February 2016
Regulatory Information Service	a regulatory information service approved by the FCA
Resolutions	the Resolutions to be proposed at the General Meetings
Restricted Territories	Canada, Australia, Japan and South Africa (and each a Restricted Territory)

Risk Finance State Aid	State Aid received by a company as defined in Section 280B (4) of the Tax Act
Securities Note	this document dated 18 February 2016
Shareholders	holders of shares in the Company (and each a Shareholder)
SME	small to medium size enterprises
Summary	the Summary issued by the Company dated 18 February 2016 in connection with the Offers
Tax Act	the Income Tax Act 2007 (as amended)
Terms and Conditions of Application	the Terms and Conditions of the Offers as set out on pages 45 to 49 of this document
The Risk Finance Guidelines	guidelines on state aid to promote risk finance investments 2014/C 19/04
this document	the Securities Note, including the terms and conditions of application
UK Listing Authority or UKLA	the FCA in its capacity as the competent authority for the purposes of Part VI of the FSMA
United States or US	the United states of America, its states, territories and possessions (including the District of Columbia)
VCT Value	the value of an investment calculated in accordance with Section 278 of the Tax Act
VCT	a venture capital trust as defined in Section 259 of the Tax Act



## Part X: Terms and Conditions of the Application

1. In these Terms and Conditions of Application, the expression "Prospectus" means this document, the Registration Document and the Summary, each dated 18 February 2016. The expression "Application Form" means the application form for use in accordance with these Terms and Conditions of Application and posting it (or delivering it by hand during normal business hours) to Downing LLP at Ergon House, Horseferry Road, London SW1P 2AL, or as otherwise indicated in this document or on the Application Form. Save where the content otherwise requires, the terms used in the Application Form bear the same meaning as in the Prospectus.

2. The right is reserved to reject any application or to accept any application in part only. Multiple applications are permitted. If any application is not accepted, or if any contract created by acceptance does not become unconditional, or if any application is accepted for fewer B Shares than the number applied for, or if in any other circumstances there is an excess payment in relation to an application, the application monies or the balance of the amount paid or the excess paid on application will be returned without interest by post at the risk of the Applicant. In the meantime application monies will be retained in the relevant Company's bank account or in the bank account of the Receiving Agent.

3. You may pay for your application for B Shares by cheque or banker's draft submitted with the Application Form.

4. The contract created by the acceptance of applications in respect of the first allotment of B Shares under the Offers will be conditional on:

- (a) the Minimum Subscription being received by 5pm on 5 April 2016;
- (b) resolutions 1 to 4 being passed at the relevant Company's General Meeting to be held on 14 March 2016 or at a subsequent meeting, if adjourned;
- (c) if the conditions are not met, the Offers will be withdrawn and subscription monies will be returned to Investors within seven Business Days of 5 April 2016, at their own risk, without interest. ; and
- (d) clearance being received from HMRC that the B Shares will be qualifying for VCT

purposes. If the Minimum Subscription is not received by 5pm on 5 April 2016, the Offers will be withdrawn and subscription monies will be returned to Investors within seven Business Days of 5 April 2016 (or within seven days of the Closing Date if the Initial Closing Date is extended at the discretion of the Directors), at their own risk, without interest.

5. The Offers are not underwritten.

6. By completing and delivering an Application Form, you:

- (a) offer to subscribe for the amount specified on your Application Form for B Shares at the Offer Price (subject to paragraph 12) and in accordance with the Prospectus, these terms and conditions, and the Articles of the Companies;
- (b) (if your subscription is accepted) will be allocated such number of B Shares as determined by the Pricing Formula;
- (c) authorise your financial adviser, or whoever he or she may direct, the Registrar or the Companies to send a document of title for, or credit your CREST account in respect of, the number of B Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address as set out on your Application Form;
- (d) agree that your application may not be revoked and that this paragraph constitutes a collateral contract between you and the Companies which will become binding upon despatch by post or delivery of your duly completed Application Form to the Companies or to your financial adviser;
- (e) warrant that your remittance will be honoured on first presentation and agree that, if such remittance is not so honoured, you will not be entitled to receive share certificates for the B Shares applied for or to enjoy or receive any rights or distributions in respect of such B Shares unless and until you make payment in cleared funds for such B Shares and such payment is accepted by the Companies (such acceptance shall be in its absolute discretion and may be on the basis that you indemnify it 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 that at any time prior to unconditional acceptance by the Companies of such late payment in respect of such B Shares, the Companies may (without prejudice to its other rights) treat the agreement

to allot such B Shares as void and may allot such B Shares to some other person, in which case you will not be entitled to any refund or payment in respect of such B Shares (other than return of such late payment at your risk and without interest);

(f) agree that all cheques and banker's drafts may be presented for payment on the due dates and any definitive document of title and any monies returnable to you may be retained pending clearance of your remittance and the verification of identity required by the ML Regulations and that such monies will not bear interest;

(g) undertake to provide satisfactory evidence of identity within such reasonable time (in each case to be determined in the absolute discretion of the Companies and the Sponsor) to ensure compliance with the ML Regulations;

(h) agree that, in respect of those B Shares for which your application has been received and is not rejected, your application may be accepted at the election of the Company either by notification to the London Stock Exchange of the basis of allocation or by notification of acceptance thereof to the Registrar;

(i) agree that all documents in connection with the Offers and any returned monies will be sent at your risk and may be sent to you at your address as set out in the Application Form;

(j) agree that, having had the opportunity to read the Prospectus and Application Form, you shall be deemed to have had notice of all information and representations including the risk factors and these terms and conditions of application, contained therein and agree to be bound by them;

(k) confirm that (save for advice received from your financial adviser) in making such application you are not relying on any information and representation other than those contained in the Prospectus and you accordingly agree that no person responsible solely or jointly for the Prospectus or any part thereof or involved in the preparation thereof will have any liability for any such other information or representation;

(l) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offers shall be governed by and construed in accordance with English Law and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Companies or the Sponsor to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications

and contracts in any other manner permitted by law or in any court of competent jurisdiction;

(m) irrevocably authorise the Companies, the Registrar and/or the Sponsor or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any B Shares subscribed by or issued to you into your name and authorise any representatives of the Companies, the Registrar or of the Sponsor to execute any documents required therefore and to enter your name on the register of members of the Companies;

(n) agree to provide the Companies with any information which they may request in connection with your application or to comply with the VCT Regulations or other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the ML Regulations;

(o) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Companies, Downing and/or the Sponsor acting in breach of the regulatory or legal requirements of any territory in connection with the Offers as a result of your application;

(p) confirm that you have read and complied with paragraph 7 below and warrant that and neither of the Registrar and/or the Sponsor will infringe any laws of any such territory or jurisdiction directly or indirectly as a result of, or in consequence of any acceptance of, your application;

(q) confirm that you have reviewed the restrictions contained in paragraph 8 below;

(r) warrant that you are not under the age of 18 years;

(s) warrant that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, you have complied with all such laws and none of the Companies, Hazel, Downing or the Sponsor or any of their respective agents will infringe any laws of any such territory or jurisdiction directly or indirectly as a result or in consequence of any acceptance of your application;

(t) agree that the Registrar, Hazel, Downing and the Sponsor are each acting for the Companies in connection with the Offers and for no-one else and that they will not treat you as their customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of B Shares or concerning the suitability of B Shares for you or be responsible to you for the protections afforded to their customers;

(u) warrant that if you sign the Application Form on behalf of somebody else or yourself and another or others jointly or a corporation you have the requisite power to make such investments as well as the authority to do so and such person will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions of application and undertake (save in the case of signature by an authorised financial adviser on behalf of the Investor) to enclose a power of attorney or a copy thereof duly certified by a solicitor with the Application Form;

(v) warrant that you are not subscribing for the B Shares using a loan which would not have been given to you or any associate, or not given to you on such favourable terms, if you had not been proposing to subscribe for the B Shares;

(w) warrant that the B Shares are being acquired by you for bona fide investment 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. Obtaining tax reliefs given under the applicable VCT legislation is not of itself tax avoidance;

(x) 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 B Shares on behalf of or with a view to their offers, sale or delivery, directly or indirectly, to or for the benefit of any US person or resident of Canada; and

(y) warrant that the information contained in the Application Form is accurate.

7. No person receiving a copy of the Prospectus, or an Application Form, in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him or her, nor should he or she in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or her or such Application Form could lawfully be used without contravention

of any registration or other legal requirements. It is the responsibility of any person outside the United Kingdom wishing to make an application hereunder to satisfy himself or herself as to the full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any of the formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

8. The B Shares have not been and will not be registered under the United States Securities Act 1933, as amended, or under the securities laws of any state or other political subdivision of the United States, 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 Company Act of 1940, as amended. The Investment Adviser will not be registered under the United States Investment Adviser Act of 1940 (as amended). No application will be accepted if it bears an address in the USA.

9. This application is addressed to the Registrar and the Sponsor. The rights and remedies of the Registrar and the Sponsor under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to either of them, and the exercise or partial exercise of one will not prevent the exercise of others.

10. The dates and times referred to in these Terms and Conditions of Application may be altered by the Companies with the agreement of the Sponsor.

11. The Companies have taken advantage of the provisions of the Companies Act 2006 to allow annual reports and other statutory shareholder communications to be made available in electronic form on its website as the default means of publication. This will have a positive environmental impact and save the Companies some costs compared to providing all communications in hard copy form by post. By default, applicants who provide an email address on the application form and do not select any alternative notification methods, will receive notification of shareholder communications by email. The Companies may in their sole discretion send any notification or information to Shareholders in paper form.

12. Where a fee is payable by an Investor for the advice and related charges he has received from a Financial Adviser who has provided a personal recommendation to invest in the Company, this "Adviser Charge" (the amount agreed between the Investor and a Financial Adviser) can either be paid directly by the Investor or, if it is a one off fee, its payment may be made by the Registrar.

13. Investors are required:

- (i) to identify such part of the overall cost of financial advice from their Financial Adviser which is related to their decision to subscribe for Shares (plus VAT if relevant); and
- (ii) to authorise their Financial Adviser to disclose such amount to the Company or the Promoter.

14. Where commission is permitted to be paid to Financial Advisers under the Rules of the Financial Conduct Authority (for example, in respect of execution only clients where no advice or personal recommendation has been provided or in respect of Professional Clients) Financial Advisers who, acting on behalf of their clients, return valid Application Forms bearing their stamp and Financial Conduct Authority registration number may be entitled to commission from the Promoter, calculated by reference to the amount payable in respect of the B Shares allocation for each such Application Form.

15. Intermediaries or Financial Advisers may agree to waive part or all of their initial commission or Adviser Charge in respect of an application. If this is the case then such an application may be treated as an application to apply for the amount stated in section 2 of the Application Form, together with an additional amount equivalent to the commission or Adviser Charge waived or subscribed on an Investor's behalf for extra B Shares, which waived commission will be applied in subscription for such extra B Shares at an issue price reflecting the fact that no Promoter's Fee will be applied to these additional Shares. The Company is authorised to amend the amount stated in section 2 of the Application Form to include any additional amount. Financial Advisers and intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for their commission.

16. The arrangements described in paragraphs 12 to 15 above are based on the relevant applicable

rules of the FCA as they apply at the date of this document. In the event that there is a change in these Rules that affect the way advisers are permitted to charge Investors and the arrangements described in paragraphs 12 to 15 above, the Directors reserve the right to make amendments to those arrangements.

17. Investors should be aware of the following requirements in respect of the ML Regulations:

(i) Please supply either an Identity Verification Certificate from your financial intermediary or, if you do not have an adviser, one of each of the following:

a copy of your passport or driving licence certified by a bank or solicitor stating that it is a "true copy of the original and a true likeness of [name]"; and an original or a certified copy of a recent bank or building society statement or utility bill showing your name and address.

(ii) Your cheque or bankers' draft must be drawn in sterling on an account at a branch (which must be in the United Kingdom, the Channel Islands or the Isle of Man) of a bank which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, a member of the Scottish Clearing Banks Committee or the Belfast Clearing Committee or which has arranged for its cheques or bankers' drafts to be cleared through facilities provided for members of any of those companies or associations and must bear the appropriate sorting code in the top right hand corner. Cheques should be drawn on the personal account to which you have sole or joint title to such funds. Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque or draft to such effect. The account name should be the same as that shown on the application. Post-dated cheques will not be accepted. Cheques or banker's drafts will be presented for payment upon receipt. The Company reserves the right to instruct the Registrar to seek special clearance of cheques and banker's drafts to allow the Company to obtain value for remittances at the earliest opportunity. The right is reserved to reject any Application Form in respect of which the cheque or bankers' draft has not been cleared on first presentation. In the event that the Offer does not reach the Minimum Subscription



any monies returned will be sent by cheque crossed "A/C Payee only" in favour of the person named in Section 1 of the Application Form ("the Applicant").

18. The basis of allocation of B Shares will be determined by the Directors of the Company in their absolute discretion after consultation with the Promoter. The right is reserved to reject in whole or in part and/or scale down and/or ballot any application or any part thereof including, without limitation, applications in respect of which any verification of identity which the Company or the Registrar consider may be required for the purposes of the ML Regulations has not been satisfactorily supplied. Dealings prior to the issue of certificates for B Shares will be at the risk of Applicants. A person so dealing must recognise the risk that an application may not have been accepted to the extent anticipated, or at all. The Company may accept applications made otherwise than by completion of an Application Form where the applicant has agreed in some other manner acceptable to the Company to apply in accordance with these terms and conditions.

19. The application of the subscription proceeds is subject to the absolute discretion of the Directors.

20. In Section 1 of the Application Form please indicate all countries in which the Applicant is resident for the purposes of that country's tax.

## PART XI: Offer Price

### Pricing of the Offers

The number of B Shares to be issued to each Applicant will be calculated based on the following Pricing Formula (rounded down to the nearest whole B Share):

<b>Number of Offer Shares</b>	=	<b>Amount subscribed, less: (i) initial Promoter's Fee<sup>1</sup> and (ii) Adviser Charge (if any)</b>	÷	<b>Latest published NAV per B Share<sup>2</sup></b>
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<sup>1</sup> less any reduction for early applications and/or commission waived by Intermediaries (where applicable).

<sup>2</sup> adjusted for any dividends declared that are ex-dividend but not yet paid, as appropriate. The initial NAV per B Share at the date of this document is £1.

Illustrative examples (based on a subscription under the Offers of £10,000 and a NAV per B Share of £1):

- (i) Promoter's Fee (Execution-only Transaction: 4% less 2% Intermediary commission waived) of 2% = £200  
Number of B Shares =  $(10,000 - 200 - 0) \div 1 = \mathbf{9,800}$                       Offer Price = 102.0p
- (ii) Promoter's Fee (advised) of 2% = £200  
Example Adviser Charge = £225  
Number of B Shares =  $(10,000 - 200 - 225) \div 1 = \mathbf{9,575}$                       Offer Price = 104.4p
- (iii) Promoter's Fee (advised) of 2% = £200  
Example Adviser Charge = £400  
Number of B Shares =  $(10,000 - 200 - 400) \div 1 = \mathbf{9,400}$                       Offer Price = 106.4p

It should be noted that the example Adviser Charges set out above have been provided to illustrate the pricing of the Offers and should not be considered as a recommendation as to the appropriate levels of Adviser Charges. Income tax relief should be available on the total amount subscribed, subject to VCT regulations and personal circumstances, which in each of the above examples would be £3,000 (£10,000 at 30%).

#### Adviser Charges for Intermediaries

Commission is not permitted to be paid to Intermediaries who provide a personal recommendation to UK retail clients on investments in VCTs after 30 December 2012. Instead of commission being paid by the Companies, a fee will usually be agreed between the Intermediary and Investor for the advice and related services ("Adviser Charge"). This fee can either be paid directly by the Investor to the Intermediary or, if it is an initial one-off fee, the payment of such fee may be facilitated from the Investor's funds received by the Companies. Ongoing fees to Intermediaries will not be facilitated by the Companies. If the payment of the Adviser Charge is to be facilitated by the Companies, then the Investor is required to specify the amount of the charge on the Application Form (see Box 3). The Investor will be issued fewer B Shares (to the equivalent value of the Adviser Charge) through the Pricing Formula set out above. The Adviser Charge is inclusive of VAT, if applicable.

#### Commission

Commission may be payable where there is an Execution-only Transaction and no advice has been provided by the Intermediary to the Investor or where the Intermediary has demonstrated to Hazel that the Investor is a professional client of the Intermediary. Commission is payable by Hazel out of its Promoter's Fee. Those Intermediaries who are permitted to receive commission will usually receive an initial commission of 2% of the amount invested by their clients under the Offers.

## Notes on Application Form

Before making an application to acquire B Shares you are strongly recommended to consult and obtain advice from an appropriate financial intermediary authorised under the Financial Services and Markets Act 2000. It is essential that you complete all parts of the Application Form in accordance with the instructions in these notes. Please send the completed Application Form, together with your cheque or banker's draft, by post, or deliver it by hand, to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. If you have any questions on how to complete the Application Form please contact Downing LLP on 020 7416 7780 or your financial intermediary. Since the Finance Act 2014, investors are able to subscribe for Shares through a nominee. If you wish to subscribe through a nominee, please contact Downing LLP. Investors and their Intermediaries should provide an email address if they require the receipt of the Application Form to be acknowledged.

The following notes should be read in conjunction with the Application Form and the Terms and Conditions of Application.

- 1 Insert in Box 1 in BLOCK CAPITALS your full name, permanent address, daytime telephone number, date of birth, National Insurance number and, if you have one, your email address. Joint applications are not permitted. Please include details of all countries in which you are tax resident.
- 2 Insert (in figures) in Box 2 the total amount you wish to invest under the Offers in respect of the 2015/16 tax year. This is the total amount you are subscribing under the Offers. Share subscriptions will be adjusted to reflect any commission waived (by agents) as extra B Shares.

Please note that the minimum investment is £3,000 (or such lower amount at the Board's discretion). The maximum investment, on which tax reliefs on investments in VCTs are available, is £200,000 in the 2015/16 tax year.

Attach your cheque or banker's draft to the Application Form for the exact amount shown in Box 2. Your cheque or banker's draft must be made payable to "HAZEL RENEWABLE ENERGY VCT 1 PLC". Your payment must relate solely to this application.

### Money Laundering Regulations – Important Note

If your application is for more than £10,000, or your application is for less but payment is not being made using a personal cheque, please provide anti-money laundering verification:

Your adviser/intermediary has verified your identity and confirmed by signing section 7;

Please enclose verification of identity (a certified copy of your current passport or UK driving licence) and verification of address (an original utility bill (not mobile phone), bank account statement or council tax statement, dated within the last three months, or a certified copy of your driving licence if it hasn't been used for verification of identity).

**Anti Money Laundering verification is required for ALL applications, EXCEPT those where the application is for £10,000 or less AND it is funded by a personal cheque in the name of the applicant.**

Please provide one item from List A AND one item from List B

#### List A (Verification of Identity)

Current signed passport  
Current UK Driving Licence  
HM Revenue and Customs Tax Notification  
Firearms Certificate

#### List B (Verification of Address)

Recent\* utility bill (but not a mobile telephone bill)  
Recent\* local authority tax bill  
Recent\* bank or building society statement  
Recent\* mortgage statement from a recognised lender

Please send original (not passport or driving licence) or certified copies of the documents. Certified as a true copy of the original by a UK lawyer, banker, authorised financial intermediary (e.g. financial adviser or an FCA authorised mortgage broker), accountant, teacher, doctor, minister of religion, postmaster or sub-postmaster. The person certifying the document should state that the copy is a true copy of the original, print their name, address, telephone number and profession and sign and date the copy. \*"Recent" means dated within the last three months.

**Please note, that Downing may, in its absolute discretion, require Money Laundering verification and that Money Laundering verification will be required by introducing financial advisers.**

## Notes on Application Form (continued)

- 3** Indicate in Box 3 whether your investment is (i) an advised investment (ii) a non-advised 'execution-only' or an investment by a professional client or (iii) a direct investment. If you are an advised client, and have agreed an upfront Adviser Charge for personal advice provided in respect of this investment and would like the Company to facilitate the payment of such fee, please set out the amount in pounds (e.g. "£500") in Box 3. The Financial Adviser should complete Box 7. Please note, the Companies do not facilitate ongoing Adviser Charges. The Adviser Charge is inclusive of VAT, if applicable.
- 4** Indicate in Box 4 whether you will be making your investment via Cheque or Electronic Bank Transfer.
- 5** Read the declaration and sign and date the Application Form in Box 5. If someone other than the Applicant named in Box 1 signs on such Applicant's behalf, such signatory must ensure that the declaration given on behalf of such Applicant is correct.
- 6** If you wish to have dividends paid into your nominated bank or building society account, please complete the mandate instruction form.
- 7** To be completed by Financial Advisers only. Financial Advisers who are entitled to receive commission or have agreed an Adviser Charge with their client should complete this box, giving their full name and address, telephone number and details of their authorisation under the Financial Services and Markets Act 2000. The right is reserved to withhold payment if the Company is not, at its sole discretion, satisfied that the agent is so authorised, or that any payment is or may be in breach of any applicable rules or regulations. In order for commission or an Adviser Charge to be paid by BACS, please complete the relevant boxes.



Please pin or staple  
your cheque here.

Tax Year 2015/16

Reservation Number  
(if applicable)

# HAZEL RENEWABLE ENERGY VCT 1 PLC HAZEL RENEWABLE ENERGY VCT 2 PLC APPLICATION FORM

Make your cheque or banker's draft out to "HAZEL RENEWABLE ENERGY VCT 1 PLC" and return this form as soon as possible to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. The initial closing date will be 12pm on 1 April 2016 (unless extended or fully subscribed earlier).

1

Title and Name in Full (BLOCK CAPITALS PLEASE) : \_\_\_\_\_  
 Permanent Address: \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 Postcode: \_\_\_\_\_ Daytime Telephone: \_\_\_\_\_  
 Email Address: \_\_\_\_\_  
 Date of Birth: \_\_\_\_\_ (DD/MM/YYYY) National Insurance No.: \_\_\_\_\_  
 Country or Countries of tax residency: \_\_\_\_\_

Investors and their Financial Advisers should provide an email address if they require the receipt of the Application Form to be acknowledged.

2

I am applying for B Shares as follows:

2015/16 tax year

£	Min £3,000	(2)
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or such lesser sum for which this application may be accepted on the Terms and Conditions of the Offers set out in Part V of this document. Please send me a certificate(s) confirming my entitlement to VCT tax reliefs. Please note your cheque or payment should be for the sum shown in Box 2. The number of Offer Shares to be allotted will be calculated on the basis of the Pricing Formula set out in Part XI of this document.

3

Adviser Charge or Intermediary/Financial Adviser Payment

Type of investment (Please tick ONE box only)

<input type="checkbox"/>	If you have agreed an Adviser Charge with your Financial Advisers and request that the Company pays that fee, please insert the fee (stated as a sum of money) in this box (to the right). Please note that the number of B Shares issued to you will be reduced by the amount of the Adviser Charge. This payment is inclusive of VAT, if applicable.	£
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<input checked="" type="checkbox"/>	This is a non-advised 'execution-only' investment or an investment by a Professional Client i.e. you are submitting this application through an intermediary who has not advised you or to whom you have demonstrated that you are a Professional Client.
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<input type="checkbox"/>	This is a direct investment i.e. you are not submitting this application through any Financial Adviser/intermediary.
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4

Payment details

Please mark with an "X" as appropriate

<input type="checkbox"/>	I enclose a cheque / banker's draft drawn on a UK clearing bank, payable to HAZEL RENEWABLE ENERGY VCT 1 PLC
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<input type="checkbox"/>	I have instructed my bank to make an electronic payment to: Bank: Royal Bank of Scotland Account Name: HAZEL RENEWABLE ENERGY VCT 1 PLC Sort Code: 16-01-09 Account Number: 00289729 Bank name: Royal Bank of Scotland Branch name: LONDON VICTORIA Reference: Please quote your surname
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**5** INVESTOR DECLARATION

BY SIGNING THIS FORM I HEREBY DECLARE THAT: (i) I have had an opportunity to receive the Prospectus dated 18 February 2016 and to read the terms and conditions of application therein; (ii) I will be the beneficial owner of the B Shares issued to me pursuant to the Offers; and (iii) to the best of my knowledge and belief, the particulars I have given to Hazel Renewable Energy VCT 1 PLC and Hazel Renewable Energy VCT 2 PLC are correct.

HM Revenue & Customs may inspect this Application Form. It is a serious offence to make a false declaration.

Signature	<input type="text"/>	Date	<input type="text"/>
Applicant's Name	<input type="text"/>	Postcode	<input type="text"/>

**6** Dividend Mandate

Dividends may be paid directly into Shareholders' bank or building society accounts. In order to facilitate this, please complete the mandate instruction form below. Please note that if you are an Existing Shareholder this instruction applies to all of your shareholdings in the Company and completing the form below will direct the Company to send all dividend payments due on all your shareholdings in the Company to this bank account. Dividends paid directly to your account will be paid in cleared funds on the dividend payment dates. Your bank or building society statement will identify details of the dividend as well as the dates and amounts paid. By completing the details below I am instructing the Company to 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 register of members of Hazel Renewable Energy VCT 1 PLC or Hazel Renewable Energy VCT 2 PLC to the bank or building society account listed below.

Name of Bank or Building Society:	<input type="text"/>
Branch:	<input type="text"/>
Branch Address:	<input type="text"/>
	<input type="text"/>
Account Name: (BLOCK CAPITALS PLEASE)	<input type="text"/>
Account Number: (Please quote all digits and zeros)	<input type="text"/>
Sort Code:	<input type="text"/>

Signature	<input type="text"/>	Date	<input type="text"/>
Applicant's Name	<input type="text"/>	Postcode	<input type="text"/>

THE COMPANY AND DOWNING LLP DO NOT ACCEPT RESPONSIBILITY IF ANY DETAILS PROVIDED BY YOU ARE INCORRECT.

**7 TO BE COMPLETED BY INTERMEDIARIES/FINANCIAL ADVISERS ONLY**

Contact Name: <b>Sophie Muller</b> <small>(for administration)</small>	Email: <b>sophie.muller@eqinvestors.co.uk</b>
Financial Adviser: <b>Execution Only</b>	Email:
Firm Name: <b>EQ Investors</b>	
Address: <b>Centennium House, 100 Lower Thames St</b>	
Postcode: <b>EC3R 6DL</b>	Tel: <b>020 7488 7186</b>
FCA No: <b>539422</b>	Email: <b>sophie.muller@eqinvestors.co.uk</b>

Tick this box if you are permitted to receive commission in respect of this application in compliance with COBS 6.1A of the FCA Handbook. <input checked="" type="checkbox"/>	Reason: _____ _____ _____
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Tick this box if the Adviser Charge stated in Section 3 has been agreed with your client and complies with COBS 6.1A of the FCA Handbook. <input type="checkbox"/>
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Please provide details of your bank or building society account so that commission or the Adviser Charge (as applicable) can be paid to you via BACS.

Name of Bank or Building Society: \_\_\_\_\_  
Branch: \_\_\_\_\_  
Branch Address: \_\_\_\_\_  
Account Name: \_\_\_\_\_  
Sort Code: \_\_\_\_\_  
Account Number: (Please quote all digits and zeros) \_\_\_\_\_

Email address for commission statements: \_\_\_\_\_

I confirm that the information show in Section 7 is complete and accurate and that any Adviser Charge shown in Section 3 has been agreed by the Applicant.

Signature	<input type="text"/>	Position	<input type="text"/>
Name	<input type="text"/>	Date	<input type="text"/>

THE COMPANY AND DOWNING LLP DO NOT ACCEPT RESPONSIBILITY IF ANY DETAILS PROVIDED BY YOU ARE INCORRECT.

**8 ADVISER/INTERMEDIARY DECLARATION**

We confirm by signing below that the investor is a customer of our company and that the information provided on this form is, to the best of our knowledge and belief, accurate and complete.  
We also confirm we have verified the identity of the applicant in accordance with the Money Laundering Regulations 2007 and confirm that documentary evidence has been obtained and identity checks have been undertaken to confirm that the applicant's name and address as shown on this application form are correct. We agree to provide to Downing LLP, if requested upon reasonable notice, copies of such documentary evidence we hold for the applicant.

Signature	<input type="text"/>	Position	<input type="text"/>
Name	<input type="text"/>	Date	<input type="text"/>



#### **Further Information**

*For further information about  
Hazel Renewable Energy VCT 1 PLC,  
Hazel Renewable Energy VCT 2 PLC,  
Hazel Capital, or any other products,  
please contact us at:*

#### **Hazel Capital LLP**

2nd Floor  
227 Shepherds Bush Road  
London W6 7AS

Tel: +44 (0) 20 3434 1010

Email: [ir@hazelcapital.com](mailto:ir@hazelcapital.com)

[www.hazelcapital.com](http://www.hazelcapital.com)