FORESIGHT PLANNED EXIT VCT FUND

LINKED £20 MILLION NEW SHARE CLASS OFFER IN FORESIGHT VCT PLC AND FORESIGHT 2 VCT PLC

SECURITIES NOTE WITH APPLICATION FORM

Securities Note with Application Form Linked Offer for Subscription

Sponsored by BDO LLP

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT 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 ADVISER AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA").

This document is a Securities Note issued by Foresight VCT plc and Foresight 2 VCT plc (together "the Companies" and each a "Company") dated 28 January 2010. The Companies have also published additional information in a Registration Document as well as a Summary which, with this Securities Note, together comprise a Prospectus ("the Prospectus") prepared in accordance with the Prospectus Rules made under Section 84 of the Financial Services and Markets Act 2000 ("FSMA") and approved by the Financial Services Authority ("FSA") in accordance with FSMA.

The Companies and the Directors (whose names are set out on page 15) 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.

Linked Offer for Subscription to raise in aggregate up to £20,000,000 by issues of Planned Exit Shares by

Foresight VCT plc	**Foresight 2 VCT plc**
Registered in England and Wales under number 03421340	Registered in England and Wales under number 05200494

Investors who subscribe before 28 February 2010 will be entitled to additional Planned Exit Shares and Foresight Group LLP will waive a proportion of its promoter's fee in order that additional Planned Exit Shares can be allotted to investors. Application has been made to the UK Listing Authority for the Planned Exit Shares offered for subscription by Foresight VCT plc and Foresight VCT 2 plc ("Offer Shares") pursuant to the Prospectus ("the Offer") to be admitted to the Official List and to the London Stock Exchange plc for such Offer Shares to be admitted to trading on its market for listed securities. It is expected that Admission to the Official List will become effective and that dealings in the Offer Shares will commence three Business Days following allotment. The Companies' existing issued Shares are traded on the London Stock Exchange's market for listed securities.

In connection with the Offer, BDO LLP ("BDO") is acting for the Companies and no-one else and will not be responsible to anyone other than the Companies for providing the protections afforded to customers of BDO nor for providing advice in relation to the Offer. BDO is authorised and regulated in the United Kingdom by the FSA.

In connection with the Offer Foresight Group LLP ("Foresight") is acting for the Companies and no-one else and will not be responsible to anyone other than the Companies for providing the protections afforded to customers of Foresight nor for providing advice in relation to the Offer. Foresight is authorised and regulated in the United Kingdom by the FSA.

The Offer is conditional upon the approval of the Shareholders of Foresight VCT plc and Foresight 2 VCT plc at general meetings of the Companies to be held on 23 February 2010.

Copies of this Securities Note, the Registration Document and the Summary are available (and any supplementary prospectus published by the Companies will be available) free of charge from the offices of the Companies' investment manager, Foresight Group LLP, ECA Court, 24-26 South Park, Sevenoaks, Kent TN13 1DU and at the Foresight Group website at www.foresightgroup.eu and from the offices of the Companies' sponsor, BDO, 125 Colmore Row, Birmingham B3 3SD.

The procedure for, and the terms and conditions of, application under this Offer are set out at the end of this document together with an Application Form. Completed Application Forms must be posted or delivered by hand to the Receiving Agent, The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF. The Offer opens on 28 January 2010 and will close not later than 30 June 2010 or as soon as the Offer is fully subscribed or otherwise at the Directors' discretion. Investors may apply for allotments in both the 2009/10 tax year and the 2010/11 tax year. Allotments may be made monthly or otherwise as the Directors determine. The Directors at their absolute discretion may decide to extend or increase the Offer.

YOUR ATTENTION IS DRAWN TO THE RISK FACTORS ON PAGES 4 TO 5

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Risk factors

Existing and prospective investors should consider carefully the following risk factors in addition to the other information presented in this document and the Prospectus as a whole. If any of the risks described below were to occur, it could have a material effect on the Companies' businesses, financial condition or results of operations. The risks and uncertainties described below are not the only ones the Companies, the Board or investors in the Shares will face. Additional risks not currently known to the Companies or the Board, or that the Companies or the Board currently believe are not material, may also adversely affect the Companies' businesses, financial condition and results of operations. The value of Shares could decline due to any of these risk factors, and investors could lose part or all of their investment. Investors who are in doubt should consult their independent financial adviser. The attention of prospective investors is drawn to the following risks.

- The value of Shares and the income from them can fluctuate and investors may not get back the amount they invested. In addition, there is no certainty that the market price of Planned Exit Shares will fully reflect the underlying Net Asset Value or that Shareholders will be able to realise their shareholding or that dividends will be paid. Investment in the Companies should be seen as a long term investment.
- The past performance of the Companies or of other funds managed by Foresight, the investment manager to the Companies, is not necessarily an indication of the future performance of the Companies.
- The Net Asset Value of the Shares will reflect the values and performance of the underlying assets in the respective portfolios. The value of the investments and income derived from them can rise and fall.
- The level of returns from the Planned Exit Fund may be less than expected if there is delay in the investment programme, such that all or part of the net proceeds of the Offer are held in cash or near cash investments for longer than expected, or if the interest rates obtained on Qualifying Loans made by the Planned Exit Fund are less than planned. There can be no guarantee that suitable investment opportunities will be identified in order to meet the Companies' objectives, or that the Planned Exit Fund will be substantially invested in the form of Qualifying Loans as expected.
- Although the existing Shares issued by the Companies have been (and it is anticipated that the Planned Exit Shares will be) admitted to the Official List of the UK Listing Authority and traded on the London Stock Exchange's market for listed securities, it is unlikely that there will be a liquid market as there is a limited secondary market for VCT shares and investors may find it difficult to realise their investments. The market price of the Shares may not fully reflect, and will tend to be at a discount to, their underlying net asset value. Such a discount may be exacerbated by the availability of income tax relief on the issue of new VCT shares.
- If the Companies lack sufficient cash reserves to support the Zero Discount Buyback Policy and during Prohibited Periods when the Companies are unable to purchase their own shares the market price of the existing Shares and the Planned Exit Shares may not fully reflect, and will tend to be at a discount to, their underlying net asset value.
- The target tax-free return to investors in Planned Exit Shares of 110p per Share is not guaranteed and there is no certainty as to the amount or timing of Distributions. If any of the Companies' investments fail to yield the returns expected, there could be a shortfall or delay in Distributions. In addition, if there is a change in VCT legislation or the interpretation of existing VCT legislation, such that the payment of Distributions would have an adverse effect on either Company's VCT status, then such Distributions may not be made.
- The Companies may not be able to fully realise all their investments from the Planned Exit Fund between the fifth and sixth anniversaries of the closing date of the Offer, with the result that Distributions to investors could be delayed. This might arise due to a default by a Qualifying Company or, for example, where initial loans are repaid early and replacement loans are not due for repayment before the sixth anniversary of the final closing date of the Offer. Foresight will manage the Planned Exit Fund with the aim of allowing every Planned Exit Shareholder to realise their shareholding at a zero discount to the Net Asset Value (less transaction costs, if any, payable to market makers and stockbrokers) after the 5 year minimum holding period and before the sixth anniversary of the final closing date of the Offer.
- Interest income received by the Companies and attributable to the Planned Exit Shares can only be sheltered from corporation tax to the extent that the total interest income received by each Company does not exceed total revenue expenditure available for offset in the calculation of that Company's tax liabilities. To the extent that total interest income exceeds total revenue expenditure corporation tax will be payable.

- While it is the intention of the Directors that the Companies will be managed so as to continue to qualify as Venture Capital Trusts, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the income tax relief obtained, and could also cause a Company to lose its exemption from corporation tax on capital gains.
- The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Companies and/or the rates of tax, or other statutory provisions to which the Companies are subject, may change during the life of the Companies and such changes could be retrospective.
- If an investor who subscribes for Shares disposes of those Shares within five years, the investor is likely to be subject to claw back by HM Revenue & Customs of any income tax relief originally obtained on subscription.
- Although the Companies may receive conventional venture capital rights in connection with their investments, as a minority investor they may not be in a position fully to protect their interests.
- Investment in smaller and unquoted companies involves a higher degree of risk than investment in larger companies and those traded on the main market of the London Stock Exchange. Smaller companies generally may have limited product lines, markets or financial resources and may be more dependent on their management or key individuals than larger companies. Markets for smaller companies' securities may be less regulated and are often less liquid, and this may cause difficulties in valuing and disposing of equity investments in such companies.
- Whilst it is intended that the majority of the Planned Exit Fund should be invested in secured loans, it is possible that in the event of a default the Companies may recover less than the amount lent notwithstanding that they might hold security. In order to comply with VCT Regulations, at least 10% of each investment must be made in the form of Eligible Shares, which by nature cannot benefit from security arrangements. The proportion of the Planned Exit Fund that is invested in loans may vary according to each Company's continuing compliance with the VCT requirement that at least 30% of all holdings in Qualifying Companies should be represented by holdings of Eligible Shares.
- Realisation of investments in unquoted companies can be difficult and may take considerable time. There may also be constraints imposed on the realisation of investments in order to maintain the VCT status of a Company which may restrict that Company's ability to obtain maximum value from its investments or to achieve the intended timing of Distributions. To be qualifying holdings, VCT funds raised after 5 April 2006 must invest in smaller companies with gross assets of not more than £7 million prior to the investment and £8 million post investment. In addition, to be qualifying holdings, VCT funds raised after 5 April 2007 must invest in companies which have no more than 50 full time (equivalent) employees and do not obtain more than £2 million of investment from VCTs, companies under the corporate venturing scheme and individuals claiming relief under the Enterprise Investment Scheme in any rolling 12 month period.
- Where the Planned Exit Fund invests in companies in which other Foresight Funds have invested or subsequently invest, conflicts of interest may arise. The Board will exercise independent judgement to manage any such conflicts for the benefit of the Companies and, if there is a potential conflict of interest which concerns another class of Shares in either of the Companies, in doing so, shall have regard (amongst other matters) to the need to act fairly between different members of the Companies.
- Although Foresight is currently seeing a strong flow of opportunities, there can be no guarantee that suitable investment opportunities will be identified in order to meet the Companies' objectives.

Offer timetable and statistics

Indicative Offer timetable

Offer opens	28 January 2010
Offer closes	30 June 2010
Allotments	Monthly or as the Directors determine
Effective date for the listing of Offer Shares and commencement of dealings	Within three Business Days of allotment
Share certificates and tax certificates to be despatched	Within seven Business Days of allotment

The Directors reserve the right to extend the closing date of the Offer or increase the size of the Offer at their discretion. The Offer will close earlier than the date stated above if it is fully subscribed by an earlier date or otherwise at the Directors' discretion.

Offer statistics

Maximum amount to be raised for each Company	£10,000,000
Offer Price per Foresight 1 Planned Exit Share	100p
Offer Price per Foresight 2 Planned Exit Share	100p
Additional Planned Exit Shares ("Additional Shares") financed by Foresight and available for Subscriptions received before 28 February 2010, as a percentage of the amount subscribed	1%
Maximum estimated number of Foresight 1 Planned Exit Shares to be issued*	10,000,000
Maximum estimated number of Foresight 2 Planned Exit Shares to be issued*	10,000,000
Estimated issued Foresight 1 Planned Exit Share capital*	£100,000
Estimated issued Foresight 2 Planned Exit Share capital*	£100,000

Costs relating to the Offer

Offer costs as a percentage of the gross proceeds*	5.5%
Initial commission to intermediaries** (included in the 5.5% Offer costs)	3.0%
Annual trail fee to the Promoter out of which trail commission to intermediaries will be paid (subject to a maximum cumulative payment of 3% of the gross proceeds)	0.5%

Notes: * assuming full subscription at the Offer Price and no Additional Shares

** excluding annual trail commission of 0.5%

Letter from the Chairman Foresight VCT plc and Foresight 2 VCT plc

28 January 2010

Dear Investor

I am pleased to introduce an offer to subscribe an innovative new class of shares, to be called Planned Exit Shares. The Offer is being made as a linked issue by Foresight VCT plc and Foresight 2 VCT plc. This means investors will be allotted an equal number of Planned Exit Shares in each Company. It is intended that, as far as possible, the funds raised will be managed as if they were a single fund, known as the Planned Exit Fund.

The Board's aim is to provide more predictable investment returns than VCTs have traditionally offered with a planned exit after the five year minimum holding period. I hope that the Planned Exit Shares will be attractive not only to many existing Shareholders in the Foresight VCTs, but also to new investors, and I therefore look forward to a widening of the Companies' shareholder base.

The Planned Exit Fund will mainly focus on attractive investment opportunities which also aim to create environmental benefits, for example in fields such as renewable energy generation, recycling facilities and combined heat and power plants. These are sectors where Foresight Group believes there is strong demand for finance to support investment in tangible assets. Investment in these and other sectors may help reduce greenhouse gas emissions and contribute to more sustainable use of valuable resources, whilst also producing attractive economic returns.

As a new Share class within established VCTs, the Planned Exit Fund is expected to benefit from low administration costs and an ability to invest a higher proportion of its capital into loans than would be possible for a new VCT.

Foresight Group is one of the larger VCT managers measured by funds under management, with more than 12 years' experience in the sector. Foresight Group's achievements both in the environmental infrastructure arena and more widely as a manager were recognised in 2009 by awards as Renewable Energy Investor of the Year and as the Venture Capital House of the Year.

I would like to highlight the features of this new offering that make it, in the view of the Boards, a potentially attractive investment opportunity.

Dividend policy and planned exit

We have set a target for dividends of 3p in April 2011 and 5p each year thereafter and a total of 110p in Distributions within six years. If the planned level and timing of dividends and total Distributions is achieved, then an investor benefiting from full VCT tax reliefs would (on the basis set out on page 11 of this document) achieve a tax-free cash profit of 57% of their net cost of investment, and a gross equivalent compound annual return of 14.7% per annum.

In order to provide greater certainty in terms of dividends and return of capital, we have agreed a lower annual management fee for the Investment Manager. Annual management fees have to be paid before dividends, so by setting a lower annual management fee, we can increase the potential to pay dividends, subject always to there being sufficient investment returns from the portfolio of investments.

The overall strategy of the Planned Exit Fund is to realise all investments between the fifth and sixth anniversaries of the final closing date of the Offer and to pay Distributions of at least 110p to investors before the sixth anniversary. We have therefore provided that the Investment Manager's performance incentive vests only after Shareholders have received total Distributions of 110p per Planned Exit Share.

Security of capital

The Board has set a target for tax-free Distributions to investors of 110p. Foresight Group believes that investing primarily by way of secured loans to companies whose cash flow is derived from infrastructure assets will allow the Companies to achieve this target whilst setting a high priority on security of capital.

The Planned Exit Fund is expected to be able to invest 90% of its assets in secured loans, an unusually high percentage for a VCT, made possible because the Companies' other share classes are more heavily weighted towards equity investments.

The Chancellor's proposals, announced in his pre-budget report on 6 December 2009, to reduce the proportion of funds that a VCT can invest in loans and make certain other changes to regulations governing VCTs, are not expected to materially affect the Planned Exit Fund.

Zero Discount Buyback Policy

VCTs are long-term investments and most shareholders in Foresight VCTs hold their shares for longer than the minimum qualifying period for tax purposes. Certain unforeseen events may lead to Shareholders needing to sell their VCT shares. Our policy, until the fifth anniversary of first Admission will be to buyback Planned Exit Shares in the market at a zero discount to their net asset value (to the extent practical and permissible and subject to transaction costs payable to market makers and stockbrokers). Thereafter our policy will be to buyback Shares in the market (other than by way of a tender offer) at a discount of 10% to their Net Asset Value. Further details are set out on page 13 of this document.

Substantial tax benefits reduce risk

The 30% income tax relief, available subject to an investor's personal circumstances, on subscriptions under the Offer, creates a cushion against loss of capital, because the Planned Exit Fund's initial Net Asset Value after the costs of the Offer will be 94.5p for every 70p of net investment cost (after tax relief at 30%). This means that, for an investor who is able to claim income tax relief in full, even a fall in the Net Asset Value of 25% would not result in a capital loss to the investor, provided that the Net Asset Value can be fully realised and returned to them. Further details of the tax benefits are described on page 19.

VCTs are one of a very small number of tax-efficient investment schemes officially sanctioned by HM Revenue and Customs. As a result, the risk of the tax benefits being lost or reduced after an investment is made appears low but investors should note, in particular, that they will need to retain their holdings of Planned Exit Shares for the five year minimum holding period to secure the income tax benefits of an investment to which they may be entitled.

Low total expense ratio

The Planned Exit Fund will bear only a share of the overall costs of administering the Companies, which include, for example, costs of the Board, professional advice and investor communications. The Companies' total administration costs will increase relatively little due to the Offer, and will be spread over a larger asset base. As a result, the blended total expense ratio for the Planned Exit Shares is expected initially to be 2.6% (representing an initial total expense ratio in respect of the net assets attributable to Planned Exit Shares of 2.8% for Foresight 1 and 2.3% for Foresight 2 calculated before any performance incentive to the Investment Manager and assuming that the Offer is fully subscribed). Further details are set out on page 16 of this document.

Next steps

In order to invest, please read the Prospectus and then complete the Application Form, which you will find at the end of this document. If you have any questions regarding this investment, please contact your financial adviser or call Foresight on 01732 471800. Please note that Foresight is not able to give investment advice. Please also read the risk factors set out on pages 4 to 5 of this document.

Finally, investors who subscribe under the Offer on or before 28 February 2010 will receive an additional allocation of Planned Exit Shares equal in number to 1% of the amount they subscribe divided by the Offer Price. This additional allocation will be financed by Foresight accepting an equivalent reduction in the promoter's fee.

I look forward to welcoming you as a Shareholder.

Yours sincerely

Peter Dicks

Chairman of Foresight VCT plc and Foresight 2 VCT plc

Registered Office:

ECA Court, South Park, Sevenoaks, Kent TN13 1DU

Foresight VCT plc Company Number 03421340

Foresight 2 VCT plc Company Number 05200494

Part 1
The Offer

Introduction to the Offer

The Planned Exit Fund aims to combine greater security of capital than is normal within a VCT with the enhancement of investor returns created by the VCT tax benefits - income tax relief of 30% of the amount invested, and tax-free distribution of income and capital gains. The key objective of the Planned Exit Fund is to distribute a minimum of 110p per Share issued under the Offer and remaining in issue at the date of calculation, through a combination of tax-free income, buybacks and tender offers before the sixth anniversary of the closing date of the Offer.

In order to reduce risk to investors' capital and returns, the Investment Manager will charge a relatively low annual management fee of 1% of Net Asset Value and the performance incentive will be conditional on Distributions of a minimum of 110p per Planned Exit Share issued under the Offer and remaining in issue at the date of calculation. Total Distributions of 110p would represent a tax-free cash profit of 57% of the net cost of investment for an investor benefiting from full VCT tax reliefs. The performance incentive is equivalent to the next 15p of Distributions above this hurdle of 110p, plus 20% of any Distributions above 125p. The performance incentive may be satisfied in cash or by the issue of new Planned Exit Shares to Foresight, at the discretion of the Board.

The Planned Exit Shares are a new class of shares and are completely separate from the Companies' existing share classes. All investments and cash attributable to other share classes will be kept separate from the Planned Exit Fund. Accordingly, investors in the Planned Exit Shares will not have any exposure to the investment gains or losses of other share classes. The holders of Planned Exit Shares will have the exclusive right to Distributions from the assets within the Planned Exit Fund but not from assets attributable to other Shares. Equally, the holders of other Shares will continue to have the exclusive right to Distributions from assets attributable to such Shares but not from assets attributable to Planned Exit Shares. All Shareholders will share the benefit of spreading the Companies' administration costs over a wider asset base.

Investors' subscriptions under the Offer will be allocated, as far as possible, equally between Foresight 1 and Foresight 2 (subject to the absolute discretion of the Boards). Holders of Planned Exit Shares will receive annual reports and other company communications in respect of each Company independently and will be entitled to dispose of their Shares in each Company separately.

Holders of Planned Exit Shares will be entitled to vote at meetings of the Companies in the same way as existing Shareholders. No change may be made to the rights attaching to Planned Exit Shares without the approval of the holders of Planned Exit Shares.

The Offer is conditional upon the approval of Shareholders of Foresight 1 and Foresight 2 at general meetings of the Companies to be held on 23 February 2010.

i. Additional Planned Exit Shares

Investors who subscribe under the Offer on or before 28 February 2010 will receive an additional allocation of Planned Exit Shares equal in number to 1% of the amount they subscribe divided by the Offer Price. This additional allocation will be financed by Foresight accepting an equivalent reduction in the promoter's fee described under Launch Costs set out on page 17 of this document.

ii. Investment Manager and Promoter

Foresight has been managing VCTs for over 12 years and is one of the larger VCT managers (measured by VCT funds under management). Its team of 28 staff now manages more than £200 million including £132 million in the six Foresight VCTs. During the last four years, Foresight has developed expertise and dealflow in renewable energy and other infrastructure investing, and was recognised in 2009 as Renewable Energy Investor of the Year. Foresight was also named as the Venture Capital House of the Year 2009 at the November 2009 unquote British Private Equity Awards.

iii. Tax benefits for investors

The tax reliefs set out below make the Planned Exit Fund tax efficient for UK income tax payers and limited to a maximum investment of £200,000 per individual in each tax year. Investors can opt to have Planned Exit Shares allotted in the 2009/10 tax year and in the 2010/11 tax year, subject to total allotments in the 2009/2010 tax year being at least 70% of the total Offer proceeds.

The table below shows how the initial 30% income tax relief can provide an unrealised uplift of 35% on an investor's net cost of investment (after tax relief at 30%). The tax relief can be used to offset up to 100% of an investor's income tax liability, and is subject to a minimum holding period of 5 years. This is only a brief summary of the UK tax position of investors in VCTs, based on current law and practice. Further details are set out in Part 2 of this document. Potential investors are recommended to seek their own independent tax advice.

	£	
If you subscribe	10,000	to the Offer
You can claim income tax relief of	(3,000)	subject to certain limits and restrictions
So your net cost of investment would be	7,000	
Your shares would have an Initial Net Asset Value of	9,450	being the net proceeds to the Company from your subscription after deduction of the costs of the Offer
This Initial Net Asset Value is	2,450	more than your net cost of investment
or a gain of	35%	on your net cost of investment

iv. Illustrative returns

The Planned Exit Fund is designed to provide attractive returns to investors by combining initial tax relief of 30p per Share with tax-free distributions of income and capital totalling 110p per Share by the sixth anniversary of the closing date of the Offer. If the planned level and timing of dividends and total Distributions is achieved, then an investor benefiting from full VCT tax reliefs would achieve a tax-free cash profit of 57% of their net cost of investment, and a gross equivalent compound annual return of 14.7% per annum. The table below shows how different levels of total Distributions to investors would affect the level of profit or return achieved. The Investment Manager will not be entitled to any performance incentive unless total Distributions on Planned Exit Shares are at least 110p per share.

There is no guarantee that any of the profits or returns shown in the table will be achieved.

Total return generated	90 p	110 p	130 p
Distributions to investors*	90 p	110 p	114 p
less net cost of investment (after 30% tax relief)	70 p	70 p	70 p
Tax-free cash profit	20 p	40 p	44 p
Tax-free cash profit as a percentage of net cost of investment (after 30% tax relief)	29%	57%	63%
Net return per annum	4.9%	8.8%	9.5%
Gross equivalent return per annum	8.2%	14.7%	15.9%
(to a 40% taxpayer)			

* Distributions to investors are stated after payment of any performance incentive to the Investment Manager: Shareholders receive the first 110p of Distributions per Share, the next 15p of Distributions are paid to the Investment Manager and the balance over 125p of Distributions per Share is paid as to 80% to Shareholders and 20% to the Investment Manager.

The figures set out above are for illustrative purposes only and no forecast or projection is implied or should be inferred. The net returns per annum shown are the internal rate of return based on the following amounts and deemed dates of investment and receipt: investment of £1 per share in April 2010, 30% income tax relief received in June 2010, dividends of 3p per £1 share received in April 2011 and 2.5p per £1 share received in October and April in each year commencing in October 2011, with the last dividend and the balance of the amount shown as "Distributions to investors" received in April 2016. The gross equivalent return to a 40% taxpayer is calculated by dividing the compound annual return by 0.6.

Part 1
The Offer

v. Proposed Investment policy

Subject to Shareholder approval, the investment policy of the Companies will be to target UK unquoted companies which they believe will achieve the objective of producing attractive returns for their shareholders.

Investment securities

The Companies invest in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities, and other fixed-interest securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM investments are primarily held in ordinary shares. Pending investment in qualifying unquoted and AIM-traded securities, cash will be held in interest bearing money market open ended investment companies (OEIC) as well as a range of non-qualifying investments.

UK companies

Investments are primarily made in companies which are based in the UK, although many will trade overseas. The companies in which investments are made must have no more than £7m million of gross assets at the time of investment (or £15m if the funds being invested were raised on or before 5 April 2006) to be classed as a VCT qualifying holding.

Asset mix

The Companies aim to be at least significantly invested in growth businesses subject always to the quality of investment opportunities and the timing of realisations. Any uninvested funds are held in cash, interest bearing securities and a range of non-qualifying investments. It is intended that the significant majority of any funds raised by the Companies will be invested in VCT qualifying investments.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within different industry sectors using a mixture of securities. The maximum amount invested in any one company is limited to 15% of the portfolio at the time of investment.

Investment style

Investments are selected in the expectation that the application of private equity disciplines including an active management style for unquoted companies through the placement of an Investor Director on investee company boards will enhance value.

Borrowing powers

The Companies' Articles permit borrowing to give a degree of investment flexibility. The Company's Memorandum restricts borrowing to an amount not exceeding an amount equal to the adjusted capital and reserves being the aggregate of the amount paid up on the issued share capital of the Company and the amount standing to the credit of the reserves. Whilst the Company doesn't currently borrow its Articles permit it to do so.

vi. Qualifying Investments

The Planned Exit Fund will invest primarily in unquoted companies which Foresight believes offer security of income and capital through, for example, their ownership of tangible assets over which the Planned Exit Fund can take security or through their contracted high-quality income streams. The Boards intend that at least 70% of Qualifying Investments will be made in companies which aim to create environmental benefit, for example by reducing greenhouse gas emissions or contributing to more sustainable use of valuable resources. Renewable energy generation, recycling and combined heat and power will be amongst the key target sectors.

The Planned Exit Fund is expected to be able to invest an unusually high proportion of its assets in secured loans. The VCT rules set a limit of 70% on the proportion of Qualifying Investments held in loans, but because the Companies' existing Qualifying Investments are well below this limit, the Planned Exit Fund should be able to invest 90% in loans. These loans may be redeemable at a premium sufficient to provide a measure of capital protection for the 10% typically invested in equity shares.

The Chancellor's proposals, announced in his pre-budget report on 6 December 2009, to reduce the proportion of funds that a VCT can invest in loans and to make certain other changes to regulations governing VCTs, are not expected to affect the Planned Exit Fund, provided that at least 70% of funds raised under the Offer are subscribed before 2 April 2010.

vii. Non-Qualifying Investments

Non-Qualifying Investments may include holdings in money-market instruments, short-dated bonds, unit trusts, OEICs, structured products and other assets where Foresight believes that the risk/return profile is consistent with the overall investment objectives of the Planned Exit Fund.

viii. Co-investment policy

Investors' subscriptions under the Offer will be allocated, as far as possible, equally between Foresight 1 and Foresight 2 (subject to the absolute discretion of the Boards). Whilst each Company's allocation will be a separate investment pool, Foresight 1 and Foresight 2 will normally invest equally and on the same terms in every investment made by the Planned Exit Fund, and the two pools will be managed as far as possible as if they constituted a single fund. The equal allocation of investments between the two Companies may be varied where the Boards consider it appropriate.

Foresight currently manages nine UK focussed funds ("Foresight Funds") of which six, including the existing funds of Foresight 1 and Foresight 2, are VCT funds. The Boards anticipate that some investments made by the Planned Exit Fund may be suitable for other Foresight Funds ("Relevant Funds"). Foresight will consult the Boards in relation to such investment opportunities, it being agreed that such opportunities should be initially offered to the Planned Exit Fund on a basis which is pro rata to the net cash raised pursuant to the Offer compared to the net cash raised by the

Relevant Funds, other than where investments are proposed to be made in a company where one or more Foresight Funds has a pre-existing investment where the incumbent investor will have priority. Where the Planned Exit Fund invests in companies in which Relevant Funds have invested or subsequently invest, conflicts of interest may arise. The Boards will exercise independent judgement to manage any such conflicts for the benefit of the Companies and, if there is a potential conflict of interest which concerns another class of Share in either of the Companies, in doing so, shall have regard (amongst other matters) to the need to act fairly between different members of the Companies.

ix. Risk management and borrowing

Foresight will implement the investment policy within guidelines set by the Boards, who will at a strategic level control the overall risk of the Planned Exit Fund. In particular, the Boards have directed Foresight to ensure that the Planned Exit Fund's investments are diversified. The Boards have stipulated that without Board approval no more than 15% of the Net Assets (valued at the time of investment) be invested in any one company.

The Companies' Articles permit borrowing to give a degree of investment flexibility. The Companies' policy is not to use borrowing.

x. Share buyback policy

The Boards' policy is to buyback Planned Exit Shares in the market at a price which until the fifth anniversary of first Admission is at a zero discount to their net asset value, less transaction costs payable to market makers and stockbrokers. Thereafter their policy will be to buyback Shares in the market (other than by way of a tender offer) at a discount of 10% to their Net Asset Value. Operation of this policy is restricted by The Listing Rules which restrict the price that a VCT can pay for its own shares (to 5% above the average market value of the Planned Exit Shares for the five Business Days prior to the day a purchase is made) and prohibit a purchase of own Shares during any Close Period or any period when there exists any matter which constitutes Inside Information in relation to either or both of the Companies. The operation of the policy is also subject to the Companies having sufficient liquidity.

As investors must hold their Planned Exit Shares for at least five years in order to avoid a claw back of income tax relief received in respect of their investment by HM Revenue & Customs, the Directors expect that the number of Shares offered for the Companies to buy back during this five year holding period will be small.

xi. Dividend policy

The Boards plan to pay dividends of 5p per Planned Exit Share each year throughout the life of the Planned Exit Fund, except that in respect of the first year from the closing date of the Offer the intention is to pay a dividend of 3p per Planned Exit Share. The level of dividends is not guaranteed. Dividends are expected to be paid bi-annually at or close to the end of April and October in each year, commencing in April 2011. The table below shows how the tax benefits available on VCT shares, subject to investors' personal circumstances, can increase the effective yield after tax and on a gross equivalent basis. The table does not show the intended first-year dividend rate of 3p.

	Offer Price	Target annual dividends	Tax-free yield [1]	Gross equivalent yield[2]
Before 30% income tax relief	100p	5p	5.0 % p.a.	7.4 % p.a.
After 30% income tax relief [3]	70p	5p	7.1 % p.a.	10.6 % p.a.

1 Tax-free yield is calculated by dividing the target annual dividends by the Offer Price, as adjusted under 3 below.

2 The gross equivalent yield is calculated by dividing the tax-free yield by 67.5% (based on a 32.5% income tax charge to a 40% taxpayer on taxable gross non-VCT dividends including the notional 10% tax credit).

3 The yields listed for "After 30% income tax relief" are based on an Offer Price of 100p multiplied by 70%, to reflect initial income tax relief of 30%. Investors will be required to pay the full Offer Price and claim the income tax relief separately.

xii. Life of the Planned Exit Fund

The overall strategy of the Planned Exit Fund is to realise all investments between the fifth and sixth anniversaries of the final closing date of the Offer and to pay Distributions of at least 110p to investors before the sixth anniversary.

Part 1
Investment Committee

The Companies have delegated investment decisions to Foresight. Foresight's investment committee for the management of the Planned Exit Fund comprises six partners of Foresight and this is the final approval authority for all investment decisions within Foresight in relation to the Planned Exit Fund.

Bernard Fairman

Bernard is Foresight's managing partner and chairman of the investment committee. He founded Foresight in 1984 and has over 25 years' investment experience. He studied economics at Nottingham University and spent six years in research analysis and other roles with Panmure Gordon and Edward Bates, a specialist investment bank. He then began investing in and working with smaller companies, focusing on the oil and electronics sectors, and continued this work within 3i Ventures. He is a director of both of the Companies.

David Hughes

David is a certified accountant with over 30 years' experience in advising and investing in unquoted companies. During a 19 year career with 3i he rose to become a director of 3i Corporate Finance. Within Framlington Group he established and managed an investment trust investing in smaller quoted companies, later joining Bank Austria AG to develop its private equity activities. He joined Advent Venture Partners' VCT team in September 2001 and, following Foresight's acquisition of Advent Fund Managers Limited, he was appointed a partner of Foresight in July 2004.

Donald Maclennan

Donald joined Foresight as a partner in April 2001 and leads Foresight's management buy-out and growth capital team. Donald is a chartered accountant and has more than 30 years of private equity experience. He has worked with 3i, NatWest Equity Partners (now Bridgepoint Capital) and Close Ventures (now Albion Ventures).

Andrew Page

Andrew is a qualified engineer with hands-on experience of managing infrastructure assets. Having studied engineering at Nottingham University, he spent nine years with Unilever and Pentagon Chemicals (formerly part of Ascot plc and DOW Haltermann), holding senior management roles within large-scale chemicals processing facilities. He also has nine years' unquoted investment experience gained at 3i, Advent Venture Partners and, since July 2004, with Foresight.

Matt Taylor

Matt has 17 years' experience in private equity, including nine years with 3i. After graduating from Oxford University he joined Morgan Stanley, where he worked on a variety of corporate finance transactions. He also has experience within the commercial banking sector, gained during a three-year period with IKB Deutsche Industriebank AG in Germany. He joined Foresight in May 2000 and was appointed a partner in April 2001.

Nigel Aitchison

Nigel joined Foresight in 2008 as a partner, bringing board level experience of negotiating and operating infrastructure projects in the waste sector. Prior to joining Foresight, Nigel was a board director of both Shanks Waste Management Ltd, with annual turnover in excess of £130 million and employing over 800 people, and Shanks PFI Investments Limited, where he was until January 2008 responsible for all operational and business development functions related to projects financed under the Private Finance Initiative (PFI) for public procurement.

Part 1
The Boards

The Board of each Company comprises four directors, each of whom (except Bernard Fairman) is independent of Foresight. The Boards have substantial experience of unquoted businesses and VCT management and have overall responsibility for each Company's affairs. Bernard Fairman's experience is described under Investment Committee on page 14.

Peter Frederick Dicks (Chairman of both Companies)

As co-founder and a director of Abingworth plc, Peter Dicks was an early investor in venture capital, particularly in the US market and was involved in investments in many successful companies such as Apple Computer, Silicon Graphics and 3COM. He is currently a director of a number of quoted and unquoted companies, including Private Equity Investor plc where he is chairman, Polar Capital Technology Trust plc, Graphite Enterprise Trust plc, Sportingbet plc and Standard Microsystems Inc, a US-NASDAQ quoted company. He has been chairman of Foresight 1 and Foresight 2 since their launch respectively in 1996 and 2004 and is also chairman of Foresight 3 VCT plc, Foresight 4 VCT plc and Unicorn AIM VCT PLC.

Dr Antony Richard Diment (director of Foresight 1)

Antony Diment has many years' experience at senior levels within the unquoted investment sector. At 3i Ventures he was responsible for investment in the information technology sector, and as an executive director of Gresham Trust plc he was responsible for a portfolio of 15 unquoted companies. He was managing director of Cambridge Research & Innovation Ltd ("CRIL") which, having become fully invested, made arrangements for the tax-efficient distribution of assets to shareholders in February 2004. He is a non-executive director of Cascade Fund Management Ltd and Mercia Technology Seed Fund.

Gordon James Humphries (director of Foresight 1)

Gordon Humphries qualified as a chartered accountant with Price Waterhouse Coopers before moving into financial services, where he has over 20 years' experience. He is currently head of investment companies at Standard Life Investments and before that he was deputy head of investment trusts at F & C Asset Management plc. Gordon is a non-executive director of Bluehone AIM VCT 2 plc.

David William Quysner CBE (director of Foresight 2)

David Quysner has more than 40 years' experience of venture capital and SME finance. He spent 13 years with 3i before joining the venture capital firm Abingworth in 1982, becoming its Managing Director in 1994 and its Chairman in 2001. He is also Chairman of Capital for Enterprise Limited, which manages and delivers HM Government schemes that provide financial support for SMEs and Chairman of RCM Technology Trust plc. He is a Director of ANGLE plc, Private Equity Investor plc and Medical Research Council Technology Limited. He was Chairman of the British Venture Capital Association in 1996/97.

Jocelin Harris (director of Foresight 2)

Jocelin Harris is a qualified solicitor and since 1986 has run Durrington Corporation which provides finance and advice for small businesses. Before this he was a director of private bank Rea Brothers for seven years. He has personally invested in over 40 development stage companies over the last 25 years and is currently chairman or non-executive director of a number of them in the UK and the USA. He is also a director of Unicorn AIM VCT plc and vice chairman of the Governing Body of Queen Mary University of London.

Part 1
Fees and Expenses

i. Annual fees and expenses

An annual management fee of 1% of the Net Asset Value is payable to Foresight in respect of the Planned Exit Shares. The Planned Exit Shares will not bear any part of the annual management fee relating to other share classes of the Companies.

As a new share class within Foresight 1 and Foresight 2, the Planned Exit Fund will benefit from low costs of administration. The administration costs of a VCT generally include the cost of the board, audit, secretarial and professional fees and the cost of communicating with investors. No additional costs will be incurred in connection with the Planned Exit Shares for the Board or for secretarial fees. The Directors estimate that total expenses across both Companies will be increased by only £70,000 in aggregate (excluding the Investment Manager's annual management fee and performance incentive).

The net assets attributable to the Planned Exit Shares will bear their proportion of the Companies' total administration costs (which for this purpose exclude all management fees, promoter's fees and trail commission) based on the Net Asset Value of the Planned Exit Fund as a proportion of total net asset value, calculated separately for each Company. The total expenses ratio for the Planned Exit Shares is expected initially to be 2.6% (representing an initial total expense ratio in respect of the net assets attributable to Planned Exit Shares of 2.8% for Foresight 1 and 2.3% for Foresight 2 calculated before any performance incentive to the Investment Manager and assuming that the Offer is fully subscribed).

The table below excludes the cost of the Investment Manager's performance incentive which is described in the next section.

Foresight may retain for its own benefit and without liability to account to the Companies (subject to full disclosure having been made to the relevant Board) any arrangement fees up to a maximum of 3% of the amount invested and directors' or monitoring fees which it receives in connection with any investments made by the Companies. The Companies will not be liable for legal, accounting and any other fees incurred on potential investments which do not proceed to completion.

ii. Performance Incentive

The Investment Manager will be entitled to a performance incentive which is conditional on Distributions of a minimum of 110p per Planned Exit Share issued under the Offer and remaining in issue at the date of calculation. The performance incentive is equivalent to the next 15p of Distributions above this hurdle of 110p plus 20% of any Distributions above 125p. The performance incentive may be satisfied in cash or by the issue of new Planned Exit Shares to Foresight, at the discretion of the Board.

Figures in thousands of £ unless indicated*		**Foresight 1**		**Foresight 2**		**Planned Exit Fund**
Annual administration expenses						
Existing		336		396		
Additional as a result of the Offer		33		37		
Total administration expenses	A	369		433		
Net asset value						
Existing share classes		£19.1m		£41.7m		
Planned Exit Shares (initial Net Asset Value)	B	£9.5m		£9.5m		
Total VCT net asset value	C	£28.6m		£51.2m		
Planned Exit Share expenses						
Share of total administration expenses	A x B/C	122	+	80	=	202
Annual trail fee		47	+	48	=	95
Annual management fee		95	+	94	=	189
Total Planned Exit Share expenses		264	+	222		486
Total expenses ratio**		2.8%		2.3%		2.6%

Notes: * All numbers rounded to the nearest £1,000
** Total expenses ratio calculated as a percentage of initial Net Asset Value

Part 1
Other Information

i. Use of proceeds

It is intended that the proceeds of the Offer will be used by each Company in accordance with its proposed investment policy set out on page 12 of this document.

ii. The offer for subscription

It is proposed to allot pursuant to the Offer between 2 million and 20 million shares to the public. The shares will be offered at 100p per Share payable in full, by cheque or bankers draft, on application. Application will be made to the UK Listing Authority for all of the Planned Exit Shares issued pursuant to the Offer to be admitted to the Official List. Applications will also be made to the London Stock Exchange for Admission to trading on the London Stock Exchange's market for listed securities.

The Offer will be open from 8.00 am on 28 January 2010 until 5.00 pm on 2 April 2010 in the case of applications for the 2009/10 tax year and until 5.00 pm on 30 June 2010 in the case of applications for the 2010/11 tax year, but may close earlier if fully subscribed or at the discretion of the Directors.

The Offer is conditional on a total minimum subscription of £2 million (before expenses) being achieved. If this minimum subscription level is not reached by 2 April 2010 the Offer will lapse and application monies which have been received will be returned without interest by post at the risk of the applicant, unless the Companies publish a supplementary prospectus stating that the total minimum subscription upon which the Offer is conditional has been reduced. If this or a reduced minimum subscription level is reached then the Offer will become unconditional and Planned Exit Shares may be issued notwithstanding that the Offer is not fully subscribed. In the event that the Offer is oversubscribed, allotment will be made to investors on a first-come, first-served basis. Any excess amounts paid by applicants will be refunded by cheque to the person named in box 1 of the application form.

The Companies are seeking to raise £20 million under the Offer and the Directors have no present intention of expanding the Offer beyond that amount.

The Planned Exit Shares will be issued on a fully paid basis in registered form. Planned Exit Shares will be allotted and issued in respect of valid applications under the Offer as soon as the minimum subscription of £2 million has been reached and at any subsequent times as the Directors decide. Details of allotments will be announced through a Regulatory Information Service Provider by no later than the end of the Business Day following the allotment and dealings in such shares are expected to commence within three Business Days of allotment.

If the Companies are required to publish a supplementary prospectus, subscribers who have yet to be entered on to the Companies' registers of members will be given two days to withdraw from the subscription. In the event that the notification of withdrawal is given by post, such notification will be effected at the time the subscriber posts such notification rather than at the time of receipt by the Companies.

The terms and conditions of application are set out at the back of this document along with an application form and details of the application procedure.

iii. Minimum and maximum investment

The minimum subscription under the Offer will be £3,000. Applications in excess of £3,000 may be made for any higher amount in multiples of £1,000. The maximum investment on which income tax relief can be claimed by any individual is £200,000 in each of the 2009/10 and 2010/11 tax years.

iv. Claiming income tax relief

The Companies will send you share certificates and a tax certificate as quickly as possible after you make your investment. You then have two options on how to reclaim the tax relief: You can write to your HM Revenue & Customs office and ask them to change your tax coding under the PAYE system (this is the system that calculates how much tax you pay each month). You will then receive your income tax relief on a monthly basis through your pay cheques. Alternatively, you can wait until you fill in your tax return at the end of the tax year.

v. Launch costs

Foresight has agreed to underwrite all the costs of the Offer in return for an initial fee of 5.5% of the gross funds raised (i.e. 5.5p per share) and annual trail fee of 0.5% of the Net Asset Value in each year until the sixth anniversary of the closing date of the Offer. Out of this fee, Foresight will be responsible for paying all of the costs of the Offer including initial commission payable to financial intermediaries of 3% of the amount invested by their clients, and for paying trail commission to financial intermediaries, in each year until the sixth anniversary of the closing date of the Offer, of 0.5% of the Net Asset Value of the Planned Exit Shares held by such clients, provided that the financial intermediary continues to act for the client and the client continues to be the beneficial owner of the Planned Exit Shares subscribed.

vi. Category of potential investors

A typical investor for whom the Offer is designed is a UK higher-rate income tax payer over 18 years of age with an investment range of between £3,000 and £200,000 who, having regard to the risk factors set out at the front of this document, considers the investment policy as detailed in part 1 of this document to be attractive. Investment in a VCT may not be suitable for all investors and should be considered as a long-term investment. **Before deciding whether to apply for Shares under the terms of the Offer you are recommended to consult an independent financial adviser**.

Part 1
Other Information

vii. Investor communications

The Directors recognise the importance of maintaining regular communications with Shareholders. In addition to the announcement and publication of the annual report and accounts and the interim results for the Companies as detailed below, the Companies also publish and circulate to their Shareholders quarterly statements of Net Asset Value. Foresight will also publish information on new investments and the progress of companies within the Companies' portfolios from time to time.

viii. Reporting dates

	Foresight 1	**Foresight 2**
Year-end	31 December	30 September
Announcement and publication of annual report and accounts to Shareholders	April	January
Announcement and publication of interim results	August	May

Part 2
Taxation Considerations for Investors

1. Tax reliefs

The following is only a summary of the law concerning the tax position of individual investors in VCTs. Potential investors are recommended to consult a professional adviser as to the taxation consequences of an investment in a VCT.

The tax reliefs set out below are those currently available to individuals aged 18 or over who subscribe for Shares under the Offer. 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 do not exceed £200,000. 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

An investor subscribing for Planned Exit Shares will be entitled to claim income tax relief on amounts subscribed up to a maximum of £200,000 in any tax year. To obtain relief an investor must subscribe on his own behalf although the Planned Exit Shares may subsequently be transferred to a nominee. The relief is given at the rate of 30% on the amount subscribed regardless of whether the investor is a higher rate or basic rate tax payer, provided that the relief is limited to the amount which reduces the investor's income tax liability to nil. Investments to be used as security for or financed by loans may not qualify for relief, depending on the circumstances.

(ii) Dividend relief

An investor who acquires in any tax year VCT shares (including Planned Exit Shares) 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) Purchasers in the market

An individual purchaser of existing Planned Exit Shares in the market will be entitled to claim dividend relief (as described in paragraph (ii) above) but not relief from income tax on investment (as described in paragraph (i) above).

(iv) Withdrawal of relief

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

(b) Capital gains tax

(i) Relief from capital gains tax on the disposal of Planned Exit Shares

A disposal by an investor of Planned Exit 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) Purchasers in the market

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

If a company which has been granted approval as a VCT subsequently fails to comply with the conditions for approval, approval as a VCT may be withdrawn or treated as never having been given. In these circumstances, relief from income tax on the initial investment is repayable unless loss of approval occurs more than five years after the issue of the relevant VCT shares. In addition, relief ceases to be available on any dividend paid in respect of profits or gains in any accounting period ending when VCT status has been lost and any gains on the VCT shares up to the date from which loss of VCT status is treated as taking effect will be exempt, but gains thereafter will be taxable.

2. Illustration of effect of tax relief for investors

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

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

The combined effect of the initial income tax relief, tax free dividends and tax-free capital growth can substantially improve the net returns of an investment in a VCT. For example, after the costs of the Offer (5.5p per Planned Exit Share) an investment of £10,000 would show an immediate return of 35% over the base cost of £7,000 after 30% income tax relief. (Income tax relief is only available if the shares are held for the minimum holding period of five years).

The limit for obtaining income tax relief on investments in VCTs is £200,000 in each tax year.

3. Obtaining tax reliefs

The Companies will provide to each investor certificates which the investor may use to claim income tax relief, either by obtaining from HM Revenue & Customs an adjustment to his tax coding under the PAYE system or by waiting until the end of the tax year and using his tax return to claim relief.

4. Investors not resident in the UK

Investors not resident in the UK should seek their own professional advice as to the consequences of making an investment in a VCT as they may be subject to tax in other jurisdictions as well as in the UK.

Part 3
Conditions to be met by Venture Capital Trusts

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

1. Qualifying as a VCT

To qualify as a VCT, a company must be approved as such by HM Revenue & Customs. To obtain such approval it must:

(a) not be a close company;

(b) have each class of its ordinary share capital quoted on the London Stock Exchange;

(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 30% by VCT Value must be in ordinary shares which carry no preferential rights to dividends, assets on a winding-up and no rights to be redeemed;

(e) have at least 10% by VCT Value of each Qualifying Investment in ordinary shares which carry no preferential rights to dividends or assets on a winding-up and no rights to be redeemed;

(f) not have more than 15% by VCT Value of its investments in a single company or group (other than a VCT or a company which would, if its shares were listed, qualify as a VCT); and

(g) not retain more than 15% of its income derived from shares and securities in any accounting period.

2. Qualifying Investments

A Qualifying Investment consists of shares or securities first issued to the VCT (and held by it ever since) by a company satisfying the conditions set out in Parts 3 and 4 of Chapter 6 of the Tax Act and for which no more than £1 million was subscribed by any one VCT in any one tax year (nor more than £1 million in any period of 6 months straddling two tax years). The £1 million limit applies separately to each Company.

The conditions are detailed but include that the company must be a Qualifying Company, have gross assets not exceeding £7 million immediately before and £8 million immediately after the investment, apply the money raised for the purposes of a qualifying trade within certain time periods and not be controlled by another company. In certain circumstances, an investment in a company by a VCT can be split into a part which is a qualifying holding and a part which is a non-qualifying holding. In addition, to be qualifying holdings, VCT funds raised after 5 April 2007 must invest in companies which have no more than 50 full time (equivalent) employees and do not obtain more than £2 million of investment from VCTs, companies under the corporate venturing scheme and individuals claiming relief under the Enterprise Incentive Scheme in any rolling 12 month period

3. Qualifying Companies

A Qualifying Company must be unquoted (for VCT purposes this includes companies whose shares are traded on PLUS 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 trade must be carried on wholly or mainly in the UK but the company need not be UK resident. A company intending to carry on a qualifying trade must begin to trade within two years of the issue of shares or securities to the VCT and continue it thereafter.

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

4. Approval as a VCT

A VCT must be approved at all times by HM Revenue & Customs. 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 HM Revenue & Customs is satisfied that they will be met in relation to the accounting period of the VCT which is current when the application is made. However, where a VCT raises further funds, VCTs are given grace periods to invest those funds before such funds need to meet such tests.

Foresight 1 and Foresight 2 have each received HM Revenue & Customs approval as a VCT.

5. Withdrawal of approval

Approval of a VCT may be withdrawn by HM Revenue & Customs if the various tests set out above are not satisfied. Withdrawal of approval generally has effect from the time when notice is given to the VCT but, in relation to capital gains of the VCT only, can be backdated to not earlier than the first day of the accounting period commencing immediately after the last accounting period of the VCT in which all of the tests were satisfied.

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

6. Proposed changes in VCT legislation

The VCT Rules received approval from the European Commission as State Aids on 29 April 2009. That approval was subject to a number of changes being made.

In his 2009 pre-budget report on 6 December 2009 the Chancellor proposed draft legislation which, if approved by Parliament, is designed to implement these changes.

In particular, the draft legislation: applies a new requirement that to qualify under VCT Rules, a company must not be in difficulty; replaces the requirement that to qualify under VCT rules a company must carry on its qualifying trade wholly or mainly in the UK, with one that the company must have a permanent establishment in the UK; removes the requirement that a VCT's shares must be included in the Official UK List, replacing it with one that VCT shares must be traded on an EU regulated market; increases the proportion of a VCT's Qualifying Investments that must be held as Eligible Shares from 30% to 70% to the extent funded out of capital raised after 5 April 2010; and requires that account should be taken of the number of employees and gross assets of those persons in Qualifying Companies who should be regarded as 'partner' or 'linked' enterprises (as defined in accordance with European legislation) for the purposes of calculating the head count and gross assets of a Qualifying Company. The draft legislation also proposes an amendment to the definition of Eligible Shares so that shares are not prevented from being Eligible Shares by reason only of the fact that a Qualifying Company is required or entitled to make a distribution in respect of the shares in priority to, or without making a distribution in respect of, any other shares. It is understood that the draft legislation will provide that companies which have been trading for less than three years will be automatically excluded from the definition of companies in difficulty.

The Boards expect that the majority of funds raised under the Offer will be subscribed on or before 5 April 2010 and will therefore not be affected by the draft legislation. Provided that funds raised under the Offer on or before 5 April 2010 are at least 70% of all funds raised under the Offer, the Boards believe that monies raised under the Offer after 5 April 2010 will not be affected by the draft legislation because the Companies are only required to invest 70% of their net assets in Qualifying Investments.

Part 4
Additional Information

Financial information

Working capital

The working capital available to the Companies is sufficient for their present requirements, that is for at least 12 months following the date of this document.

Net assets

The Offer will have a positive impact on the net assets of the Companies by increasing their net assets by the same amount as the net funds raised and is expected to have a positive impact on earnings.

Capitalisation and indebtedness

Capitalisation and indebtedness of Foresight 1

The following table shows the capitalisation of Foresight 1 as at 30 June 2009, the most recent date in respect of which unaudited interim financial information of the Company has been published.

	£'000
Shareholders' equity	488
Legal reserve	11,915
Other reserves	(11,601)
Profit and loss reserve (or equivalent)	18,305

There has been no material change to the capitalisation of Foresight 1 since 30 June 2009.

The following table shows Foresight 1's (unaudited) gross indebtedness as at 30 June 2009 (extracted without material adjustment from internal accounting records).

	£'000
Total current debt	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total non-current debt	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0

As at 30 June 2009, Foresight 1 had (audited) net liquid assets (excluding its investment portfolio) of £3.1 million as summarised below (extracted without material adjustment from internal accounting records).

	£'000
Cash	945
Cash equivalent	692
Trading securities	0
Liquidity	1,637
Current financial receivables	1,619
Current bank debt	0
Current portion of non-current debt	0
Other current financial debt	0
Current financial debt	0
Net current assets	3,070
Non-current bank loans	0
Bonds issued	0
Other noncurrent loans	0
Non-current financial indebtedness	0
Net current assets less non current financial indebtedness	3,070

As at 30 June 2009, Foresight 1 had no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees or other contingent liabilities.

Capitalisation and indebtedness of Foresight 2

The following table shows the capitalisation of Foresight 2 as at 30 September 2009, the most recent date in respect of which audited annual financial information of the Company has been published.

	£'000
Shareholders' equity	460
Legal reserve	3,333
Other reserves	(1,403)
Profit and loss reserve (or equivalent)	39,108

There has been no material change to the capitalisation of Foresight 2 since 30 September 2009.

The following table shows Foresight 2's (audited) gross indebtedness as at 30 September 2009 (extracted without material adjustment from internal accounting records).

	£'000
Total current debt	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0
Total non-current debt	
Guaranteed	0
Secured	0
Unguaranteed/unsecured	0

As at 30 September 2009, Foresight 2 had (audited) net liquid assets (excluding its investment portfolio) of £15.5 million as summarised below (extracted without material adjustment from internal accounting records).

	£'000
Cash	285
Cash equivalent	13,589
Trading securities	-
Liquidity	13,874
Current financial receivables	1,703
Current bank debt	0
Current portion of non-current debt	0
Other current financial debt	0
Current financial debt	0
Net current assets	15,577
Non-current bank loans	0
Bonds issued	0
Other non-current loans	0
Non-current financial indebtedness	0
Net current assets less non-current financial indebtedness	15,577

As at 30 September 2009, Foresight 2 had no borrowings or indebtedness in the nature of borrowings (including loan capital issued or created but unissued), term loans, liabilities under acceptance or acceptance credits, mortgages, charges, convertible debt securities, debt securities with warrants attached or guarantees or other contingent liabilities.

Working capital statements

Foresight 1 is of the opinion that its working capital is sufficient for its present requirements, that is for the 12 month period following the date of this document.

Foresight 2 is of the opinion that its working capital is sufficient for its present requirements, that is for the 12 month period following the date of this document.

CREST

The Offer Shares will be in registered form and will be eligible for electronic settlement. Each Company has its Shares admitted to the CREST system so that, should they wish to, investors will be able to hold their Shares in uncertificated form.

Shareholder authorities

The Offer is conditional upon resolutions being passed by the Shareholders of each Company at general meetings of the Companies to be held on 23 February 2010 to:

(a) authorise the directors of each Company to allot Planned Exit Shares with an aggregate nominal value of £150,000;

(b) empower the Directors to allot Planned Exit Shares in disapplication of statutory pre-emption rights for the purposes of:

  (i) the Offer;

  (ii) the performance incentive for Foresight;

  (iii) pursuant to any dividend investment scheme for Planned Exit Shares;

  (iv) the allotment of up to 10% of the issued Planned Exit Share capital of each Company where the proceeds of the allotment are to be used in whole or in part to finance its purchase of its own Planned Exit Shares in the market;

  (v) the allotment of Planned Exit Shares from time to time with an aggregate nominal value of up to 5% of the issued Planned Exit Share capital;

(c) empower each Company to make market purchases of Planned Exit Shares within the limitations of the Listing Rules;

(d) amend the Articles of each Company to set out the rights and restrictions of the Planned Exit Shares;

(e) approve the appointment of Foresight as the investment manager in relation to the Planned Exit Fund; and

(f) approve the change to each Company's investment policy occasioned by the issue of Planned Exit Shares.

Part 4
Additional Information

Share rights

The following provisions apply to each of the Companies, mutatis mutandis, unless otherwise stated.

Class rights

The Planned Exit Shares are a new class of Shares and are completely separate from the Companies' existing Share classes.

All investments and cash attributable to existing Share classes will be kept separate from the Planned Exit Fund. Accordingly, investors in the Planned Exit Shares will not have any exposure to the investment gains or losses of other Share classes.

The holders of Planned Exit Shares will have the exclusive right to Distributions from the assets within the Planned Exit Fund but not from assets attributable to existing Shares. Equally, the holders of existing Shares will continue to have the exclusive right to Distributions from assets attributable to the existing Shares but not from assets attributable to Planned Exit Shares.

Holders of Planned Exit Shares will be entitled to vote at meetings of the Companies in the same way as existing Shareholders.

No change may be made to the rights attaching to Planned Exit Shares without the approval of the holders of Planned Exit Shares.

Dividends and assets on a winding up

The Companies may by ordinary resolution and, subject to the provisions of the CA 2006 and of the Articles, declare dividends to be paid to Shareholders according to their respective rights and interest in the profit of the respective class of Shares provided that no dividend shall exceed the amount recommended by the Directors.

The Directors may pay interim dividends if it appears to them that they are justified in so doing by the profits of the relevant class of Shares available for distribution.

Except as otherwise provided by the rights that attach to any class of Share, dividends shall be apportioned and paid pro rata according to the amounts paid up on the Shares on which the dividend is paid (except where those amounts are paid up in advance of calls).

If any dividend remains unclaimed after a period of twelve years from the date of the declaration of that dividend, it shall be forfeited and shall cease to remain owing by the respective class of Shares.

The Directors may, with the prior authority of an ordinary resolution of the relevant Company (subject to the provisions of the Articles of that Company), offer to holders of any class of Shares the right to elect to receive shares credited as fully paid, instead of the whole (or some part, to be determined by the Directors) of any dividend specified by the ordinary resolution. Under current law, no tax will be withheld by the Companies when they pay a dividend.

The capital and assets of either Company shall on a winding up or other return of capital be applied pro rata to that Company's Shareholders, save as otherwise provided for any class of Share in that Company.

Voting rights

Subject to any special rights which may apply to any class of Shares that may have been issued or may from time to time be held, every member who is present in person, including any corporation present by its duly authorised representative, or by proxy, at a general meeting of either Company shall, on a show of hands, have one vote. On a poll every member present in person or by proxy shall have one vote for each Share of which he is a holder.

Where shares are held jointly, the vote of the senior who has tendered a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the holding.

A Shareholder will lose his right to vote at a general meeting or at any separate meeting of the holders of any class of Share, whether in person or by proxy, unless all calls presently payable by him in respect of those Shares, together with interest and expenses (if any) have been paid in full to the relevant Company, even where those Shares are jointly held. The right to vote, together with all other rights and benefits of membership, will also be lost where the member (or any other person claiming to have an interest in such Shares) has been issued with a notice which requires the member or such other person to declare his interest in the Shares and has failed to give the required information to the relevant Company within the prescribed period of fourteen days and has been served with a default notice.

Variation of class rights

Whenever the share capital of either Company is divided into different classes of Shares, the special rights attached to any class may, subject to the Companies Acts, be varied by the passing of an extraordinary resolution at a general meeting of such holders or the written consent of three quarters in nominal value of the issued Shares of the affected class. At such a meeting, the necessary quorum shall be at least two members of the class holding (or representing by proxy) not less than one third in nominal value of the capital paid up on the issued Shares of that class and at an adjourned meeting one person (whether present in person or by proxy) holding Shares of that class.

Issue of Shares

Subject to the provisions of the Companies Acts relating to authority, pre-emption rights and otherwise, and to any resolution of the relevant Company in general meeting passed pursuant thereto, all Shares shall be at the disposal of the Directors, and they may allot or otherwise dispose of them to such persons, at such times and on such terms as they think fit.

Transfer of Shares

A Shareholder may transfer any or all of his Shares by instrument of transfer in writing in any usual or common form or in any other form acceptable to the Directors. The instrument of transfer should be signed by or on behalf of the transferor and, where the Share is not fully paid, by or on behalf of the transferee. The transfer shall not become effective until the name of the transferee is entered into the register of members. The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, either generally or in respect of any class of Shares provided that the register shall not be closed for more than thirty days in any year.

The Directors may at their absolute discretion and without assigning any reason therefor refuse to register any transfer of shares where the shares in question are not fully paid up in respect of which the relevant Company has a lien where such refusal does not restrict dealings on an open and proper basis. The Directors may refuse to recognise an instrument of transfer unless the instrument of transfer is (a) in respect of only one class of Share; (b) is in favour of not more than four transferees; and (c) is lodged at the transfer office accompanied by the relevant share certificates and any other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

No transfer will be registered if a member, or any other person appearing to be interested in the shares held by him, has been served with a notice under section 212 of the CA 1985 and, at the end of the prescribed period of 14 days, is in default in supplying the information thereby required provided that those shares represent at least 0.25% (calculated exclusively of treasury shares) in nominal value of the issued shares of any class and subject to the exceptions specified in the Articles relating to the disclosure of interests. Restrictions on transfers do not apply to a sale to a bona fide, unconnected, third party.

Dilution

If the Offer is fully subscribed the existing 48,137,369 Foresight 1 Ordinary Shares would represent 82.8% of the enlarged issued Foresight 1 Share capital.

If the Offer is fully subscribed the existing 45,961,788 Foresight 2 Ordinary and C Shares would represent 82.1% of the enlarged issued Foresight 2 Share capital.

In each case the Planned Exit Shares constitute a separate class of Shares with separate class rights to other Shares as described above.

Significant change

The Net Asset Value increased from 39.2p per Foresight 1 Ordinary Share as at 30 June 2009 to 39.4p per Foresight 1 Ordinary Share as at 30 September 2009 predominantly due to an increase in the underlying value of the AIM quoted portfolio. Other than the movements noted above there has been no significant change in the financial or trading position of Foresight 1 since 30 June 2009, the date of the latest unaudited Foresight 1 Interim Report.

There has been no significant change in the financial or trading position of Foresight 2 since 30 September 2009, the date of the latest audited Foresight 2 Annual Report.

Documents available for inspection

Copies of the following documents will be available for inspection during usual business hours on weekdays, Saturdays and public holidays excepted, at the offices of Foresight Group LLP, ECA Court, 24-26 South Park, Sevenoaks, Kent TN13 1DU whilst the Offer is open.

- the Memoranda and Articles of the Companies;
- the audited financial statements of Foresight 1 for the years ended 31 December 2006, 2007 and 2008;
- the audited financial statements of Foresight 2 for the years ended 30 September 2007, 2008 and 2009;
- the material contracts referred to in paragraph 5 of Parts I and II of the Registration Document;
- the Registration Document;
- the Summary; and
- this Securities Note.

28 January 2010

Part 5 Definitions

The following definitions are used throughout this document unless the context otherwise requires:

"Admission"	the date on which Planned Exit Shares allotted pursuant to the Offer are listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange's market for listed securities
"AIM"	the Alternative Investment Market
"Articles"	the articles of association of Foresight 1 and/or Foresight 2, as the context permits
"BDO"	BDO LLP
"Board"	the board of directors of Foresight 1 and Foresight 2 (and each "a Board")
"Business Days"	any day (other than a Saturday) on which clearing banks are open for normal banking business in sterling
"CA 1985"	Companies Act 1985 (as amended)
"CA 2006"	Companies Act 2006 (as amended)
"Close Period"	as defined in paragraph 1(a) of the Model Code
"Companies"	Foresight 1 and Foresight 2 (and each "a Company")
"Companies Acts"	CA 1985 and CA 2006
"Directors"	the directors of Foresight 1 and/or Foresight 2 from time to time, as the context permits
"Distributions"	amounts paid by way of dividends, tender offers, share buy-backs, proceeds on a sale or liquidation of the relevant Company and any other proceeds or value received, or deemed to be received, by Shareholders in the relevant Company in respect of Planned Exit Shares, excluding any income tax relief on subscription
"Eligible Shares"	in relation to a company which is a Qualifying Company, means ordinary shares which carry no present or future preferential right to dividends or to the assets of the company on its winding up, and no present or future right to be redeemed
five year minimum holding period	the period of five years for which investors must hold the Planned Exit Shares allotted to them in order to retain income tax relief under the VCT Rules in respect of their investment
"FSA"	The Financial Services Authority
"FSMA"	The Financial Services and Markets Act 2000
"Foresight 1"	Foresight VCT plc
"Foresight 1 Annual Reports"	the annual report and financial statements for the years ended 31 December 2006, 2007 and 2008 of Foresight 1
"Foresight 1 Planned Exit Shares"	Planned Exit Shares of 1p each in the capital of Foresight 1 offered for subscription pursuant to the Offer
"Foresight 1 Ordinary Shares"	ordinary shares of 1p each in the capital of Foresight 1 (ISIN number GB00B1M27575)
"Foresight 2"	Foresight 2 VCT plc
"Foresight 2 Annual Reports"	the annual report and financial statements for the years ended 30 September 2007, 2008 and 2009 of Foresight 2
"Foresight 2 Ordinary Shares"	ordinary shares of 1p each in the capital of Foresight 2 (ISIN number GB00B03CKY62)
"Foresight 2 C Shares"	C ordinary shares of 1p each in the capital of Foresight 2 (ISIN number GB00B1GGVY97)
"Foresight Group" or "Foresight"	Foresight Group LLP, the current investment manager for the Companies, which is authorised and regulated by the FSA
"Foresight VCTs"	Foresight VCT plc, Foresight 2 VCT plc, Foresight 3 VCT plc, Foresight 4 VCT plc, Keydata Income 1 VCT plc and Keydata Income 2 VCT plc
"Inside Information"	as defined in section 118C of FSMA
"Listing Rules"	(in accordance with section 73A of FSMA) rules relating to Admission to the Official List
"London Stock Exchange"	London Stock Exchange plc
"Memorandum"	the memorandum of association of Foresight 1 or Foresight 2, as the context permits
"Model Code"	the Model Code set out in LR9 Annex 1 of the Listing Rules

"NAV" or "Net Asset Value"	the net asset value attributable to the Planned Exit Shares calculated in accordance with each Company's normal accounting policies in force at the date of calculation
"Offer"	the offer for subscription of Planned Exit Shares as described in the Prospectus
"Offer Price"	100p per Share, being the price at which the Planned Exit Shares will be allotted in each Company pursuant to the Offer
"Offer Shares"	Planned Exit Shares in Foresight 1 and Foresight 2 being offered for subscription pursuant to the Prospectus
"Official List"	the official list of the UK Listing Authority maintained in accordance with section 74(1) FSMA
"PLUS"	PLUS Markets plc the new small and mid-cap recognised investment exchange in the UK and a market operator under the Markets in Financial Instruments Directive ("MiFID"), authorised to operate both secondary (trading) and primary (listing/quotation) markets
"the Planned Exit Fund"	the aggregate of the portfolios of Qualifying and Non-Qualifying Investments and other net assets funded by subscriptions for Planned Exit Shares issued by both Foresight 1 and Foresight 2 under the Offer
"Prohibited Period"	any Close Period or any period when there exists any matter which constitutes Inside Information in relation to either or both of the Companies
"Prospectus"	together the Registration Document, the Securities Note and the Summary
"Prospectus Rules"	the prospectus rules of the UK Listing Authority
"Qualifying Company"	an unquoted (including an AIM-listed) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
"Qualifying Investments"	shares in, or securities of, a Qualifying Company held by a venture capital trust which meets the requirements described in Parts 3 and 4 of Chapter 6 of the Tax Act
"Qualifying Loan"	a loan to a Qualifying Company, having an original term of not less than five years within which it cannot be required by the Companies to be repaid, except on standard events of default, and which may be secured on the assets of the Qualifying Company
"Receiving Agent"	The City Partnership (UK) Limited
"Registrar"	Computershare Investor Services plc
"Registration Document"	the registration document issued by the Company dated 28 January 2010 in connection with the Offer
"Regulations"	the Uncertificated Securities Regulations 1995
"Securities Note"	this document
"Shareholder"	a holder of Shares in one or more of the Companies (as the context permits)
"Shares"	Foresight 1 Ordinary Shares, Foresight 1 Planned Exit Shares, Foresight 2 Ordinary Shares, Foresight 2 C Shares and Foresight 2 Planned Exit Shares or any of them as the context permits or requires
"Summary"	the summary issued by the Company dated 28 January 2010 in connection with the Offer
"the Tax Act"	the Income Tax Act 2007 (as amended)
"UK Listing Authority"	the FSA in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland
"VCT Rules"	the legislation, rules and HMRC interpretation and practice regulating the establishment and operation of venture capital trusts
"VCT Value"	the value of an investment calculated in accordance with Section 278 of the Tax Act
"Venture Capital Trust" or "VCT"	a venture capital trust as defined in Section 259 of the Tax Act
"Zero Discount Buyback Policy"	the policy of the Companies to purchase Planned Exit Shares at a zero discount to their Net Asset Value, less transaction costs payable to market makers and stockbrokers ad valorem stamp duty, and otherwise as described in Part 1 of this document

Part 6
Application for Planned Exit Shares

Terms and conditions of application

1. The contract created by the acceptance of applications in the manner herein set out will be conditional on the Admission of the Offer Shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange's market for listed securities unless otherwise so resolved by the Board of the relevant Company in which Shares are being issued. The Offer is also conditional upon the approval of Shareholders of Foresight 1 and Foresight 2 at general meetings of the Companies to be held on 23 February 2010. 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 Shares than the number applied for, or if there is a surplus of funds from the application amount, the application monies or the balance of the amount paid on application will be returned without interest by post at the risk of the applicant. In the meantime application monies will be retained by the relevant Company in a separate client account.
2. The Companies reserve the right to present all cheques and banker's drafts for payment on receipt and to retain documents of title and surplus application monies pending clearance of the successful applicants' cheques and banker's drafts.
3. By completing and delivering an Application Form, you (as the applicant):
   a) irrevocably offer to subscribe the amount of money specified in your Application Form which will be applied to purchase Offer Shares, subject to the provisions of (i) the Prospectus, (ii) these Terms and Conditions and (iii) the Memorandum and Articles;
   b) authorise the Companies' Registrars to send definitive documents of title for the number of Offer Shares for which your application is accepted and to procure that your name is placed on the registers of members of the Companies in respect of such Offer Shares and authorise the Receiving Agent to send you a crossed cheque for any monies returnable, by post to your address as set out in your Application Form;
   c) in consideration of the Companies agreeing that they will not, prior to the closing date of the Offer, offer any Shares to any persons other than by means of the procedures set out or referred to in this document, agree that your application may not be revoked until the closing date of the Offer, and that this paragraph constitutes a collateral contract between you and the Companies which will become binding upon despatch by post or delivery by hand of your Application Form duly completed to the Companies' receiving agent, The City Partnership (UK) Limited;
   d) understand that your cheque or banker's draft will be presented for payment on receipt, and agree and warrant that it will be honoured on first presentation and agree that, if it is not so honoured, you will not be entitled to receive certificates for the Offer Shares applied for or to enjoy or receive any rights or Distributions in respect of such Offer Shares unless and until you make payment in cleared funds for such Offer Shares and such payment is accepted by the Companies (which acceptance shall be at 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 Offer Shares, the Companies may (without prejudice to their other rights) treat the agreement to allot such Offer Shares as void and may allot such Offer Shares to some other person in which case you will not be entitled to any refund or payment in respect of such Offer Shares (other than return of such late payment);
   e) agree that monies subscribed for Offer Shares will be held for the account of the Companies pending allotment of Offer Shares (which may not take place until several weeks after cleared funds have been received) and that all interest thereon shall belong to the Companies and further that any documents of title and any monies returnable to you may be retained pending clearance of your remittance and that such monies will not bear interest;
   f) agree that all applications, acceptances of applications and contracts resulting therefrom will 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 either Company to bring any action, suit or proceeding 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;
   g) agree that, in respect of those Offer Shares for which your application has been received and processed and not refused, acceptance of your application shall be constituted by notice of acceptance thereof by The City Partnership (UK) Limited;
   h) agree that all documents in connection with the Offer and any returned monies will be sent at your risk and may be sent by post to you at your address as set out in the Application Form;
   i) agree that, having had the opportunity to read the Prospectus and any supplementary prospectus issued by the Companies and filed with the FSA, you shall be deemed to have had notice of all information and representations concerning the Companies contained herein and in any supplementary prospectus issued by the Companies and filed with the FSA (whether or not so read);
   j) confirm that in making such application you are not relying on any information or representation in relation to the Companies other than those contained in this document (the Securities Note), the Registration

Document, the Summary and any supplementary prospectus filed with the FSA and you accordingly agree that no person responsible solely or jointly for this document (the Securities Note) and/or the Registration Document and/or the Summary and/or any supplementary prospectus or any part thereof or involved in the preparation thereof shall have any liability for any such information or representation;

k) confirm that you have reviewed the restrictions contained in paragraph 4 below and warrant as provided therein;

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

m) agree that such Application Form is addressed to the Companies, BDO LLP and The City Partnership (UK) Limited;

n) agree to provide the Companies and/or The City Partnership (UK) Limited with any information which either may request in connection with your application and/or in order to comply with the Venture Capital Trust or other relevant legislation and/or the Money Laundering Regulations 2007 (as the same may be amended from time to time);

o) warrant that, in connection with your application, you have observed the laws of all relevant 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, BDO LLP, The City Partnership (UK) Limited or Foresight acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;

p) agree that neither BDO LLP not Foresight will regard you as its customer by virtue of you having made an application for Offer Shares or by virtue of such application being accepted; and

q) declare that a loan has not been made to you or any associate, which would not have been made or not have been made on the same terms, but for you offering to subscribe for, or acquiring Offer Shares and that the Offer Shares are being acquired for bona fide commercial purposes and not as part of a scheme of arrangement the main purpose of which, or one of the main purposes of which, is the avoidance of tax.

4. No action has been or will be taken in any jurisdiction by, or on behalf of, the Companies which would permit a public offer of Offer Shares in any jurisdiction where action for that purpose is required, other than the United Kingdom, nor has any such action been taken with respect to the possession or distribution of this document other than in the United Kingdom. No person receiving a copy of this document (the Securities Note), the Registration Document, the Summary and any supplementary prospectus filed with the FSA or an Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him 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 for Offer Shares to satisfy himself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

5. The basis of allocation will be determined by the Companies (after consultation with BDO LLP) at their absolute discretion. It is intended that applications will be accepted in the order in which they are received. The Offer will be closed at 5.00 p.m. on 30 June 2010 or as soon as full subscription is reached (unless extended by the Directors or closed earlier at their discretion). The right is reserved, notwithstanding the basis so determined, to reject in whole or in part and/or scale down any application, in particular multiple and suspected multiple applications which may otherwise be accepted. Application monies not accepted or if the Offer is withdrawn will be returned to the applicant in full by means of a cheque, posted at the applicant's risk. The right is also reserved to treat as valid any application not complying fully with these terms and conditions of application or not in all respects complying with the application procedures set out on page 31. In particular, but without limitation, the Companies (after consultation with BDO LLP) may accept applications made otherwise than by completion of an Application Form where the applicant has agreed in some other manner to apply in accordance with these terms and conditions. The Offer is not underwritten. The Offer will be suspended if at any time any of the Companies are prohibited by statute or other regulations from issuing Offer Shares.

6. Save where the context requires otherwise, terms defined in this document (the Securities Note), the Registration Document, the Summary and any supplementary prospectus filed with the FSA bear the same meaning when used in these terms and conditions of application and in the Application Form.

7. Investors whose Application Forms are received and accepted on or before 28 February 2010 will be allotted a total number of Planned Exit Shares equal to: (i) those applied for plus (ii) a number of additional Planned Exit Shares equal to 1% of the amount subscribed by the investor divided by the Offer Price ("the Total") at an effective discounted Offer price equal to the amount subscribed by the investing shareholder divided by the Total. The fees otherwise payable to Foresight as promoter of the Offer will abate by 1% of the amount subscribed by investors who receive additional Planned Exit Shares on this basis.

8. Authorised financial intermediaries who, acting on behalf of their clients, return valid Application Forms bearing their

Part 6
Application for Planned Exit Shares

stamp and FSA number will normally be paid 3% commission on the amount payable in respect of the Offer Shares allocated for each such Application Form. In addition, provided they continue to act for their client and the client continues to hold such Offer Shares, such intermediaries will be paid an annual trail commission of 0.5% of the net asset base value for each such Offer Share. For this purpose, "net asset base value" means the net assets attributable to the Offer Share in question as determined from the audited annual accounts of the relevant Company as at the end of the preceding financial year.

It is expected that annual trail commission will be paid five months after the year end of the relevant Company in each year. The administration of annual trail commission will be managed on behalf of the Promoter by Foresight Fund Managers Limited which will maintain a register of intermediaries entitled to trail commission. The Promoter shall be entitled to rely on a notification from a client that he has changed his adviser, in which case, the trail commission will cease to be payable to the original adviser and will be payable to the new adviser if one is appointed. No payment of trail commission shall be made to the extent that the cumulative trail commission would exceed 3% of the Offer price of each such Offer Share or in respect of any period commencing after the sixth anniversary of the closing date of the Offer. Financial intermediaries should keep a record of Application Forms submitted bearing their stamp to substantiate any claim for commission.

The City Partnership (UK) Limited will collate the Application Forms bearing the financial intermediaries' stamps and calculate the initial commission payable which will be paid monthly.

9. Financial intermediaries may agree to waive initial commission in respect of your application. If this is the case then the amount of your application will be increased by an amount equivalent to the amount of commission waived.

Lodging of application forms and dealing arrangements

Completed Application Forms with the appropriate remittance must be posted or delivered by hand to The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF. The Offer opens on 28 January 2010 and will close on 2 April 2010 in the case of applications for the 2009/2010 tax year and on 30 June 2010 in the case of applications for the 2010/11 tax year, or in each case earlier if fully subscribed or at the discretion of the Directors. The Directors at their absolute discretion may also decide to extend the Offer. If you post your Application Form, you are recommended to use first class post and to allow at least two Business Days for delivery.

It is expected that dealings in the Offer Shares will commence within three business days following allotment and that share certificates will be despatched within seven business days of allotment of the Offer Shares. Allotments will be announced on an appropriate Regulatory Information Service.

Temporary documents of title will not be issued. Dealings prior to receipt of share certificates 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.

To the extent that any application is not accepted any excess payment will be returned without interest by returning the applicant's cheque or banker's draft or by sending a crossed cheque in favour of the applicant through the post, at the risk of the person entitled thereto.

Part 6
Application for Planned Exit Shares

Application Procedures

Before making any application to acquire Offer Shares you are strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000. To fill out the Application Form:

BOX 1

Insert your full name and address in BLOCK CAPITALS. Individuals can only apply on their own behalf and in their own name. You must be the beneficial owner of the Offer Shares issued to you pursuant to the Offer. You must not use a nominee name, as this will jeopardise your entitlement to tax reliefs. You must also give your own address, full postcode, date of birth and National Insurance Number. Telephone numbers will only be used in case of a query with regard to your application.

BOX 2

Insert (in figures) the total amount you wish to invest. Your application must be for a minimum of £3,000 and thereafter in multiples of £1,000.

If you are paying by cheque please make it payable to "The City Partnership (UK) Limited re Foresight 1 VCT and Foresight 2 VCT Offer".

Cheques must be honoured on first presentation. A separate cheque must accompany each application. No receipt for your payment will be issued. The cheque or banker's draft must be drawn in sterling on an account at a bank branch or building society in the United Kingdom or the Channel Islands and bear a bank sort code number in the top right hand corner. You may, if you wish, use a personal cheque drawn by someone else, in which case your full name and address should be written on the back of the other person's cheque. Additionally, if you use a building society cheque or banker's draft, you should write the name, address and date of birth of the person named in Box 1 of the Application Form on the back of the cheque or banker's draft. Any monies not accepted will be returned by the applicant's cheque or banker's draft or by sending a cheque crossed "Account Payee Only" in favour of the applicant.

BOX 3

Sign and date the form. If the form is signed on your behalf by an attorney or other agent, that person should state on the form the capacity in which they are signing and the original power(s) of attorney or a copy thereof duly certified by a solicitor must be enclosed for inspection and will be returned in due course.

Money Laundering Notice – Important

If the application is for the Sterling equivalent of Euro15,000 or more (or is one of a series of a linked applications the value of which exceeds that amount) the verification requirements of the Money Laundering Regulations will apply and verification of the identity of the applicant may be required. Failure to provide the necessary evidence of identity may result in your application being treated as invalid or in delay of confirmation. If The City Partnership (UK) Limited has previously received the appropriate documents, you will not need to provide them again.

If the application is for the Sterling equivalent of Euro 15,000 or more (or is one of a series of linked applications the value of which exceeds that amount), the identity of the applicant must be verified and (if a cheque is drawn by a third party) of that third party, as set out under A or B below.

A Verification of the applicant's identity may be provided by means of a "Letter of Introduction" from an IFA or other regulated person (such as a solicitor or accountant) who is a member of a regulatory authority and is required to comply with the Money Laundering Regulations 2007 or a UK or EC financial institution (such as a bank). The City Partnership (UK) Limited will supply specimen wording on request;

or

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

1. a certified copy of either the passport or the driving licence of the applicant (and cheque-payer if different); and
2. an original bank or building society statement or utility bill (no more than three months old), or recent tax bill, in the name of the applicant (and cheque-payer if different).

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

Foresight 1 VCT & Foresight 2 VCT PLC

("the Companies")

Offer Shares of 1p each in the Companies.

This Application Form should be completed in full and sent by post or by hand addressed to: Foresight Planned Exit Offer, The City Partnership (UK) Limited, Thistle House, 21-23 Thistle Street, Edinburgh, EH2 1DF so as to arrive as soon as possible but in any case no later than 5.00 pm on 2 April 2010 in the case of applications for the 2009/10 tax year and no later than 5.00 pm on 30 June 2010 in the case of applications for the 2010/11 tax year. Before completing this Application Form you should read the terms and conditions of application on pages 28 to 30 and the application procedures on page 31.

The application list will open on 28 January 2010 and will be closed at any time thereafter (provided the Offer is fully subscribed or otherwise at the Directors' discretion) but not later than 5.00 pm on 30 June 2010 (unless the closing date is extended by the Directors).

BOX 1

Title: Mr/Mrs/Miss/Dr/Other

Forenames

Surname(s)

Address

Post Code

Telephone (work)

Telephone (home)

Date of Birth

National Insurance Number

BOX 2

I offer to subscribe for the following amount in the Companies on the terms and conditions of application as set out in the Securities Note dated 28 January 2010, and in the Prospectus and subject to the Memorandum and Articles of Association of the Companies. Applications must be for a minimum of £3,000 and thereafter in multiples of £1,000.

Total	Tax year 2009/10	2010/11
£	£	£

I enclose a cheque or banker's draft drawn on a UK clearing bank, made payable to "The City Partnership (UK) Limited re Foresight 1 VCT and Foresight 2 VCT Offer".

BOX 3

Signature of Applicant

Date

Intermediaries to complete. FSA No. must be quoted

Name of Financial Adviser

Chelsea Financial Services FSA No 114493

Title Mr/Mrs/Miss

Forenames

Surname

Email address

Telephone

Name of Administrator/Support Staff

Title Mr/Mrs/Miss

Forenames

Surname

Stamp of Financial Intermediary or full address details

If commission is to be paid to a network or head office, please give details:

Insert the amount of the commission (up to a maximum of 3%) that you wish to be waived and invested in additional Shares for your client

Trail commission will be paid directly to intermediaries; therefore, please provide bank details.

Intermediary Bank Details

Account Name

Bank/Building Society

Sort Code

Account Number

Corporate Information

Directors (Non-executive)

Of both Foresight 1 and Foresight 2
Peter Frederick Dicks
(Chairman of the Companies)
Bernard William Fairman

Foresight 1
Dr Antony Richard Diment
Gordon James Humphries

Foresight 2
David William Quysner
Jocelin Montague St John Harris

Registered Office and Head Office
ECA Court
24-26 South Park
Sevenoaks
Kent TN13 1DU

Company Registration Numbers
Foresight 1 - 03421340
Foresight 2 - 05200494

Website
www.foresightgroup.eu

Telephone Number
01732 471 800

Company Secretary and Accountant
Foresight Fund Managers Limited
ECA Court
South Park
Sevenoaks
Kent TN13 1DU

Registrars
Computershare Investor Services PLC
P.O. Box 859
The Pavilions
Bridgwater Road
Bristol BS99 1XZ

Investment Manager and Promoter
Foresight Group LLP
ECA Court
South Park
Sevenoaks
Kent TN13 1DU

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Solicitors
RW. Blears LLP
25 Watling Street
London EC4M 9BR

Broker
Singer Capital Markets Limited
1 Hanover Street
London W15 1YZ

Sponsor
BDO LLP
125 Colmore Row
Birmingham B3 3SD

Receiving Agent
The City Partnership (UK) Limited
Thistle House
21-23 Thistle Street
Edinburgh EH2 1DF

Bankers
Barclays Bank plc
54 Lombard Street
London EC3P 3AH

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