

## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to the action you should take, you are recommended to seek advice from your bank manager, stockbroker, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA").

If you have sold or transferred all of your DSO B Shares, DSO C Shares, DSO D Shares, DP67 Shares, DP2011 General Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares or DP2011 Low Carbon Shares in the capital of the Company then you should send this document immediately to the purchaser or transferee or the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Application will be made to the UK Listing Authority for all of the Generalist Shares and Healthcare Shares to be issued by the Company to be admitted to the premium segment of the Official List. Application will be made to the London Stock Exchange plc for all of the Generalist Shares and Healthcare Shares to be issued by the Company to be admitted to trading on its main market for listed securities and admission to trading is expected to take place from 12 April 2017.

The directors of the Company, whose names appear on page 4 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

### **Downing FOUR VCT plc**

(Incorporated in England and Wales under the Companies Act 1985 with registered number 06789187)

#### **Circular to Shareholders issued in connection with the proposed:**

**Creation of Generalist Shares in the Company**

**Creation of Healthcare Shares in the Company**

**Authority to Allot Shares**

**Authority to Issue Shares on a Non-Pre-emptive Basis**

**Alteration of Articles of Association**

**Authority to purchase Generalist Shares and Healthcare Shares**

**Cancellation of Share Premium Account**

**Change to the Company's investment policy**

**Fee arrangements with the Manager**

#### **Notice of General Meeting**

Your attention is drawn to the letter from the Chairman of the Company set out on pages 4 to 12 of this document which contains a unanimous recommendation to vote in favour of the resolutions to be proposed at the General Meeting to be held at Ergon House, Horseferry Road, London SW1P 2AL at 10.30 a.m. on 16 January 2017 which are set out in Part IV of this Circular.

A Form of Proxy for use at the General Meeting is included at the end of this document. To be valid, the Form of Proxy must be completed and returned either by post or by hand so as to be received by Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL, or electronically at proxy@downing.co.uk, in each case not later than 48 hours (excluding weekends and public holidays) before the time of the General Meeting.

The completion and depositing of a Form of Proxy will not preclude you from attending and voting in person at the General Meeting should you wish to do so.

# Contents

	Page
Part I: Definitions	1
Part II: Chairman's Letter	4
Part III: Additional Information	13
Part IV: Notice of General Meeting (including the Appendix)	16
Form of Proxy	

## Part I: Definitions

<b>2016/17 Offer</b>	offer for subscription of Generalist Shares and Healthcare Shares in respect of the 2016/17 tax year, being made on the terms set out in the Prospectus
<b>2017/18 Offer</b>	offer for subscription of Generalist Shares and Healthcare Shares in respect of the 2017/18 tax year, being made on the terms set out in the Prospectus
<b>the Act</b>	Companies Act 2006 (as amended)
<b>Adviser</b>	authorised intermediary who signs the Application Form, and whose details are set out in Box 5 of the application form in relation to the Offers
<b>Articles</b>	articles of association of the Company
<b>Admission</b>	admission of the Generalist Shares and Healthcare Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
<b>Annual Running Costs</b>	annual running costs incurred by the Company in the ordinary course of its business (including irrecoverable VAT but excluding any amount payable in respect of the Performance Incentive)
<b>Appendix</b>	Appendix to Resolution 8, set out on pages 11 to 12
<b>BioScience</b>	BioScience Managers Pty Limited
<b>Circular</b>	this document
<b>Closing Date</b>	5 April 2017 for the 2016/17 Offer and 30 September 2017 for the 2017/18 Offer, unless previously extended by the Directors (but to no later than 30 November 2017)
<b>Company</b>	Downing FOUR VCT plc (registered number 06789187)
<b>Daily Official List</b>	a daily publication of official quotations for securities listed on the London Stock Exchange
<b>Directors or Board</b>	the directors of the Company
<b>Downing</b>	Downing LLP (registered number OC341575), as the investment adviser to the Company and the promoter of the Offers which is authorised and regulated by the Financial Conduct Authority, with registration number 545025
<b>Downing Managed VCTs</b>	Downing ONE VCT plc, Downing TWO VCT plc, Downing THREE VCT plc and/or the Company, as applicable
<b>DP2011</b>	Downing Planned Exit 2011 (whose assets and liabilities were acquired by the Company on 20 July 2015)
<b>DP2011 General A Shares</b>	DP2011 General A shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53730)
<b>DP2011 General Ordinary Shares</b>	DP2011 General Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53847)
<b>DP2011 General Share Pool</b>	assets and liabilities attributable to the DP2011 General Ordinary Shares and DP2011 General A Shares
<b>DP2011 Low Carbon Shares</b>	DP2011 Low Carbon Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53953)
<b>DP2011 Low Carbon Share Pool</b>	assets and liabilities attributable to the DP2011 Low Carbon Shares
<b>DP2011 Structured A Shares</b>	DP2011 Structured A shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53C84)
<b>DP2011 Structured Ordinary Shares</b>	DP2011 Structured Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53B77)
<b>DP2011 Structured Share Pool</b>	assets and liabilities attributable to the DP2011 Structured Ordinary Shares and DP2011 Structured A Shares
<b>DP6</b>	Downing Planned Exit 6 (whose assets and liabilities were acquired by the Company on 20 July 2015)
<b>DP7</b>	Downing Planned Exit 7 (whose assets and liabilities were acquired by the Company on 20 July 2015)
<b>DP67 Shares</b>	DP67 shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53D91)
<b>DP67 Share Pool</b>	assets and liabilities attributable to the DP67 Shares
<b>DSO A Shares</b>	DSO A shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G186)
<b>DSO B Shares</b>	DSO B shares of 0.1p each in the capital of the Company (ISIN: GB00B4MGR241)
<b>DSO B Share Pool</b>	assets and liabilities attributable to the DSO B Shares and DSO C Shares
<b>DSO C Shares</b>	DSO C shares of 0.1p each in the capital of the Company (ISIN: GB00B4MCHT95)
<b>DSO D Shares</b>	DSO D shares of 0.1p each in the capital of the Company (ISIN: GB00B6QPQ463)
<b>DSO D Share Pool</b>	assets and liabilities attributable to the DSO D Shares

<b>DSO Ordinary Shares</b>	DSO Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00B3L2G079)
<b>DTR</b>	the Disclosure and Transparency Rules, being the rules published by the FCA from time to time and relating to the disclosure of information in respect of financial instruments
<b>Existing Shareholders</b>	holders of Existing Shares
<b>Existing Shares</b>	DSO B Shares and/or DSO C Shares and/or DSO D Shares and/or DP67 Shares and/or DP2011 General Ordinary Shares and/or DP2011 General A Shares and/or DP2011 Structured Ordinary Shares and/or DP2011 Structured A Shares and/or DP2011 Low Carbon Shares
<b>Form of Proxy</b>	form of proxy for use in connection with the General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>Full Subscription</b>	20 million Generalist Shares and 10 million Healthcare Shares issued under the Offers, subject to the over allotment facility, if the Offers are over-subscribed, at the Directors' discretion, the issue of an extra 10 million Generalist Shares and 10 million Healthcare Shares and ignoring the issue of Management Shares
<b>General Meeting</b>	general meeting of the Company to be held on 16 January 2017
<b>Investor(s)</b>	an individual aged 18 or over who is resident in the United Kingdom who subscribes for Generalist Shares under the terms of the Offers
<b>IRR</b>	internal rate of return, being the annualised compound discount rate which, when applied to the relevant cash flows, produces a net present value of zero (expressed as a percentage)
<b>Generalist Shareholders</b>	holders of Generalist Shares
<b>Generalist Shares</b>	Generalist Shares of 0.1p each in the capital of the Company (ISIN: GB00BDHF5B49)
<b>Healthcare Shareholders</b>	holders of Healthcare Shares
<b>Healthcare Shares</b>	Healthcare Shares of 0.1p each in the capital of the Company (ISIN: GB00BDHF5D62)
<b>Hurdle</b>	means the achievement of a Total Return of at least £1.00 per Generalist Share/Healthcare Share (excluding Management Shares) for the years ended in 31 March 2018, 31 March 2019 and 31 March 2020 and increasing by 3p per annum thereafter such that the Total Return for the year ended 31 March 2021 must be £1.03 per Share, the Total Return for the year ended 31 March 2022 must be £1.06 per Share and the Total Return for the year ended 31 March 2023 must be £1.09 per Share and so on
<b>Listing Rules</b>	Listing Rules of the UK Listing Authority
<b>Management</b>	individuals engaged in the business of the Company and/or Downing and/or BioScience
<b>Management DSO C Shares</b>	10,000,000 DSO C Shares in the Company issued to Management in connection with the DSO B Share Offer
<b>Management DP2011 General A Shares</b>	2,763,773 DP2011 General A Shares in the Company issued to Management in connection with the DP2011 General Ordinary Share Offer
<b>Management DP2011 Structured A Shares</b>	1,883,094 DP2011 Structured A Shares in the Company issued to Management in connection with the DP2011 Structured Ordinary Share Offer
<b>Management Shares</b>	up to 5,000,000 Generalist Shares and 2,500,000 Healthcare Shares (up to 7,500,000 Generalist Shares and 5,000,000 Healthcare Shares if the full over-allotment facility is utilised) issued to members of the management team pursuant to performance incentive arrangements
<b>Merged VCTs</b>	Downing Planned Exit VCT 2011 plc, Downing Planned Exit VCT 6 plc and Downing Planned Exit VCT 7 plc
<b>Merger</b>	the transaction pursuant to section 110 of the Insolvency Act 1986 which took place on 20 July 2015 under which Downing FOUR acquired the assets and liabilities of DP2011, DP6 and DP7
<b>NAV or Net Asset Value</b>	most recently published net asset value attributable to a Share of a particular class (as the context dictates) in the capital of the Company and calculated in accordance with the Company's normal accounting policies in force as at the date of calculation subject to adjustments deemed necessary by the Directors
<b>Net Assets</b>	gross assets less all liabilities (excluding contingent liabilities) of the Company
<b>Notice</b>	Notice of General Meeting set out in Part IV of this document
<b>Offer Agreement</b>	agreement dated 8 December 2016 between the Company, the Directors, Downing and the Sponsor in respect of the Offers

<b>Offers</b>	the 2016/17 Offer and the 2017/18 Offer on the terms set out in the Prospectus which, together, propose to offer prospective Investors the opportunity to subscribe for up to 30,000,000 Generalist Shares and 20,000,000 Healthcare Shares in the capital of the Company
<b>Official List</b>	Official List of the UK Listing Authority
<b>Performance Incentive Agreement</b>	The agreement proposed to be entered into between the Company and Downing Nominees Limited to give effect to the performance incentive arrangements described in the Circular
<b>Proposals</b>	all of the proposals described in this document including the proposed resolutions relating to (i) the creation of Generalist Shares in the Company, (ii) the creation of Healthcare Shares in the Company, (iii) authority to allot shares, (iv) authority to issue shares on a non-pre-emptive basis, (v) alteration of the Articles of Association, (vi) authority to purchase Generalist Shares and Healthcare Shares and (vii) the cancellation of the share premium account to be created upon the issue of Generalist Shares and Healthcare Shares (viii) amend the Company's Investment Policy and (iv) the approval of fee arrangements with the Downing, the Company's manager
<b>Prospectus</b>	proposed prospectus to be issued by the Company in respect of the Offers on 8 December 2016, in accordance with Section 84 of FSMA
<b>Related Party Transaction</b>	the proposed fee arrangements with the Manager in relation to the Generalist Shares and Healthcare Shares, being the amendments to the Investment Management, the Offer Agreement and the Performance Incentive Agreement
<b>Resolutions</b>	resolutions to be proposed at the General Meeting, as set out in the Notice
<b>RPI</b>	Retail Prices Index
<b>Shareholders</b>	holders of Shares
<b>Shares</b>	DSO B Shares and/or DSO C Shares and/or DSO D Shares and/or DP67 Shares and/or DP2011 General Ordinary Shares and/or DP2011 General A Shares and/or DP2011 Structured Ordinary Shares and/or DP2011 Structured A Shares and/or DP2011 Low Carbon Shares (excluding Management DSO C Shares, Management DP2011 General A Shares and Management DP2011 Structured A Shares), as applicable
<b>Sponsor</b>	Panmure Gordon (UK) Limited
<b>Total Return</b>	NAV, together with the cumulative distributions paid or proposed, including tax credits where reclaimable
<b>UK Listing Authority</b>	Financial Conduct Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
<b>VCT</b>	company which is approved as a venture capital trust by Her Majesty's Revenue and Customs pursuant to section 274 Income Tax Act 2007

## Part II: Letter from the Chairman of the Company



### Downing FOUR VCT plc

(formerly Downing Structured Opportunities VCT 1 plc)

(Registered No. 06789187)

#### *Directors*

Lord Flight

Sir Aubrey Brocklebank

Russell Catley

#### *Registered Office*

Downing FOUR VCT plc

Ergon House

Horseferry Road

SW1P 2AL

8 December 2016

Dear Shareholder,

### **Notice of General Meeting Proposals to launch two new share classes**

#### **1. Introduction**

I am writing to inform you that the Board is proposing to raise further capital through the creation of two new and separate classes of shares (Generalist Shares and Healthcare Shares) and the issue of those shares to the public (the “Offers”). It is intended that the Generalist Share class will invest in a broad range of VCT qualifying businesses. The Healthcare Share class will focus its investment in VCT qualifying companies in the biosciences and life sciences sectors. The Company has engaged the services of an experienced team with a strong track record in these sectors, BioScience Managers Pty Limited<sup>1</sup>, to advise on the investment activities of the Healthcare Share pool. The offer for Generalist Shares will seek to raise £20 million and the offer for Healthcare Shares will seek to raise £10 million (plus an over allotment of £10 million per offer).

Unlike the existing share classes, the proposed new shares classes are intended to be “evergreen” with no planned wind up date. The raising of further funds will allow the Company’s fixed running costs to be spread over a greater asset base thus reducing the burden to all Shareholders. This will be particularly significant as the existing planned exit share pools make progress in returning funds to Shareholders at the end of their planned exit lifespan.

In order to proceed with the launch of these new share classes, your approval as Shareholders is required to a number of resolutions to be proposed at an upcoming General Meeting, convened pursuant to the Notice contained in Part IV of this Circular.

#### *Shareholder Approval*

To enable the Offers to proceed, Shareholder approval is required to:

- create the Generalist Shares;
- create the Healthcare Shares;
- grant the Directors authority to allot those shares and disapply Shareholders' pre-emption rights;
- alter the Articles of Association of the Company to include the rights attaching to the Generalist Shares and the Healthcare Shares; and
- approve the proposed fee arrangement with Downing with regard to the Generalist and Healthcare Shares.

The Board is further proposing to authorise the Company to buy back Generalist Shares and Healthcare Shares and sanction the cancellation of the share premium account arising on the issue of Generalist Shares and Healthcare Shares.

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<sup>1</sup> BioScience have given and not withdrawn their written consent to the inclusion of their name in this Circular, in the form and context in which it appears.

The Board is also proposing to broaden the Company's existing investment policy in order to ensure sufficient flexibility to invest the Generalist Share and Healthcare Share Pools within the current VCT regulations.

The Resolutions, upon which Shareholders are asked to vote at the General Meeting, are summarised in section 6 below and are set out in full in the Notice on pages 16 to 17.

Shareholder approval is required under the Act and the Articles to create the two new share classes, to grant authority to allot new shares, to disapply pre-emption rights, to cancel amounts standing to the credit of the share premium account, to alter the Articles and to repurchase shares. Shareholder approval is required under the Listing Rules to change the Company's investment policy and approve the Related Party Transaction.

### *The Offers*

The Offers will not have any impact on the fee arrangements in respect of the Existing Shares. The Offers will not have any significant impact on the original strategy of returning funds to Existing Shareholders because the existing investments and cash attributable to the Existing Shares will be kept separate from the proceeds of the issue of the Generalist Shares and Healthcare Shares and the investments and cash attributable to the Generalist Shares and Healthcare Shares will be administered as a separate investment pools (the "**Generalist Share Pool**" and the "**Healthcare Share Pool**"). The holders of Generalist Shares will have the right to participate (by way of dividends and return of capital on liquidation and otherwise) in those assets attributable to the Generalist Shares but not in those assets attributable to the Existing Shares or the Healthcare Shares. Similarly, the holders of Healthcare Shares will have the right to participate (by way of dividends and return of capital on liquidation and otherwise) in those assets attributable to the Healthcare Shares but not in those assets attributable to the Existing Shares or the Generalist Shares. The holders of Existing Shares will have the right to participate (by way of dividends and return of capital) in the assets attributable to the Existing Shares but not in those assets attributable to the Generalist Shares or Healthcare Shares.

In common with all other share classes, Generalist Shares and Healthcare Shares will have one vote per member on a show of hands at a general meeting and, on a poll vote, will have voting rights which are broadly proportionate to the relative NAV of those share classes using the existing mechanism in the Articles of Association. Generalist Shares and Healthcare Shares will both initially have 1,146 votes per share on a poll, compared, for example, to the DP67 Shares which currently have 750 votes per share on a poll. The Company's particular voting system was introduced following the Merger, when a number of new share classes were created, to ensure fairness amongst the disparate share classes, some of which had larger number of shares than others notwithstanding their relatively lower net assets (see Appendix section 2(i) on page 22).

The management arrangements for the Generalist Shares and Healthcare Shares will be implemented through an amendment to the existing investment management and administration agreement with Downing. The amendment will provide that the Generalist Shares will be subject to an annual advisory fee of 2.0% of their NAV and subject to a costs cap of 3.0% above which Downing will cover running costs attributable to the Generalist Share Pool. The Healthcare Shares will be subject to an annual advisory fee of 2.5% of their NAV and subject to a costs cap of 3.5% above which Downing will cover running costs attributable to the Healthcare Share Pool. In addition, Downing will administer the two new share pools in accordance with the existing terms of the agreement.

## **2. The history of the Company**

The Company was incorporated on 12 January 2009 as Downing Protected Opportunities VCT 1 plc. It subsequently changed its name to Downing Structured Opportunities VCT 1 plc and then, on 20 July 2015, merged with three other VCTs and changed its name again to Downing FOUR VCT plc.

The Company's initial public share offer raised gross aggregate proceeds of £10.5 million during 2009. The investments in the DSO Ordinary Share pool have all been sold and the net proceeds distributed to DSO Ordinary Shareholders, with the majority of funds returned during 2015 and 2016. DSO Ordinary Shareholders received total distributions of 131.66p per DSO Ordinary Share, equating to a tax-free return, calculated as an IRR from Shareholders' net investment of 70p of 12% per annum. Since the payment of the final distribution, the DSO Ordinary Shares and DSO A Shares have been cancelled.

Two further share offers have been undertaken.

The DSO B Share Offer was launched in January 2010, raising £19.9 million. The initial offer price of the DSO B Shares (after issue costs) was 94.5p. As at 30 September 2016, the unaudited Total Return of one DSO B Share plus one DSO C Share was 106.3p, comprising a NAV of 20.1p plus dividends of 91.5p, less an estimated performance incentive of 5.3p.

The DSO D Share Offer was launched in December 2011, raising £7.8 million. The initial offer price of the D Shares (after issue costs) was 94.5p. As at 30 September 2016, the unaudited Total Return was 98.0p per D Share, comprising a NAV of 75.5p plus dividends of 22.5p.

On 20 July 2015, the Company acquired the net assets of three other VCTs, “the Merged VCTs”, and as a result, now has four additional Share pools: -

The DP67 Shares were originally launched in July 2007, as Downing Planned Exit 6 VCT and Downing Planned Exit 7 VCT, raising a total of £18.2 million across the two sister funds. Following a Share Repurchase and Realisation Scheme in January 2013, a significant proportion of Shareholders reinvested and received further tax relief. As at 30 September 2016, the unaudited Total Return was 89.7p per DP67 Share, comprising a NAV of 63.9p plus dividends of 25.8p.

The DP2011 General Shares were launched in March 2011, raising £15.7 million. The initial offer price of the DP2011 General Shares (after issue costs) was 94.5p. As at 30 September 2016, the unaudited Total Return for a holding of one DP2011 General Ordinary Share and one DP2011 General A Share was 100.3p, comprising a NAV of 55.3p and dividends of 45.0p.

The DP2011 Structured Shares were launched in March 2011, raising £18.5 million. The initial offer price of the DP2011 General Shares (after issue costs) was 94.5p. As at 30 September 2016, the unaudited Total Return for a holding of one DP2011 Structured Ordinary Share and one DP2011 Structured A Share was 101.7p, comprising a NAV of 46.7p and dividends of 55.0p.

The DP2011 Low Carbon Shares were launched in March 2011, raising £12.6 million. The initial offer price of the DP2011 General Shares (after issue costs) was 94.5p (adjusted for the conversion that took place at the merger). As at 30 September 2016, the unaudited Total Return for a holding of one DP2011 Low Carbon Share was 108.8p, comprising a NAV of 41.7p and dividends of 73.9p, less an estimated performance incentive of 6.8p.

As at 31 March 2016, the DSO B, DSO D, DP67, DP2011 General, DP2011 Structured and DP2011 Low Carbon Share pools of the Company held investments in 45 companies with a total unaudited value of £35.4 million.

### **3. Further details of the Offers**

#### *The Offers*

The raising of further funds by way of the Offers is intended to create the following benefits:

- spreading the fixed Annual Running Costs of the Company over a larger capital base;
- providing Investors with the opportunity to invest in a VCT and benefit from 30% income tax relief and tax-free distributions; and
- allowing the Company to continue to co-invest alongside the other Downing Managed VCTs or other Downing managed funds in attractive investment opportunities.

The subscription list for the Offers will open on 8 December 2016. The Offers will close at 3.00 p.m. on the Closing Date.

The Generalist Shares and Healthcare Shares will be allotted and issued in respect of valid applications on 5 April 2017 and any other dates which the Directors decide. It is expected that Admission will become effective, and that dealings in the Generalist Shares and Healthcare Shares will commence from 12 April 2017.

Under the terms of the Offer Agreement, the Company will pay Downing a fee of 4% of the monies subscribed under the Offers where Adviser commission is payable or 2% of the monies subscribed under the Offers where no Adviser commission is payable (“**Promoter’s fees**”). Out of its Promoter’s fees, Downing will be responsible for paying all the costs of the Offers.

#### *The Generalist Shares and Healthcare Shares*

The rights attaching to the Generalist Shares and Healthcare Shares are set out in the Articles of the Company as amended by a special resolution to be proposed at the General Meeting and are also summarised in the Appendix which also includes, by way of comparison and for information purposes, the rights attaching to the existing share classes. The Generalist Shares and the Healthcare Shares will be issued in registered form and will be capable of being held in both certificated and uncertificated form. No fractions of shares will be issued. Application will be made for the Generalist Shares and Healthcare Shares to be admitted to the premium segment of the Official List of the UK Listing Authority and to trading on London Stock Exchange plc’s main market for listed securities when the Offers are made.



Subject to ensuring that funds raised by the issue of Generalist Shares and Healthcare Shares are invested in accordance with new restrictions in the VCT rules, the Offers should not prejudice the Company's ability to satisfy the conditions for approval as a VCT under section 274 of the Income Tax Act 2007 as several of the main tests do not need to be satisfied in relation to the proceeds of a new issue of shares until the start of the financial year which falls no later than the third anniversary of the date on which they are issued.

#### *Performance Incentive Fee*

As is customary in the venture capital industry, members of the management team will be entitled to receive a performance incentive fee in the event that returns to Generalist and Healthcare Shareholders respectively exceed a hurdle. This fee is being set at 20% of dividends paid when total returns are above the Hurdle.

For the Hurdle to be met, the Generalist Shares and/or Healthcare Shares must have a Total Return (based on audited year end results) in excess of £1.00 per share for the years ended 31 March 2018, 31 March 2019 and 31 March 2020. For subsequent years, the Total Return hurdle increases by 3% per annum such that for the year ended 31 March 2021 the hurdle is £1.03, for the year ended 31 March 2022 the hurdle is £1.06 etc.

The Company proposes to give effect to the performance incentive fee through providing the management team with shares in the Company. When the precise number of shares to be issued to investors under the Offer for subscription is known, it is proposed that 20% of such number of shares be issued to certain employees of Downing and BioScience at a lower price of 0.1p per share and immediately thereafter transferred to a nominee company, Downing Nominees Limited (the "**Nominee**"). Accordingly, if the Offers are fully subscribed, 5 million Generalist Shares and 2.5 million Healthcare Shares will be issued to such employees at 0.1p per share and transferred to the Nominee to hold on behalf of the management team.

Whilst these shares (the "**Management Shares**") will rank *pari passu* with the other issued shares, the Nominee will agree with the Company pursuant to the Performance Incentive Agreement, that, so long as the Management Shares are in issue, it will (a) not exercise any voting rights attaching to the shares, (b) not transfer or dispose of any of the shares, and (c) waive any entitlement to distributions payable on the shares as a class unless, and to the extent that, the performance hurdle is met. The effect of this arrangement will be to allow the employees concerned to receive dividends on the shares of 20% of the aggregate dividends payable to the initial total number of issued shares; this dividend will represent their performance incentive payment. The Nominee will also agree that, should the Management Agreement be terminated, the Management Shares will be transferred at the Company's direction.

Accordingly, if the Hurdle is not met, any distributions otherwise payable in respect of the relevant financial year on the Management Shares will be waived by the Nominee. If the Hurdle is met, the Nominee as holder of the Management Shares will receive any distributions as normal in respect of their holding of 20% of the Generalist and/or Healthcare Shares in issue. In effect, members of the management team will receive a performance incentive fee of 20% of the aggregate dividend paid after the Hurdle is met. If the payment of the full dividend on the Management Shares would result in the Hurdle no longer being met, the Nominee as holder of the Management Shares will waive dividends to the extent to ensure that the Hurdle continues to be met.

For example, the Total Return might stand at 103.5p as at 31 March 2021, at which time the Hurdle will be 103.0p. Based on 20 million shares in issue, if a dividend of £1 million (5p per share) is declared in respect of the year ended 31 March 2021, the members of the Management Team would normally be entitled to dividends equivalent to £200,000 (equivalent to 1p per share in issue). However, as this would result in the Hurdle not being met, the management team will waive 50% of their dividend, which will result in net dividends of £100,000 (equivalent to 0.5p per share in issue) being paid on the Management Shares. The Hurdle for the following year end 31 March 2022 will then stand at 106.0p.

The Board and the Investment Manager believe that the performance incentive arrangements in respect of the Generalist and Healthcare Shares, which will have no financial impact on Existing Shareholders, are appropriate for the two new investment pools and in line with similar arrangements in the venture capital industry.

Because Downing, as investment manager of the Company, is considered to be a related party under the Listing Rules, the new fee arrangements for the two new share classes, comprising the Promoter's fee and the investment management and administration arrangements described in paragraph 1 above, and the performance incentive fees described in paragraph 3 above (the "**Related Party Transaction**") will constitute a related party transaction under the Listing Rules. The approval of Shareholders to the Related Party Transaction will be sought at the General Meeting (pursuant to Resolution 9). Neither Downing nor Downing Nominees Limited will vote on the relevant resolution and each shall take all reasonable steps to ensure that their respective associates will not vote on the relevant resolution to approve the Related Party Transaction.

The Board considers the Related Party Transaction to be fair and reasonable insofar as the Company's shareholders are concerned and has been so advised by Panmure Gordon (UK) Limited, the Company's sponsor. In providing its advice, Panmure Gordon (UK) Limited has taken into account the Board's commercial assessment of the Proposals.

#### *Co-Investment Policy*

The Company has a co-investment agreement with the Downing Managed VCTs, Downing's IHT and EIS funds (together "the Funds"). It has been agreed that allocations will be offered to each party in proportion to their respective funds available for investment, subject to: (i) a priority being given to any of the Funds in order to maintain their tax status; (ii) the time horizon of the investment opportunity being compatible with the exit strategy of each Fund and (iii) the risk/reward profile of the investment opportunity being compatible with the target return for each Fund. In the event of any conflicts between the parties, the issues will be resolved at the discretion of the independent directors, designated members and committees of the relevant Fund.

It is not intended that the Company will co-invest with Directors or members of Management (including family members).

#### *Share Buybacks*

The Directors intend to support the secondary market in the Generalist Shares and Healthcare Shares by operating a share buyback policy, under which the Company will be able to buy back Generalist Shares and/or Healthcare Shares that become available in the market, subject to liquidity, available reserves, the Listing Rules, VCT regulations and any other relevant regulations.

In order to do so, the Company is seeking authority at the General Meeting to make market purchases of up to a maximum annual number of Generalist Shares and Healthcare Shares equivalent to 14.9% of the number of Generalist Shares and/or Healthcare Shares issued pursuant to the Offers, as set out in Resolution 6 of the Notice. The number of Generalist Shares and Healthcare Shares bought back in each year will be a maximum of 14.9% of the number of respective shares in issue and will be subject to VCT regulations and cash available in the relevant share pool. The maximum price which may be paid for a Generalist Share or Healthcare Share is an amount, exclusive of all expenses, equal to 105% of the average middle market quotation of the Generalist Shares/Healthcare Shares, as derived from the Daily Official List, over each of the five business days immediately preceding the day on which the Generalist Shares/Healthcare Shares are contracted to be purchased. The minimum price is 0.1p, being the nominal value of a Generalist Share/Healthcare Share. It is intended that any Generalist Shares and Healthcare Shares bought back by the Company will be cancelled. There are no warrants or options to subscribe for shares outstanding.

#### **4. Change to the Company's investment policy**

The proposed new share classes are evergreen shares classes and will be investing their funds under VCT regulation which have been subject to a number of significant changes since 2015. In order that the new funds can be properly invested in accordance with the current VCTs rules, it is proposed that the Company's investment policy is slightly broadened. The revised policy will also allow the Company to invest the funds raised in the Healthcare Share pool in the sectors on which it intends to focus.

The proposed investment policy is shown as a mark-up from the existing policy in the Appendix.

#### **5. Risk Factors**

Were the Offers not to proceed, there would be no significant impact on the Company or the Existing Shares, other than in respect of the costs of the Offers, which would need to be borne by the Company. These are estimated at £100,000. Under the terms of the Offer Agreement, Downing have agreed to bear the costs of the Offers. Accordingly, the Company would only have responsibility for these costs if Downing failed to meet these obligations under the Offer Agreement.

## **6. General Meeting**

The Resolutions are set out in full in the Notice on pages 16 to 17 and are summarised below:

### *Resolution 1 – To create the Generalist Shares (ordinary resolution)*

Pursuant to the Act, Resolution 1 will, if passed, create Generalist Shares, having the rights and being subject to the restrictions set out in the Articles of the Company as altered pursuant to Resolution 4.

### *Resolution 2 – To create the Healthcare Shares (ordinary resolution)*

Pursuant to the Act, Resolution 2 will, if passed, create Healthcare Shares, having the rights and being subject to the restrictions set out in the Articles of the Company as altered pursuant to Resolution 4.

### *Resolution 3 – Authority for the Board to allot shares (ordinary resolution)*

Pursuant to the Act, Resolutions 3 will, if passed, give the Board authority to allot shares up to an aggregate nominal amount of £68,750 representing, in aggregate, approximately 21.9% of the issued share capital of the Company as at the date of this Circular. This authority will expire on the later of 15 months after the date this resolution is passed and the end of the Company's next annual general meeting. The Company does not hold any treasury shares. The Directors intend to allot up to 37,500,000 Generalist Shares and up to 25,000,000 Healthcare Shares in the Company under or in connection with the Offers and are also seeking approval to allot up to an additional 10% outside the Offers, being up to a further 3,750,000 Generalist Shares and 2,500,000 Healthcare Shares.

### *Resolution 4 – Disapply statutory pre-emption rights (special resolution)*

Pursuant to the Act, Resolution 4 will, if passed, disapply the statutory pre-emption rights contained in section 561 of the Act to enable the Directors to allot equity securities for cash up to an aggregate nominal amount of £68,750 representing 21.9% of the current issued share capital. This authority will expire on the later of 15 months after the date this resolution is passed and the end of the Company's next annual general meeting.

### *Resolution 5 – Alter the Articles of the Company (special resolution)*

Pursuant to the Act, Resolution 5 will, if passed, alter the current Articles of the Company, inter alia, to incorporate the rights attaching to the Generalist Shares and Healthcare Shares and allow reserves arising in any share class to be used by any other share class. A copy of the proposed altered Articles will be available for inspection from the date of the Circular and up to the end of the General Meeting and for at least 15 minutes prior to and during the General Meeting at the place of the General Meeting, Ergon House, Horseferry Road, London SW1P 2AL.

### *Resolution 6 – Authority for the Board to make market purchases (special resolution)*

Pursuant to the Act, Resolution 6 will, if passed, authorise the Board to make one or more market purchases of Generalist Shares and Healthcare Shares. Further details of the Company's share buyback policies, the number of Generalist Shares and Healthcare Shares that may be purchased and the amount that they may be purchased for are set out in section 3 of this Part II. The authority will expire on the later of 15 months after the date this resolution is passed and the end of the Company's next annual general meeting. It is intended that any Generalist Shares and/or Healthcare Shares purchased pursuant to this authority will be cancelled.

### *Resolution 7 – Cancellation of share premium account (special resolution)*

Pursuant to the Act, Resolution 7 will, if passed and subject to the sanction of the High Court, cancel the amount standing to the credit of the share premium as at the date an order is made confirming such cancellation by the Court. The Act places restrictions on the payment of dividends by public limited companies. In particular, a company can pay dividends only to the extent that accumulated realised profits exceed realised and unrealised losses. An additional new reserve created by the cancellation of the share premium account would be used to offset the effects of any future unrealised losses and, therefore, enhance the ability of the Company to pay future dividends. The opportunity to cancel the share premium account at this stage is being taken in order to save the costs of convening a further general meeting following the closing of the Offers. In addition, the reserve created by the cancellation may also be used, by the Company, to a limited extent, to purchase Shares in the market.

### *Resolution 8 - Change to the Company's investment policy (ordinary resolution)*

Resolution 8, if passed will amend the Company's investment policy set out in the Appendix on page 11 of this Circular. Resolution 8 is conditional on the passing of Resolution 5.

### *Resolution 9 – Approval of investment manager's fee arrangements with Downing (ordinary resolution)*

Resolution 9, if passed will approve the entry by the Company into the arrangements for the Promoter's fee, the investment management and administration fees and the performance incentive arrangements with Downing in respect of the Healthcare Share and Generalist Share pools as described on pages 5, 6 and 7 of this Circular.

The General Meeting has been convened for 10.30 a.m. on 16 January 2017 at Ergon House, Horseferry Road, London SW1P 2AL. At the General Meeting, Resolutions 1, 2, 3, 8 and 9 will be proposed as ordinary resolutions, requiring the approval of more than 50% of the votes cast. Resolutions 4, 5, 6 and 7 will be proposed as special resolutions, requiring the approval of not less than 75% of the votes cast.

## 7. Action to be taken

Shareholders will find a Form of Proxy for the Company enclosed with this document for use at the General Meeting. Shareholders are asked to complete and return it, by post or hand, to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL, so as to be received as soon as possible, or electronically at proxy@downing.co.uk, in each case to arrive not later than 48 hours before the time of the meeting. Completion and return of the Form of Proxy will not affect a Shareholder's right to attend and vote at the General Meeting should he or she wish to do so.

## 8. Recommendation

The Board considers that the Proposals relating to the Company are in the best interests of the Company and its Shareholders as a whole and the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting, as the Directors intend to do in respect of their own beneficial holdings. These holdings amount to the following: -

Director	Number of Shares								
	DSO B Shares	DSO C Shares	DSO D Shares	DP67 Shares	DP2011 Gen Ord Shares	DP2011 Gen A Shares	DP2011 Struc Ord Shares	DP2011 Struc A Shares	DP2011 LC Shares
Lord Flight	62,550	62,550	20,800	-	-	-	-	-	-
Aubrey Brocklebank	-	-	-	-	-	-	-	-	5,535
Russell Catley	-	-	-	-	-	-	10,200	10,200	-
	Percentage of Issued Share Capital								
Lord Flight	0.31%	0.20%	0.30%	-	-	-	-	-	-
Aubrey Brocklebank	-	-	-	-	-	-	-	-	0.07%
Russell Catley	-	-	-	-	-	-	0.10%	0.08%	-

Yours faithfully

### Lord Flight

Chairman

Downing FOUR VCT plc

# Appendix

## Proposed Investment Policy

The proposed investment policy of the Company is set out below (shown as a mark-up from the current investment policy).

### Asset allocation

It is intended that at least 70% of each share pools' funds are invested in VCT Qualifying Investments within 3 years of the close of the relevant share offer. The remainder of the funds will be held in Non-Qualifying Investments:

For share pools designated as having a "planned exit" strategy, following the fifth anniversary of the last share allotment, the Company will seek realisations of its investments such that funds can be returned to Shareholders.

### VCT Qualifying Investments

New VCT Qualifying Investments will normally comprise investments in businesses that are less than 7 years old and require funding to support the growth of the business. Investments may be in a range of sectors which are allowable under the VCT Regulations.

The Company will focus on development and expansion funding for unquoted businesses and will not usually undertake very early stage or start up investments.

Specific share pools may have a generalist focus or may focus on certain sectors according to the strategy of that specific share pool.

VCT Qualifying Investments made in 2015 and earlier were made under previous VCT Regulations and focused on VCT Investments ~~comprise~~ investments in UK businesses that own substantial assets (over which a charge will/could be taken by the Company) or have predictable revenue streams from financially sound customers. ~~VCT Investments will usually be VCT qualifying investments under the VCT Regulations.~~

~~As a condition of each of its investments, it is intended that the Company will have the ability to restrict the investee company's ability to borrow.~~

### Non-Qualifying Investments

The funds not employed in VCT Qualifying Investments will typically be invested in Non Qualifying Investments as allowed by the VCT Regulations. These will typically be cash deposits and investments in quoted securities, investment trusts or OEICs.

Non-Qualifying Investments made prior to 5 April 2016 were typically made in structured products and secured loans.

- ~~Secured loans; and/or~~
- ~~Structured Products; and/or~~
- ~~Fixed income securities~~

~~Secured loans will be secured on assets held by investee companies.~~

~~Structured Products will be primarily designed to produce capital appreciation, rather than income. Therefore, the profit arising from the disposal or maturity of the Structured Products typically gives rise to capital gains, which are tax free for the Company and can be distributed tax free to Shareholders.~~

~~The choice of index or exchange that the Company's Structured Products are linked to will be dependent on market conditions at the time of investment.~~

~~Fixed income securities will consist of bonds issued by the UK Government, major companies and institutions, liquidity funds, fixed deposits, or similar securities, and will have credit ratings of not less than A minus (Standard & Poor's rated)/A3 (Moody's rated).~~

### ***Risk diversification***

The Directors control the overall risk of the Company. ~~The Manager Downing ensures that, for each share pool, the Company has exposure to a diversified range of Venture Capital VCT Investments from different sectors. The Structured Product portfolio is a separate asset class to that of its Venture Capital investments and this provides further diversification and adheres to the holding limit that no investment in a company may represent more than 15% by value of the Company's total investments at the time of investment.~~

### ***Listing rules***

~~As a company whose shares have been admitted to the Official List, the Company conducts its business in accordance with the Listing Rules:~~

- ~~(i) the Company may not invest more than 10% in aggregate, of the value of total assets of the Company at the time an investment is made in other listed closed ended investment funds except listed closed ended investment funds which have published investment policies which permit them to invest no more than 15% of their total assets in other closed ended investment funds;~~
- ~~(ii) the Company must not conduct any trading activity which is significant in the context of the Company; and~~
- ~~(iii) the Company must, at all times, invest and manage its assets in a way which is consistent with its objective of spreading investment risk and in accordance with its published investment policy set out in this document. This investment policy is in line with Chapter 15 of the Listing Rules and Part 6 of the Income Tax Act 2007.~~

### ***Venture Capital Trust regulations***

In continuing to maintain its VCT status, the Company complies with a number of regulations as set out in Part 6 of the Income Tax Act 2007. How the main regulations apply to the Company is summarised as follows:

- ~~1. The Company holds at least 70% of its investments in qualifying companies (as defined by Part 6 of the Income Tax Act 2007) (by 31 March 2012 in respect of the Ordinary Share pool, by 31 March 2014 in respect of the 'B' Share pool, and by 31 March 2015 in respect of the 'D' Share pool);~~
- ~~2. At least 30% of the Company's qualifying investments (by value) are held in "eligible shares" for funds raised before 6 April 2011 and at least 70% in "eligible shares" for funds raised after 6 April 2011 ("eligible shares" generally being ordinary share capital) (by 31 March 2012 in respect of the Ordinary Share pool, by 31 March 2014 in respect of the 'B' Share pool, and by 31 March 2015 in respect of the 'D' Share pool);~~
- ~~3. At least 10% of each investment in a qualifying company is held in "eligible shares" (by cost at time of investment);~~
- ~~4. No investment constitutes more than 15% of the Company's portfolio (by value at time of investment);~~
- ~~5. The Company's income for each financial year is derived wholly or mainly from shares and securities; and~~
- ~~6. The Company distributes sufficient revenue dividends to ensure that not more than 15% of the income from shares and securities in any one year is retained.~~

### ***Borrowing policy***

It is not the Company's intention to have any borrowings, but it reserves the right to should the need arise. The Company does, however, have the ability to borrow a maximum amount equal to 15% of the aggregate amount paid on any shares issued by the Company (together with any share premium thereon).

### ***Trading Activity***

The Company does not carry out any trading activity which is significant in the context of the Company.

## Part III: Additional Information

### 1. Material Contracts

The following are the only contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company within the two years immediately preceding publication of this document and which are or may be material to the Company which contains any provision under which the Company has any obligation or entitlement which is material to the Company as at the date of this document:

- (a) Under the Sponsor and Promotion Agreement dated 8 December 2016 between the Company (1), the Directors (2), the Sponsor (3) and Downing (4), the Sponsor has agreed to act as sponsor to the Offer and Downing has undertaken as agent of the Company to use its reasonable endeavours to procure subscribers under the Offer for up to 30,000,000 Generalist Shares and 20,000,000 Healthcare Shares for the Company. Neither the Sponsor nor Downing is obliged to subscribe for Shares.

Under the Sponsor and Promotion Agreement, subject to Shareholder approval, the Company will pay Downing a fee of 4% of the monies subscribed under the Offers where Adviser commission is payable or 2% of the monies subscribed under the Offers where no Adviser commission is payable. The Company shall also be responsible for paying 0.25% per annum of the Net Asset Value of those Offer Shares in respect of which adviser commission is payable to Downing for a maximum of five years, from which Downing will pay annual trail commission to the independent financial intermediaries of Professional Client Investors and Execution-Only Investors. At Downing's discretion the trail commission may be waived in favour of additional upfront commission of 0.75%. Advisers will be paid commission, where permissible, by Downing, in respect of all applications accepted which bear their stamp. Downing will also pay all other costs and expenses of, or incidental to, the Offers and the application for Admission of the Shares to the Official List.

Under the Sponsorship and Promotion Agreement, which may be terminated by the Sponsor and Downing in certain circumstances, certain warranties have been given by the Company and the Directors to the Sponsor and Downing. The Company has also agreed to indemnify the Sponsor and Downing in respect of their role as Sponsor and Promoter under the Sponsorship and Promotion Agreement. The warranties and indemnity are in usual form for a contract of this type. The Sponsorship and Promotion Agreement may be terminated by the Sponsor if any statement in the Prospectus is untrue, any material omission from the Prospectus arises or any breach of warranty occurs.

- (b) A performance incentive agreement, conditional on Shareholder approval, between the Company and Downing Nominees Limited (the "Nominee") dated 8 December 2016 pursuant to which the Nominee will undertake not to vote in respect of the Management Shares at any general meeting of the Company and to waive any entitlement to distributions otherwise payable in respect of Management Shares held by the Nominee on behalf of certain members of the Downing Management team until the performance incentive Hurdle has been achieved by the Company.
- (c) An investment manager and administration agreement dated 27 January 2009 (as amended from time to time and, most recently, on 8 December 2016 to take account of the proposed issue of Generalist Shares and Healthcare Shares, conditional on shareholder approval) between the Company (1) and Downing pursuant to which Downing has been appointed as the investment manager to the Company.

The appointment may be terminated by either side giving not less than 12 months' notice in writing. Downing receives an annual fee and pays the Company's running costs above a running cost-cap calculated in relation to the Company's NAV in its various share classes, each as set out in the following table:

Assets	Investment Management Fee	Running Cost Cap
DSO Assets	1.5%	3.0%
DP2011 Assets	1.8%	3.0%
DP6/7 Assets	1.35%	2.9%
Generalist Shares	2.0%	3.0%
Healthcare Shares	2.5%	3.5%

In respect of administration fees Downing is paid a formula based fee comprising three elements: (i) a basic fee of £40,000; (ii) a fee of 0.1% of NAV per annum on funds in excess of £10 million; (iii) £5,000 per additional share pool.

- (d) A structured product management agreement dated 20 July 2015 between the Company (1), Brewin Dolphin Limited (2) and Downing (3) (as varied from time to time) pursuant to which Brewin Dolphin Limited provides discretionary investment management, dealing, cash management and custody and is responsible for settlement and related administrative services to the Company in respect of its institutional structured products.
- (e) A letter of engagement between the Company and Panmure Gordon (UK) Limited (“Panmure”) pursuant to which Panmure were appointed as sponsor to the Company in connection with the Merger. The Company agreed to indemnify Panmure for any loss suffered in respect of its role as sponsor to the Merger (save for when such loss has arisen out of Panmure’s breach, wilful default, misconduct or gross negligence). The Company’s liability under this indemnity is unlimited.
- (f) A transfer agreement between the Company and DP2011 acting through Kim Rayment and Ian Gould of BDO LLP (the “Liquidators”) pursuant to which all of the assets and liabilities of DP2011 were transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Consideration Shares issued to DP2011 Shareholders. The Liquidators further agreed under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets and/or other rights of DP2011 were transferred on receipt to the Company as part of a scheme for the merger of the DP2011 with the Company.
- (g) A limited indemnity from the Company to the Liquidators pursuant to which the Company indemnified the Liquidators for expenses and costs incurred by them in connection with the DP2011 Scheme, subject to a cap of £1 million. A liquidation fee has been agreed and taken into account in the merger calculations. This agreement was entered into as part of the DP2011 Scheme.
- (h) A transfer agreement between the Company and DP6 (acting through the Liquidators) pursuant to which all of the assets and liabilities of DP6 were transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Consideration Shares being issued to DP6 Shareholders. The Liquidators further agreed under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets and/or other rights of DP6 were transferred on receipt to the Company as part of a scheme for the merger of DP6 with the Company.
- (i) A limited indemnity from the Company to the Liquidators pursuant to which the Company indemnified the Liquidators for expenses and costs incurred by them in connection with the DP6 Scheme, subject to a cap of £1 million. A liquidation fee has been agreed and taken into account in the merger calculations. This agreement was entered into as part of the DP6 Scheme.
- (j) A transfer agreement between the Company and DP7 (acting through the Liquidators) pursuant to which all of the assets and liabilities of DP7 were transferred to the Company (subject only to the consent required to transfer such assets and liabilities) in consideration for Consideration Shares being issued to DP7 Shareholders. The Liquidators further agreed under this agreement that all sale proceeds and/or dividends received in respect of the underlying assets and/or other rights of DP7 were transferred on receipt to the Company as part of a scheme for the merger of DP7 with the Company.
- (k) A limited indemnity from the Company to the Liquidators pursuant to which the Company indemnified Liquidators for expenses and costs incurred by them in connection with the DP7 Scheme, subject to a cap of £1 million. A liquidation fee has been agreed and taken into account in the merger calculations. This agreement was entered into as part of the DP7 Scheme.

## **2. General**

- (a) The Company was incorporated in England and Wales under the Companies Act 1985 as a public company with limited liability on 12 January 2009 and with registered number 06789187. The principal legislation under which the Company operates is the Act. The registered office and principal place of business of the Company is Ergon House, Horseferry Road, London SW1P 2AL.
- (b) The Company is not aware of any person, not being a member of its administrative management or supervisory bodies, who, as at the date of this document, is directly or indirectly interested in 3% or more of the issued share capital of the Company and is required to notify such interest in accordance with the DTR.
- (c) Panmure Gordon (UK) Limited and Downing has each given and not withdrawn its consent to the inclusion of the reference to its name in the Circular in the form and context in which it is included.



- (d) On 25 August 2016, the Company converted all DSO Ordinary Shares and DSO A Shares in issue into deferred shares which were immediately acquired by the Company and then cancelled.
- (e) Since 30 September 2016, being the balance sheet date of the last published unaudited financial statements of the Company, there has been no significant change in the financial or trading position of the Company.

**3. Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) from the date of this document until the conclusion of the General Meeting and for at least 15 minutes prior to and during the General Meeting at the place of the General Meeting, Ergon House, Horseferry Road, London SW1P 2AL:

- (a) the current Articles of the Company;
- (b) the proposed altered Articles of the Company; and
- (c) the material contracts referred to in paragraph 1 of this Part III.

## Part IV: Notice of General Meeting

### Downing FOUR VCT plc

(Registered No. 06789187)

#### Notice of General Meeting

Notice is hereby given that a General Meeting of Downing FOUR VCT plc will be held at 10.30 a.m. on 16 January 2017 at Ergon House, Horseferry Road, London SW1P 2AL for the purpose of considering and, if thought fit, passing resolutions 1, 2, 3, 8 and 9 below as ordinary resolutions and resolutions 4, 5, 6 and 7 below as special resolutions of the Company. Capitalised terms not otherwise defined in this notice shall bear the same meanings given in the circular to shareholders dated 8 December 2016 (the “**Circular**”).

#### *Ordinary Resolutions*

- 1 THAT, a class of Generalist Shares of 0.1p each in the capital of the Company (“**Generalist Shares**”) shall be and are hereby created, having attached thereto the rights and being subject to the restrictions set out in the New Articles of the Company as altered by resolution 5;
- 2 THAT, a class of Healthcare Shares of 0.1p each in the capital of the Company (“**Healthcare Shares**”) shall be and are hereby created, having attached thereto the rights and being subject to the restrictions set out in the New Articles of the Company as altered by resolution 5;
- 3 THAT, in addition to any existing authority (to the extent unused), the Directors be and are hereby generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (the “**Act**”) to exercise all the powers of the Company to allot shares or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £68,750, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of the resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), but so that this authority shall allow the Company to make before the expiry of this authority offers or agreements which would or might require shares to be allotted or rights to be granted to subscribe for or to convert any security into shares in the Company after such expiry and all previous authorities given by the Directors in accordance with section 551 of the Act be and are hereby revoked, provided that such revocation shall not have retrospective effect;

#### *Special Resolutions*

- 4 THAT, in addition to any existing authority (to the extent unused), the Directors be and are hereby empowered, during the period commencing on the passing of this resolution and expiring at the conclusion of the Company's next annual general meeting, or on the expiry of 15 months following the passing of this resolution, whichever is the later (unless previously revoked, varied or extended by the Company in a general meeting), pursuant to section 570 of the Act, to allot equity securities (as defined in Section 560(1) of the Act) for cash pursuant to the authority given in accordance with Section 551 of the Act, pursuant to resolution 3 above, as if section 561(1) of the Act did not apply to any such allotment but so that this authority shall allow the Company to make offers or agreements before the expiry and the Directors may allot equity securities in pursuance of such offers or agreements as if the powers conferred hereby had not so expired;
- 5 THAT, in order to, *inter alia*, (i) reflect the creation of the Generalist and Healthcare Shares and the rights and restrictions to be attached thereto; (ii) remove the requirement for class meetings to be convened where the Company's investment policy is materially amended and (iii) remove outdated references to DSO Ordinary shares and DSO A Shares which are no longer in issue, the articles of association produced to the meeting and signed by the Chairman for the purposes of identification (the “**New Articles**”) be adopted in substitution for the Company's existing Articles of Association. An overview of the share rights and restrictions to be attached to the share classes of the Company including those in relation to the two new share classes, the Generalist and Healthcare Shares, is set out in the Appendix to this Notice of General Meeting;

- 6 THAT, the Company be generally and unconditionally authorised to make one or more market purchases (within the meaning of section 693(4) of the Act) of Generalist Shares and Healthcare Shares provided that:
- (i) the maximum aggregate number of Generalist Shares authorised to be purchased is 5,587,500 or, if less, 14.9% of the Generalist Shares issued pursuant to the Offers and the maximum aggregate number of Healthcare Shares authorised to be purchased is 3,725,000 or, if less, 14.9% of the Healthcare Shares issued pursuant to the Offers;
  - (ii) the maximum price which may be paid for a Generalist Share or Healthcare Share is an amount equal to the maximum amount permitted to be paid in accordance with the rules of the UK Listing Authority in force as at the date of purchase;
  - (iii) the minimum price which may be paid for a Generalist Share or Healthcare Share is its respective nominal value;
  - (iv) this authority shall take immediate effect;
  - (v) the Company may make a contract or contracts to purchase Generalist Shares and/or Healthcare Shares under this authority before the expiry of the authority which will or may be executed wholly or partly after the expiry of the authority, and may make a purchase of Generalist Shares and/or Healthcare Shares in pursuance of any such contract or contracts;

and this power, unless previously varied, revoked or renewed, shall come to an end at the conclusion of the Company's next annual general meeting following the passing of the resolution or, if later, on the expiry of 15 months from the passing of the resolution; and

- 7 THAT, subject to the sanction of the High Court, the amounts standing to the credit of the share premium account of the Company as at the date an order is made confirming such cancellation by the High Court be cancelled.

*Ordinary Resolutions*

- 8 THAT, conditional on the passing of Resolution 5, the Company's investment policy is amended on the terms set out in the Circular.
- 9 THAT, the fee arrangements with Downing LLP and Downing Nominees Limited, in respect of the Generalist Share pool and Healthcare Share pool, as described in the Circular, be approved.

By order of the Board

**Grant Whitehouse**  
*Company Secretary*  
Downing FOUR VCT plc  
8 December 2016

Registered Office: Ergon House, Horseferry Road, London SW1P 2AL

Information regarding the General Meeting, including the information required by section 311A of the Act, is available from [www.downing.co.uk](http://www.downing.co.uk).

## Notes

- (a) Any member of the Company entitled to attend and vote at the General Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the General Meeting in order to represent his appointor. A member entitled to attend and vote at the General Meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person. If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in these Notes. Please read Note (h) below. Under section 319A of the Act, the Company must answer any question a member asks relating to the business being dealt with at the General Meeting unless:
- answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information;
  - the answer has already been given on a website in the form of an answer to a question; or
  - it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
- (b) To be valid, a Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL or electronically at proxy@downing.co.uk, in each case not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the General Meeting or adjourned meeting at which the person named in the Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
- (c) In order to revoke a proxy instruction a member will need to inform the Company using one of the following methods:
- by sending a signed hard copy notice clearly stating the intention to revoke the proxy appointment to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.
  - by sending an e-mail to proxy@downing.co.uk.
- In either case, the revocation notice must be received by Downing LLP before the General Meeting or the holding of a poll subsequently thereto. If a member attempts to revoke his or her proxy appointment but the revocation is received after the time specified then, subject to Note (d) directly below, the proxy appointment will remain valid.
- (d) Completion and return of a Form of Proxy will not preclude a member of the Company from attending and voting in person. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.
- (e) Copies of the Directors' letters of appointment, the register of directors' interests in the shares of the Company, a copy of the altered Articles of Association (marked up to show the proposed changes) and a copy of the current Articles of Association will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday, Sunday and Public Holidays excluded) from the date of this notice, until the end of the General Meeting for at least 15 minutes prior to and during the meeting.

- (f) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company has specified that only those holders of the Company's shares registered on the Register of Members of the Company as at 10.30 a.m. on 12 January 2017 or, in the event that the General Meeting is adjourned, on the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend and vote at the said General Meeting in respect of such shares registered in their name at the relevant time. Changes to entries on the Register of Members after 10.30 a.m. on 12 January 2017 or, in the event that the General Meeting is adjourned, on the Register of Members less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the right of any person to attend and vote at the General Meeting.
- (g) As at 9.00 a.m. on 8 December 2016, the Company's issued share capital comprised 19,911,070 DSO B Shares, 29,926,070 DSO C Shares, 7,867,247 DSO D Shares, 11,239,785 DP67 Shares, 15,644,066 DP2011 General Ordinary Shares, 18,418,614 DP2011 General A Shares, 10,678,725 DP2011 Structured Ordinary Shares, 12,572,817 DP2011 Structured A Shares, and 7,575,419 DP2011 Low Carbon Shares. The total number of voting rights in the Company as at 9.00 a.m. on 8 December 2016 is 48,592,056,015. Information on the number of shares and voting rights will be available at [www.downing.co.uk](http://www.downing.co.uk).
- (h) If you are a person who has been nominated under section 146 of the Act to enjoy information rights ("**Nominated Person**"):
- You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights ("**Relevant Member**") to be appointed or to have someone else appointed as a proxy for the General Meeting;
  - If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights;
  - Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.
- (i) A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises powers over the same share.
- (j) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.
- (k) Except as provided above, members who have general queries about the General Meeting should write to the Chairman at the registered office set out above.
- (l) Members may not use any electronic address provided either in this notice of General Meeting, or any related documents (including the Chairman's letter and Form of Proxy), to communicate with the Company for any purposes other than those expressly stated.

## Notice of General Meeting (continued)

### Appendix to Resolution 5

The rights and restrictions attaching to the DSO B Shares, DSO C Shares, DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares, DP2011 Low Carbon Shares, Generalist Shares and Healthcare Shares (as defined below) are as follows:

#### 1. Definitions

<b>Articles</b>	articles of association of the Company
<b>Company</b>	Downing FOUR VCT plc
<b>Directors or Board</b>	the board of directors of the Company
<b>Downing</b>	Downing LLP
<b>DP2011 General A Shares</b>	DP2011 General A shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53730)
<b>DP2011 General Ordinary Shares</b>	DP2011 General Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53847)
<b>DP2011 General Shareholder</b>	Holder of DP2011 General Ordinary Shares and DP2011 General A Shares
<b>DP2011 Low Carbon Shares</b>	DP2011 Low Carbon Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53953)
<b>DP2011 Low Carbon Shareholder</b>	Holder of DP2011 Low Carbon Shares
<b>DP2011 Structured Share Pool</b>	assets and liabilities attributable to the DP2011 General Ordinary Shares and DP2011 General A Shares
<b>DP2011 Structured A Shares</b>	DP2011 Structured A shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53C84)
<b>DP2011 Structured Ordinary Shares</b>	DP2011 Structured Ordinary shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53B77)
<b>DP2011 Structured Shareholder</b>	Holder of DP2011 Structured Ordinary Shares and DP2011 Structured A Shares
<b>DP6</b>	Downing Planned Exit 6 (acquired by the Company on 20 July 2015)
<b>DP7</b>	Downing Planned Exit 7 (acquired by the Company on 20 July 2015)
<b>DP67 Shares</b>	DP67 shares of 0.1p each in the capital of the Company (ISIN: GB00BWX53D91)
<b>DP67 Shareholder</b>	assets and liabilities attributable to the DP67 Shares
<b>DSO B Shares</b>	DSO B shares of 0.1p each in the capital of the Company (ISIN: GB00B4MGR241)
<b>DSO B Shareholders</b>	Holder of DSO B Shares and DSO C Shares
<b>DSO C Shares</b>	DSO C shares of 0.1p each in the capital of the Company (ISIN: GB00B4MCHT95)
<b>DSO D Shares</b>	DSO D shares of 0.1p each in the capital of the Company (ISIN: GB00B6QPQ463)
<b>DSO D Share Shareholders</b>	Holder of DSO D Shares
<b>DSO B Share Cap</b>	an amount equivalent to 1.25% of the net assets attributable to the DSO B Shares and DSO C Shares per annum, calculated on a semi-annual basis by reference to the Company's unaudited half yearly accounts and audited year end accounts
<b>DSO B Share Hurdle</b>	achievement, calculated on the basis of the total for one DSO B Share and one DSO C Share, of (a) a compound return of at least 7% per annum and (b) total amounts paid by way of dividends or other distributions, share buybacks (other than on a market purchase by the Company of any of its shares), proceeds on a sale or liquidation of the Company and any other proceeds or value received, or deemed to be received, by DSO B Shareholders in the Company, excluding any income tax relief on

	subscription, of at least 100% of the gross amount subscribed to the Company under the DSO B Share Offer
<b>DSO B Share Offer</b>	offers for subscription of up to 20 million DSO B Shares and 30 million DSO C Shares for the Company on the terms set out in the securities note dated 6 November 2009
<b>General Meeting</b>	the general meeting of the Company to be held at Ergon House, Horseferry Road, London SW1P 2AL at 10.30 a.m. on 16 January 2017
<b>Generalist Shareholder</b>	holders of Generalist Shares in the capital of the Company
<b>Generalist Shares</b>	Generalist Shares of 0.1p each in the capital of the Company
<b>Healthcare Shareholder</b>	holders of Healthcare Shares in the capital of the Company
<b>Healthcare Shares</b>	Healthcare Shares of 0.1p each in the capital of the Company
<b>Management DSO C Shares</b>	10,000,000 DSO C Shares in the Company issued to Management in connection with the DSO B Share Offer
<b>Management DP2011 General A Shares</b>	2,763,773 DP2011 General A Shares in the Company issued to Management in connection with the DP2011 General Ordinary Share Offer
<b>New Articles</b>	the articles of association of the Company proposed to be adopted at the General Meeting
<b>Management DP2011 Structured A Shares</b>	1,883,094 DP2011 Structured A Shares in the Company issued to Management in connection with the DP2011 Structured Ordinary Share Offer
<b>Shareholder</b>	a holder of Shares
<b>Share(s)</b>	DSO B Shares and/or DSO C Shares and/or DSO D Shares and/or DP67 Shares and/or DP2011 General Ordinary Shares and/or DP2011 General A Shares and/or DP2011 Structured Ordinary Shares and/or DP2011 Structured A Shares and/or DP2011 Low Carbon Shares and/or Generalist Shares and/or Healthcare Shares (Management DSO C Shares, Management DP2011 General A Shares and Management DP2011 Structured A Shares), as applicable

## 2. Voting Rights

(i) The holders of:

- (a) Each holder of Shares is entitled to vote at general meetings and shall have one vote per Shareholder on a show of hands. In the event that a poll vote is held, each class of Share in the Company is entitled to a base number of voting rights per Share based on the relative net asset values of each class at the date of adoption of the New Articles as set out in the table below.

Class of Share	Number of votes per share ("Base Votes")	Original net asset value per share at the date of the Merger ("Base Value")	Current Net Asset Value
DSO B Share	206	70.2p	12.8p
DSO C Share	1	0.1p	0.1p
DSO D Share	925	80.7p	75.6p
DP2011 General Ord Share	850	73.3p	73.1p
DP2011 General A Share	75	6.0p	5.9p
DP2011 Low Carbon Ord Share	500	86.2p	41.6p
DP2011 Structured Ord Share	875	75.7p	77.1p
DP2011 Structured A Share	75	6.2p	6.1p
DP67 Ord Share	750	63.8p	60.4p
Generalist Share	1,146	N/A	100.0p
Healthcare Share	1,146	N/A	100.0p

If the NAV of any share class, as announced prior to a general meeting of the Company and adjusted for dividends declared or paid, has changed by a significant amount (a 25% step or more), the voting rights of that class shall be increased or decreased in accordance with the table below:

Net Asset Value expressed as a % of the Base Value of a Class of Shares	Adjusted Base Votes per Share
Up to 25%	0.25 x Base Votes
Over 25% and less than 50%	0.50 x Base Votes
Over 50% and less than 75%	0.75 x Base Votes
Over 75% and less than 125%	Base Votes
Over 125% and less than 150%	1.25 x Base Votes

- (ii) If two or more persons are jointly entitled to shares for the time being conferring a right to vote, any one of such persons may vote at any meeting, either personally or by proxy, in respect thereof as if he were solely entitled thereto, and if more than one of such joint holders be present at any meeting, either personally or by proxy, the member whose name stands first on the register of members of the Company as one of the holders of such shares, and no other, shall be entitled to vote in respect of the same.



### 3. Rights to be paid dividends

The holders of the DSO B Shares, DSO C Shares, DSO D Shares, DP67 Shares, DP2011 General Ordinary Shares, DP2011 General A Shares, DP2011 Structured Ordinary Shares, DP2011 Structured A Shares, DP2011 Low Carbon Shares, Generalist Shares and Healthcare Shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends:

- (i) the holders of DSO B Shares and DSO C Shares shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of the net assets attributable to the DSO B Shares and DSO C Shares from income received and accrued which is attributable to the DSO B Shares and DSO C Shares on the following basis:
  - (a) Provided that the DSO B Share Hurdle is met:
    - (i) 91% to DSO B Shares and 9% to DSO C Shares until an amount equivalent to the total subscribed on such shares has been distributed; thereafter
    - (ii) all distributions are to holders of DSO B Shares and DSO C Shares pro-rata to the number of issue DSO B Shares held by them.
  - (b) If the DSO B Share Hurdle is not met, distributions are to holders of DSO B Shares and DSO C Shares pro-rata to the amounts subscribed for such shares.

The distributions to holders of DSO C Shares in paragraph (a) above are subject to the DSO B Share Hurdle being met. Distributions will be made to the holders of DSO B Shares and the holders of DSO C Shares in proportion to the amount subscribed for the DSO C Shares, until the DSO B Share Hurdle is met. Once the DSO B Share Hurdle is met, all distributions will be made to the holders of DSO C Shares until the split in (i)(a)(i) above is achieved. Once distributions to holders of Management DSO C Shares equal the DSO B Share Cap in the relevant years, then all distributions thereafter in those years will be made to the holders of DSO B Shares. If, in any relevant year, the distributions payable to holders of Management DSO C Shares is less than the DSO B Share Cap then the DSO B Share Cap for following accounting periods will increase by the amount of the shortfall until fully utilised by payments of distributions to holders of Management DSO C Shares.

- (ii) The holders of DSO D Shares shall be entitled to receive in that capacity such dividends as the Directors may resolve to pay out of the assets attributable to DSO D Shares and from income received and accrued which is attributable to the DSO D Shares, pro-rata to their respective holdings of DSO D Shares.
- (iii) The rights of the DP2011 General Ord Shares and the DP2011 General A Shares are as follows:

As regards distributions –

1. Dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) shall only be made out of the assets attributable to the DP2011 General Ord Shares and the DP2011 General A Shares, and shall be applied on the following basis:

In respect of the DP2011 Total General Shareholder Proceeds up to and including 70p:

- (a) to the DP2011 General A Shareholders, in aggregate, an amount equal to:

$$\frac{A \times B \times C}{D}$$

where,

A = total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis)

B = nominal value in £ of a DP2011 General A Share (being £0.001)

C = total number of DP2011 General A Shares in issue

D = total number of DP2011 General Ord Shares and the DP2011 General A Shares in issue

This amount is to be allocated to the DP2011 General A Shareholders pro rata to the number of DP2011 General A Shares held by each DP2011 General A Shareholder.

- (b) to the DP2011 General Ord Shareholders, in aggregate, the total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis) less the aggregate amount to be paid to the DP2011 General A Shareholders in 3(iii)1(a) above.

This amount is to be allocated to the DP2011 General Ord Shareholders pro rata to the number of DP2011 General Ord Shares held by each DP2011 General Ord Shareholder.

2. In respect of the excess of the DP2011 Total General Shareholder Proceeds over 70p and up to but not including 120p:

- (a) to the DP2011 General A Shareholders, in aggregate, an amount equal to:

$$\frac{A \times B \times C}{D}$$

where,

A = total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis)

B = nominal value in £ of a DP2011 General Ord Share (being £0.001)

C = total number of DP2011 General Ord Shares in issue

D = total number of DP2011 General Ord Shares and the DP2011 General A Shares in issue

This amount is to be allocated to the DP2011 General Ord Shareholders pro rata to the number of DP2011 General Ord Shares held by each DP2011 General Ord Shareholder.

- (b) to the DP2011 General A Shareholders, in aggregate, the total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis) less the aggregate amount to be paid to the DP2011 General Ord Shareholders in 3(iii)2(a) above. This amount is to be allocated to the DP2011 General A Shareholders pro rata to the number of DP2011 General A Shares held by each DP2011 General A Shareholder.

3. In respect of the excess of the DP2011 Total General Shareholder Proceeds equal to or greater than 120p:

- (a) to the DP2011 General A Shareholders, in aggregate, an amount equal to:

$$\frac{A \times B \times C}{D}$$

where,

A = total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis)

B = nominal value in £ of a DP2011 General A Share (being £0.001)

C = total number of DP2011 General A Shares in issue

D = total number of DP2011 General Ord Shares and the DP2011 General A Shares in issue

This amount is to be allocated to the DP2011 General A Shareholders pro rata to the number of DP2011 General A Shares held by each DP2011 General A Shareholder.

- (b) to the DP2011 General Ord Shareholders, in aggregate, the total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis) less the aggregate amount to be paid to the DP2011 General A Shareholders in 3(iii)3(a) above. This amount is to be allocated to the DP2011 General Ord Shareholders pro rata to the number of DP2011 General Ord Shares held by each DP2011 General Ord Shareholder.

If, on the date on which a dividend is to be declared on the DP2011 General Ord Shares, the amount of any dividend which would have been payable to the DP2011 General A Shareholder under Article 3.3.1 (the "General A Dividend Amount"), together with any previous amounts which were not paid as a result of the operation of this Article 3.3.1 (the "General A Share Entitlement"), would together:

- in aggregate be less than £10,000; or
- be less than an amount being equivalent to 0.25p per DP2011 General A Share,

then, notwithstanding the provisions of Article 3.3.1, the General A Dividend Amount shall not be declared and paid, but shall be aggregated with any General A Share Entitlement and retained by the Company until either threshold is reached. No interest shall accrue on any General A Share Entitlement.

- (iv) The rights of the DP2011 Low Carbon Ord Shares are as follows:

As regards distributions the holders of DP2011 Low Carbon Ord Shares shall be entitled to receive in that capacity dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) out of the assets attributable to the DP2011 Low Carbon Ord Shares, pro-rata to their respective holdings of DP2011 Low Carbon Ord Shares.

- (v) The rights of the DP2011 Structured Ord Shares and the DP2011 Structured A Shares are as follows:

As regards distributions –

1. Dividends and any other distributions or a return of capital (otherwise than on a purchase by the Company of any of its shares) shall only be made out of the assets attributable to the DP2011 Structured Ord Shares and the DP2011 Structured A Shares, and shall be applied on the following basis:

In respect of the DP2011 Total Structured Shareholder Proceeds up to and including 70p:

- (a) to the DP2011 Structured A Shareholders, in aggregate, an amount equal to:

$$\frac{A \times B \times C}{D}$$

where,

A = total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis)

B = nominal value in £ of a DP2011 Structured A Share (being £0.001)

C = total number of DP2011 Structured A Shares in issue

D = total number of DP2011 Structured Ord Shares and the DP2011 Structured A Shares in issue

This amount is to be allocated to the DP2011 Structured A Shareholders pro rata to the number of DP2011 Structured A Shares held by each DP2011 Structured A Shareholder.

- (b) to the DP2011 Structured Ord Shareholders, in aggregate, the total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis) less the aggregate amount to be paid to the DP2011 Structured A Shareholders in 3(v)1(a) above.

This amount is to be allocated to the DP2011 Structured Ord Shareholders pro rata to the number of DP2011 Structured Ord Shares held by each DP2011 Structured Ord Shareholder.

2. In respect of the excess of the DP2011 Total Structured Shareholder Proceeds over 70p and up to but not including 120p:

(a) to the DP2011 Structured Ord Shareholders, in aggregate, an amount equal to:

$$\frac{A \times B \times C}{D}$$

where,

A = total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis)

B = nominal value in £ of a DP2011 Structured Ord Share (being £0.001)

C = total number of DP2011 Structured Ord Shares in issue

D = total number of DP2011 Structured Ord Shares and the DP2011 Structured A Shares in issue

This amount is to be allocated to the DP2011 Structured Ord Shareholders pro rata to the number of DP2011 Structured Ord Shares held by each DP2011 Structured Ord Shareholder.

(b) to the DP2011 Structured A Shareholders, in aggregate, the total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis) less the aggregate amount to be paid to the DP2011 Structured Ord Shareholders in 3(v)2(a) above.

This amount is to be allocated to the DP2011 Structured A Shareholders pro rata to the number of DP2011 Structured A Shares held by each DP2011 Structured A Shareholder.

3. In respect of the excess of the DP2011 Total Structured Shareholder Proceeds equal to or greater than 120p:

(a) to the DP2011 Structured A Shareholders, in aggregate, an amount equal to:

$$\frac{A \times B \times C}{D}$$

where,

A = total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis)

B = nominal value in £ of a DP2011 Structured A Share (being £0.001)

C = total number of DP2011 Structured A Shares in issue

D = total number of DP2011 Structured Ord Shares and the DP2011 Structured A Shares in issue

This amount is to be allocated to the DP2011 Structured A Shareholders pro rata to the number of DP2011 Structured A Shares held by each DP2011 Structured A Shareholder.

(b) to the DP2011 Structured Ord Shareholders, in aggregate, the total dividend proposed (for the avoidance of doubt the total monetary value rather than on a per share basis) less the aggregate amount to be paid to the DP2011 Structured A Shareholders in 3(v)3(a) above.

This amount is to be allocated to the DP2011 Structured Ord Shareholders pro rata to the number of DP2011 Structured Ord Shares held by each DP2011 Structured Ord Shareholder.

If, on the date on which a dividend is to be declared on the DP2011 Structured Ord Shares, the amount of any dividend which would have been payable to the DP2011 Structured A Shareholder under Article 3.5.1 (the "Structured A Dividend Amount"), together with any previous amounts which were not paid as a result of the operation of this Article 3.5.1 (the "Structured A Share Entitlement"), would together:

- in aggregate be less than £10,000; or
- be less than an amount being equivalent to 0.25p per DP2011 Structured A Share,

then, notwithstanding the provisions of Article 3.5.1, the Structured A Dividend Amount shall not be declared and paid, but shall be aggregated with any Structured A Share Entitlement and retained by the Company until either threshold is reached. No interest shall accrue on any Structured A Share Entitlement.

(vi) The Rights of the DP67 Shares are as follows:

As regards distributions, DP67 Shareholders shall have the right to all dividends and any other distributions or return of capital on a winding up (otherwise than on a market purchase by the Company of any of its shares) out of the assets attributable to the DP67 Shares pro rata to their respective holdings of DP67 Shares.

(vii) The Rights of the Generalist Shares are as follows:

As regards distributions the holders of Generalist Shares shall be entitled to receive in that capacity dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) out of the assets attributable to the Generalist Shares, pro-rata to their respective holdings of Generalist Shares.

(viii) The Rights of the Healthcare Shares are as follows:

As regards distributions the holders of Healthcare Shares shall be entitled to receive in that capacity dividends and any other distributions or a return of capital (otherwise than on a market purchase by the Company of any of its shares) out of the assets attributable to the Healthcare Shares, pro-rata to their respective holdings of Healthcare Shares.

**4. Distribution of Assets on a Winding-Up**

- (i) The capital and assets of the Company shall on a winding-up or on a return of capital be distributed between share classes on the same basis as set out in 3 above.
- (ii) The liquidator on any winding-up of the Company (whether voluntary or under supervision or compulsory) may with the authority of a resolution of members, divide among the members in kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind, or shall consist of properties of different kinds, and for such purpose may set such value as he deems fair upon any one or more class or classes of property, and may determine how such division shall be carried out as between members or classes of members but so that if any such division shall be otherwise than in accordance with the existing rights of the members, every member shall have the same right of dissent and other ancillary rights as if such resolution were a special resolution passed in accordance with section 110 of the Insolvency Act 1986.

**5. Reserves**

The reserves of the Company, from whatever source and howsoever arising (including for the avoidance of doubt from any special reserve created upon the cancellation of any part of the Company's share premium account), shall be available for the benefit of all share classes of the Company to facilitate the payment of dividends, distributions or the making of share purchases, and notwithstanding any other provision of these Articles in relation to the keeping of separate accounts or otherwise, and shall be accounted for on a Company-wide basis.

# Form of Proxy for General Meeting

## Downing FOUR VCT plc

I/We .....

of (address) .....

being the holder(s) of DSO B shares of 0.1p and/or DSO C Shares of 0.1p and/or DSO D Shares of 0.1p and/or DP67 Shares of 0.1p each and/or DP2011 General Ordinary Shares of 0.1p each and/or DP2011 General A Shares and/or DP2011 Structured Ordinary Shares of 0.1p each and/or DP2011 Structured A Shares of 0.1p each and/or DP2011 Low Carbon Shares of 0.1p each in the capital of the above-named Company hereby appoint the Chairman of the meeting, or

.....

of (address).....

as my/our proxy to vote on a poll in my/our name and on my/our behalf at the General Meeting of the Company to be held at Ergon House, Horseferry Road, London SW1P 2AL on 16 January 2016 at 10.30 a.m. and at any adjournment thereof (see note 1).

Please indicate with an 'X' in the boxes below how you wish your vote to be cast. Should this Form of Proxy be returned duly signed but without a specific direction, the proxy may vote or abstain as he/she thinks fit. On any other business at the General Meeting (including any motion to amend any resolution or adjourn the meeting) the proxy will vote or abstain from voting at his or her discretion.

The proxy is directed to vote on the resolutions set out in the notice convening the General Meeting, resolutions 1, 2, 3, 8 and 9 of which are proposed as ordinary resolutions and resolutions 4, 5, 6 and 7 as special resolutions, as follows:

**Ordinary Resolutions**

		<b>For</b>	<b>Against</b>	<b>Withheld</b>
1	To create Generalist Shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	To create Healthcare Shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	To authorise the Directors to allot shares under section 551 of the Companies Act 2006.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Special Resolutions**

4	To authorise the Directors pursuant to section 570 of the Companies Act 2006 to allot equity securities on a non-pre-emptive basis for cash.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	To alter the articles of association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	To authorise the Company to make market purchases of Generalist Shares and/or Healthcare Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	To cancel the share premium account.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Ordinary Resolutions**

8	To amend the Company's Investment Policy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	To approve the fee arrangements with Downing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signed .....

Dated.....



Please return in the prepaid envelope provided to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL

## NOTES AND INSTRUCTIONS

1. The Notice of the Meeting is set out on pages 16 to 17 of the circular.
2. Any member of the Company entitled to attend and vote at the Meeting is also entitled to appoint one or more proxies to attend, speak and vote instead of that member. A member may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that member. A proxy may demand, or join in demanding, a poll. A proxy need not be a member of the Company but must attend the Meeting in order to represent his appointor. A member entitled to attend and vote at the meeting may appoint the Chairman or another person as his proxy although the Chairman will not speak for the member. A member who wishes his proxy to speak for him should appoint his own choice of proxy (not the Chairman) and give instructions directly to that person.
3. Delete "the Chairman of the meeting" if it is desired to appoint any other person and insert his or her name and address. If no name is inserted, the proxy will be deemed to have been given in favour of the Chairman of the meeting. If this Form of Proxy is returned without stating how the proxy shall vote on any particular matter the proxy will exercise his discretion as to whether, and if so how, he votes.
4. Any alterations to the Form of Proxy should be initialled.
5. To be valid, this Form of Proxy and the power of attorney or other written authority, if any, under which it is signed or an office or notarially certified copy or a copy certified in accordance with the Powers of Attorney Act 1971 of such power and written authority, must be delivered to Downing LLP, Ergon House, Horseferry Road, London SW1P 2AL not less than 48 hours (excluding weekends and public holidays) before the time appointed for holding the Meeting or adjourned meeting at which the person named in this Form of Proxy proposes to vote. In the case of a poll taken more than 48 hours (excluding weekends and public holidays) after it is demanded, the document(s) must be delivered as aforesaid not less than 24 hours (excluding weekends and public holidays) before the time appointed for taking the poll, or where the poll is taken not more than 48 hours (excluding weekends and public holidays) after it was demanded, be delivered at the meeting at which the demand is made.
6. In the case of a corporation, this form must be under its common seal or under the hand of some officer or attorney duly authorised in that behalf.
7. In the case of joint holders, the vote of the senior holder tendering a vote will be accepted to the exclusion of the votes of the other joint holders. Seniority depends on the order in which the names stand in the register of members.
8. The completion and return of this Form of Proxy will not preclude you from attending and voting at the General Meeting should you subsequently decide to do so. If a member appoints a proxy and that member attends the General Meeting in person, the proxy appointment will automatically be terminated.

A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, the proxy will vote or abstain from voting at his or her discretion. The proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the General Meeting.