

Baronsmead VCT 3 plc (the "Company")

(incorporated and registered in England and Wales
under number 04115341)

Notice of Annual General Meeting 2015

Notice is hereby given that the Annual General Meeting ("**AGM**") of Baronsmead VCT 3 plc will be held at 10.15 am on 16 April 2015 at Saddlers' Hall, 40 Gutter Lane, London, EC2V 6BR to consider and, if thought fit, pass resolutions 1 to 11 overleaf.

Important information:

This document is important and requires your immediate attention. If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other independent professional adviser immediately. If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee as soon as possible, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

A shareholder may appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the meeting, provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a member of the Company. To be valid, any form of proxy or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand by the Company's Registrar, Computershare Investor Services PLC, at the address shown on the form of proxy, or in the case of shares held through CREST, via the CREST system. In each case for proxy appointments to be valid, they must be received no later than 10.15 am on 14 April 2015.

17 February 2015

Dear Shareholder,

Annual General Meeting 2015

I am pleased to enclose the Notice of Meeting for the AGM of Baronsmead VCT 3 plc which will be held on 16 April 2015 at 10:15 am at Saddlers' Hall, 40 Gutter Lane, London, EC2V 6BR. The Notice of AGM, which follows this letter, sets out the business to be considered at the meeting. The purpose of this letter is to explain certain elements of that business to you.

Resolution 1 - To receive the Annual Report and Financial Statements

The Directors are required to present the accounts, Directors' report and Auditor's report to the meeting. These are contained in the Company's Annual Report and Financial Statements for the period ended 31 December 2014 (the "2014 Annual Report").

Resolution 2 - To approve the Directors' Remuneration Report

Under section 420 of the Companies Act 2006 (the "Act"), the Directors must prepare an annual report detailing the remuneration of the Directors and a statement by the chairman of the Remuneration Committee (together, the "Directors' Remuneration Report"). The Act also requires that a resolution be put to shareholders each year for their approval of that report. The Directors' Remuneration Report can be found on pages 36 to 38 of the 2014 Annual Report. Resolution 2 is an advisory vote only.

Resolutions 3 to 5 – Re-election of Directors

The Company's Articles of Association require that each Director appointed to the Board shall retire and seek election at their first AGM following appointment and every three years thereafter.

The Board considers that it is not appropriate for the Directors to be appointed for a specified term as recommended by principle 3 of the AIC Code and provision A.1.4 of the Corporate Governance Code.

The Board has, however, agreed that each Director will retire and, if appropriate, seek re-election after each three years' service, and annually after serving on the Board for more than nine years.

As a result, Mr Orrock will retire by rotation at the forthcoming AGM and being eligible, offers himself for re-election. Mr Karney and Mrs Nott, who have held office for more than nine years will also retire at the forthcoming AGM and, being eligible, offer themselves for re-election. Mrs Nott who is a director of Baronsmead VCT 2 plc & Baronsmead VCT 5 plc is also required to seek annual re-election under the terms of the UKLA's Listing Rules. Mrs Nott being eligible, offers herself for re-election.

The Board confirms that the performance of each of the Directors seeking re-election continues to be effective and demonstrates commitment to the role and the Board believes that it is therefore in the best interests of shareholders that these Directors be re-elected. The Directors also believe that the Board continues to include an appropriate balance of skills, experience and knowledge. Full biographies of all the Directors are set out in the Company's 2014 Annual Report and are also available for viewing on the Company's website (www.baronsmeadvct3.co.uk).

Resolution 6 - To re-appoint KPMG LLP as auditor of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to determine the remuneration of KPMG LLP

At each meeting at which the Company's accounts are presented to its members, the Company is required to appoint an auditor to serve until the next such meeting. The Board, on the recommendation of the Audit Committee, recommends the re-appointment of KPMG LLP. This resolution also gives authority to the Audit Committee to determine the auditor's remuneration.

Resolution 7 – To authorise the Directors to allot ordinary shares

The authority proposed under Resolution 7 will authorise the Directors, until the fifth anniversary of the passing of the resolution, to allot shares in the Company or grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £3,765,948, representing approximately 50 per cent. of the issued share capital of the Company (excluding Treasury Shares) as at 17 February 2015. Any consequent increase in the size of the Company will, in the opinion of the Directors, be in the interests of shareholders generally. Any issue proceeds will be available for investment in line with the Company's investment policy and may be used to purchase ordinary shares of the Company.

The Directors intend to use this authority for the purposes described below under Resolution 8.

Resolution 8 - To authorise the Directors to dis-apply pre-emption rights

Resolution 8 renews and extends, subject to the passing of Resolution 7, the Directors' authority to allot equity securities for cash without pre-emption rights applying in certain circumstances. This resolution will authorise the Directors, until

the date falling 15 months after the date of the passing of the resolution or, if earlier, the conclusion of the next AGM of the Company, to issue ordinary shares for cash without pre-emption rights applying of (i) up to an aggregate nominal amount representing 30 per cent. of the Company's issued share capital (excluding Treasury Shares) pursuant to one or more offers for subscription, (ii) up to an aggregate nominal amount representing 10 per cent. of the Company's issued share capital (excluding Treasury Shares) from time to time pursuant to a dividend reinvestment scheme (which may be at a discount to NAV) and (iii) up to an aggregate nominal amount representing 10 per cent. of the Company's issued share capital (excluding shares held in Treasury) from time to time (which may be at a discount to NAV) for allotments from time to time.

This power will be exercised only if, in the opinion of the Directors, it would be in the best interests of shareholders as a whole.

Resolution 9 – To approve the purchase of the Company's own shares

The current authority of the Company to make market purchases of up to approximately 14.99 per cent. of its issued share capital expires shortly. The Company's remaining authority is for 9,898,302 shares. Resolution 9 seeks renewal of such authority until the next AGM (or the expiry of 15 months, after the passing of the resolution, if earlier). The price paid for shares will not be less than the nominal value nor more than 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. This power will be exercised only if, in the opinion of the Directors, a repurchase would be in the best interests of shareholders as a whole. Any shares repurchased under this authority will either be cancelled or held in Treasury at the discretion of the Board for future re-sale in appropriate market conditions.

Resolution 10 – Notice of general meetings, other than annual general meetings

Under the Act, the notice period required for all general meetings of the Company is 21 days. AGMs will always be held on at least 21 clear days' notice but shareholders can approve a shorter notice period for other general meetings.

The Board believes that it is in the best interests of shareholders of the Company to have the ability to call meetings on 14 clear days' notice should a matter require urgency. The Board is therefore proposing Resolution 10 to approve the reduction in the minimum notice period from 21 clear days to 14 clear days for all general meetings other than annual general meetings. The Directors do not intend to use less than 21 clear days' notice unless immediate action is required.

Resolution 11 - Increase in aggregate Director fees

While the Board has agreed not to increase director fees for the next financial year, the Board considers it appropriate to seek shareholder approval to increase the aggregate director fees limit in the Articles of Association from £100,000 to £150,000 to ensure the Board has sufficient flexibility to adhere to their remuneration policy and execute any succession plans in the future. The Board has no current intention to increase the Directors fees but feels it appropriate to increase the aggregate fee level to provide additional flexibility in the future.

Recommendation

The Directors believe that the resolutions contained in the Notice of Meeting are in the best interests of the Company and shareholders as a whole, and unanimously recommend that shareholders vote in favour of them, as the Directors intend to do in respect of their own beneficial shareholdings.

Action to be taken

If you would like to vote on the resolutions but will not be attending the AGM, you may appoint a proxy by completing and returning the enclosed proxy form. Alternatively, if you hold your shares in CREST, you can appoint a proxy via the CREST system. Notice of your appointment of a proxy should reach the Company's registrar, Computershare Investor Services PLC, at the address shown on the proxy form, by 10.15 am on 14 April 2015. If you hold your shares through a nominee service, please contact the nominee service provider regarding the process for appointing a proxy.

Yours sincerely,

Chairman

Notice of Annual General Meeting

Notice is hereby given that the AGM of Baronsmead VCT 3 plc will take place at 10.15 am on 16 April 2015 at Saddlers' Hall, 40 Gutter Lane, London, EC2V 6BR to transact the business set out in the resolutions below.

Voting on all resolutions will be by way of a show of hands. Resolutions 1 to 7 and 11 will be proposed as ordinary resolutions; this means that for each of those ordinary resolutions to be passed, more than half of the votes cast must be in favour. Resolutions 8 to 10 will be proposed as special resolutions; this means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour.

Ordinary Resolutions

1. To receive the Report of the Directors and Auditors and the Financial Statements for the year ended 31 December 2014.
2. To approve the Directors' Remuneration Report for the year ended 31 December 2014.
3. To re-elect Andrew Karney as a Director.
4. To re-elect Gillian Nott as a Director.
5. To re-elect Ian Orrock as a Director.
6. To re-appoint KPMG LLP as the Independent Auditors and to authorise the Directors to determine their remuneration.
7. THAT, in substitution for all subsisting authorities to the extent unused, the Directors of the Company 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 in the Company and to grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of £3,765,948 during the period commencing on the passing of this resolution and expiring (unless previously revoked, varied, renewed or extended by the Company in general meeting) on the fifth anniversary of the date of the passing of this resolution, 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 after such expiry and the Directors shall be entitled to allot shares or grant Rights pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.

Special Resolutions

8. THAT, subject to the passing of resolution 7 set out in the notice of this meeting and in substitution for all subsisting authorities to the extent unused, the Directors be and are hereby empowered, pursuant to sections 570 and 573 of the Act, to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority given pursuant to resolution 7 set out in the notice of this meeting, or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:
 - (a) the allotment of equity securities up to an aggregate nominal amount representing 30 per cent. of the issued share capital of the Company (excluding Treasury shares) from time to time pursuant to one or more offers for subscription;
 - (b) the allotment of equity securities up to an aggregate nominal amount representing 10 per cent. of the issued share capital of the Company (excluding Treasury shares) from time to time which may be at a discount to NAV pursuant to any dividend reinvestment scheme operated by the Company; and
 - (c) the allotment of equity securities (otherwise than pursuant to sub-paragraphs (a) and (b) above) up to an aggregate nominal amount representing 10 per cent. of the issued share capital of the Company (excluding Treasury shares) from time to time which may be at a discount to NAV

and in each case where such proceeds of issue may be used in whole or part to purchase shares in the capital of the Company and the power conferred by this resolution shall expire (unless previously revoked, varied, renewed or extended by the Company in general meeting) on the date falling 15 months after the date of the passing of this resolution or, if earlier, at the conclusion of the next annual general meeting of the Company, except that the Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors shall be entitled to allot equity securities pursuant to any such offers or agreements as if the authority conferred by this resolution had not expired.

9. THAT, in substitution for all subsisting authorities to the extent unused, the Company be and hereby is empowered to make market purchases (within the

meaning of section 693(4) of the Act) of ordinary shares of 10p each in the capital of the Company ("Ordinary Shares") provided that:

- (a) the aggregate number of Ordinary Shares which may be purchased shall not exceed 11,290,313 or, if lower, such number of Ordinary Shares as shall equal 14.99 per cent. of the issued Ordinary Shares as at the date of the passing of this resolution (excluding any Ordinary Shares held in Treasury);
- (b) the minimum price which may be paid for an Ordinary Share is 10 pence (the nominal value thereof);
- (c) the maximum price which may be paid for an Ordinary Share is an amount equal to the higher of (i) 105 per cent. of the average of the middle market quotation for an Ordinary Share taken from the London Stock Exchange daily official list for the five business days immediately preceding the day on which such Ordinary Share is to be purchased and (ii) the amount stipulated by Article 5(1) of the Buyback and Stabilisation Regulation 2003;
- (d) the authority conferred by this resolution shall expire (unless previously revoked, varied, renewed or extended by the company in general meeting) on the date falling 15 months after the date of the passing of this resolution or, if earlier, the conclusion of the next annual general meeting of the Company, unless such authority is renewed prior to such time; and
- (e) the Company may make a contract to purchase Ordinary Shares under the authority conferred by this resolution prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make purchases of ordinary shares pursuant to such contract.

- 10. THAT a general meeting (other than an annual general meeting) may be called on not less than 14 clear days' notice, provided that this authority shall expire at the conclusion of the next annual general meeting of the Company.

Ordinary Resolution

- 11. THAT the maximum aggregate fees permitted to be paid to directors of the Company, pursuant to Article 100 of the Company's articles of association, be increased from £100,000 to £150,000.

By order of the Board

Livingbridge VC LLP
Company Secretary

17 February 2015
Registered Office: Baronsmead VCT 3 plc,
100 Wood Street, London EC2V 7AN

IMPORTANT NOTES

The following notes explain your general rights as a shareholder and your right to attend and vote at this Annual General Meeting or to appoint someone else to vote on your behalf.

1. To be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the votes they may cast), Members must be registered in the Register of Members of the Company at 6 pm on 14 April 2015 (or, in the event of any adjournment, 48 hours before the time of the adjourned meeting). Changes to the Register of Members of the Company after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy or proxies to attend, speak and vote on his or her behalf. A proxy need not also be a member, but must attend the meeting to represent you. Details of how to appoint the Chairman of the meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. To appoint more than one proxy, an additional proxy form(s) may be obtained by contacting the Company's registrars, Computershare Investor Services PLC, helpline on 0800 923 1534 or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name, the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
4. A personalised form of proxy is enclosed with shareholders' copies of this document. To be valid, it should be lodged with the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY so as to be received not later than 48 hours before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed for taking the poll.
5. A person authorised by a corporation is entitled to exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company. On a vote on a resolution on a show of hands, each authorised person has the same voting rights as the corporation would be entitled to. On a vote on a resolution on a poll, if more than one authorised person purports to exercise a power in respect of the same share:
 - (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; or
 - (b) if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.
6. Any person receiving a copy of this Notice as a person nominated by a member to enjoy information rights under section 146 of the Companies Act 2006 (a "Nominated Person") should note that the provisions in Notes 2 and 3 above concerning the appointment of a proxy or proxies to attend the meeting in place of a member, do not apply to a Nominated Person as only Shareholders have the right to appoint a proxy. However, a Nominated Person may have a right under an agreement between the Nominated Person and the member by whom he or she was nominated to be appointed, or to have someone else appointed, as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may have a right under such an agreement to give instructions to the member as to the exercise of voting rights at the meeting.
7. Nominated persons should also remember that their main point of contact in terms of their investment in the Company remains the member who nominated the Nominated Person to enjoy information rights (or, perhaps the custodian or broker who administers the investment on their behalf). Nominated Persons should continue to contact that member, custodian or broker (and not the Company) regarding any changes or queries relating to the Nominated Person's personal details and interest in the Company (including any administrative matter). The only exception to this is where the Company expressly requests a response from a Nominated Person.
8. Appointment of a proxy will not preclude a member from subsequently attending and voting at the meeting should the member subsequently decide to do so. A member can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The termination of the authority of a person to act as a proxy must be notified to the Company in writing. Amended instructions must be received by Computershare Investor Services PLC by the deadline for receipt of proxies. Should a member wish to appoint a proxy electronically, such proxy appointment must be registered electronically at www.eproxyappointment.com, so as to be received not later than 48 hours before the time appointed for the meeting or any adjourned meeting or, in the case of a poll taken subsequent to the date of the meeting or adjourned meeting, so as to be received no later than 24 hours before the time appointed to take the poll. To vote electronically, you will be asked to provide the Control Number, Shareholder Reference Number (SRN) and PIN, details of which are contained in the personalised proxy form enclosed. This is the only acceptable means by which proxy instructions may be submitted electronically.
9. As at 16 February 2015 (the business day prior to publication of this notice) the Company's issued share capital consists of 84,628,180 ordinary shares of which 9,309,214 are held in Treasury. The total number of voting rights in the Company is 75,318,966. The number of shares held in Treasury represents approximately 12 per cent. of the issued share capital of the Company (excluding Treasury shares).
10. A copy of the Notice of Annual General Meeting and the information required by section 311A Companies Act 2006 is included on the Company's website, www.baronsmeadvct3.co.uk.
11. Section 319A of the Companies Act 2006 requires the Directors to answer any question raised at the AGM which, relates to the business of the meeting, although no answer need be given (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) if it is undesirable in the best interests of the Company or the good order of the meeting.
12. Members satisfying the thresholds in section 527 of the Companies Act 2006 can require the Company to publish a statement on its website setting out any matter relating to (a) the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (b) any circumstances connected with an auditor of the Company ceasing to hold office since the last Annual General Meeting, that the members propose to raise at the meeting. The Company cannot require the members requesting the publication to pay its expenses, any statement required to be placed on the website must also be sent to the Company's auditors no later than the time it makes its statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on its website.
13. By attending the meeting, members and their proxies and representatives are understood by the Company to have agreed to receive any communications relating to the Company's shares made at the meeting.
14. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual, which is available to download from the Euroclear website (www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
15. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST manual. The message must be transmitted so as to be received by the Issuer's agent (3RA50) by the latest time for receipt of proxy appointments specified in note 4 above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
16. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings.
17. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5) of the Uncertificated Securities Regulations 2001.
18. Members satisfying the thresholds in section 338 of the Companies Act 2006 may require the Company to give, to members of the Company entitled to receive notice of the AGM, notice of a resolution which those members intend to move (and which may properly be moved) at the AGM. A resolution may properly be moved at the AGM unless (i) it would, if passed, be ineffective (whether by reason of any inconsistency with any enactment or the Company's constitution or otherwise); (ii) it is defamatory of any person; or (iii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the resolution of which notice is to be given, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.
19. Members satisfying the thresholds in section 338A of the Companies Act 2006 may request the Company to include in the business to be dealt with at the AGM any matter (other than a proposed resolution) which may properly be included in the business at the AGM. A matter may properly be included in the business at the AGM unless (i) it is defamatory of any person or (ii) it is frivolous or vexatious. A request made pursuant to this right may be in hard copy or electronic form, must identify the matter to be included in the business, must be accompanied by a statement setting out the grounds for the request, must be authenticated by the person(s) making it and must be received by the Company not later than six weeks before the date of the AGM.
20. In order to exercise the members' rights in notes 12, 18 and/or 19, the relevant request must be made by: (a) a member or members having a right to vote at the meeting and holding at least five per cent. of total voting rights of the company; or (b) at least 100 members having a right to vote at the meeting and holding, on average, at least £100 of paid up share capital.
21. The Annual Report incorporating this notice of meeting, details of the number of shares in respect of which members are entitled to exercise voting rights at the Annual General Meeting as at 16 February 2015 (the business day prior to publication of this notice) and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the dates of this notice will be available on the Company's website, www.baronsmeadvct3.co.uk
22. None of the Directors has a contract of service with the Company. A copy of the generic terms and conditions of appointment that have been adopted by the Directors will be available for inspection at the registered office of the Company during usual business hours on any weekday (except weekends and public holidays) until the date of the meeting and at the place of the meeting for a period of fifteen minutes prior to and during the meeting.

A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website at <http://www.baronsmeadvct3.co.uk>.

Baronsmead VCT 3 plc
100 Wood Street
London
EC2V 7AN

www.baronsmeadvct3.co.uk

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