

BARONSMEAD

Baronsmead VCT 3 plc

(to be renamed Baronsmead Second Venture Trust plc)

Shareholder Circular

General Meeting relating to the recommended proposals for the merger with Baronsmead VCT 4 plc and an Offer for Subscription to raise up to £10 million

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 without delay. Shareholders should also carefully consider the risk factors set out on pages 3 to 5 of this document.

If you have sold or otherwise transferred all your Ordinary Shares in Baronsmead VCT 3 plc, please send this document, together with the accompanying form of proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, the distribution of this document and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law and therefore persons into whose possession this document and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws of any such jurisdiction. Shareholders (including, without limitation, nominees, trustees or custodians) who would, or otherwise intend to, forward this document and the accompanying documents outside the United Kingdom should read the section headed "Overseas Shareholders" in paragraph 12 of Part I of this document.

This document should be read in conjunction with the accompanying Prospectus relating to the Company which has been prepared in accordance with the Prospectus Rules and the Listing Rules of the Financial Services and Markets Act 2000.

BARONSMEAD VCT 3 PLC

(Incorporated in England and Wales with registered number 04115341)

(to be renamed Baronsmead Second Venture Trust plc)

Recommended proposals for the merger with Baronsmead VCT 4 plc and an Offer for Subscription to raise up to £10 million

Notice of a General Meeting of Baronsmead VCT 3 plc, to be held at 3.30 p.m. on 3 March 2016 at the Grange St Paul's Hotel, Pepys Room, 10 Godliman St, London EC4V 5AJ is set out on pages 21 to 23 of this document. A form of proxy for use in connection with the General Meeting is enclosed. Whether or not you propose to attend the General Meeting, you are requested to complete and return the form of proxy in accordance with the instructions printed on it. In order to be valid, the form of proxy must be completed and returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH as soon as possible and in any event so as to be received no later than 3.30 p.m. on 1 March 2016.

Applications will be made to the UK Listing Authority for all of the New Shares to be admitted to the Official List with a Premium Listing and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange's Main Market for listed securities. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Scheme will commence on 16 March 2016. It is expected that Admission will become effective and dealings in the New Shares issued pursuant to the Offer for Subscription will become effective on 16 March 2016.

Your attention is drawn to the letter from the Chairman of the Company in Part I of this document, which contains the recommendation of the Board that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting.

Your attention is drawn to the section entitled "Risk Factors" on pages 3 to 5 of this document and to the section entitled "Action to be taken" on page 11 of this document.

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Risk factors

The risks referred to in this section are the material risks known to the Directors at the date of this document which the Directors believe Shareholders should consider prior to deciding how to cast their votes on the Resolutions. Additional risks and uncertainties relating to the Company that are not currently known to the Directors or that the Directors do not currently consider to be material may also have an adverse effect on the Company. Shareholders who are in any doubt about the action they should take should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser authorised under the Financial Services and Markets Act 2000 without delay.

Risks associated with the Scheme

Implementation of the Scheme is conditional, *inter alia*, upon the approval of Shareholders at the General Meeting and BVCT4 Shareholders approving the Scheme (full details of the conditions of the Scheme are set out in paragraph 2 of Part II of this document). If any condition of the Scheme is not met, the Scheme will not be implemented and certain costs and expenses incurred in connection with the Scheme (estimated to be in the region of £140,000 (including VAT)) will be borne by the Company. In these circumstances, the Company would continue as a separate VCT and the Board would reassess the options available to the Company.

In the event that the Scheme does not become effective the Offer will also not proceed and certain costs and expenses incurred in connection with the Offer (estimated to be in the region of £60,000 (including VAT)) will be borne by the Company.

The Company's portfolio

In order to comply with VCT legislation, the Company (in common with other VCTs) invests in AIM-traded and unquoted companies. Investment in AIM-traded and unquoted companies by its nature, may involve a higher degree of risk than investment in companies traded on the Main Market of the London Stock Exchange. In particular, smaller companies often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals. In addition, the market for stock in smaller companies is often less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Full information for determining the value of smaller or unquoted companies or the risks to which they are exposed may also not be available.

The Company's investments may be difficult to realise. The fact that a share is traded on AIM does not guarantee its liquidity. The spread between the buying and selling price of such shares may be wide and thus the price used for valuation may not be achievable. The valuation of the Company's portfolio and opportunities for realisation may also depend on stock market conditions.

Changes in legislation concerning VCTs and in particular, changes in relation to qualifying holdings and qualifying trades, may limit the number of qualifying investment opportunities, reduce the level of returns which would otherwise have been achievable or result in the Company not being able to meet its objectives, may delay the investment of any proceeds raised by the Company in future fundraisings and may reduce the levels of returns to investors.

Changes to governmental, economic, fiscal, monetary or political policy

Any change of governmental, economic, fiscal, monetary or political policy, in particular current government spending reviews and cuts and any changes to taxation and tax reliefs, in particular changes to the VCT rules, could materially affect, directly or indirectly, the operation of the Company and/or the performance of the Company (and the portfolio companies in which it invests) and the value of and returns from Shares and/or its ability to achieve or maintain VCT status.

Loss of tax reliefs

The information, including tax rules, contained in this document is based on existing legislation. The tax rules or their interpretation in relation to an investment in the Company and/or the rates of tax, or other statutory provisions to which the Company is subject, may change during the life of the Company and such changes could be retrospective. While it is the intention of the Directors that the Company

will be managed so as to continue to qualify as a VCT, there can be no guarantee that this status will be maintained. A failure to meet the qualifying requirements could result in the loss of tax reliefs previously obtained, resulting in adverse tax consequences for investors, including a requirement to repay the income tax relief obtained, and could also cause the Company to lose its exemption from corporation tax on capital gains.

Finance (No. 2) Act 2015

New qualifying conditions for VCTs became effective from Royal Assent of the Finance (No. 2) Act 2015 which was received on 18 November 2015. The new qualifying conditions include a maximum age limit for qualifying investments (generally seven years from first commercial sale) and a maximum amount of Risk Finance State Aid which a company can receive over its lifetime (£12 million, or £20 million for knowledge intensive companies). The new conditions also prevent a company from using the funds it receives from a VCT to purchase shares in another company or to acquire an existing business or trade from another company. It is expected that the scale of the Company's new investments will change and some elements of the investment portfolio will carry a higher risk. The changes may also mean that the Company is unable to provide further investment to existing portfolio companies.

State aid

As a result of the tax status of VCTs, investments by VCTs in underlying portfolio companies are regarded as State aid. Where the European Commission believes that State aid has been provided which is unlawful, in particular if it is not in accordance with the Risk Finance Guidelines, they may require that the UK government recovers that State aid. Such recovery may be from the investee company, the VCT or the VCT's investors.

Economic environment

The profitability of the businesses of the Company's portfolio companies could be impacted by business conditions and adverse economic conditions. Factors such as unemployment levels, the levels and volatility of equity markets, consumer confidence, interest rates and inflation could significantly affect the market for products or services of portfolio companies. The economic climate in the United Kingdom and elsewhere may adversely affect the prospects for both existing portfolio companies and any new investments.

The Shares may trade at a discount to Net Asset Value

At any given point in time, the price for a Share which a Shareholder could achieve on the stock market may be significantly less than the Net Asset Value or the price paid by the Shareholder to acquire that Share. The Shares may trade at a discount to their Net Asset Value for a variety of reasons, including as a consequence of general market conditions, concerns regarding the general liquidity or marketability of the Shares or the actual or expected performance of the Company.

Liquidity

The Company is a closed-ended company. Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. Shareholders wishing to realise their investment in the Company will be required to dispose of their Shares on the stock market. Accordingly, the ability of Shareholders to realise the Net Asset Value of, or any value in respect of, their Shares is dependent on the existence of a liquid market in the Shares and the market price of such Shares.

Although the existing Ordinary Shares issued by the Company have been (and it is anticipated that the New Shares will be) admitted to the premium segment of the Official List of the UK Listing Authority and traded on the Main Market, there may not be a liquid market for the Ordinary Shares as there is a limited secondary market for VCT shares (primarily because initial VCT income tax relief is only available to individuals subscribing for newly issued shares) and investors may find it difficult to realise their investments.

Share buy backs

The Company has stated its aim to seek a mid market share price discount to NAV of no more than 5.0 per cent. but keeps the share price discount policy under continuous review. The performance of the Company's share price and the discount to NAV is monitored continuously and Shares may be

bought back depending on market conditions at the time and only when the Directors believe it to be in the best interests of all Shareholders. There can, however, be no guarantee that the Company will buy back Ordinary Shares from Shareholders or that if it does the discount to NAV will not be greater than 5.0 per cent. Share buybacks will be subject to applicable legislation and VCT regulations and the availability of sufficient reserves and cash in the Company.

Restrictions in relation to payment of dividends

The Company aims to maintain a minimum annual dividend level of around 4.5 pence per Ordinary Share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. A reduction of income from the Company's portfolio would adversely affect the ability of the Company to pay dividends on the Ordinary Shares. Any adverse performance of the assets acquired from Baronsmead VCT 4, as well as the existing investments of the Company, may restrict the ability of the Company to pay dividends.

Any change in the tax treatment of dividends paid or income received by the Company may reduce the dividends paid to the holders of the Ordinary Shares. A reduction of income from the Company's investments would adversely affect the yield on the Ordinary Shares. Such a reduction could arise, for example, from lower rates of dividends paid by investee companies or difficulties realising gains on portfolio investments.

Investment Manager

The Company has no employees and is dependent on the skills and experience of the Investment Manager to manage its investments. If the Investment Manager ceases to act as investment manager of the Company or if key personnel cease to remain with the Investment Manager or be involved in the management of the Company's portfolio, there is no assurance that suitable replacements will be found. If this occurs there may be an adverse effect on the performance of the Company and the value of the Shares.

Expected timetable

Scheme timetable

	2016
Latest time and date for receipt of forms of proxy for the General Meeting	3.30 p.m. on 1 March
First General Meeting of Baronsmead VCT 4	2.30 p.m. on 3 March
General Meeting	3.30 p.m. on 3 March
Calculation Date	5.00 p.m. on 10 March
Second General Meeting of Baronsmead VCT 4	10.30 a.m. on 11 March
Effective Date for implementation of the Scheme and commencement of the liquidation of Baronsmead VCT 4	11 March
Admission to listing and dealings commence in the New Shares issued pursuant to the Scheme	8.00 a.m. on 16 March
New Shares issued in uncertificated form credited CREST accounts of BVCT4 Shareholders under the Scheme	8.00 a.m. on 16 March
Share and tax certificates in respect of New Shares issued in certificated form pursuant to the Scheme despatched to BVCT4 Shareholders entitled thereto	week commencing 21 March

Note: Each of the times and dates in the above expected timetable (other than in relation to the General Meetings) may be extended or brought forward without further notice. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service provider.

Offer timetable

	2016
Record date for the Offer	21 January
Offer opens	1 February
Exclusive period for Existing Shareholders and BVCT4 Shareholders ends	close of business on 15 February
Exclusive period for Baronsmead Shareholders ends	close of business on 3 March
First allotment	11 March
Final allotment	24 March
Offer closes	24 March
Dealings in New Shares commence	3 Business Days after allotments
Definitive share certificates despatched	within 10 Business Days of allotments

Note: The Board may close the Offer earlier than the date stated above if it is fully subscribed by an earlier date or may extend such Offer. The Board further reserves the right to accept Subscription Forms and to allot and arrange for the listing of New Shares in respect of Subscriptions received on or prior to the closing date of the Offer as the Board sees fit, which may not be on the dates stated above.

Part I – Letter from the Chairman

BARONSMEAD VCT 3 PLC

(Incorporated in England and Wales with registered number 04115341)

(to be renamed Baronsmead Second Venture Trust plc)

Directors:

Anthony Townsend (*Chairman*)
Andrew Karney
Gillian Nott OBE
Ian Orrock

Registered office:

100 Wood Street
London
EC2V 7AN

26 January 2016

Dear Shareholder,

Recommended proposals for the merger with Baronsmead VCT 4 plc and an Offer for Subscription to raise up to £10 million

1. Introduction

The Board has reached agreement with Baronsmead VCT 4 in respect of a recommended merger of the assets and liabilities of the Company and Baronsmead VCT 4 (the “**Proposals**”) pursuant to a scheme of reconstruction and winding up of Baronsmead VCT 4 under section 110 of the Insolvency Act 1986 (the “**Scheme**”). Baronsmead VCT 4 is a Venture Capital Trust which was launched in December 2001 and is also managed by the Company’s investment manager, Livingbridge.

I am writing to you to provide the details of (a) the Company’s proposed participation in the Scheme; (b) the proposed Offer for Subscription which is conditional on the implementation of the Scheme; and (c) the proposed cancellation of the Company’s share premium account.

A General Meeting has been convened at which Shareholders will be asked to consider and, if thought fit, approve the Resolutions. The General Meeting, notice of which is set out at the end of this document, will be held at 3.30 p.m. on 3 March 2016 at the Grange St Paul’s Hotel, Pepys Room, 10 Godliman St, London EC4V 5AJ.

The Board considers the Proposals to be in the interests of Shareholders as a whole and recommends that Shareholders vote in favour of the Resolutions at the General Meeting.

2. Background to and reasons for the Scheme

Prior to April 2012, the VCT rules restricted the amount a VCT could invest in a portfolio company to £1 million per annum. This led to investment managers, such as Livingbridge, establishing numerous VCTs that pursued the same investment strategy allowing larger investments to be made in VCT Qualifying Companies. With effect from 6 April 2012, the VCT rules were amended and the annual investment limit was increased to £5 million per investee company. As a result there is no longer as significant an advantage in having multiple VCTs pursuing the same investment strategy.

Since 2012 the Directors and Livingbridge have been reviewing the merits of merging the Baronsmead VCTs. In April 2014, changes to the stamp duty rules significantly reduced the overall cost of a merger. As a result, the Board now believes that there is a compelling argument for a merger from a cost savings point of view, with Shareholders and BVCT4 Shareholders benefiting from estimated aggregate costs savings of the Enlarged Company of approximately £355,000 per annum. In addition, the Directors believe that the size of the Enlarged Company will give it greater presence in the market for making investments. For these reasons the Directors believe that Shareholders’ interests will be best served by the Merger of the Company with Baronsmead VCT 4.

3. The Scheme

Under the Scheme, Baronsmead VCT 4 will be wound up voluntarily pursuant to a scheme of reconstruction under section 110 of the Insolvency Act 1986. The Scheme provides for the undertaking, assets and liabilities of Baronsmead VCT 4 to be transferred to the Company in consideration for the issue of New Shares of an equivalent value to BVCT4 Shareholders. The Scheme is subject to, amongst other conditions, approval by the Shareholders and BVCT4 Shareholders.

The New Shares issued pursuant to the Scheme will rank *pari passu* in all respects with the existing Shares in the Company.

In further consideration for the transfer of the undertaking, assets and liabilities of Baronsmead VCT 4 to the Company, the Company will, pursuant to the Deed of Indemnity, undertake to pay all liabilities incurred by the Liquidators including, but not limited to, the implementation of the Scheme, the winding up of BVCT4 and the purchase for cash of any holdings of dissenting BVCT4 Shareholders.

Benefits of the Proposals

The Directors of the Company consider that the Merger would be in the best interests for Shareholders for the following reasons.

- It would result in estimated aggregate costs savings for the Enlarged Company of around £355,000 per annum.
- It would avoid duplicate communications being sent to the many shareholders who have investments in both the Company and Baronsmead VCT 4.
- It would create a larger merged company with net assets of approximately £157 million which would potentially make it more attractive to private client wealth managers and may enhance the liquidity of the shares of the Enlarged Company in the secondary market. The Directors also believe that the size of the Enlarged Company will give it greater presence in the market for making investments.

Note: The net assets of the Enlarged Company are based on the combined net assets of the Company and Baronsmead VCT 4 as at 30 November 2015 after taking account of the costs of the Proposals, being approximately £365,000, but before taking account of the net proceeds, if any, of the fundraising proposed by the Enlarged Company.

New Shares to be issued to BVCT4 Shareholders

If the Scheme is implemented, the Company will acquire all of Baronsmead VCT 4's undertaking, assets and liabilities. The consideration for such acquisition shall be the issue of New Shares to BVCT4 Shareholders and the Merger will be completed on a relative net asset basis. The assets to be transferred to the Company comprise investments in a portfolio of 72 companies, which, with the exception of one unquoted investment and the Company's investment in Wood Street is identical to the Company's portfolio. These assets therefore comply with the Company's investment policy.

The number of New Shares to be issued to BVCT4 Shareholders under the Scheme will be based on the adjusted Net Asset Value of an Ordinary Share (the "**FAV per BVCT3 Share**") and the adjusted Net Asset Value of a BVCT4 Share (the "**FAV per BVCT4 Share**"). The FAV per BVCT3 Share and the FAV per BVCT4 Share will be calculated as at 10 March 2016 using each company's respective accounting policies (which are identical). The investments held by the Company and Baronsmead VCT 4 which are listed, quoted or traded on a recognised stock exchange will be valued by reference to the bid price on the principal stock exchange where the relevant investment is listed, quoted or dealt. Unquoted investments held by the Company and Baronsmead VCT 4 will be valued at their fair value as at the Calculation Date as determined by the Directors and the BVCT4 Directors respectively.

The FAV per BVCT3 Share will be the Net Asset Value of an Ordinary Share adjusted to add back the costs and expenses of the Proposals already incurred by the Company prior to the Effective Date. The FAV per BVCT4 Share will be calculated in accordance with the Scheme and will be the Net Asset Value of a BVCT4 Share adjusted to add back the costs and expenses of the Proposals already incurred by BVCT4 prior to the Effective Date.

BVCT4 Shareholders will be issued such number of New Shares in the Company with a FAV per BVCT3 Share equal to 100 per cent. of the FAV per BVCT4 Share of their BVCT4 Shares. The New Shares issued pursuant to the Scheme will rank equally in all respects with the existing issued Ordinary Shares.

The cash transferred to the Company by Baronsmead VCT 4 under the Scheme will be used and invested in accordance with the Enlarged Company's investment policy (save to the extent required to meet its liabilities).

Announcement of the results of the Scheme

The number of New Shares to be issued pursuant to the Scheme, the FAV per BVCT3 Share and the FAV per BVCT4 Share will all be announced through a Regulatory Information Service as soon as practicable following the Calculation Date.

Change of Name

It is proposed that if the Scheme becomes effective the Company will change its name to Baronsmead Second Venture Trust plc.

4. Proposed Directors

The Board and the BVCT4 Board have considered what the size and future composition of the Board should be following the Merger. The Board currently comprises four Directors. Following the Merger it is anticipated that Robert Owen and Malcolm Groat (each of whom is a BVCT4 Director) will be appointed to the Board. In addition, it is anticipated that Andrew Karney and Gillian Nott OBE will retire as Directors of the Company. As a result following the Merger, the Board will comprise four Directors.

5. VCT legislation

Last year's Summer Budget introduced legislation designed to ensure that VCTs comply with changes to the EU State aid rules as well as remaining effective in giving small and growing businesses access to finance. The rules introduced new criteria regarding the age of companies that will be eligible as Qualifying Investments. There is now a lifetime cap on the total amount of State aided investment an investee company can receive and a requirement that investment be used for growth and development only. These measures were approved when the Finance (No.2) Act 2015 received Royal Assent on 18 November 2015.

The new rules will require the Investment Manager to adapt its investment strategy to focus on the provision of development capital to younger companies to enable them to grow their businesses organically rather than through acquisition. Whilst the full implications of the new rules are still being assessed by the Investment Manager and its advisers, it is clear that the scale and nature of the Enlarged Company's new investments will change and some elements of the investment portfolio will carry a higher risk.

The Board has reviewed the impact of the new rules with the Investment Manager. The Board is of the view that the Investment Manager has made sufficient adjustments to the investment focus to adapt to the new investment environment and comply with the new VCT rules. The Board is therefore confident in the Investment Manager's ability to identify an adequate supply of new and attractive investment opportunities which will continue to generate acceptable returns, and comply with the new VCT rules.

6. Offer for Subscription

At the beginning of 2014 the Company raised £9.7 million (after costs). Since 1 January 2014 the Company has invested approximately £14.5 million in new and follow on investments in unquoted and AIM-traded companies. As a result, the Company is seeking to raise further funds to allow it to continue to invest in new and existing portfolio companies. The Offer is conditional on the Scheme becoming effective.

Amounts subscribed under the Offer will be used to purchase New Shares in the Company and will enable investors to participate in the investment returns of the Company's existing investment portfolio following the allotment of the New Shares.

As it is anticipated that there will be a strong demand for New Shares under the Offer, the Directors have sought to protect the interests of the Existing Shareholders and the BVCT4 Shareholders. Until close of business on 15 February 2016 the Offer will be open exclusively to satisfy subscriptions from Existing Shareholders and BVCT4 Shareholders. Should the Offer not be fully subscribed before this time, the remaining New Shares to be issued under the Offer will be used to satisfy subscriptions from the Baronsmead Shareholders until close of business on 3 March 2016. If the Offer is not fully subscribed by close of business on 3 March 2016, the balance, if any, will be used to satisfy the subscriptions of any other investors.

Applications will be processed on a “first come, first served” basis by the Receiving Agent. Shareholders are advised to return their completed Subscription Forms as soon as possible.

The Directors and the BVCT3 Directors have committed to investing £215,000 in aggregate in the Offer.

The minimum subscription under the Offer is £3,000 and thereafter in multiples of £1,000. There is no maximum investment. However, potential investors should be aware that tax relief is only available on a maximum of £200,000 in each tax year. Potential investors should consult their professional or financial advisers before deciding whether and, if so, how much they should invest under the Offer.

Resolutions 2 and 3 set out in the notice of the General Meeting grant authority to the Directors to issue Ordinary Shares pursuant to the Offer and further Ordinary Shares in respect of future offers for subscription. Further details of the Offer are set out in the Prospectus published by the Company on 26 January 2016, a copy of which is enclosed.

7. Cancellation of the share premium account

The Company is proposing, subject to Shareholder approval and approval of the High Court, to cancel the share premium account of the Enlarged Company and transfer this amount to reserves, thereby creating a special reserve which shall be able to be applied in any manner in which the Company's profits available for distribution are able to be applied (as determined in accordance with the CA 2006 and the Reduction of Share Capital Order and subject to the limitations on the return of capital introduced by the 2014 Finance Act, including buying back shares, writing off losses and enhancing the ability to make distributions.

Legislation introduced by the 2014 Finance Act limits the ability of VCTs to return share capital to an investor that does not represent profits made on investments. This restriction applies for a three year period beginning at the end of the accounting period in which the funds were raised. HMRC may withdraw the Company's VCT approval if it fails to comply with this condition.

8. Dividend policy

The Board aims to maintain a minimum annual dividend level of around 4.5 pence per Ordinary Share if possible, but this depends primarily on the level of realisations achieved and cannot be guaranteed. There is no certainty that any dividends will be paid. However, since launch, the average annual dividend paid to Shareholders has been 6.9 pence per Ordinary Share (equivalent to a pre-tax return of 9.1 pence per Ordinary Share for a higher rate taxpayer).

9. Costs and expenses of the Proposals

Costs and expenses of participation in the Scheme

The aggregate costs and expenses to be incurred by the Company and Baronsmead VCT 4 in connection with the Scheme are expected to be approximately £365,000 (including VAT and stamp duty). It has been agreed that all costs of implementing the Scheme will be met by the Enlarged Company following the completion of the Scheme (including the costs of purchasing the interests of any dissenting BVCT4 Shareholders). Should the Scheme be implemented, it is expected that the costs of the Merger will be recouped from cost savings achieved by the Enlarged Company within approximately 12 months of the Effective Date. The effect of this arrangement is that the costs of the Merger are borne by the Shareholders of the Company and the BVCT4 Shareholders in proportion to their relative contribution to the net asset value of the Enlarged Company.

In the event that the Scheme does not become effective, it is estimated that the aggregate costs incurred by the Company and Baronsmead VCT 4 in relation to the Scheme will be approximately £270,000. The

Company and Baronsmead VCT 4 have agreed to bear these abort costs in proportion to their respective unaudited net asset values as at 30 November 2015, being 52 per cent. and 48 per cent. respectively.

Costs and expenses of the Offer for Subscription

The Investment Manager will, in respect of services provided pursuant to the Offer, receive a fee of 3.0 per cent. of the gross proceeds of the Offer. Out of this fee, the Investment Manager will pay all costs associated with the Offer, on behalf of the Company. In addition, the Investment Manager will pay permissible annual trail commission payments in relation to non-advised sales. The Investment Manager will be responsible for any costs associated with the Offer in excess of this fee. The net proceeds of the Offer will, therefore, be £9.7 million if the Offer is fully subscribed.

In the event that the Scheme does not become effective, the Offer will not proceed and it is estimated that the aggregate costs incurred by the Company and Baronsmead VCT 4 will be approximately £115,000. The Company and Baronsmead VCT4 have agreed to bear these abort costs in proportion to their respective unaudited net asset values as at 30 November 2015, being 52 per cent. and 48 per cent. respectively.

10. Share certificates

As it is proposed that, following the Merger, the Company will be renamed Baronsmead Second Venture Trust plc, in order to avoid any confusion as to which share certificates remain valid following the Merger and renaming of the Company, the Registrar will issue all Existing Shareholders with new share certificates in the new name of the Company. Existing certificates in respect of Ordinary Shares will cease to be of value for any purpose following the despatch to Shareholders of new certificates in respect of their holdings in the Enlarged Company.

11. Action to be taken

Shareholders will find enclosed a form of proxy for use in relation to the General Meeting. Whether or not they propose to attend the General Meeting, Shareholders are asked to complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and, in any event, so as to be received by Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH by not later than 3.30 p.m. on 1 March 2016. Completion and return of a form of proxy will not prevent you from attending and voting in person at the General Meeting should you wish to do so.

12. Overseas Shareholders

The issue of New Shares to persons, residents in or citizens of jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdiction. Further details relating to Overseas Shareholders are set out in paragraph 10 of Part II.

13. Directors' intentions and recommendation

The Board considers the Resolutions to be in the best interests of Shareholders as a whole. Accordingly, the Board recommends unanimously that Shareholders vote in favour of the Resolutions, as the Directors intend to do in respect of their own beneficial holdings which total 380,381 Ordinary Shares (representing 0.51 per cent. of the total voting rights in the Company exercisable at the General Meeting).

Shareholders who are in any doubt as to the contents of this document or as to the action they should take should consult their stockbroker, bank manager, solicitor, accountant or an appropriately qualified and duly authorised independent financial adviser without delay.

Yours faithfully

Anthony Townsend
Chairman

Part II – Additional Information

1. Further details

- 1.1. Under the Scheme, Baronsmead VCT 4 will be put into members' voluntary liquidation and BVCT4 Shareholders will receive New Shares to be issued by the Company.
- 1.2. The Company is proposing to raise up to £10 million (before costs) under the Offer for Subscription.

2. Conditions of the Scheme

- 2.1. The Scheme is conditional on:
 - (a) the passing of the resolution to be proposed at the First General Meeting of Baronsmead VCT 4 and on any conditions of such resolution (other than any such conditions relating to this paragraph 2.1) being satisfied and the passing of the resolution to be proposed at the Second General Meeting of Baronsmead VCT 4 and on any conditions of such resolution (other than any such conditions relating to this paragraph 2.1) being satisfied;
 - (b) the passing of Resolution 1 to approve the allotment of New Shares in connection with the Scheme at the General Meeting or any adjournment of that meeting;
 - (c) the UK Listing Authority, having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the application for the Admission of the New Shares to the Official List with a Premium Listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject ("**listing conditions**")) will become effective as soon as dealing notice has been issued by the FCA and any listing conditions having been satisfied and the London Stock Exchange having acknowledged to the Company or its agent (and such acknowledgement not having been withdrawn) that the New Shares will be admitted to trading, subject only to allotment; and
 - (d) the BVCT4 Directors not having exercised their right to not proceed with the Scheme if, within seven days after the passing of the resolution at the First General Meeting of Baronsmead VCT 4, BVCT4 Shareholders validly exercise their rights under section 111(2) of the Insolvency Act 1986 in respect of more than 10 per cent. in nominal value of the issued share capital of Baronsmead VCT 4.
- 2.2. If any of these conditions is not satisfied by 24 March 2016, the Scheme will not become effective and no New Shares will be issued to the BVCT4 Shareholders.

3. Conditions of the Offer for Subscription

- 3.1. The Offer is conditional on:
 - (a) the Scheme becoming effective; and
 - (b) the passing of Resolution 2 at the General Meeting (which authorises the allotment of New Shares on a non pre-emptive basis for cash).
- 3.2. If any of these conditions is not satisfied by 24 March 2016, the Offer will not become effective.

4. Settlement and dealings in New Shares

Applications have been made to the UK Listing Authority for the New Shares to be admitted to the Official List with a Premium Listing. Applications have also been made to the London Stock Exchange for the New Shares to be admitted to trading on the Main Market. If the Proposals become effective, it is expected that the New Shares to be issued pursuant to the Scheme will be allotted on 11 March 2016, credited as fully paid, and that the first day of dealings in such shares on the Main Market will be 16 March 2016. The New Shares to be issued pursuant to the Offer will be allotted on 11 March and 24 March 2016 credited as fully paid, and the first day of dealings in such shares on the Main Market will be three Business Days after allotment.

The Directors reserve the right to arrange for the listing of New Shares under the Offer on such other dates as they see fit. New Shares will be issued in registered form and may be held in either certificated or uncertificated form.

It is expected that BVCT4 Shareholders who hold their BVCT4 Shares in uncertificated form at the Record Date will receive their New Shares in uncertificated form on 16 March 2016, although the Directors reserve the right to issue such securities in certificated form. In normal circumstances, this is only likely to be exercised in the event of an interruption, failure or breakdown of CREST or of the facilities or system operated by the Registrar in connection with CREST. The Company will procure that instructions are given to credit the appropriate stock accounts in CREST with the relevant entitlements to New Shares in uncertificated form.

5. Fractional entitlements

Fractional entitlements to New Shares will not be issued pursuant to the Scheme or the Offer and entitlements will be rounded down to the nearest whole number. No cash payments shall be made or returned in respect of any such fractional entitlements which will be retained for the benefit of the Company.

6. Directors' interests in shares

The Directors or Proposed Directors do not have any options over Ordinary Shares. As at the date of this document, the Directors, the Proposed Directors, or their immediate families and related trusts, had the following interests in the issued share capital of the Company (all of which are beneficial) and will, if the Proposals are implemented, have the following interests (all of which are beneficial) immediately following the implementation of the Proposals (based on the assumptions set out below): (a) which are required to be notified to the Company pursuant to the Disclosure and Transparency Rules; or (b) being interests of persons connected (within the meaning given in the Disclosure and Transparency Rules) with the Directors or the Proposed Directors which would, if such persons were a Director, be required to be disclosed under (a) above and the existence of which was known to or could, with reasonable diligence, be ascertained by the Director or the Proposed Director:

Name	Ordinary Shares currently held	Percentage of current issued share capital	New Shares to be issued pursuant to Issues	Percentage of issued share capital following the Issues
Anthony Townsend	151,199	0.203%	25,174	0.117%
Andrew Karney	104,340	0.140%	11,851	0.077%
Gillian Nott OBE	93,962	0.126%	45,121	0.092%
Ian Orrock	31,150	0.042%	9,740	0.027%
Robert Owen	10,709	0.014%	125,888	0.090%
Malcolm Groat	—	—	36,097	0.024%

Notes:

- (1) The figures above assume that 76,831,937 New shares are issued pursuant to the Issues.
- (2) Robert Owen holds 125,824 BVCT4 Shares and it is assumed that he would be issued 117,101 New Shares under the Scheme.
- (3) Malcolm Groat holds 15,182 BVCT4 Shares and it is assumed that he would be issued 14,129 New Shares under the Scheme.
- (4) Anthony Townsend holds 8,167 BVCT4 Shares and it is assumed that he would be issued 7,600 New Shares under the Scheme.
- (5) Andrew Karney holds 12,734 BVCT4 Shares and it is assumed that he would be issued 11,851 New Shares under the Scheme.
- (6) Gillian Nott holds 48,482 BVCT4 Shares and it is assumed that he would be issued 45,121 New Shares under the Scheme.
- (7) Ian Orrock holds 1,025 BVCT4 Shares and it is assumed that he would be issued 953 New Shares under the Scheme.

7. Major Shareholders

- 7.1. The Directors are not aware of any person or persons who directly or indirectly, jointly or severally, exercise control over the Company or could do so following completion of the Issues.
- 7.2. As at 21 January 2016 (being the latest practicable date prior to publication of this document), the Company is not aware of any person who is or, following the Issues will be, interested directly or indirectly in 3.0 per cent. or more of the issued share capital of the Company.

8. No significant change

There has been no significant change in the trading or financial position of the Company since 30 June 2015 (being the end of the last financial period of the Company for which financial information has been published and incorporated by reference in Part VII of the Prospectus).

9. Investment objective and policy

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

Investment securities

The Company invests in a range of securities including, but not limited to, ordinary and preference shares, loan stocks, convertible securities and interest bearing securities as well as cash. Unquoted investments are usually structured as a combination of ordinary shares and loan stocks, while AIM traded investments are primarily held in ordinary shares. Pending investment in VCT qualifying and non-VCT qualifying unquoted, AIM-traded and other quoted securities (which may be held directly or indirectly through collective investment vehicles), cash is primarily held in interest bearing accounts, money market open ended investment companies (OEICs), UK gilts and treasury bills.

UK companies

Investments are primarily made in companies which are substantially based in the UK, although many of these investees may have some trade overseas.

VCT regulation

The investment policy is designed to ensure that the Company continues to qualify and is approved as a VCT by HMRC. Amongst other conditions, the Company may not invest more than 15 per cent. by value of its investments calculated in accordance with section 278 of the Tax Act ("VCT Value") in a single company or group of companies and must have at least 70 per cent. of its investments by VCT Value throughout the period in shares and securities comprised in qualifying holdings. At least 70 per cent. by VCT Value of qualifying holdings must be in "eligible shares", which are ordinary shares which have no preferential rights to assets on a winding up and no rights to be redeemed, but may have certain preferential rights to dividends. For funds raised before 6th April 2011, at least 30 per cent. by VCT Value of qualifying holdings must be in "eligible shares" which are ordinary shares which do not carry any rights to be redeemed or preferential rights to dividends or to assets on a winding up. At least 10 per cent. of each Qualifying Investment must be in "eligible shares".

The companies in which investments are made must have no more than £15 million of gross assets at the time of investment to be classed as a VCT qualifying holding.

Asset mix

The Company aims to be at least 90 per cent. invested, directly or indirectly, in VCT qualifying and non-qualifying growth businesses subject always to the quality of investment opportunities and the timing of realisations. It is intended that at least 75 per cent. of any funds raised by the Company will be invested in VCT Qualifying Investments. Non-VCT qualifying investments held in unquoted, AIM-traded and other quoted companies may be held directly or indirectly through collective investment vehicles.

Risk diversification and maximum exposures

Risk is spread by investing in a number of different businesses within different qualifying industry sectors using a mixture of securities. Generally no more than £2.5 million, at cost, is invested in the same company. The maximum the Company will invest in a single company (including a collective investment vehicle) is 15 per cent. of its investments by VCT Value. The value of an individual investment is expected to increase over time as a result of trading progress and a continuous assessment is made of its suitability for sale.

Investment style

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

Co-investment

The Company aims to invest in larger more mature unquoted and AIM-traded companies and to achieve this it invests alongside the other funds managed by the Investment Manager, which includes the other Baronsmead VCTs.

Management retention

Certain members and employees of the Investment Manager invest in unquoted investments alongside the Company. This scheme is in line with current practice of private equity houses and its objective is to attract, recruit, retain and incentivise the Investment Manager's team and is made on terms which align the interests of Shareholders and the Investment Manager.

Borrowing powers

The Company's policy is to use borrowing for short term liquidity purposes only up to a maximum of 25 per cent. of the Company's gross assets, as permitted by the Articles.

It is proposed that the Enlarged Company will update its investment policy to ensure it is consistent with the HMRC guidance on the legislative changes to the VCT rules enacted, which is expected to be published in the first quarter of this year. Shareholders will be provided with further information in relation to the changes following the publication of the HMRC guidance. The current investment policy is set out in full above.

The Board is of the view that the Investment Manager has made sufficient adjustments to the investment focus to adapt to the new investment environment and ensure that the Enlarged Company will comply with the new VCT rules.

10. Overseas Shareholders

- 10.1. The issue of New Shares to persons resident in or citizens of jurisdictions outside the UK may be affected by the laws of the relevant jurisdiction. Such Shareholders should inform themselves about and observe any legal requirements. In particular:
 - 10.1.1. none of the New Shares have been or will be registered under the United States Securities Act 1933, as amended, or qualify under applicable United States' state statute and the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia, Japan or South Africa;
 - 10.1.2. New Shares have not been and will not be registered under the United States Investment Company Act of 1940, as amended, and investors are not entitled to the benefits of that Act; and
 - 10.1.3. no offer is being made, directly or indirectly, under the Scheme, in or into by the use of mails, or by means of instrumentality (including, without limitation, facsimile, transmission, telex or telephone) of interstate or foreign commerce, or of any facility in a national securities exchange, of the United States, Canada, Japan or South Africa.
- 10.2. It is the responsibility of Shareholders with registered addresses outside the UK to satisfy themselves as to the observance of the laws of the relevant jurisdiction in connection with the issue of New Shares, including the obtaining of any governmental or exchange control or other

consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer of other taxes or duties due in such jurisdiction.

11. Consent

Dickson Minto W.S., which is authorised and regulated in the UK by the FCA, has given and has not withdrawn its written consent to the inclusion in this document of its name and the references to it in the form and context in which they appear.

12. Documents available for inspection

Copies of the following documents are available for inspection in person during normal business hours on any Business Day at the offices of Livingbridge VC LLP, 100 Wood Street, London EC2V 7AN until the Effective Date:

- 12.1. the Articles;
- 12.2. the Prospectus;
- 12.3. the BVCT4 Circular; and
- 12.4. this document.

26 January 2016

Definitions

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

2014 Finance Act	the Finance Act 2014
Admission	the admission of the New Shares to be issued under the Proposals to the Official List with a Premium Listing and to trading on the Main Market
AIM	the Alternative Investment Market operated by the London Stock Exchange
Articles	the articles of association of the Company in force from time to time
Baronsmead Shareholders	registered holders of shares in the Baronsmead VCTs prior to 22 January 2016, or a person who, prior to 22 January 2016, was the spouse or civil partner of an Existing Shareholder
Baronsmead VCT 4 or BVCT4	Baronsmead VCT 4 plc, a company incorporated in England and Wales with registered number 04313537
Baronsmead VCTs	Baronsmead VCT plc, Baronsmead VCT 2 plc, Baronsmead VCT 3 plc, Baronsmead VCT 4 plc and Baronsmead VCT 5 plc
Beneficial Owner	a person in whom the beneficial ownership of the Shares is vested, or will be vested immediately upon their issue
Board or Directors	the directors of the Company or any duly constituted committee thereof
Business Day	any day on which banks are open for business in London (excluding Saturdays and Sundays)
BVCT4 Board or BVCT4 Directors	the directors of Baronsmead VCT 4 or any duly constituted committee thereof
BVCT4 Circular	the circular sent to BVCT4 Shareholders on 26 January 2016
BVCT4 Share	ordinary share of 10p in the capital of Baronsmead VCT 4
BVCT4 Shareholder	for the purposes of the Scheme a BVCT4 Shareholder is a registered holder of shares in Baronsmead VCT 4 prior to the Scheme becoming effective and for the purposes of the Offer a BVCT4 Shareholder is a registered holder of shares in Baronsmead VCT 4 prior to 22 January 2016, or a person who, prior to 22 January 2016, was the spouse or civil partner of a BVCT4 Shareholder
Calculation Date	the time and date, to be determined by the Directors but expected to be 5.00 p.m. on 10 March 2016 (unless the First General Meeting is adjourned), at which the FAV per BVCT4 Share and the FAV per BVCT3 Share will be calculated for the purposes of the Scheme
certificated or in certificated form	a share which is not in uncertificated form
Company	Baronsmead VCT 3 plc, a company incorporated in England and Wales with registered number 04115341

CREST	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the Operator (as defined in the CREST Regulations)
CREST Manual	the CREST Reference Manual issued by Euroclear dated 27 June 2011
CREST Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)
Deed of Indemnity	deed of indemnity between the Company, the Liquidators and Baronsmead VCT 4
Disclosure and Transparency Rules	the Disclosure Rules and Transparency Rules of the FCA
Effective Date	the date of the passing of the resolution to be proposed at the Second General Meeting or, if later, on all conditions of such resolution being satisfied (which is expected to be 11 March 2016)
Enlarged Company	the Company (to be renamed Baronsmead Second Venture Trust plc) following completion of the Merger
EU	the European Union
Euroclear	Euroclear UK & Ireland Limited
European Commission	The European Commission of the European Union
Existing Shareholders	for the purposes of the Scheme an Existing Shareholder is a registered holder of Ordinary Shares prior to the Scheme becoming effective and for the purposes of the Offer an Existing Shareholder is a registered holder of Ordinary Shares prior to 22 January 2016, or a person who, prior to 22 January 2016, was the spouse or civil partner of an Existing Shareholder
FAV per BVCT3 Share	the formula asset value of an Ordinary Share calculated as at the Calculation Date in accordance with the Scheme
FAV per BVCT4 Share	the formula asset value of a BVCT4 Share calculated as at the Calculation Date in accordance with the Scheme
FCA	the Financial Conduct Authority
First General Meeting	the general meeting of Baronsmead VCT 4 convened for 2.30 p.m. on 3 March 2016, or any adjournment thereof
FSMA	the Financial Services and Markets Act 2000 (as amended)
General Meeting	the general meeting of the Company convened for 3.30 p.m. on 3 March 2016, or any adjournment thereof
HMRC	HM Revenue & Customs
Investment Manager or Livingbridge	Livingbridge VC LLP, a limited liability partnership registered in England and Wales with registered number OC320408
Issues	the issues of New Shares pursuant to the Scheme and the Offer
Liquidators	the liquidator for the time being of BVCT4, being initially the persons appointed at the Second General Meeting
Listing Rules	the Listing Rules made by the FCA under Part VI of FSMA, as amended

London Stock Exchange	London Stock Exchange plc
Main Market	the London Stock Exchange's main market for listed securities
NAV or Net Asset Value	in relation to a share, its net asset value on the relevant date calculated on the basis of the relevant company's normal accounting principles and policies
New Shares	the Ordinary Shares to be issued pursuant to the Scheme and the Offer
Nominee	a party who holds, or subscribes for shares on behalf of, and as trustee of, a Beneficial Owner
Nominee Subscription Form	subscription form to be used by Nominees subscribing on behalf of Beneficial Owners available upon request from Computershare
Offer or Offer for Subscription	the offer for subscription of Ordinary Shares as described in the Prospectus
Official List	the Official List of the UK Listing Authority
Ordinary Shares or Shares	ordinary shares of 10p each in the capital of the Company
Overseas Shareholders	Shareholders who have a registered address outside or who are resident in, or citizens, residents or nationals of, jurisdictions outside the United Kingdom
Premium Listing	a listing on the premium segment of the Official List
Proposals or Merger	the proposals for the voluntary winding up and reconstruction of BVCT4 (including the Scheme) described in the BVCT4 Circular
Proposed Directors	Robert Owen and Malcolm Groat
Prospectus	the prospectus published by the Company on 26 January 2016
Prospectus Rules	the rules made by the FCA under Part VI of FSMA, as amended
Qualifying Company	an unquoted (including AIM-traded) company which satisfies the requirements of Part 4 of Chapter 6 of the Tax Act
Qualifying Investment	shares in, or securities of, a Qualifying Company held by a VCT which meet the requirements of Part 4 of Chapter 6 of the Tax Act
Record Date	6.00 p.m. on 10 March 2016, being the record date for determining which BVCT4 Shareholders are entitled to participate in the Scheme
Reduction of Share Capital Order	The Companies (Reduction of Share Capital) Order 2008
Registrar or Computershare or Receiving Agent	Computershare Investors Services PLC, a company incorporated in England & Wales with registered number 3498808
Regulatory Information Service	any of the services authorised from time to time by the FCA for the purposes of disseminating regulatory announcements
Resolutions	the resolutions set out in the notice of the General Meeting

Resolution 1	the special resolution to be proposed at the General Meeting in connection with the authority to allot New Shares in connection with the Scheme
Resolution 2	the special resolution to be proposed at the General Meeting in connection with the authority to allot New Shares in connection with the Offer
Risk Finance Guidelines	European Commission communication C(2014) 34/2 – Guidelines on State aid to promote risk finance investments
Scheme	the scheme under section 110 of the Insolvency Act 1986 set out in Part III of the BVCT4 Circular
Second General Meeting	the general meeting of BVCT4 convened for 10.30 a.m. on 11 March 2016, or any adjournment thereof
Shareholders	holders of Ordinary Shares
Subscriber	a person whose name appears on the Subscription Form for use in connection with the Offer
Subscription Form	the subscription form for use in connection with the Offer as set out towards the end of this document, or any amended subscription form for Subscriptions received from 3 March 2016
Subscriptions	offers by Subscribers pursuant to the Offer and made by completing the Subscription Form or Nominee Subscription Form and posting (or delivering) these to the Registrar or as otherwise indicated on the Subscription Form or Nominee Subscription Form (and each a Subscription)
Summer Budget	the budget given to Parliament by the Chancellor of the Exchequer on Wednesday 8 July 2015
Tax Act	the Income Tax Act 2007 (as amended)
UK or United Kingdom	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the FCA acting in its capacity as the UK Listing Authority pursuant to Part VI of FSMA
uncertificated or in uncertificated form	recorded in the register of members of the Company or Baronsmead VCT 4 (as appropriate) as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
VAT	value added tax
VCT or Venture Capital Trust	a venture capital trust as defined in section 259 of the Income Tax Act 2007 (as amended)
VCT Value	the value of an investment calculated in accordance with section 278 of the Tax Act
Wood Street	Wood Street Microcap Investment Fund, an investment company with variable capital incorporated in England and Wales with company number IC000714

BARONSMEAD VCT 3 PLC

(Incorporated in England and Wales with registered no. 04115341)

(to be renamed Baronsmead Second Venture Trust plc)

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a general meeting of the Company will be held at the Grange St Paul's Hotel, Pepys Room, 10 Godliman St, London EC4V 5AJ on 3 March 2016 at 3.30 p.m. for the purpose of considering and, if thought fit, passing the following resolutions, which will be proposed as special resolutions, namely:

Special Resolutions

1. Authority to allot Ordinary Shares in connection with the Scheme

THAT, subject to and conditional upon the scheme for the reconstruction and winding up of Baronsmead VCT 4 plc (as described in the circular to shareholders of the Company (the "**Circular**") dated 26 January 2016 of which this notice forms part) (the "**Scheme**") becoming unconditional in all respects (other than as regards any condition relating to the passing of this resolution) and in addition to any existing authority, the directors of the Company (the "**Directors**") be and are hereby unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot ordinary shares in the Company (the "**Ordinary Shares**") and to grant rights to subscribe for or to convert any security into shares in the Company, such authority being limited to the allotment of (or the grant of rights to subscribe for or to convert any security into) Ordinary Shares with an aggregate nominal value of up to £8,000,000 for the purposes of the Scheme, such authority to expire on 31 March 2016.

2. Authority to allot Ordinary Shares

THAT, subject to and conditional upon the Scheme becoming unconditional in all respects and in addition to any existing authority, the Directors be and are hereby unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares and to grant rights to subscribe for or to convert any security into Ordinary Shares ("**Rights**") up to an aggregate nominal amount of £3,500,000, such power to expire (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.

3. Authority for the disapplication of pre-emption rights

THAT, subject to and conditional upon the Scheme becoming unconditional in all respects and in addition to any existing authority, the Directors be and are hereby generally and unconditionally authorised in accordance with section 570 of the Act to allot equity securities (as defined in section 560 of the Act) wholly for cash, pursuant to the authority referred to in resolution 2 above or by way of a sale of treasury shares, as if section 561(1) of the Act did not apply to any such allotment, such power to expire (unless previously revoked, varied, renewed or extended by the Company in general meeting) on the expiry of 15 months from the passing of this resolution save that the Company may at any time prior to the expiry of such power make an offer or enter into an agreement which would or might require shares to be allotted after the expiry of such power and the Directors are authorised to allot equity securities in pursuance of such an offer or agreement as if such power had not expired.

4. Cancellation of the share premium account

THAT:

- (i) the share capital of the Company be reduced by cancelling the entire amount standing to the credit of the Company's share premium account at the date the order is made confirming such cancellation by the High Court; which shall include any share premium arising as a result of the issue of Ordinary Shares pursuant to resolutions 1 and 2 above; and
- (ii) subject to any undertaking required by the High Court, the credit thereby arising in the Company's books of account from the cancellation of the Company's share premium account pursuant to paragraph (i) of this resolution be applied in crediting a special reserve which shall be able to be applied in any manner in which the Company's profits available for distribution are able to be applied (as determined in accordance with the Companies Act 2006 and The Companies (Reduction of Share Capital) Order 2008), including buying back shares, writing off losses and enhancing the ability to make distributions.

Dated 26 January 2016

Registered office:
100 Wood Street
London
EC2V 7AN

By Order of the Board

Livingbridge VC LLP
Company Secretary

Notes:

- (i) A member entitled to attend and vote at the general meeting convened by the above notice of general meeting (the "**General Meeting**") is entitled to appoint one or more proxies to exercise all or any of the rights of the member to attend and speak and vote in his place. A proxy need not be a member of the Company. If a member appoints more than one proxy to attend the General Meeting, each proxy must be appointed to exercise the rights attached to a different share held by the member.
- (ii) To appoint a proxy you may use the form of proxy enclosed with this notice of General Meeting. To be valid, the form of proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy of the same, must be completed and returned in accordance with the instructions printed thereon to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6AH **as soon as possible but in any event so as to be received by not later than 3.30 p.m. on 1 March 2016**. Amended instructions must also be received by Computershare Investor Services PLC by the deadline for receipt of forms of proxy.
- (iii) Completion of the form of proxy will not prevent you from attending and voting in person.
- (iv) 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 (i) to (ii) above concerning the appointment of a proxy or proxies to attend the General 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 General 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 General Meeting.
- (v) 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.
- (vi) Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, only Shareholders registered in the register of members of the Company by not later than 6.00 p.m. two days (excluding non-working days) prior to the time fixed for the General Meeting shall be entitled to attend and vote at the General Meeting in respect of the number of shares registered in their name at such time. If the General Meeting is adjourned, the time by which a person must be entered on the register of members of the Company in order to have the right to attend and vote at the adjourned General Meeting is 6.00 p.m. two days (excluding non-working days) prior to the time of the adjournment. Changes to the register of members after the relevant times shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

- (vii) In the case of joint holders, the vote of the senior holder who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the relevant joint holding.
- (viii) Shareholders who hold their shares electronically may submit their votes at www.investorcentre.co.uk/eproxy so as to be received by the Registrar not later than 48 hours (excluding non-working days) before the start of the meeting.
- (ix) Shareholders who hold their shares electronically may submit their votes through CREST, by submitting the appropriate and authenticated CREST message so as to be received by the Company's Registrar not later than 48 hours (excluding non-working days) before the start of the meeting. Instructions on how to vote through CREST can be found by accessing the following website: www.euroclear.com/CREST. Shareholders are advised that CREST is the only method by which completed proxies can be submitted electronically.
- (x) If you are a CREST system user (including a CREST personal member) you can appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Registrar (ID number 3RA50) not later than 48 hours (excluding non-working days) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Registrar is able to retrieve the message. CREST personal members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and system timings please refer to the CREST Manual. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- (xi) Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that, if it is appointing more than one corporate representative, it does not do so in relation to the same shares. It is therefore no longer necessary to nominate a designated corporate representative.
- (xii) If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Conduct Authority. As a result, any member holding 3.0 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Conduct Authority.
- (xiii) Any questions relevant to the business of the General Meeting may be asked at the General Meeting by anyone permitted to speak at the General Meeting. A Shareholder may alternatively submit a question in advance by a letter addressed to the Company Secretary at the Company's registered office. Under section 319A of the Companies Act 2006, the Company must answer any question a shareholder asks relating to the business being dealt with at the meeting, unless (i) answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (ii) the answer had already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
- (xiv) At 25 January 2016 (the business day before the printing of this Notice), the Company's issued capital consisted of 84,628,180 Ordinary Shares carrying one vote each of which 10,234,214 Ordinary Shares are held in treasury. Therefore, the total voting rights in the Company at 25 January 2016 comprised 74,393,966 votes. Further information regarding the General Meeting which the Company is required by section 311A of the Companies Act 2006 to publish on a website in advance of the General Meeting (including this Notice) can be accessed at www.baronsmeadvcts.co.uk.
- (xv) In accordance with section 311A of the Companies Act 2006, the contents of this notice of General Meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the Meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the Company after the date of this notice will be available on the Company's website www.baronsmeadvcts.co.uk
- (xvi) You may not use any electronic address provided either in this notice of General Meeting or any related documents (including the form of proxy) to communicate with the Company for any purposes other than those expressly stated.