

Baird Capital Partners Management Company V, LLC

777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202

www.rwbaird.com

February 29, 2012

This brochure provides information about the qualifications and business practices of Baird Capital Partners Management Company V, LLC. If you have any questions about the contents of this brochure, please contact Scott Skie at (312) 609-4664. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Baird Capital Partners Management Company V, LLC is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended. Such registration does not imply a certain level of skill or training. Additional information about Baird Capital Partners Management Company V, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Baird Capital Partners Management Company V, LLC

Change in Personnel

On February 24, 2012, Paul Carbone, Managing Partner of Baird Private Equity, resigned from Robert W. Baird & Co. Incorporated (“Baird”). In connection with Mr. Carbone’s resignation, Gordon Pan was promoted to Managing Partner of Baird Private Equity. Mr. Pan is also the chairman of the Baird Capital Partners and Baird Venture Partners investment committees, is a member of the Baird Capital Partners Asia and Baird Asia Partners investment committees, helps set and manage the strategic direction of Baird Private Equity, and oversees and manages the relationships with limited partners, Baird, other Baird Private Equity funds and Baird Asia. Mr. Pan will continue to devote substantially all of his business time and attention to Baird Capital Partners.

Change in Amount of Managed Assets

As of December 31, 2011, Baird Capital Partners Management Company V, LLC managed \$106.8 million on a discretionary basis and no assets on a non-discretionary basis, which was an increase from \$21.9 million as of December 31, 2010. The increase in assets was principally due to new investments made by Baird Capital Partners V Limited Partnership, BCP V Special Affiliates Limited Partnership and BCP V Affiliates Fund Limited Partnership (collectively, “BCP V”) pursuant to the terms of the limited partnership agreements of BCP V.

TABLE OF CONTENTS

	<u>Page No.</u>
I. Advisory Business	1
II. Fees and Compensation	1
III. Performance-Based Fees	2
IV. Types of Clients	2
V. Methods of Analysis, Investment Strategies and Risk of Loss.....	2
VI. Disciplinary Information	3
VII. Other Financial Industry Activities and Affiliations	3
VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	4
IX. Brokerage Practices	5
X. Review of Accounts	6
XI. Client Referrals and Other Compensation.....	6
XII. Custody	6
XIII. Investment Discretion	6
XIV. Voting Client Securities	6
XV. Financial Information.....	6

I. Advisory Business

Baird Capital Partners Management Company V, LLC (“Baird Capital V” or the “General Partner”), the registered investment adviser, is a Delaware limited liability company. Baird Capital Partners V Limited Partnership and BCP V Special Affiliates Limited Partnership (collectively, “BCP V” or the “Fund”) were formed with an affiliated fund by the General Partner to make private equity investments, principally leveraged buyouts in U.S. lower middle-market business services and manufactured products companies. The General Partner is also the general partner of the Funds, and has the authority to make the investment decisions for the Funds and control the business and affairs of the Funds. The General Partner was formed by Baird Capital Partners (“BCP”), the middle-market private equity group of Robert W. Baird & Co. Incorporated (“Baird”). BCP was founded in 1989 and is based in Milwaukee, Wisconsin and Chicago, Illinois. Baird is the principal owner of Baird Capital V. Baird Financial Corporation owns more than 75% of Baird and Baird Holding Company owns more than 75% of Baird Financial Corporation.

The Funds and any other Private Investment Funds that may be formed by the General Partner (or its affiliates) at a later date or that may otherwise become clients of the General Partner are expected to invest through negotiated transactions in operating entities. The General Partner’s investment advisory services to each Fund consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. As the General Partner provides advisory services to the Funds, the General Partner does not tailor its advisory services to the needs of individual investors nor does it permit individual investors to impose restrictions on investing in certain securities or types of securities. As of December 31, 2011, Baird Capital V managed \$106.8 million on a discretionary basis and no assets on a non-discretionary basis.

II. Fees and Compensation

With respect to each Fund the General Partner will receive an annual management fee and a carried interest. The annual management fee (“Management Fee”) is 2% of aggregate commitments payable quarterly in advance (subject to potential reductions due to waivers and offsets under certain circumstances) and commences from the Fund’s Effective Date (as defined in each Fund’s Partnership agreement (the “Partnership Agreement”)) (whether or not an investor was admitted at an initial or subsequent closing). Beginning the earlier of (i) six years after the initial closing date, or (ii) following certain events (as more fully described in each Partnership Agreement), the Management Fee shall be reduced to 2% of (i) aggregate investment contributions less (ii) the aggregate amount of investment contributions with respect to the portion of each investment that has been disposed of or completely written-off. The Management Fee generally will be payable until all portfolio investments are distributed or until the General Partner’s relationship with the Fund is terminated for other reasons (as described in the Partnership Agreement). The Fund’s organizational documents permit the Management Fee to be waived and for a General Partner to receive a credit against capital contributions owed. In addition, after the General Partner has achieved an 8% preferred return, the General Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized profits (as more fully described in the Partnership Agreement). The Funds and other private investment funds invest on a long-term basis. Accordingly, investment advisory and other fees are paid during the term of each Fund and investors generally are not permitted to withdraw or redeem interests in the Fund. If the investor has specified an account at Baird for the payment of the Management Fee and other expenses, after the General Partner gives notice to the investor, Baird will deduct such fee from the investor’s account. If the investor does not have an account at Baird, the General Partner will notify the investor as to when such fee is payable. The General Partner has not negotiated a fee arrangement other than as described herein with any other investor.

The Fund will reimburse the General Partner for up to \$1.5 million of the Fund’s organizational and startup expenses, including legal, travel, accounting, filing, printing, capital raising and other organizational expenses. In addition to the Management Fee and organizational and startup expenses, the Fund will pay all other costs and expenses of the Fund that are not reimbursed by portfolio companies, including legal, auditing, consulting, financing, accounting and custodian fees and expenses; expenses associated with the Fund’s financial statements, tax returns and Schedule K-1s; out-of-pocket expenses incurred in connection with transactions not consummated; expenses of the strategic advisory board and operating partners and certain fees paid to strategic advisory board members and operating partners; expenses of the advisory board established by the General Partner and annual meetings of the Limited Partners; insurance; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any); and any taxes, fees or other governmental charges levied against the Fund. The Fund and its portfolio companies will be permitted to purchase services from Baird, Baird Asia Limited and individuals who are officers and directors of Baird or Baird Asia Limited (collectively, the “Baird Persons”); provided that (i) in the case of such a purchase of services by the Fund, the General Partner must determine that the Baird Persons can provide such services at no greater cost than would be the case if unaffiliated third parties were to provide such services and (ii) in the case of such a purchase of services by a portfolio company, the General Partner must determine that the Baird Persons can provide such services at a reasonable cost as it relates to the value provided to such portfolio company. In addition, Baird and employees of Baird may refer clients to BCP and may receive compensation from Baird for those clients that make a commitment to the Fund. This compensation is paid by the General Partner and not by the investor. This payment may give Baird and employees of Baird an incentive to recommend an investment in the Fund based on compensation received, rather than on an investor’s needs. To address this potential conflict, the Baird employee recommending the investment in the Fund must make the determination that the investment in the Fund was suitable for that investor. If the investor’s investment in the Fund is held in a Baird fee-based account, the investor may not be charged an asset based fee on the value of the investor’s BCP V holdings, but will be charged a Management Fee and other fees as described in the Partnership Agreement.

The Fund may enter into side letters or similar agreements whereby the Fund agrees to waive, reduce or vary the Management Fees or carried interest or other performance fees with respect to one or more investors. Any such waiver, reduction or variation may be more favorable to certain investors than to the investors generally.

III. Performance-Based Fees

The General Partner will receive a carried interest or performance fee from investors in the Fund equal to 20% of all realized profits (as more fully described in the Partnership Agreement). The fact that the General Partner's carried interest is based on a percentage of net profits may create an incentive for the General Partner to cause the Fund to make riskier or more speculative investments than otherwise would be the case. The significant investment of the members of the investment team (the "Principals") in the Fund and the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the investors, although the Principals have economic interests in other investment funds and investments as well and receive management fees and carried interests relating to those other interests.

IV. Types of Clients

The General Partner provides investment advice to Private Investment Funds, including the Funds. Private Investment Funds are investment partnerships or other investment entities formed under domestic or foreign laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended (the "Investment Company Act"). The Private Investment Funds offered by the General Partner and its affiliates do not provide investors with any redemption rights. The investors participating in Private Investment Funds may include individuals, banks or thrift institutions, other investment entities, pension and profit-sharing plans, trusts, estates or charitable organizations or other corporations or business entities and may include, directly or indirectly, Principals or other employees of the General Partner and its affiliates. Excluding the affiliated fund, the minimum commitment of an investor who is an individual is \$500,000 and the minimum commitment of an institutional investor is \$5 million, although individual investor commitments of lesser amounts may be accepted at the discretion of the General Partner.

V. Methods of Analysis, Investment Strategies and Risk of Loss

The Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses that clients should be prepared to bear.

The General Partner will provide day-to-day investment advisory services to each Fund. The investment strategy of the General Partner is to seek to increase the value of, and to find desirable exit opportunities for, the investments in the Fund. The General Partner seeks to provide returns to investors by (i) using their networks to source attractive businesses, (ii) performing detailed deal evaluation and due diligence to select, structure and appropriately price investments, and (iii) actively managing the Fund's investments in conjunction with portfolio company management. Accordingly, the General Partner's investment methodology includes deal flow, detailed due diligence and active portfolio management. The General Partner uses a deal origination model that leverages both the Baird network for proprietary opportunities and Baird's relationships with M&A boutiques and business brokers for other investment opportunities. The General Partner will continue to develop relationships with established networks of company executives, other buyout funds, venture capitalists, consultants, attorneys, academics, accountants, investment bankers, business brokers and analysts to serve as sources of deal flow. The General Partner will perform due diligence activities for identified investment opportunities, encompassing, as appropriate, the industry, competitive position, cost structures, customers, management and financial performance. The General Partner will be actively involved with the Fund's portfolio companies, providing on-going strategic direction and operational support.

In considering participation in the Fund, an investor should be aware of certain risk factors, which include those described in the Private Placement Memorandum and those include, but are not limited to, the following:

Business Risks. The Fund's investment portfolio will consist primarily of securities issued by privately held companies, and operating results in a specified period will be difficult to predict. Such investments involve a high degree of business and financial risk that can result in substantial losses.

Investment in Junior Securities. The securities in which the Fund will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect an investment once made.

Concentration of Investments. The Fund will participate in a limited number of investments and may seek to make several investments in one industry or one industry segment. As a result, the Fund's investment portfolio could become highly concentrated, and the performance of a few holdings may substantially affect its aggregate return. Furthermore, to the extent that the capital raised is less than the targeted amount, the Fund may invest in fewer portfolio companies and thus be less diversified.

Lack of Sufficient Investment Opportunities. It is possible that the Fund will never be fully invested if enough sufficiently attractive investments are not identified. The business of identifying and structuring private equity transactions is highly competitive and involves a high degree of uncertainty. However, Limited Partners will be required to pay annual management fees during the Investment Period based on the entire amount of their Commitments.

Illiquidity; Lack of Current Distributions. An investment in the Fund should be viewed as illiquid. It is uncertain as to when profits, if any, will be realized. Losses on unsuccessful investments may be realized before gains on successful investments are realized. The return of capital and the realization of gains, if any, generally will occur only upon the partial or complete disposition of an investment. While an investment may be sold at any time, it is not generally expected that this will occur for a number of years after the initial investment. Before such time, there may be no current return

on the investment. Furthermore, the expenses of operating the Fund (including the annual management fee payable to the General Partner) may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

Limited Transferability of Fund Interests. There will be no public market for the Fund interests, and none is expected to develop. There are substantial restrictions upon the transferability of Fund interests under the Partnership Agreement and applicable securities laws. In general, withdrawals of Fund interests are not permitted. In addition, Fund interests are not redeemable.

Restricted Nature of Investment Positions. Generally, there will be no readily available market for a substantial number of the Fund's investments, and hence, most of the Fund's investments will be difficult to value. Certain investments may be distributed in kind to the Partners.

Conflicting Investor Interests. Limited Partners may have conflicting investment, tax, and other interests with respect to their investments in the Fund, including conflicts relating to the structuring of investment acquisitions and dispositions. Conflicts may arise in connection with decisions made by the General Partner regarding an investment that may be more beneficial to one Limited Partner than another, especially with respect to tax matters. In structuring, acquiring and disposing of investments, the General Partner generally will consider the investment and tax objectives of the Fund and its Partners as a whole, not the investment, tax, or other objectives of any Limited Partner individually.

Non-U.S. Investments. The Fund may invest in portfolio companies that are organized or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risk due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the term of the Fund), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on the Fund and/or the Partners with respect to the Fund's income, and possible non-U.S. tax return filing requirements for the Fund and/or the Partners.

Public Company Holdings. The Fund's investment portfolio may contain securities issued by publicly held companies. Such investments may subject the Fund to risks that differ in type or degree from those involved with investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Fund to dispose of such securities at certain times, increased likelihood of shareholder litigation against such companies' board members, including the Principals, and increased costs associated with each of the aforementioned risks.

Conflict of Interest. The General Partner and the Principals are affiliates of Baird, and Baird has an ownership interest in the General Partner that entitles it to a portion of the carried interest distributions received by the General Partner. As an investment banking firm, Baird provides a range of mergers and acquisitions advisory, consulting and other business services to its clients, some of which may result in conflicts of interest between the Fund, on one hand, and Baird and certain of its clients, on the other hand. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to the Fund and its ability to achieve its investment objectives. The Principals currently manage several other investment funds and investments similar to those in which the Fund will be investing, and may direct certain relevant investment opportunities to those investment funds and investments. In addition, the Principals may spend a portion of their business time and attention pursuing investment opportunities that do not fall within the investment objectives of the Fund for other investment funds and other than on behalf of the Fund. The Principals and the General Partner's investment staff will continue to manage and monitor such investment funds and investments, although the Principals expect that the time required to do so will be less than will be spent on Fund matters.

VI. Disciplinary Information

There are no legal or disciplinary events that are material to an investor's or prospective investor's evaluation of the Fund or the integrity of the General Partner.

VII. Other Financial Industry Activities and Affiliations

Baird, a Wisconsin corporation and an entity related to the General Partner by virtue of Baird's control of the General Partner, acts as a registered investment advisor to various clients, including individuals, institutions and a registered investment company. Baird is also registered as a broker/dealer. As an investment banking firm, Baird provides a range of mergers and acquisitions advisory, consulting and other business services to its clients, some of which may result in conflicts of interest between the Fund, on one hand, and Baird and certain of its clients, on the other hand. In certain instances, some of such conflicts of interest may be resolved in a manner adverse to the Fund and its ability to achieve its investment objectives. During the Investment Period, the Principals will pursue all appropriate investment opportunities exclusively through the Fund, subject to certain limited exceptions. However, the Principals currently manage several other investment funds and investments similar to those in which the Fund will be investing, and may direct certain relevant investment opportunities to those investment funds and investments, subject to any applicable limitations in the relevant Partnership Agreement. In addition, the Principals may spend a portion of their business time and attention pursuing investment opportunities that do not fall within the investment objectives of the Fund for other investment funds and other than on behalf of the Fund. The Principals and the General Partner's investment staff will continue to manage and monitor such investment funds and investments, although the Principals expect that the time required to do so will be less than will be spent on Fund matters. The significant investment of the Principals in the Fund and the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the Partners, although the Principals have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests. Such other investment funds and investments that the Principals may control may compete with the Fund or companies acquired by the Fund. Following the Investment Period, the Principals may and likely will focus their investment activities on other opportunities and areas unrelated to the Fund's

investments. Baird has a Conflicts of Interest policy that covers each of the general partners of the private equity funds that are registered investment advisers. This policy also covers Baird and its affiliated entities with respect to the dealings with (i) the various limited partnerships of the general partner and (ii) various companies in which the Funds own an interest. In addition, these policies cover Baird associates with respect to their investments in private securities.

As a result of Baird's ownership of the General Partner and the other powers granted to Baird in the General Partner's limited liability company agreement, Baird can influence certain decisions regarding transactions undertaken by portfolio companies of the Funds. In addition, Baird may provide certain services to the Funds, including accounting and brokerage. Under the terms of each Fund's Partnership Agreement, Baird may charge the Fund for these services; provided that the General Partner believes in good faith that Baird can provide such services at no greater cost than would be the case if unaffiliated third parties were to provide such services.

Baird, Baird Asia Limited and their affiliates may also provide certain services, such as underwriting or private placement of securities, merger and acquisition advice, strategic alliance advice, other financial advisory services or consulting services in connection with the evaluation, development and implementation of appropriate sourcing, manufacturing and/or distribution strategies in China, to portfolio companies, in which case any fees received by Baird from the portfolio company will not be shared with the Funds; provided that the General Partner believes in good faith that Baird can provide such services at a reasonable cost as it relates to the value provided to such portfolio company. Members of the General Partner include employees of Baird.

The General Partner formed BCP V Affiliates Fund Limited Partnership to allow qualified employees to co-invest alongside the Funds. Other general partners of private equity funds that are registered investment advisers and controlled by Baird include the following:

Baird Capital Partners Management Company III, L.L.C., a Delaware limited liability company and an entity related to the General Partner by virtue of common ownership and control, is the general partner of Baird Capital Partners III Limited Partnership, BCP III Special Affiliates Limited Partnership and BCP III Affiliates Fund Limited Partnership, all of which invest in late-stage growth and change of control private equity opportunities.. Baird Capital Partners Management Company IV, L.L.C., a Delaware limited liability company and an entity related to the General Partner by virtue of common ownership and control, is the general partner of Baird Capital Partners IV Limited Partnership, BCP IV Special Affiliates Limited Partnership and BCP IV Affiliates Fund Limited Partnership, all of which invest in late-stage growth and change of control private equity opportunities. Baird Venture Partners Management Company I, L.L.C., a Delaware limited liability company and an entity related to the General Partner by virtue of common ownership and control, is the general partner of Baird Venture Partners I Limited Partnership, BVP I Affiliates Fund Limited Partnership, and Baird Venture Partners I (B) Limited Partnership, all of which invest in early to growth-stage venture capital opportunities. Baird Venture Partners Management Company III, L.L.C., a Delaware limited liability company and an entity related to the General Partner by virtue of common ownership and control, is the general partner of Baird Venture Partners III Limited Partnership, BVP III Affiliates Fund Limited Partnership, and BVP III Special Affiliates Limited Partnership, all of which invest in early to growth-stage venture capital opportunities. Baird Asia Partners Management Company I, L.L.C, a Delaware company and an entity related to the General Partner by virtue of common ownership and control, is the general partner of Baird Asia Partners I Limited Partnership, which invests in late-stage growth and change of control private equity opportunities. Baird Capital Partners Asia Management I Limited Partnership, a partnership organized under the laws of the Cayman Islands, is the general partner of Baird Capital Partners Asia I (Cayman) Limited Partnership, Baird Capital Partners Asia I Limited Partnership and BCPA I Affiliates Fund Limited Partnership, all of which make growth equity investments in smaller, high potential companies with substantial operations and growth opportunities in China.

The Principals may spend a portion of their business time and attention pursuing investment opportunities that do not fall within the investment objectives of the Fund for other investment funds and other than on behalf of the Fund. The Principals and the General Partner's investment staff will continue to manage and monitor such investment funds and investments, although the Principals expect that the time required to do so will be less than will be spent on Fund matters. The significant investment of the Principals in the Fund, as well as the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the Partners, although the Principals have economic interests in such other investment funds and investments as well and receive management fees and carried interests relating to these interests.

VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The General Partner follows a code of ethics (the "Code") for standards of business conduct and personal securities transactions. The Code restricts, among other things, the direct purchase and sale by employees for their own accounts of securities that have been or are in the process of being purchased or sold for client accounts within certain limits. The Code also addresses the approval of associate accounts, trading policy, outside brokerage accounts, reporting of securities and transactions, inside information, outside business activities, political contributions, and gifts and entertainment. Personal securities transactions by employees who manage client accounts are required to be conducted in a manner that assures that the interests of the clients take precedence. All personal securities transactions must be conducted in a manner as to avoid any actual or potential conflict of interest or any abuse of an individual's position of trust and responsibility. If you would like a copy of the Code, please contact Scott Skie at (312) 609-4664 and it will be provided to you at no charge.

Principals and employees of the General Partner and its affiliates may directly or indirectly own an interest in Private Investment Funds including the Fund. In addition, the General Partner may recommend the purchase or sale of securities for client accounts in which one or more of its members, officers, directors, employees (and members of their families) or affiliates ("affiliated persons"), directly or indirectly, have a position or interest, or which an affiliated person buys or sells for himself or herself. Such transactions also may include trading in securities in a manner that differs from or is inconsistent with the advice given to the clients of the General Partner or the Funds. The significant investment of the Principals in the Fund and the Principals' interest in the carried interest, operate to align, to some extent, the interest of the Principals with the interest of the investors,

although the Principals have economic interests in other investment funds and investments as well and receive management fees and carried interests relating to those interests

Baird, as a broker/dealer, investment banker and investment adviser, continually engages in various securities transactions and trading activities, which could create a conflict of interest with clients. Baird may warehouse transactions for the Funds as more fully described in the Partnership Agreement. Also, each of Baird's investment advisory departments has internal procedures in place to ensure that Baird will not act in a principal capacity for any transaction in a client's account absent appropriate prior client approval of the transaction. Accordingly, when acting as an investment adviser, Baird generally acts only in an agent capacity in transactions effected for client accounts. The advisory agreements entered into by clients for the respective Baird investment advisory departments, where applicable, disclose the possibility of Baird's role in potential transactions and the possible conflicts. Each customer confirmation discloses the capacity in which Baird served in the transaction and whether Baird is a market maker in the issue.

IX. Brokerage Practices

If the General Partner trades publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the General Partner. The General Partner selects brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the General Partner may consider a variety of factors, including: (i) prompt execution of orders, (ii) the reliability, integrity, financial condition and execution capability of the firm being considered for effecting transactions in light of the size and difficulty of executing the order, (iii) the price and (iv) the capabilities of firms to supply research services.

The General Partner has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular client transaction or to select any broker on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting client transaction to the extent consistent with the interests and policies of the accounts. Although the General Partner generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services. In addition, the General Partner may use the brokerage services of an affiliate as long as the terms of the arrangement are no less favorable than would be provided by an unaffiliated third party.

Consistent with obtaining best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them. Such research services include economic research, market strategy research, industry research, company research, fixed income data services, research services, and portfolio performance analysis. As a general matter, research provided by these brokers may be used to service all of the General Partner's clients. However, each and every research service may not be used for the benefit of each and every account managed by the General Partner, and brokerage commissions paid by one account may apply towards payment for research services that might not be used in the service of that account. Research services may be shared between the General Partner and its affiliates. When client's brokerage commissions are used to obtain research or other products or services, the General Partner receives a benefit because the General Partner does not have to produce or pay for the research, products or services and this may create an incentive to recommend a broker based on an interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution. The General Partner did not acquire any products or services with client brokerage commissions within the last fiscal year.

There is no agreement or formula for the allocation of brokerage business on the basis of research services. The General Partner may, in its discretion, cause the client accounts to pay such brokers a commission for effecting portfolio transactions in excess of the amount of commission another broker adequately qualified to effect such transactions would have charged for effecting such transactions. This may be done where the General Partner has determined in good faith that such commission is reasonable in relation to the value of brokerage and research services received. In reaching such a determination, the General Partner would not be required to place or attempt to place a specified dollar value on the brokerage or research services provided by such broker.

The General Partner will periodically determine which brokers have provided research that has been helpful in the management of client accounts. To the extent consistent with the General Partner's goal to obtain best execution for clients, the General Partner seeks to place a portion of the trades that it directs with the brokers who are identified through this process. The General Partner is able to furnish a continuous investment program to its clients by using information provided by broker-dealers as well as other research. The General Partner considers access to such information to be an important element of investment decision making. Orders for purchase or sale of securities placed first will be executed first, and within a reasonable amount of time of order receipt. To the extent that orders for client accounts are completed independently, the General Partner may also purchase or sell the same securities or instruments for a number of accounts simultaneously. From time to time, the General Partner may, but is not obligated to, purchase or sell securities for several client accounts at approximately the same time. Such orders may be combined or "batched" to facilitate obtaining best execution and/or to reduce brokerage commissions or other costs. Batched transactions are executed in a manner intended to ensure that no participating client of the General Partner is favored over any other client. When an aggregated order is filled in its entirety, each participating client account generally will receive the average price obtained on all such purchases or sales made during such trading day. When an aggregate order is partially filled, the securities purchased or sold will normally be allocated on a pro rata basis to each client account participating in such buy or sell order in accordance with the amount of securities originally requested for such account. Each client account generally will receive the average price obtained on all such purchases or sales made during such trading day. Exceptions to pro rata allocations are permissible provided they are fair and equitable to clients over time.

X. Review of Accounts

Investments of the Fund made by the General Partner generally are long-term in nature and illiquid. Accordingly, the review process is generally not directed toward short-term sell decisions. However, the General Partner closely monitors companies in which its Funds invest and generally will maintain an ongoing oversight position in such companies.

The Fund will provide to its limited partners (i) annual audited and quarterly unaudited financial statements, (ii) annual tax information necessary for each limited partner's tax return, (iii) quarterly information describing each new portfolio company investment or the occurrence of any material event relating to any portfolio company investment.

XI. Client Referrals and Other Compensation

The General Partner and/or its affiliates may provide various management and financial analysis services to companies in the Fund's portfolio and may receive compensation from these companies in connection with such services. These services may be provided to the Fund provided the General Partner in its reasonable discretion believes in good faith that such services can be provided at no greater cost than would be the case if unaffiliated third parties were to provide such services. This compensation may, in many cases, offset a portion of the Management Fees paid by the Fund as further described in the Fund's Partnership Agreement. However, in other cases (e.g., provision of certain corporate services to a portfolio company), these fees would be in addition to Management Fees, subject to limitations in the Partnership Agreement.

From time to time, the General Partner may enter into solicitation arrangements pursuant to which it compensates persons, including Principals and employees of Baird or its affiliates, for client referrals that result in the provision of investment advisory services by the General Partner. This compensation, which may be up to 3% of the client's commitment, is paid out of the Management Fee and is not paid by the limited partners.

XII. Custody

The General Partner maintains custody of each Fund's assets with Baird, a qualified custodian. The limited partner will receive accounts statements from Baird and limited partners should carefully review those statements. Limited partners should also compare the statements received from Baird with the statements received from the General Partner.

XIII. Investment Discretion

As the General Partner provides advisory services to the Funds, the General Partner does not tailor its advisory services to the needs of individual investors nor does it permit individual investors to impose restrictions on investing in certain securities or types of securities. Investors grant discretionary authority to the General Partner to make investments for the Funds. In connection with making a commitment to the Funds, an investor is required to execute a power of attorney granting the General Partner authority to act on the investor's behalf.

XIV. Voting Client Securities

In accordance with SEC requirements, the General Partner has adopted Proxy Voting Policies and Procedures (the "Proxy Policy") to address how the General Partner will vote proxies for each Fund's portfolio investments. The Fund Partnership Agreement grants the General Partner the authority to vote proxies on behalf of the Fund. The Policy seeks to ensure that the General Partner votes proxies (or similar instruments) in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies. The General Partner generally believes its interests are aligned with each Fund's investors through the General Partner's Principals' beneficial ownership interests in the Funds. In the event, however, there is or may be a conflict of interest between the General Partner and the Fund in voting proxies, the General Partner may address the conflict using several alternatives, including by seeking the approval or concurrence of a Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The General Partner does not consider service on portfolio company boards by General Partner personnel or the General Partner's receipt of management or other fees from portfolio companies to create a material conflict of interest in voting proxies with respect to such companies. In addition, the Proxy Policy sets forth certain specific proxy voting guidelines the General Partner follows when voting proxies on behalf of the Fund. If you would like a copy of the Proxy Policy or information regarding how the General Partner has voted proxies on behalf of the Fund, please contact Scott Skie at (312) 609-4664 and it will be provided to you at no charge.

XV. Financial Information

The General Partner's financial condition is such that there is no reasonable likelihood that it will impair the General Partner's contractual commitments to the investor.