

**FIRM BROCHURE  
(PART 2A OF FORM ADV)**

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**Item 1. Cover Page**

**Greenhouse Funds LP**

**December 17, 2014**

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This brochure provides information about the qualifications and business practices of Greenhouse Funds LP (the "Adviser"). If you have any questions about the contents of this brochure, please contact us at 646-795-6093. This information has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

Additional information about the Adviser is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

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**Item 2. Material Changes**

This is the first version of the Adviser's Form ADV Part 2A brochure.

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#### Item 4. Advisory Business

**A. General Description of Advisory Firm.** The Adviser is an investment adviser with its principal place of business in New York, NY. The Adviser commenced operations as an investment adviser on June 27, 2013. Joseph Milano and James Gentile are the co-founders and principals of the Adviser. The Adviser entered into an agreement with Baird Financial Corporation ("BFC") whereby BFC made a significant investment in the Adviser. In consideration for this investment, BFC owns convertible preferred equity interests in the Adviser entitling BFC to a preferred yield and, upon conversion to common equity interests (exercisable by BFC at any time), a significant minority stake in the Adviser. In addition, BFC has consent rights to certain major decisions involving the Adviser. BFC is deemed to control the Adviser. BFC is, in turn, owned by Baird Holding Company ("BHC"), which is owned by Baird Financial Group, Inc. ("BFG").

**B. Description of Advisory Services (including any specializations).** The Adviser provides investment advisory services on a discretionary basis to clients which are (a) commingled private investment vehicles intended for institutional investors and other sophisticated investors and (b) registered investment company accounts. Currently, the Adviser provides investment advisory services to three commingled private investment vehicle clients, namely Greenhouse Onshore Fund LP (the "Onshore Fund"), Greenhouse Overseas Fund Ltd. (the "Overseas Fund") and Greenhouse Master Fund LP (the "Master Fund") (the Onshore Fund and Overseas Fund also known as the "Feeder Funds" and, collectively, the "Funds"), which are private investment funds that are offered to high net-worth, financially sophisticated individual and institutional investors and will provide investment advisory services to one registered investment company account whereby the Adviser is a subadviser of Baird Funds, Inc., for which Robert W. Baird & Co., Incorporated ("RWB"), an affiliate of the Adviser, serves as investment adviser (the "RIC" and, collectively with the Funds, the "Accounts").

Most of the Adviser's investment advisory services relate to equity securities.

**C. Availability of Tailored Services for Individual Clients.** May be available for new client accounts per the Adviser's discretion.

**D. Wrap Fee Programs.** The Adviser does not participate in wrap fee programs.

**E. Client Assets Under Management.** As of October 1, 2014, the Adviser managed \$56,500,000 in gross assets. The Adviser manages clients' assets only on a discretionary basis.

**A. Advisory Fees and Compensation.**

**Asset-Based Compensation**

The Adviser is paid a monthly management fee for each of the Accounts based on net assets. The annual fee for the Funds ranges from 1.00% to 1.50%. This is paid monthly based on net assets at the end of each month. The annual management fee for the RIC will be approximately 0.70%. This is also paid monthly but it is calculated based on daily net assets. The management fee for the Funds may be waived, reduced or changed by the Adviser.

**Performance-Based Compensation**

An affiliate of the Adviser that serves as the general partner of the Master Fund (the "Fund General Partner") receives annual performance-based compensation in an amount ranging from 10% to 20% of net profits from the Funds, subject to a loss carryforward provision. Such performance-based compensation is charged in compliance with Rule 205-3 under the Investment Advisers Act of 1940, as amended. Such performance-based compensation may be waived, reduced or changed by the Fund General Partner. The RIC will not be subject to performance-based compensation.

**B. Payment of Fees.** The Adviser charges the Funds the management fee in arrears. For the RIC, RWB will pay a management fee to the Adviser.

**C. Other Fees and Expenses.** In addition to paying the management fee (and performance-based compensation as it relates to the Funds), the Accounts may also be subject to other expenses such as 12b-1 fees (with respect to the RIC only), custodial charges, brokerage fees, commissions and related costs; interest expenses; taxes, duties and other governmental charges; transfer and registration fees or similar expenses; costs associated with foreign exchange transactions; other portfolio expenses; legal expenses; and internal and external accounting, audit and tax preparation expenses.

**D. Prepayment of Fees.**

Not applicable.

**E. Additional Compensation and Conflicts of Interest.**

Not applicable.

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**Item 6. Performance-Based Fees and Side-By-Side Management**

The Adviser provides investment advisory services on a discretionary basis to the Accounts. The Funds, on the one hand, and the RIC, on the other hand, have different investment strategies but may make similar investments periodically.

The Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with multiple fee arrangements, and the allocation of investment opportunities. The Adviser reviews investment decisions for the purpose of ensuring that all accounts with similar investments are treated equitably. In addition, the Adviser's procedures relating to the allocation of investment opportunities generally (a) consider the overall size of each account and the individual position size goal/limits of each account, and (b) require that, to the extent orders are aggregated, the client orders are price-averaged. Finally, the Adviser's procedures also require the objective allocation for limited opportunities (such as initial public offerings and private placements) to ensure fair and equitable allocation among accounts. These areas are monitored by the Adviser's Chief Compliance Officer.

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**Item 7. Types of Clients**

The Adviser provides investment advisory services on a discretionary basis to the Funds which are commingled investment vehicles intended for institutional investors and other sophisticated investors. The Adviser will also provide investment advisory services on a discretionary basis as the subadviser to the RIC which is intended for both retail and institutional investors.

Generally, the minimum initial investment in the Funds is \$1,000,000, subject to waiver at the discretion of the Adviser or the Fund General Partner, as applicable. The minimum initial investments for the RIC's "Investor Class" and "Institutional Class" are \$1,000 and \$25,000, respectively.

**The Funds:**

**A. Methods of Analysis and Investment Strategies.**

The Funds' objective is to generate superior risk-adjusted returns over the course of a market cycle by making long/short equity investments with a focus on medium-sized market capitalizations ("Mid Cap") companies. The Adviser seeks to consistently achieve positive annual returns with lower volatility and limited correlation to the broader equity market. The Adviser believes in bottom-up research and fundamental rigor in analyzing businesses. The Funds may hold core positions for longer than average, but will act on shorter term ideas as they emerge. The Adviser will use tools such as absolute value and relative value measures versus peer companies and history to inform its entry and exit points, position sizing and trading strategies. The principals will draw on their long-standing relationships with management teams, and industry contacts and competitive dynamics. At the core of its investment process, the Adviser is valuation sensitive. It will look for favorable risk/reward situations for both long and individual short positions. The Funds will be focused on areas of the principals' combined knowledge and experience. The Funds may use leverage.

**B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies and Types of Securities that are Primarily Recommended.**

**Risk of Loss.**

No guarantee or representation is made that the Funds' investment program, including, without limitation, the Funds' investment objective, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. *No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the investments otherwise made by the investment professionals of the Adviser are not necessarily indicative of the Funds' or the Adviser's future performance.*

**General Economic and Market Conditions.**

The success of the Funds' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the trading strategies which are based on the predicated outcomes of macroeconomic themes.



## **Short Selling.**

A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the Funds will be able to maintain the ability to borrow securities sold short. In such cases, the Funds can be “bought in” (*i.e.*, forced to repurchase securities in the open market to return to the lender). There also can be no assurance that the securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the over-the-counter market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Funds may be entirely dependent on the willingness of over-the-counter market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Funds will secure a “good borrow” of the security sold short at the time of execution, the lending institution may recall the lent security at any time, thereby forcing the Funds to purchase the security at the then-prevailing market price, which may be higher than the price at which such security was originally sold short by the Funds.

## **Leverage and Borrowing.**

*Leverage for Investment Purposes.* The Funds may use leverage in the Adviser’s discretion. The use of leverage will allow the Funds to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Funds’ portfolio. The effect of the use of leverage by the Funds in a market that moves adversely to its investments could result in substantial losses to the Funds, which would be greater than if the Funds were not leveraged.

*Borrowing for Cash Management Purposes.* The Funds have the authority to borrow for cash management purposes, such as to satisfy withdrawal requests.

*Collateral.* The instruments and borrowings that may be utilized by the Funds to leverage investments may be collateralized by all or a portion of the Funds’ portfolio. Accordingly, the Funds may pledge its securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the securities pledged to brokers to secure the Funds’ margin accounts decline in value, the Funds could be subject to a “margin call”, pursuant to which the Master Fund must either deposit additional funds or securities with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. The banks and dealers that provide financing to the Funds can apply essentially discretionary margin, “haircut”, financing, and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Funds may have similar rights. There can be no assurance that the Funds will be able to secure or maintain adequate financing.

*Costs.* Borrowings will be subject to interest, transaction and other costs, and other types of leverage also involve transaction and other costs. Any such costs may or may not be recovered by the return on the Funds’ portfolio.

**Hedging Transactions.**

The Funds may utilize securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Funds' investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Funds' unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any securities; (iv) enhance or preserve returns, spreads or gains on any security in the Funds' portfolio; (v) hedge against a directional trade; (vi) hedge the currency exchange rate on any of the Funds' securities; (vii) protect against any increase in the price of any securities the Funds anticipate purchasing at a later date; or (viii) act for any other reason that the Adviser deems appropriate. The Funds will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

**Fundamental Analysis.**

Trading decisions made by the Adviser will be based on fundamental analysis. Data on which fundamental analysis relies may be inaccurate or may be generally available to other market participants. Fundamental market information is subject to interpretation. To the extent that the Adviser misinterprets the meaning of certain data, the Funds may incur losses.

**Mid Cap Securities.**

The Funds will primarily invest in the listed securities of companies with market capitalization which in the United States would be viewed as medium-sized market capitalizations, which may involve greater risk than investments in the listed securities of larger companies. Mid Cap companies may be more volatile in price and less liquid than larger capitalization companies. Many Mid Cap companies tend to have less access to capital markets, less negotiating power and less diverse product offerings and customer bases. All these traits make the risk of severe business reversals or business failure higher for many medium size issuers than for larger companies, which would have an adverse effect on the Funds if the Funds were holding a long position in such a company. On the other hand, Mid Cap companies are much more likely to be acquired at a significant premium, which could have an adverse effect on the Funds if the Funds were to short such a company.

## **The RIC:**

### **A. Methods of Analysis and Investment Strategies.**

The investment objective of the RIC is to provide long-term capital appreciation. The RIC normally invests the large majority of its net assets in a diversified portfolio of equity securities of micro-cap companies. The RIC defines micro-cap companies as those companies with market capitalizations within the range of companies in the Russell Microcap® Index at the time of investment. During normal market conditions, the RIC's portfolio will consist of approximately 50 to 100 companies. Although the RIC invests principally in U.S. companies, the RIC may invest up to 15% of its total assets in equity securities of foreign companies that are traded on U.S. exchanges. The Adviser seeks to take advantage of certain inefficiencies in the micro-cap universe associated with limited Wall Street coverage and avoidance of micro-cap securities by certain market participants due to perceived liquidity constraints. The Adviser seeks to uncover companies run by a disciplined management team possessing a clear strategy for growth and that the Adviser believes trade at a discount to intrinsic value. The Adviser conducts fundamental research to identify promising companies within the micro-cap universe with strong revenue growth opportunities, solid or improving financial profiles and a proven history of capital discipline and sound corporate governance. The factors the Adviser considers when determining whether a company exhibits reasonable valuation and favorable growth prospects include:

- an evaluation of the competitive landscape including market size, growth potential and market share trends;
- an assessment of the company's earnings quality, business model strength and durability; and
- a determination of company management skill and capital stewardship.

### **B. Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategies and Types of Securities that are Primarily Recommended.**

#### **Stock Market Risks**

Equity security prices vary and may fall, thus reducing the value of the RIC's investments. Certain stocks selected for the RIC's portfolio may decline in value more than the overall stock market. U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years. As a result, many of the above risks may be increased. Continuing market problems may have adverse effects on the RIC.

#### **Management Risks**

The Adviser's judgments about the attractiveness, value and potential appreciation of particular companies' stocks may prove to be incorrect. Such errors could result in a negative return and a loss to you.

### ***Equity Securities Risks***

Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This change may occur because of factors that affect the securities markets in general, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. Equity securities may also lose value because of factors affecting an entire industry or sector, such as increases in production costs, or factors directly related to a specific company, such as decisions made by its management.

### ***Common Stock Risks***

Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; and global or regional political, economic and banking crises. Holders of common stocks are generally subject to greater risk than holders of preferred stocks and debt obligations of the same issuer because common stockholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders and other creditors.

### ***Micro-Capitalization Market Risks***

The micro-capitalization companies in which the RIC invests may be more vulnerable to adverse business or economic events than larger, more established companies and involve a higher degree of risk than investments in the broad-based equities market. Micro-cap stocks are often more volatile and less liquid than investments in larger companies, and are more likely to be adversely affected by poor economic or market conditions. In addition, micro-cap companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure. In addition, there may be less public information available about these companies. Therefore, micro-cap stocks may be more volatile than those of large-, mid- and small-capitalization companies and such stocks may be more thinly traded and thus difficult for the RIC to buy and sell in the market. These securities may be traded over-the-counter or listed on an exchange.

### ***Foreign Securities Risks***

Securities of foreign issuers and ADRs are subject to certain inherent risks, such as political or economic instability of the country of issue, the difficulty of predicting international trade patterns and the possibility of imposition of exchange controls. Such securities may also be subject to greater fluctuations in price than securities of domestic corporations. In addition, there may be less publicly available information about a foreign company than about a domestic company. Foreign companies generally are not subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to domestic companies. With respect to certain foreign countries, there is a possibility of expropriation or confiscatory taxation, or diplomatic developments, which could affect investments in those countries. These risks are more pronounced in emerging market countries.

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**Item 9. Disciplinary Information**

This Item is inapplicable.

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**Item 10. Other Financial Industry Activities and Affiliations**

**A.** The Adviser is not currently registered, and does not have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Two of the Adviser's directors are registered representatives of a broker-dealer which is RWB.

**B.** Neither the Adviser nor any of its management persons is currently registered as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities. The Adviser and its affiliate, Greenhouse Fund GP LLC, have filed exemptions from registration as commodity pool operators.

**C.** The Adviser will provide investment advisory services on a discretionary basis to the RIC per a subadvisory agreement with RWB. RWB is an investment adviser and broker dealer. RWB's parent company, BFC, controls the Adviser (see Item 4.A above). RWB and the Adviser are thus under common control. The Adviser may periodically use RWB to execute securities transactions for the Accounts. The Adviser has policies and procedures to address this conflict.

**D.** We do not recommend or select other investment advisers for clients.

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**Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

The Adviser recognizes and believes that (i) high ethical standards are essential for its success and to maintain the confidence of its clients; (ii) its long-term business interests are best served by adherence to the principle that the interests of clients come first; and (iii) it has a fiduciary duty to its clients to act solely for their benefit. Therefore, the Adviser has adopted a Code of Ethics (the "Code"). All personnel of the Adviser must put the interests of the Adviser's clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel of the Adviser must also comply with all federal securities laws. Clients or prospective clients may obtain a copy of the Code by contacting Patrick J. Mitchell (Chief Compliance Officer) by email at [pmitchell@greenhousefunds.com](mailto:pmitchell@greenhousefunds.com) or by telephone at 646-795-6093.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of clients. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to clients and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the client or using such information for the client's benefit. In such circumstances, the Adviser will have no responsibility or liability to the client for not disclosing such information to the client (or the fact that the Adviser possesses such information), or not using such information for the client's benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

As a general matter, personnel of the Adviser are not permitted to engage in personal transactions for their personal securities accounts. There are instances where such personnel may have a pre-existing personal securities account and require the ability to sell securities from time to time. Among other requirements, the Code requires personnel to obtain preclearance and report any personal securities transactions (i.e., sale of a security) and holdings to the Adviser, and the Adviser is required to review such reports.

The Adviser, its related persons, or any of their employees may invest their personal funds in the Accounts, and, therefore, such persons may hold the same securities as other investors in the Accounts.

The Adviser and RWB have entered into a subadvisory agreement whereby the Adviser will provide investment advisory services on a discretionary basis to the RIC. RWB's parent company, BFC, controls the Adviser (see Item 4.A above). RWB and the Adviser are thus under common control.

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## Item 12. Brokerage Practices

The Adviser is authorized to determine the broker or dealer to be used for each securities transaction for the Accounts. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus the Accounts may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a "safe harbor" that permits an investment manager to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

In some instances, the Adviser may receive a product or service that may be used only partially for functions within Section 28(e) (e.g. an order management system, trade analytical software or proxy services). In such instances, the Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources.

Research and brokerage services obtained by the use of commissions arising from the Accounts' portfolio transactions may be used by the Adviser in its other investment activities and thus, an Account may not necessarily, in any particular instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although the Adviser will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services creates a potential conflict of interest between the Adviser and its clients.



In selecting brokers and negotiating commission rates, the Adviser will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. The Adviser may place transactions with a broker or dealer that (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Accounts or other products advised by the Adviser (or an affiliate), if otherwise consistent with seeking best execution; provided the Adviser is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

When appropriate, the Adviser may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will be allocated securities based on the average price achieved for such trades.

During the Adviser's last fiscal year, as a result of client brokerage commissions (or markups or markdowns), the Adviser and/or its related persons acquired research services such as research reports (including market research); software providing analysis of securities portfolios; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; and data services (including services providing market data, company financial data and economic data).

The Adviser may periodically use RWB to execute securities transactions for the Accounts. The Adviser may periodically receive "new issue" allocations and secondary offerings from RWB for the Accounts.

**A. Frequency and Nature of Review.** The principals manage the portfolios of the Accounts. The principals monitor the holdings in the Accounts continuously. Such holdings are monitored by the principals in light of trading activity, significant corporate developments and other activities which may dictate a change in portfolio positions. Before deciding whether to purchase or sell a particular security on behalf of a client account, the Accounts holding such security will be reviewed in full. In addition, the Accounts are reviewed periodically from the standpoint of the specific investment objectives of the Accounts and as particular situations may dictate.

**B. Content and Frequency of Regular Account Reports.**

The Funds:

Each investor in the Funds receives monthly capital account/net asset value statements directly from the Funds' full service administrator, SS&C GlobeOp. Each investor in the Funds also receives quarterly letters and performance reports from the Adviser. Investors in the Funds also receive audited financial statements on an annual basis. In addition, investors in the Onshore Fund receive a Schedule K-1 each year for tax reporting purposes.

The RIC:

Baird Funds, Inc. or an affiliate will publish a daily net asset value for the RIC and distribute Form 1099s annually. Upon reasonable request, the Adviser will furnish reports on portfolio transactions and reports on investments held in the portfolio. The Adviser will prepare a letter to shareholders to be included in the RIC's semi-annual report. The Adviser may also agree to provide the RIC and Baird Funds, Inc. quarterly economic and investment analyses and reports or other investment services normally available to the Adviser's other clients.

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**Item 14. Client Referrals and Other Compensation**

**A.** The Adviser does not receive any economic benefit from non-clients for providing advisory services to the Accounts.

**B.** The Adviser has entered into a marketing agreement with RWB whereby RWB seeks to offer and sell interests in the Funds to eligible investors. RWB has retained its own employee ("RWB Employee") to undertake such efforts on behalf of RWB, which efforts shall include identifying and contacting potential investors in the Funds and assisting the Adviser in developing a marketing strategy for the Funds. For the services provided by RWB, the Adviser shall (a) reimburse RWB for a percentage of the RWB Employee's salary and (b) pay RWB an incentive or referral fee per an agreed upon schedule based on interests sold and invested in the Funds.

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**Item 15. Custody**

Due to the Adviser's and the Fund General Partner's access to client funds and securities as investment adviser and general partner, respectively, of the Funds, and the Adviser's authority to deduct fees and other expenses from the Funds, we are deemed to have constructive custody of these clients' funds and securities within the meaning of Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (known as the Custody Rule).

The Adviser utilizes the services of unrelated financial institutions or other qualified custodians (as defined in the Custody Rule) to hold clients' funds and securities. The Adviser also ensures that the qualified custodian maintains such funds in accounts that contain only clients' funds and securities, which may be under the Adviser's name as agent or trustee for the client.

With respect to clients that are collective investment vehicles for which the Adviser is deemed to have constructive custody, the Adviser complies with the periodic reporting requirements of the Custody Rule by arranging for annual financial statements, prepared in accordance with generally accepted accounting principles and audited by an independent auditor that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, to be delivered to each investor in such clients within 120 days of the end of the relevant fiscal year.

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**Item 16. Investment Discretion**

The Adviser provides investment advisory services on a discretionary basis to clients. Please see Item 4 for a description of any limitations clients may place on the Adviser's discretionary authority.

Prior to assuming full discretion in managing a client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion.

Unless otherwise instructed or directed by a discretionary client, the Adviser has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account. Because of the differences in client investment objectives and strategies, risk tolerances, tax status and other criteria, there may be differences among clients in invested positions and securities held. The Adviser may consider the following factors, among others, in allocating securities among clients: (i) client investment objectives and strategies; (ii) client risk profiles; (iii) tax status and restrictions placed on a client's portfolio by the client or by applicable law; (iv) size of the client account; (v) nature and liquidity of the security to be allocated; (vi) size of available position; (vii) current market conditions; and (viii) account liquidity, account requirements for liquidity and timing of cash flows. Although it is the Adviser's policy to allocate investment opportunities to eligible client accounts on a pro rata basis (based on the value of the assets of each participating account relative to value of the assets of all participating accounts), these factors may lead the Adviser to allocate securities to client accounts in varying amounts. Even client accounts that are typically managed on a pari passu basis may from time to time receive differing allocations of securities based on total assets of each account eligible to invest in the particular investment type (e.g., equities) divided by the total assets of all accounts eligible to invest in the particular investment.

The Adviser may effect trades between client accounts. The Adviser does not receive any form of compensation relating to transactions between client accounts; all trades effected between client accounts are executed at market prices. No client shall receive preferential treatment over any other client relating to the transactions between client accounts discussed above. In addition, such trades will (i) only be conducted in registered investment company accounts in accordance with such investment company's Rule 17a-7 Procedures (affiliated party/cross trade transactions) and (ii) not be conducted with an ERISA account (including a private investment vehicle that has substantial benefit plan investors and is subject to ERISA).

The Adviser has adopted a trade error policy which provides that (i) the Funds will only be reimbursed for losses due to trade errors to the extent that the trade error resulted from the gross negligence of the Adviser and (ii) the Adviser will reimburse the RIC for all losses due to trade errors.

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**Item 17. Voting Client Securities**

The Adviser has adopted Proxy Voting Policies and Procedures (the "Procedures") that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of its clients. The Procedures also require that the Adviser identify and address conflicts of interest between the Adviser and its clients. If a material conflict of interest exists, the Adviser will follow the guidelines set forth in the Procedures. In voting proxies, the Adviser generally votes in favor of routine corporate housekeeping proposals, including election of directors (where no corporate governance issues are implicated). Generally, the Adviser will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals, the Adviser will determine whether a proposal is in the best interests of its clients and may take into account the following factors, among others: (i) whether the proposal was recommended by management and Adviser's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Clients may obtain a copy of the Adviser's Procedures and information about how the Adviser voted a client's proxies by contacting Patrick J. Mitchell (Chief Compliance Officer) by email at [pmitchell@greenhousefunds.com](mailto:pmitchell@greenhousefunds.com) or by telephone at 646-795-6093.

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**Item 18. Financial Information**

- A.** The Adviser does not require nor does it solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B.** The Adviser is not aware of any financial condition that is likely to impair its ability to meet its contractual commitments to clients.
- C.** The Adviser has never been the subject of a bankruptcy petition.

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**Item 19. Requirements for State-Registered Advisers**

This Item is inapplicable.