

# **Baird Venture Partners Management Company I, LLC**

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**This brochure provides information about the qualifications and business practices of Baird Venture Partners Management Company I, LLC. If you have any questions about the contents of this brochure, please contact us at (414) 765-3500. 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 Venture Partners Management Company I, 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 Venture Partners Management Company I, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

Item 2. Material Changes

Baird Venture Partners Management Company I, LLC

There were no material changes.

## 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 .....	4
VII. Other Financial Industry Activities and Affiliations .....	4
VIII. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	5
IX. Brokerage Practices .....	5
X. Review of Accounts .....	6
XI. Client Referrals and Other Compensation.....	7
XII. Custody .....	7
XIII. Investment Discretion .....	7
XIV. Voting Client Securities .....	7
XV. Financial Information.....	7
XVI. Additional Information .....	7

## ***I. Advisory Business***

Baird Venture Partners Management Company I, LLC (“Baird Venture I” or the “General Partner”), the registered investment adviser, is a Delaware limited liability company. Baird Venture I was formed to provide “investment supervisory services” to its clients, which are expected to consist of private investment-related funds, including Baird Venture Partners I Limited Partnership (the “Main Fund”), BVP I Affiliates Fund Limited Partnership (the “Affiliates Fund”) and Baird Venture Partners I (B) Limited Partnership (the “I (B) Fund”) (collectively, the “Partnerships” or the “Funds,” and together with any future private investment funds, “Private Investment Funds”). Baird Venture I is also the general partner of the Funds (the “General Partner”), 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 Venture Capital (“VC”), the U.S. based venture capital group of Baird Capital (“BC”), the global private equity group of Robert W. Baird & Co. Incorporated (“Baird”). BC was founded in 1989 and is based in Milwaukee, Wisconsin and Chicago, Illinois. Baird is the principal owner of Baird Venture I. Baird Financial Corporation owns 100% of Baird, Baird Holding Company owns 100% of Baird Financial Corporation and Baird Financial Group, Inc. owns 100% of BHC.

The General Partner renders advice to the Funds, which are formed for the purpose of making investments in equity securities of issuers in early and growth state venture capital opportunities. Equity securities means common stock, convertible preferred stock, convertible debt, warrants, rights, and other interests in or convertible into the equity of an entity, and debt issued by an entity in which the Funds hold or acquire any of the foregoing, other than securities listed on an exchange or traded in a recognized quotation service or medium at the time of the acquisition by the Funds of such securities. 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, 2014, Baird Venture I managed \$25.2 million on a discretionary basis and no assets on a non-discretionary basis.

## ***II. Fees and Compensation***

The General Partner will receive an annual management fee (the “Management Fee”) equal to 2% of the aggregate capital commitments of the limited partners of each of the Funds. The Management Fee for each will be reduced following the end of the Fund’s commitment period to an amount equal to 2% per annum of (1) the aggregate of all investments in equity securities made by that Fund since inception, less (2) the aggregate amount of distributions constituting a return of capital, less (3) the aggregate amount of any write-downs made by the General Partner resulting from a permanent decline in value of equity securities, less (4) the aggregate amount of losses of capital resulting from the disposition of investments in equity securities by the General Partner. The General Partner will apply 50% (65% with respect to the I (B) Fund) of each of the Fund’s pro rata portion of (1) all commitment fees, breakup fees and litigation proceeds in connection with transactions not consummated, net of any amounts to reimburse the General Partner for costs and expenses (other than ordinary overhead and administrative expenses) incurred by it in connection with any transactions or in connection with generating any such fees and not previously reimbursed, (2) all monitoring fees, consulting fees, directors’ fees and other similar fees from portfolio companies and (3) all closing fees and similar fees from portfolio companies, in each case received by the General Partner or its partners, members or employees, but excluding any amount received by the General Partner or its partners, members or employees from portfolio companies as reimbursement for out-of-pocket expenses directly related to such portfolio companies, to reduce such Management Fee. The General Partner is entitled to a 20% interest in the profits of the Funds (the “Carried Interest”) after the General Partner has achieved the preferred return as more fully described in the Partnership Agreement. The Carried Interest will be paid incrementally as the Funds distribute funds to their partners. The General Partner has not negotiated a fee arrangement other than as described herein with any other investor.

One of the members of the General Partner is Baird. 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 made by the General Partner, including, potentially, 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 the Agreements of Limited Partnerships of each of the Funds, Baird may charge the Funds 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 or as provided for in the Partnership Agreement.

Each Fund will reimburse the General Partner for its respective share of the following amounts: (1) all (subject to a cap of \$400,000 with respect to the I (B) Fund) expense payable to third parties (including placement or referral fees paid to Baird employees or third parties for soliciting limited partners to invest in the I (B) Fund) incurred by the General Partner in the organization of the respective Funds or in connection with an amendment to the Agreement of Limited Partnership of any of the Funds (“Organizational Expenses”) and (2) all reasonable costs and expenses (“Partnership Expenses”) incurred by the General Partner relating to the Funds’ activities, investment and business, including, (A) all costs and expenses attributable to acquiring, holding and disposing of the Funds’ investments, (B) reasonable, out-of-pocket legal, accounting, auditing, consulting and other fees and expenses (including amounts to reimburse Baird and its affiliates for the portions of salaries and employee benefits of employees of Baird and its affiliates that the General Partners determines to be reasonably allocable to accounting and tax services provided by employees to the Funds), director and officer liability insurance premiums, marketing expenses and the cost of holding partnership

meetings, (C) costs, expenses and liabilities of the Funds, (D) all out-of-pocket fees and expenses incurred by the Funds, the General Partner or the General Partner's members, managers, partners, officers and employees relating to investment and disposition opportunities for the Funds not consummated ("Unconsummated Transaction Expenses") (E) the Management Fee, (F) any taxes, fees and other governmental charges levied against the Funds and (G) all other ordinary expenses relating to the business of the Funds incurred by the General Partner. In addition to the Fund expense information provided herein, see the Fund's Limited Partnership Agreement for expense information. The Funds will not reimburse the General Partner for Ordinary Overhead Expenses, as defined 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, after the General Partner gives notice to the investor, Baird will deduct the Management Fee from the investors account. If the investor does not have an account at Baird, the General Partner will notify the investor as to when the Management Fee is payable.

From time to time, the General Partner may have entered into solicitation arrangements pursuant to which it compensated persons, including Principals and employees of Baird or its affiliates, for client referrals that resulted in the provision of investment advisory services by the General Partner. This payment may have given 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; however, this compensation, if any, was paid by the General Partner and not by the investor. 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.

### ***III. Performance-Based Fees***

The General Partner, after achieving the preferred return, 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 such other investment funds and investments as well and receive management fees and carried interests relating to those interests. The General Partner does not currently manage any Funds that do not charge a performance-based fee.

### ***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 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. To purchase partnership interests in the Main Fund and the I (B) Fund, an investor must be an "accredited investor" under the Securities Act of 1933 and must meet the definition of a qualified client under the Investment Advisers Act of 1940. VC has set a target minimum investment levels for each of the Funds; however, VC, in its discretion, it may have allowed for lower levels of commitment.

### ***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. Accordingly, the General Partner's investment methodology is described below. 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 market intelligence provided through VC's advisory boards, other BC funds and Baird's investment banking, equity research and private wealth management groups. The General Partner will continue to develop relationships with established networks of founders and entrepreneurs, executives, co-investors, consultants, attorneys, investment bankers and government/regulatory officials to serve as sources of deal flow. The General Partner will perform detailed due diligence activities

for identified investment opportunities, encompassing, as appropriate, the market, products, competition, management, intellectual property, deal structure, valuation, financial projections and return expectations. The General Partner will be actively involved with the Fund's portfolio companies, providing on-going strategic direction and operational support.

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.

**Focus on Early and Expansion Stage Companies.** It is anticipated that the Fund will make investments primarily in early and expansion stage companies that have inherently greater risk than more established businesses. Accordingly, the growth of these companies may require significant time and effort resulting in a longer investment horizon than can be expected with lower risk investment alternatives. Such investments can experience failure or substantial declines in value at any stage. There is no assurance that such investments by the Fund will be successful.

**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.

**Unfunded Pension Liabilities of 80%-Owned Portfolio Companies.** Recent court decisions have suggested that, where an investment fund owns 80% or more of a portfolio company, the fund (and any other 80%-owned portfolio companies of the fund) might be found liable for certain pension liabilities of such a portfolio company to the extent the portfolio company is unable to satisfy such liabilities. Although the Fund intends to manage its investments to minimize any such exposure, the Fund may, from time to time, own an 80% or greater interest in a portfolio company that has unfunded pension fund liabilities. If the Fund (or other 80%-owned portfolio companies of the Fund) were deemed to be liable for such pension liabilities, this could have a material adverse effect on the operations of the Fund and the companies in which the Fund invests.

**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 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. See the Fund's Limited Partnership Agreement for additional information on potential conflicts of interests.

#### ***VI. Disciplinary Information***

There are no legal or disciplinary events that are material to an 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. 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.

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.

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, Baird Asia Limited and their affiliates from the portfolio company will not be shared with the Funds; provided that the General Partner believes in good faith that Baird, Baird Asia Limited and their affiliates 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.

Other general partners of private equity funds that are registered investment advisers and controlled by Baird include the following:

Baird Capital Partners Management Company V, 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 V Limited Partnership, BCP V Special Affiliates Limited Partnership and BCP V 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 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 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 Venture 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 Venture Partners IV Limited Partnership, BVP IV Affiliates Fund Limited Partnership, and BVP IV 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.

Baird Capital Partners Europe Limited, an English limited company and affiliated with Baird, is regulated and authorized by the Financial Conduct Authority and is the manager of certain partnerships formed to acquire businesses and make investments across a range of industry sectors.

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. 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***

The General Partner may distribute securities to investors in the Fund or sell such securities including through using a broker-dealer if a public trading market exists. The General Partner may also sell securities in the Fund through privately negotiated transactions with or without the use of brokers or dealers.



If the General Partner trades a 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. 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. 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. 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 or as described in the 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.

The General Partner may have entered into solicitation arrangements pursuant to which it compensated persons, including Principals and employees of Baird or its affiliates, for client referrals that resulted in the provision of investment advisory services by the General Partner.

#### ***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.

#### ***XVI. Additional Information***

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who is an investor. In connection with this requirement, we will ask you for certain information that will allow us to identify you, which is typically provided in the subscription agreement. A corporation, partnership, trust or other legal entity may need to provide other information such as its principal place of business, local office, certified articles of incorporation, a partnership agreement or a trust agreement. We may be required to disclose this information pursuant to applicable laws, rules or regulations, but it will otherwise be retained in confidence according to our privacy policy.

The General Partner's Privacy Notice which includes, but is not limited to, information on the sources of non-public information, disclosure of information and information security is available upon request.