

Baird Venture Partners Management Company III, LLC

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This brochure provides information about the qualifications and business practices of Baird Venture Partners Management Company III, 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 III, 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 III, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

Baird Venture Partners Management Company III, LLC

There were no material changes.

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I. Advisory Business

Baird Venture Partners Management Company III, LLC ("Baird Venture III"), the registered investment adviser, is a Delaware limited liability company. Baird Venture III was formed to provide "investment supervisory services" to its clients, which consist of private investment-related funds, including Baird Venture Partners III Limited Partnership, BVP III Special Affiliates Limited Partnership and BVP III Affiliates Fund Limited Partnership (collectively, the "Partnerships" or the "Funds," and together with any future private investment funds, "Private Investment Funds"). Baird Venture III 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 III. 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 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, 2016, Baird Venture III managed \$191.5 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 2.5% 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 the Fund's Limited Partnership Agreement (the "Effective Date") (regardless of when an investor was actually admitted). Beginning the earlier of (i) six years after the Effective Date, or (ii) following certain events (as more fully described in each Fund's partnership agreement (the "Partnership Agreement")), the Management Fee shall be reduced to 2.5% of aggregate funded commitments less distributions of such capital and any write-offs of portfolio investments; provided that distributions with respect to a portfolio company shall be treated as a return of capital only to the extent the fair market value of the Fund's interest in such portfolio company at the time of such distribution is less than the Fund's aggregate investment contributions made with respect to such portfolio company. 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 otherwise owed. In addition, after the General Partner has achieved an 8% compounded annually 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. 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. 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 million of the Fund's organizational and startup expenses, including legal, travel, accounting, filing, capital raising and other organizational expenses. The General Partner will bear the cost (through an offset against the Management Fee or otherwise) of all organizational expenses in excess of this amount, if any, and of any placement fees payable to any placement agent in connection with the formation of the Fund. The General Partner will pay all ordinary administrative and overhead expenses incurred in connection with managing, originating and monitoring investments, including compensation for employees' salaries, rent, utilities, etc. In addition to the Management Fee, 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; expenses of the LP Committee (the "LP Committee" is an advisory board composed of limited partner representatives from Baird Venture Partners III Limited Partnership and BVP III Special Affiliates Limited Partnership as selected 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. See the Fund's Limited Partnership Agreement for additional expense information. Baird and/or its affiliates have provided services to the Fund and have received compensation in connection with such services and fees for such services will not be offset against the management fee. The LPA for the Fund states that, notwithstanding anything to the contrary in the LPA, Baird, Baird Asia Limited ("BAL") and their affiliates may provide certain services to portfolio companies (e.g., investment banking or other financial advisory / consulting services) that are not subject to management fee offset, provided the General Partner believes in good faith that such services can be provided at a reasonable cost relative to the value provided to the portfolio company. Because BVP III only makes minority / non-control investments, the Advisor is not in a position to control the service providers used by its portfolio companies. However, the General Partner intends to encourage the use of such services of Baird or its affiliates when it believes it is the best interest of the portfolio company. Fees earned from providing such services will not be offset against the management fees. Historically, Baird and its affiliates have had limited opportunities to provide services to the portfolio companies of BVP III. Furthermore, the Adviser has not used the services provided by BAL, and as of January 1, 2016, BAL is no longer providing services to Baird Capital portfolio companies.

From time to time, the General Partner 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 for that investor. If the investor's investment in the Fund is held in a Baird fee-based account, the investor will not be charged an asset based fee on the value of the investor's BVP III holdings.

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 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. Except for the BVP III Affiliates Fund Limited Partnership, the minimum commitment of an investor who is an individual is \$250,000 and the minimum commitment of an institutional investor is \$1 million, although individual investor commitments of lesser amounts may have been 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. 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.

VC uses Venture Partners. The relationship of Venture Partners with Baird is that of an independent contractor. With respect to the LPA, Venture Partners are not Active Members, Management Persons, employees or otherwise dedicated resources of Baird or the Adviser. Venture Partners are compensated by the following: a retainer fee paid by the Adviser for fund-level strategic advice, investment sourcing assistance, and investment due diligence assistance from an operational perspective, and may also be compensated by portfolio companies for services provided directly to the respective company or companies (e.g., board participation, mentoring and advising management, industry expertise, etc.). Compensation paid by portfolio companies to Venture Partners may include, but may not be limited to, the following forms of compensation: board of director participation fees, stock options or other equity securities and other non-cash compensation and cash compensation, such as consulting fees. The compensation received by Venture Partners is not used in whole or part to offset the management fee paid by the Fund. In addition, Venture Partners may co-invest their own personal capital in portfolio companies.

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.

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.

Unfunded Pension Liabilities of 80%-Owned Portfolio Companies. 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 the potential conflicts of interest.

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. 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. Fees received for providing such services are not offset against the management fee. 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.

The General Partner formed BVP III 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 Global Fund Management I LP, a partnership organized under the laws of the Cayman Islands, is the general partner of BCGF I Affiliates Fund LP, Baird Capital Global Fund I LP, Baird Capital Global Fund I-DE LP and BCGF I Special Affiliates LP, which makes private equity investments, principally buyout and growth equity investments in lower middle-market companies in the U.S., U.K., and China. 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 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 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 Principal Group Management Company I, LLC, 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 Principal Group Partners Fund I, which makes co-investments in opportunities supporting private equity firms and experienced private equity professionals in transactions in the United States and possibly Europe.

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. Baird Capital Deutschland GmbH, a German limited liability company and affiliated with Baird, was formed

to identify investment opportunities in Germany for Baird and its affiliates and third parties to make direct investments into such investment opportunities.

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.

Certain employees of Baird, the Adviser and their affiliates were offered the opportunity to participate in a loan program to fund their investments in BVP III. These employees included members of the investment team for the Fund. 1:1 and 3:1 loans were provided by a third party independent financial institution through an agreement between the employee and the financial institution.

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 typically invests in private companies and generally purchases and sells such companies through privately-negotiated transactions with or without the use of a brokers or dealers. Baird may be used as a broker-dealer for such transactions.

The General Partner will typically only engage in public securities transactions when disposing of securities that have become publicly traded. In the event that the General Partner engages in a public security transaction, the General Partner will consider a number of factors in selecting a broker-dealer, including: (i) the commission charged (taking into consideration the size of the order and the price of the security), (ii) the broker-dealer's execution capabilities with respect to the security and (iii) the broker-dealer's general reputation and ability to execute an order in appropriate time frame (i.e., the overall responsiveness of the broker-dealer). Although the General Partner generally seeks competitive commission rates, it will not necessarily pay the lowest commission or commission equivalent. The General Partner does not consider, in selecting a broker-dealers, the receipt of research from broker-dealers. The General Partner, consistent with its duty to seek best execution, will generally use Baird to effect security transactions. The General Partner does not engage in soft dollar arrangements and therefore did not acquire any products or services with client brokerage commissions within the last fiscal year.

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 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. In some cases, with respect to investors that are referred by a solicitor, the Fund will have paid a placement or solicitation fee of up to 2.5% of such investors' commitment to the Fund; however, such fee would have been offset dollar for dollar against the Fund's management fee and, therefore, the fee will have been effectively borne by the General Partner. Baird Venture Partners Management Company III ("BVP-III") compensated Baird Financial Advisors for referring clients who made a commitment to Baird Venture Partners III Limited Partnership or BVP-III Special Affiliates Limited Partnership (collectively, "Baird Venture Partners III") and were accepted by BVP-III. The compensation structure consisted of two alternatives: Standard Commission and Asset Based Fee. Under the Standard Commission structure, Baird Financial Advisors were paid a commission based upon the size of the client's commitment to Baird Venture Partners III. The Baird Financial Advisor will earn an aggregate commission of 2% of the client's commitment to Baird Venture Partners III. The Baird Financial Advisor earned a commission of 1% of the client's commitment to Baird Venture Partners III at the time of closing on the client's commitment to Baird Venture Partners III and 20 basis points of the client's commitment to Baird Venture Partners III over each of the next five years for an aggregate commission of 2%. Under the Asset Based Fee structure, Baird Financial Advisors were not paid based upon the amount of the client's commitment to Baird Venture Partners III, but rather were paid based on the client's capital account balance in Baird Venture Partners III. During the term of Baird Venture Partners III, the Baird Financial Advisor was paid annually at the rate of 50 basis points based on the client's average quarterly capital account balance, provided that the total compensation to the Baird Financial Advisor under the Asset Based Fee structure did not exceed the total payment under the Standard Commission structure (i.e., 2% of the client's commitment to Baird Venture Partners III).

Certain Baird Financial Advisors invested in BVP-III Affiliates Fund Limited Partnership. The BVP-III fund consists of three limited partnerships: BVP-III Affiliates Fund Limited Partnership, Baird Venture Partners III Limited Partnership and BVP-III Special Affiliates Limited Partnership. Certain Baird Financial Advisors invested in BVP-III Affiliates Fund Limited Partnership and solicited clients to invest in Baird Venture Partners III Limited Partnership or BVP-III Special Affiliates Limited Partnership.

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.