

**INVESTMENT ADVISER BROCHURE
PART 2A OF FORM ADV**

BRENTWOOD PRIVATE EQUITY III, LLC

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This Investment Adviser Brochure (“Brochure”) provides information about the qualifications and business practices of Brentwood Private Equity III, LLC (“Brentwood III”). If you have any questions about the contents of this Brochure, please contact us at (310) 477-6611. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

Brentwood III is an investment adviser registered with the SEC under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). However, such registration does not imply a certain level of skill or training.

Additional information regarding Brentwood III is also available on the SEC’s website at www.adviserinfo.sec.gov.

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ADVISORY BUSINESS

Brentwood Associates is a private investment management firm, including Brentwood Private Equity III, LLC (“Brentwood III”), a registered investment adviser, and other organizations affiliated with Brentwood Associates (collectively, “Brentwood”). Brentwood commenced operations in 1972.

Brentwood III, a Delaware limited liability company, provides investment advisory services to private investment funds and commenced operations in April 1999.

Brentwood III and its affiliated investment adviser, Brentwood Private Equity IV, L.P. (“Brentwood IV” and together with Brentwood III, the “Advisers” or the “General Partners”) were formed to provide investment supervisory services to their clients, which consist of private investment funds. Each of Brentwood III and Brentwood IV and their affiliates conducts business primarily under the name Brentwood Associates.

Brentwood III is the general partner of Brentwood Associates Private Equity III, L.P. (“BAPE III”), Brentwood Associates Private Equity III-A, L.P. (“BAPE III-A”) and BAPE III Executive Fund, L.P. (“BAPE Executive”), each a Delaware limited partnership. In addition, Brentwood III is the management company to BAPE III, BAPE III-A, BAPE Executive and Brentwood Associates Private Equity IV, L.P. (“BAPE IV”) and BAPE IV - AIV, L.P. (“BAPE IV-AIV,” and together with BAPE III, BAPE III-A, BAPE Executive, BAPE IV and BAPE IV-AIV, the “Funds,” and together with any future private investment fund managed by Brentwood III, the “Private Investment Funds”). Pursuant to the Fund partnership agreements (each, a “Partnership Agreement”) and a management agreement between Brentwood III and Brentwood IV, Brentwood III has the authority to manage the business and affairs of the Funds.

The Funds and any other Private Investment Funds are private equity funds and invest through negotiated transactions in operating entities. Brentwood III’s investment advisory services to the Funds consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for such investments. Each Fund invests predominantly in non-public companies, although each Fund may invest in public companies, subject to any limitations set forth in its Partnership Agreement. The Funds generally seek to take a controlling position when investing in a portfolio company, and generally at least one Brentwood principal or other Brentwood investment professional serves on a portfolio company’s board of directors or other similar body in order to represent the applicable Fund’s interests in the portfolio company.

Brentwood III’s advisory services for the Funds are detailed in the applicable private placement memoranda, management agreements and Partnership Agreements and are further described below under “Methods of Analysis, Investment Strategies and Risk of Loss.” Investors in Private Investment Funds participate in the overall investment program for the applicable fund, but may be excused from a particular investment due to legal, regulatory or other applicable constraints.

As of November 30, 2011, Brentwood III managed \$214.6 million in client assets on a discretionary basis. Brentwood III is managed by its managing members, who are William M.

Barnum, Jr., Anthony U. Choe, Roger V. Goddu, Edward L. McCall, Eric G. Reiter and Steven W. Moore (the “Principals”). Brentwood III’s principal owner is William M. Barnum, Jr.

FEES AND COMPENSATION

In general, Brentwood III receives a management fee (the “Management Fee”) and a carried interest in connection with advisory services it provides to BAPE III and BAPE III-A and Brentwood IV receives a Management Fee and a carried interest with respect to services it provides to BAPE IV and BAPE IV-AIV. For each Fund, the carried interest distributed to a General Partner is subject to a potential giveback at the end of the Fund’s life if the General Partner has received excess cumulative distributions. BAPE Executive does not pay Management Fees or carried interest. Brentwood III or other Brentwood entities or affiliates may receive additional compensation in connection with management and other services performed for portfolio companies of Private Investment Funds and such additional compensation may offset in whole or in part the Management Fees otherwise payable to Brentwood III. In providing its management services, Brentwood III incurs expenses on behalf of the Funds, and Brentwood IV reimburses Brentwood III for expenses related to BAPE IV and BAPE IV-AIV. Investors in the Private Investment Funds also bear certain fund expenses. Investors should review the applicable Fund’s Partnership Agreement for details regarding the fee structures summarized below. Terms not defined herein are defined in the applicable Partnership Agreement.

Management Fees

Brentwood III has reduced its Management Fee for BAPE III and BAPE III-A since such Funds are no longer actively making investments. As the general partner of BAPE III and BAPE III-A, Brentwood III currently receives a Management Fee of 1% per annum, multiplied by the lower of the total contributions made to fund a remaining portfolio investments or the aggregate fair value of remaining portfolio investments. The Management Fee is subject to further adjustment as outlined below.

The Management Fee is increased by the excess of the aggregate amount by which the fee was previously deferred by the General Partner Participation Amount Reduction (GPPA Reduction), used to make Portfolio Investments and Bridge Financings disposed of in the current and all preceding years over the cumulative amount of such disposals in prior years. The Management Fee is reduced (but not below zero) by income received by Brentwood III or its affiliates from BAPE III and BAPE III-A’s portfolio companies for each fiscal year as follows:

Transaction fees (other than directors’ fees) 50%

Excess investment banking fees and director fees 100%

The Management Fee is payable until all portfolio investments are distributed or until Brentwood III’s relationship with BAPE III or BAPE III-A is terminated for other reasons (as described in the Partnership Agreement). Management Fees are payable semi-annually, partially in advance and partially in arrears. Installments of the Management Fee payable for any period other than a full six-month period are adjusted on *pro rata* basis according to the actual number of days in such period.

BAPE III Executive Fund, L.P. is not assessed any Management Fee.

Carried Interest

Brentwood III will receive a carried interest with respect to BAPE III and BAPE III-A equal to 20% of all realized profits in excess of an 8% compound preferred return subject to a General Partner catch-up provision, as more fully described in the applicable Partnership Agreements.

It is expected that any future Private Investment Funds will have a similar fee structure.

Other Information

The Funds and other Private Investment Funds invest on a long-term basis. Accordingly, investment advisory and other fees are expected to be paid, except as otherwise described in the Partnership Agreement, over the term of the Fund (or the relevant Private Investment Fund, as applicable) and investors generally are not permitted to withdraw from or redeem interests in the Fund (or other relevant Private Investment Fund, as applicable).

Principals or other employees of Brentwood may receive a portion of the Management Fee, carried interest or other compensation received by Brentwood III or its affiliates.

In addition to the Management Fee and carried interest payable to Brentwood III, the Funds bear certain expenses. As set forth in the applicable Partnership Agreement, the Funds generally bear all expenses relating to the Fund's investments to the extent not paid by portfolio companies, including legal, accounting, investment banking, travel, consulting, research, brokerage, finder's, custody, transfer, registration, insurance, advisory board, broken deal, interest, taxes, extraordinary expense and other similar fees and expenses, but not the Advisers' expenses in connection with maintaining and operating their offices (such as compensation of its employees, rent, utilities and general office expenses). Brokerage fees may be incurred in accordance with the practices set forth in "Brokerage Practices."

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described under "Fees and Compensation," Brentwood III receives a carried interest allocation on certain realized profits in BAPE III and BAPE III-A. Brentwood IV also receives a carried interest from BAPE IV (or BAPE IV-AIV). BAPE Executive is not charged a performance-based fee. The Advisers believe that this arrangement does not pose a conflict since the Funds are the primary investment vehicles for Brentwood's investors and BAPE Executive's ability to coinvest alongside BAPE III and BAPE III-A is subject to limitations set forth in the Partnership Agreements, including a cap on capital it can raise.

TYPES OF CLIENTS

Brentwood III provides investment advice to Private Investment Funds. Private Investment Funds may include investment partnerships or other investment entities formed under domestic or non-U.S. laws and operated as exempt investment pools under the Investment Company Act of 1940, as amended. 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 Brentwood III and its affiliates.

The Funds are closed to new investors, but BAPE III, BAPE III-A and BAPE IV generally had a minimum investment amount of \$10 million for third-party investors. Such minimum investment amount may be waived by the General Partners. BAPE Executive is an investment vehicle for certain Brentwood personnel and does not have a minimum investment amount.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

General

Brentwood III provides certain day-to-day investment advisory services to the Funds, subject to the supervision of Brentwood IV in the case of BAPE IV and BAPE IV-AIV. The investment committee of Brentwood III retains ultimate decision-making authority for BAPE III, BAPE III-A and BAPE Executive while the investment committee of Brentwood IV retains the ultimate decision-making authority for BAPE IV and BAPE IV-AIV. The Advisers have common owners and personnel. Accordingly, the Advisers' investment methodology is described below.

The Advisers generally focus on investing, typically as the first institutional investor, in middle-market consumer and consumer-related businesses in which they believe they can accelerate growth and increase enterprise value. The Advisers' investment advisory services consist of identifying and evaluating investment opportunities, negotiating investments, managing and monitoring investments and achieving dispositions for investments. The Advisers invest the Funds' assets predominantly in private companies although investments in public companies are permitted, subject to any restrictions in the Partnership Agreements.

There can be no assurance that the Advisers will achieve the investment objectives of each Fund and a loss of investment may be possible.

Investment Strategy

The Advisers' investment strategy for the Funds generally focuses on making control investments via recapitalizations, management buyouts and growth equity investments. The typical investment is between \$15 million and \$75 million. The Advisers seek to (i) target companies well-positioned to benefit from long-term consumption trends; (ii) focus on large, growing consumer sectors with historical expertise; (iii) leverage their Southern California location; (iv) capitalize on their position as the first institutional investor; and (v) actively guide portfolio companies through a four-phase growth strategy (operating enhancement, organizational development, growth through replication and internal investment and growth through acquisition).

Investment Process

Investment Origination and Screening. The Advisers originate their investment opportunities both through direct sourcing efforts in their targeted sectors of expertise as well as through intermediaries. In each of their targeted sectors, the Advisers have built relationships with operating executives and industry resources that provide industry insights into specific companies, management teams, and trends which form the basis for investment ideas. The Advisers leverage their reputation to produce a relevant and regular flow of transaction ideas.

Due Diligence and Investment Decisions. The Advisers employ three to four of their professionals to conduct a rigorous and comprehensive industry and business analysis of each potential investment. As an investment opportunity progresses, the Advisers will begin recruiting executives and industry resources from Brentwood's extensive network to act as advisors on the investment. Concurrent with this intensive review, the Advisers identify opportunities for operating enhancements and strategy modifications which comprise the foundation of near-term operating plans. The Advisers regularly hold review meetings to discuss the status and critical issues of potential new investments. While the Advisers' culture emphasizes the meaningful participation of the entire professional staff, final investment decisions are made by the Principals.

Transaction Structuring. The Advisers typically invest in control situations, relying on a variety of structures, including recapitalizations, management buyouts, and growth equity investments. While professionals of the Advisers and their affiliates usually seek to constitute a majority of the board of directors, the Principals also actively recruit independent directors with meaningful relevant experience. The Advisers carefully tailor their portfolio company capital structures to provide sufficient flexibility for the execution of the company's growth plans. As a result, the Advisers often utilize conservative financial leverage in the initial stages of an investment while the company undertakes key operational and organizational initiatives, or to allow significant reinvestment of capital for growth. Because the Advisers seek investments with high unlevered returns on invested capital, most investments are not reliant upon financial leverage to generate attractive risk-adjusted returns.

Investment Criteria. In assessing potential transactions, the Advisers seek investments in portfolio companies that demonstrate, or with the Advisers' resources have the potential to achieve, the following characteristics: experienced management leadership with aligned incentives; strong performance culture focused on the customer; differentiation that is tangible to the customer; clear path to long-term growth; and high returns on invested capital.

Realization and Exits. The Advisers' growth focus provides them with flexibility with respect to the timing and method of exit, enabling the optimization of proceeds from each realization. The Advisers' growth strategy creates companies that are often attractive to strategic buyers - the most frequent form of exit for Brentwood investments - as well as financial buyers seeking platforms for further growth. In certain portfolio companies where rapid and extensive reinvestment of capital is a continuing part of the growth strategy, the Advisers may seek partial liquidity through an initial public offering. The Funds typically hold investments between four and seven years, although the timing of realizations will vary based on the market conditions of the industry sector, the company's execution of its long-term growth strategy, and the general tenor of debt and equity financial markets.

Risks of Investment

Each Fund and its investors bear the risk of loss that the Advisers' investment strategy entails. Investors should review each Fund's private placement memorandum for information regarding risks specific to each Fund. In general, the risks involved with the Advisers' investment strategy and an investment in each Fund include, but are not limited to, those described below.

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

Future and Past Performance. The performance of the Principals' or the Fund's prior investments is not necessarily indicative of the Fund's future results. While the General Partner intends for the Fund to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurances that the targeted internal rate of return will be achieved. On any given investment, loss of principal is possible.

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.

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, the Fund's Limited Partners are required to pay annual management fees during the Fund's Investment Period based on the entire amount of their commitments.

Liquidity; 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, will generally 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 investments. Furthermore, the expenses of operating the Fund (including the Management Fee) may exceed its income, thereby requiring that the difference be paid from the Fund's capital.

Leveraged Investments. The Fund may make use of leverage by incurring debt to finance a portion of its investment in a given portfolio company. Leverage generally magnifies both the Fund's opportunities for gain and its risk of loss from a particular investment. The use of

leverage will also result in interest expense and other costs to the Fund that may not be covered by distributions made to the Fund or appreciation of its investments. In addition, this portfolio company leverage could accelerate and magnify declines in the value of the Fund's investments in the leveraged portfolio companies in a down market.

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

Reliance on the General Partner and Portfolio Company Management. Control over the operation of the Fund will be vested entirely with the General Partner, and the Fund's future profitability will depend largely upon the business and investment acumen of the Principals. The loss of service of one or more of the Principals could have an adverse effect on the Fund's ability to realize its investment objectives. Limited Partners generally have no right or power to take part in the management of the Fund, and as a result, the investment performance of the Fund depends entirely on the actions of the General Partner. Although the General Partner will monitor the performance of each Fund investment, it is primarily the responsibility of each portfolio company's management team to operate the portfolio company on a day-to-day basis. Although the Fund generally intends to invest in companies with strong management, there can be no assurance that the existing management of such companies will continue to operate a company successfully.

Projections. Projected operating results of a company in which the Fund invests normally are based primarily on financial projections prepared by each company's management. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

Need for Follow-On Investments. Following its initial investment in a given portfolio company, the Fund may decide to provide additional funds to such portfolio company or may have the opportunity to increase its investment in a successful portfolio company. There is no assurance that the Fund will make follow-on investments or that the Fund will have sufficient funds to make all or any of such investments. Any decision by the Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment or may result in a lost opportunity for the Fund to increase its participation in a successful operation.

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) and the application of complex tax rules to cross-border investments.

General Partner's Carried Interest. 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 would otherwise be the case.

Director Liability. The Fund will often obtain the right to appoint a representative to the board of directors of the companies in which it invests. Serving on the board of directors of a portfolio company exposes the Fund's representatives, and ultimately the Fund, to potential liability. Although portfolio companies often have insurance to protect directors and officers from such liability, not all portfolio companies may obtain such insurance, which may be insufficient if obtained.

Uncertain Economic and Political Environment. The current global economic and political climate is one of uncertainty. Prior acts of terrorism in the United States, the threat of additional terrorist strikes and the fear of a prolonged global conflict have exacerbated volatility in the financial markets and can cause consumer, corporate, and financial confidence to weaken, increasing the risk of a "self-reinforcing" economic downturn. A climate of uncertainty may reduce the availability of potential investment opportunities and increases the difficulty of modeling market conditions, reducing the accuracy of the financial projections. Furthermore, such uncertainty may have an adverse effect upon the portfolio companies in which the Fund makes investments.

Conflicts of Interest

During a Fund's Investment Period, the Principals will generally pursue all appropriate investment opportunities exclusively through that Fund, subject to certain limited exceptions. However, the Principals currently manage other Private Investment Funds and investments similar to those in which the Fund will be investing, and may direct certain relevant investment opportunities to those other Private Investment Funds and investments. The Principals and the General Partner's investment staff will continue to manage and monitor such other Private 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 Fund's Limited Partners, although the Principals have economic interests in such other Private Investment Funds and investments as well and may receive management fees and carried interests relating to these interests. Such other Private Investment Funds and investments that the Principals may control may compete with the Fund or companies acquired by the Fund. Following the Fund's Investment Period, the Principals may, and likely will, focus their investment activities on other opportunities and areas unrelated to the Fund's investments.

Because the General Partner's carried interest is based on a percentage of net realized profits, it may create an incentive for the General Partner to cause a Fund to make riskier or more speculative investments than would otherwise be the case.

DISCIPLINARY INFORMATION

Brentwood III and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Brentwood III is affiliated with Brentwood IV, the general partner of BAPE IV and an investment adviser registered with the SEC under the Advisers Act. Certain of the Principals, officers, employees and/or consultants of Brentwood IV serve Brentwood III or other Brentwood affiliates in a similar capacity.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

The Advisers have adopted a Code of Ethics and Securities Trading Policy and Procedures (the “Code”), which sets forth standards of conduct that are expected of Brentwood principals and employees and addresses conflicts that arise from personal trading. The Code requires Brentwood personnel to report their personal securities transactions, requires pre-clearance for Brentwood personnel directly or indirectly acquiring beneficial ownership or disposing of securities in an initial public offering or a private placement, and prohibits Brentwood personnel from directly or indirectly acquiring beneficial ownership of certain securities, without first obtaining approval from Brentwood’s Chief Compliance Officer. A copy of the Code will be provided to any investor or prospective investor upon request to Brentwood’s Chief Compliance Officer at (310) 477-6611. Personal securities transactions are required to be conducted in a manner that prioritizes the Funds’ (and such client’s) interests.

The Advisers and their affiliated persons may come into possession, from time to time, of material nonpublic or other confidential information about public companies which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. Under applicable law, the Advisers and their affiliated persons would be prohibited from improperly disclosing or using such information for their personal benefit or for the benefit of any person, regardless of whether such person is a client of the Advisers.

Accordingly, if the Advisers or any of their affiliated persons come into possession of material nonpublic or other confidential information with respect to any public company, the Advisers would be prohibited from communicating such information to the Funds (or any other clients), and the Advisers will have no responsibility or liability for failing to disclose such information to the Funds (or any other clients) as a result of following the Advisers’ policies and procedures designed to comply with applicable law. Similar restrictions may be applicable as a result of the Advisers’ personnel serving as directors of public companies and may restrict trading on behalf of clients, including the Funds.

Principals and employees of Brentwood III and its affiliates may directly or indirectly own an interest in Private Investment Funds, including through BAPE Executive or another co-investment vehicle. To the extent that co-investment vehicles exist, such vehicles may invest in one or more of the same portfolio companies as the Funds. Brentwood III and Brentwood IV agreed to invest, directly or indirectly through affiliates, approximately \$10 million in BAPE III (including BAPE III-A) and approximately \$22 million in BAPE IV, respectively.

The Advisers and their affiliates, principals and employees may carry on investment activities for their own account and for family members, friends or others who do not invest in

the Private Investment Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Private Investment Funds, even though their investment objectives may be the same or similar.

BROKERAGE PRACTICES

The Advisers focus on securities transactions of private companies and generally purchase and sell such companies through privately-negotiated transactions in which the services of a broker-dealer may be retained. However, the Advisers may also distribute securities to investors in the Funds or sell such securities, including through using a broker-dealer, if a public trading market exists. Although Brentwood III does not intend to regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If an Adviser sells publicly traded securities for a Fund, it is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser. In such event, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; and (iv) responsiveness to requests for trade data and other financial information.

The Advisers have 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 eligible brokers’ transaction fees and to reduce the expenses incurred for effecting client transactions to the extent consistent with the interests of such clients. Although the Advisers generally seek competitive commission rates, the Advisers may 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.

Consistent with the Advisers seeking to obtain best execution, brokerage commissions on client transactions may be directed to brokers in recognition of research furnished by them, although Brentwood III generally does not make use of such services at the current time and has not made use of such services since its inception. Such research services could include economic research, market strategy research, industry research, company research, fixed income data services, computer-based quotation equipment and research services and portfolio performance analysis. As a general matter, research provided by these brokers would be used to service all of the Advisers’ Private Investment Funds. However, each and every research service may not be used for the benefit of each and every Private Investment Fund managed by the Advisers, and brokerage commissions paid by one Private Investment Fund may apply towards payment for research services that might not be used in the service of such Private Investment Fund. Research services may be shared between Brentwood III and its affiliates.

The Advisers will not employ any agreement or formula for the allocation of brokerage business on the basis of research services; however, the Advisers may, in their discretion, cause

the Private Investment Funds 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 Adviser 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 Adviser 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 Advisers will periodically determine which brokers have provided research that has been helpful in the management of Private Investment Funds. To the extent consistent with the Advisers' goal to obtain best execution for their clients, the Advisers may seek to place a portion of the trades that they direct with the brokers who are identified through this process.

To the extent that the Advisers allocate brokerage business on the basis of research services, they may have an incentive to select or recommend broker-dealers based on their interest in receiving such research or other products or services, rather than based on the Private Investment Funds' interest in receiving most favorable execution.

Brentwood III does not anticipate engaging in significant public securities transactions; however, to the extent that Brentwood III engages in any such transactions, 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 Private Investment Funds are completed independently, Brentwood III may also purchase or sell the same securities or instruments for several Private Investment Funds simultaneously. From time to time, Brentwood III 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 Private Investment Fund of Brentwood III is favored over any other Private Investment Fund.

When an aggregated order is filled in its entirety, each participating Private Investment Fund 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 Private Investment Fund participating in such buy or sell order in accordance with the amount of securities originally requested for such Private Investment Funds. Each Private Investment Fund 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 Private Investment Funds over time.

REVIEW OF ACCOUNTS

The investments made by the Private Investment Funds are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of securities. However, the Advisers closely monitor companies in which the Private Investment Funds invest, and Brentwood's Chief Compliance Officer periodically

reviews each Fund's investments to confirm that each Fund is invested in accordance with its stated investment objectives.

Each Fund generally provides to its Limited Partners: (i) annual GAAP audited and quarterly unaudited financial statements and (ii) annual tax information necessary for each Limited Partner's tax return.

CLIENT REFERRALS AND OTHER COMPENSATION

The Advisers and their affiliates may enter into solicitation arrangements pursuant to which the Advisers compensate third parties for referrals that result in a potential investor becoming a Limited Partner in a Private Investment Fund. Any fees and expenses payable to any such placement agents will generally be borne by the Advisers indirectly through an offset against the Management Fee.

Brentwood III and/or its affiliates may provide certain business or consulting services to a Fund's portfolio companies and may receive compensation from these companies in connection with such services. As described in the Partnership Agreement, this compensation may, in many cases, offset a portion of the Management Fees paid by the Fund.

CUSTODY

The Advisers maintain custody of each Fund's assets held in each Fund's name with Merrill Lynch, Pierce, Fenner & Smith, Inc., a qualified custodian.

INVESTMENT DISCRETION

Brentwood III has discretionary authority to manage investments on behalf of the Funds. As a general policy, Brentwood III does not allow clients to place limitations on this authority. Pursuant to the terms of the Partnership Agreement, however, Brentwood III may enter into "side letter" arrangements with certain Limited Partners whereby the terms applicable to such Limited Partner's investment in the Fund may be altered or varied, including, in some cases, the right to opt-out of certain investments for legal, tax, regulatory or other similar reasons. Brentwood III assumes this discretionary authority pursuant to the terms of the applicable Partnership Agreement, the management agreement between it and Brentwood IV and powers of attorney executed by the Limited Partners of the Fund.

VOTING CLIENT SECURITIES

The Advisers have adopted the Brentwood Proxy Voting Policies and Procedures (the "Proxy Policy") to address how they will vote proxies, as applicable, for each Fund's (and any Private Investment Fund's) portfolio investments. The Proxy Policy seeks to ensure that the Advisers vote proxies (or similar instruments) in the best interest of the Funds, including where there may be material conflicts of interest in voting proxies. The Advisers generally believe their interests are aligned with those of the Funds' investors through the Principals' beneficial ownership interests in the Funds and therefore will not seek investor approval or direction when voting proxies. In the event that there is or may be a conflict of interest in voting proxies, the Proxy Policy provides that Brentwood III may address the conflict using several alternatives,

including by seeking the approval or concurrence of the Fund's advisory board on the proposed proxy vote or through other alternatives set forth in the Proxy Policy. The Advisers do not consider service on portfolio company boards by Brentwood personnel or the Advisers' 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 followed by the Advisers when voting proxies on behalf of the Funds. Current and prospective investors who would like a copy of the Advisers' complete Proxy Policy or information regarding how the Advisers voted proxies for particular portfolio companies should contact Brentwood's Chief Compliance Officer at (310) 477-6611, and such information will be provided at no charge.

FINANCIAL INFORMATION

Brentwood III does not require prepayment of management fees more than six months in advance or have any other events requiring disclosure under this item of the Brochure.