

Baird Private Wealth Management

Brochure

March 30, 2012



Baird Private Investment Management Program (Commission-Based Pricing)

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This brochure ("Brochure") provides information about the qualifications and business practices of Robert W. Baird & Co. Incorporated ("Baird") and Baird Private Wealth Management ("PWM"), a department of Baird, regarding PWM's Baird Private Investment Management Program (Commission-Based Pricing). Clients should carefully consider this information before becoming a client of Baird. If you have any questions about the contents of this Brochure, please contact us at the toll-free phone number listed above. The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Baird is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Robert W. Baird & Co. Incorporated ("Baird") updated the Form ADV Part 2A brochure for its Baird Private Investment Management Program (Commission-Based Pricing) (the "Brochure") on March 30, 2012. The following summary discusses the material changes that Baird has made to the Brochure since March 31, 2011, the date of the last annual update to the Brochure.

- Baird has updated information about the compensation it may receive from third parties relating to client investments and the compensation it may pay to its PIM Managers for referring business to other departments of Baird. See the Brochure section entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Baird's Participation or Interest in Client Transactions" for more information.
- Baird has clarified that the discretionary authority granted to Baird or other investment managers under the client's advisory agreement includes the authority to: make investment and trading decisions for client accounts (including the amount, type and timing with respect to buying, holding, exchanging, converting and selling securities and other assets); invest client accounts in Baird-affiliated products; and act in all matters necessary or incidental to the handling of client accounts as further described in the section of the Brochure entitled "Investment Discretion".

A client should note that the foregoing summary only discusses material changes made to the Brochure since March 31, 2011. The updated Brochure contains changes that are not listed above.

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Advisory Business

This Brochure describes the Baird Private Investment Management Program (Commission-Based Pricing) that Robert W. Baird & Co. Incorporated ("Baird") offers to its clients through Baird Private Wealth Management ("PWM"), a department of Baird. Separate brochures describe other investment advisory services that Baird offers to its clients and discuss the agreements, fees and potential conflicts of interest for each service. If you would like to request a brochure for another investment advisory service provided by Baird, please contact a Baird Financial Advisor or call Baird toll-free at 1-800-792-2473.

The information contained in this Brochure is current as of the date above and is subject to change at Baird's discretion. Please retain this Brochure for your records.

Robert W. Baird & Co.

Baird is an employee-owned wealth management, capital markets, asset management, and private equity firm formed in the State of Wisconsin in 1919.

Associates of Baird, together with Baird Financial Corporation, own substantially all of the outstanding stock of Baird. Associates of Baird, together with Baird Holding Company, own substantially all of the outstanding stock of Baird Financial Corporation. Associates of Baird own substantially all of the outstanding stock of Baird Holding Company.

Baird offers various investment advisory services to clients. The advisory services Baird offers include: portfolio management and analysis; analysis and recommendations regarding asset allocation and investment strategies; research, analysis and recommendations regarding investment managers and individual securities; investment consulting; financial planning; investment policy development; and account performance monitoring. Baird also offers clients execution of brokerage transactions and administrative services, including maintaining custody of account assets. Clients may also negotiate other services with Baird. Baird offers its services separately or in combination with other services.

Baird participates in wrap fee programs, including programs not described in this Brochure and it provides portfolio management services in connection with those programs. Baird receives a portion of the wrap fee for providing portfolio management services under those wrap fee programs.

As of December 31, 2011, Baird had approximately \$39.5143 billion in regulatory assets under management, approximately \$27.7661 billion of which was managed on a discretionary basis and approximately \$11.7482 billion of which was managed on a non-discretionary basis.

Baird Private Wealth Management

This Brochure describes certain investment advisory services that Baird PWM offers to clients through its Private Investment Management Program (Commission-Based Pricing) ("PIM Program").

The advisory services offered under the PIM Program generally include portfolio management, investment advice and consulting services, performance reporting, and related account services. In addition to the investment advisory services that Baird provides in connection with the PIM Program, Baird, in its capacity as broker-dealer, also provides clients with trade execution, custody and other standard brokerage services.

The PIM Program is a discretionary program where a client provides to Baird full discretionary authority to manage the client's account.

Baird clients typically work with a Baird Financial Advisor who has been approved by Baird to provide services under the PIM Program (a "PIM Manager"). The client, with the assistance of a PIM Manager, determines the services that are most appropriate given the client's goals and circumstances. Most clients complete a client household application and/or an investment questionnaire that assists the client and the client's PIM Manager with determining the client's investment needs, objectives and risk tolerances for the assets being invested.

In contrast to many asset management programs, clients who participate in the PIM Program do not pay an asset-based fee (i.e., a fee based on a percentage of the assets in the client's account).

Instead, clients only pay commissions and other costs and expenses on the securities transactions that are effected for their accounts. These commissions and other transaction charges compensate Baird for the combination of investment advice and brokerage services Baird provides.

Baird tailors its advisory services under the PIM Program to the individual needs of clients.

Subject to the agreement of Baird, a client may impose reasonable restrictions on the securities or types of securities to be held in the client's account. Please see "Investment Discretion" below for more information. Clients may negotiate with Baird to provide other investment advisory services.

All of the investment strategies discussed in this Brochure may not be appropriate for every client. Baird will only select or recommend those strategies believed to be suitable for a particular client.

The particular investment advisory services that Baird provides in connection with the PIM Program are further described below. Please review this Brochure carefully.

The Client-Baird Advisory Relationship

A client that wishes to participate in the PIM Program will enter into an advisory agreement with Baird. The client's advisory agreement will contain the specific terms applicable to the services selected by the client, fees payable by the client and other terms applicable to the client's advisory relationship with Baird.

In addition to the investment advisory services that Baird provides in connection with the PIM Program, Baird, in its capacity as broker-dealer, will provide clients with trade execution, custody and other standard brokerage services. For this reason, a client will also enter into a client account agreement with Baird if the client has not already done so. The client account agreement is a brokerage agreement that authorizes and directs Baird to execute trades for, and perform related services to, the client's account.

The terms of a client's advisory agreement, client account agreement and this Brochure apply to all PIM Program accounts that a client establishes

with Baird, including any accounts that a client may open with Baird in the future. Some of the information in those documents may not apply to a client now, but may apply in the future if a client makes changes to the client's advisory accounts or establishes other PIM Program accounts with Baird. Baird will generally not provide a client another copy of the advisory agreement, client account agreement or this Brochure when a client makes changes to the client's PIM Program account or establishes new accounts with Baird PWM unless the client requests a copy from a PIM Manager. Therefore, a client should retain those documents for future reference as they contain important information if a client changes services or establishes other advisory accounts with Baird.

From time to time Baird and its PIM Managers may engage in certain business practices or may receive compensation or other benefits that create a potential for conflict between the interests of clients and the interests of Baird and its PIM Managers. Baird generally addresses potential conflicts of interest by adopting and enforcing policies and procedures for Baird and its associates to follow that are designed to ensure that: (i) Baird and its advisory personnel comply with applicable fiduciary standards and act in the best interest of a client when providing investment advice; (ii) potential conflicts of interest are avoided or disclosed to a client; and (iii) Baird conducts its business in a manner that is consistent with the disclosures made.

Baird discloses potential conflicts of interest to a client by including relevant information in documents provided to the client, including, without limitation, this Brochure, brochure supplement(s) that contain information about individuals providing investment advice to the client, and the client's advisory agreement. The specific business practices that create potential conflicts of interest with clients and additional measures used by Baird to address those particular conflicts of interest are discussed in other sections of this Brochure.

Description of PIM Program

The PIM Program is a discretionary investment advisory program whereby a client grants full discretionary authority and management of the client's account to Baird and a PIM Manager.

In the PIM Program, a client's PIM Manager seeks to meet the client's particular investment needs by developing a customized investment strategy based upon guidelines that are jointly established by the client and the client's PIM Manager. At the commencement of services, the client's PIM Manager reviews the client's investment objectives and risk tolerance. Based upon that review and other information provided by the client, the PIM Manager makes a subsequent recommendation to the client as to which investment style the PIM Manager believes is best suited for the client. Some PIM Managers have model portfolios and distinct investment strategies, while others take a "counseled" or more customized approach to management of client accounts. A client makes the final decision as to which portfolio style is chosen for the client's account.

The client's PIM Manager will manage the client's PIM account in accordance with the investment style that, in the PIM Manager's judgment, correlates with the information the client provides to the client's PIM Manager. A client's PIM Manager will provide the client with more specific information as to how the PIM Manager will manage the client's account. For more information about the PIM Program, see "Methods of Analysis, Investment Strategies and Risk of Loss" below.

A PIM Manager may make investments in various types of securities, including, but not limited to, common or preferred stocks, options, warrants, rights, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual fund, exchange traded fund or other investment company shares, structured products, leveraged and inverse funds, mortgage and asset backed securities, collateralized mortgage obligations, United States government securities, and agency securities. All or a portion of the assets in a client's account may be held in cash or cash equivalents, including securities issued by money market mutual funds or may be deposited in interest-bearing bank accounts.

Additional Program Information

Eligible Investments. A client's account may generally only hold investment products that Baird has determined are eligible for the PIM Program.

Eligible investments for client accounts in the PIM Program generally include: common stocks, preferred stocks, convertible preferred stocks, convertible bonds, exchange-traded funds ("ETFs"), closed-end funds, American Depositary Receipts ("ADRs"), rights or warrants on equity securities, written covered call and written cash secured put equity options, publicly traded master limited partnership, real estate investment trusts ("REITs"), and limited liability company units; fixed-income securities, including but not limited to U.S. Treasury and federal agency securities, corporate bonds, exchange-traded notes ("ETNs"), municipal bonds, asset-backed and mortgage-backed securities, certificates of deposit (primary or secondary), money market fund shares, cash and cash equivalents; no-load or load-waived mutual funds, mutual funds that charge a back-end or level load (commonly referred to as B and C shares, respectively); annuities and interests in unit investment trusts with or without sales loads; and certain other alternative investment products approved by Baird for use in connection with the PIM Program such as: leveraged and inverse funds and other special situation mutual funds, including but not limited to managed futures mutual funds, long/short mutual funds, foreign debt funds; and structured CDs and notes ("structured products") (collectively, "alternative investments").

Assets that are ineligible for the PIM Program generally include, but are not limited to: certain limited partnerships or limited liability companies (other than publicly traded master limited partnerships and limited liability companies), such as hedge funds, fund of hedge funds, private equity funds, managed futures, exchange funds and other private investment funds; insurance products; commodities, futures or options on commodities, and commodity pools; and real estate.

Baird may change the list of eligible and ineligible investments for the PIM Program at any time in its discretion.

Under certain circumstances, Baird, in its sole discretion, may accept a client request to place an ineligible investment into a client's PIM Program account. In most cases, an ineligible investment is an "unsupervised" asset, meaning that Baird and its PIM Managers do not manage or provide advice regarding such asset. Baird, in its sole discretion, may also designate an asset that is

otherwise eligible for Program accounts as “unsupervised” under certain circumstances, such as when a client continues to hold an asset against Baird’s or client’s PIM Manager’s recommendation. If a client holds an unsupervised asset in a PIM Program account, the client does so with the understanding that the unsupervised asset may not be included in account statements or performance reports provided to the client and that Baird and its PIM Managers do not manage or provide advice regarding any unsupervised asset, even if the unsupervised asset is included in account statements or performance reports provided to the client. A client should consult the client’s PIM Manager for further information.

Updating Client Information. A client is responsible for providing information to Baird or the client’s PIM Manager reasonably requested by them in order to provide the services selected by the client. Baird and the client’s PIM Manager will rely on this information when providing services to the client. A client is also responsible for promptly informing Baird and the client’s PIM Manager of any changes in the client’s investment objectives, financial condition, or other circumstances that may affect the manner in which the client’s assets are invested. Baird and the client’s PIM Manager are not responsible for any adverse consequence arising out of the client’s failure to promptly inform Baird and the client’s PIM Manager of any such changes.

Tax Considerations. The investment strategies used for a client’s account and transactions in a client’s account, including liquidations, redemptions, and rebalancing transactions, may cause the client to realize gains or losses for income tax purposes. Baird does not provide any tax advice in connection with the PIM Program. A client should discuss the potential tax implications of the client’s investment strategies and transactions with the client’s tax advisor. If a client wishes for the client’s PIM Manager to implement a particular investment strategy for tax purposes, and the client’s PIM Manager agrees to implement such strategy, neither Baird nor the client’s PIM Manager will be responsible for the development, evaluation or efficacy of any such strategy.

Fees and Compensation

Advisory Fee

A client’s advisory agreement will set forth how the compensation the client will pay to Baird will be determined. Instead of an asset-based fee, clients who participate in the PIM Program (Commission-Based Pricing) pay to Baird commissions and other costs and expenses, as determined by Baird, for each transaction effected for their accounts.

For equity securities and exchange traded investment products, such as ETFs, the commissions and other costs and expenses generally will be determined according to Baird’s standard commission schedule then in effect, unless otherwise stated in the client’s advisory agreement. The commission rates may be negotiated by the client. Baird’s standard commission schedule considers the share price or principal amount and the number of shares traded in determining the applicable commission. Baird may change its standard commission schedule at any time without notice to the client. The transaction confirmation sent to the client will disclose the amount of the commission and other applicable charges for that transaction. Clients are encouraged to discuss commission rates with their PIM Manager.

For fixed-income securities, such as bonds, a client typically pays a fixed dollar amount per security bought or sold for the client’s accounts, or the client may pay a certain dollar amount that varies depending upon the aggregate value of the transaction.

For other investment products, such as mutual funds, private funds (such as hedge funds), structured products, and managed futures, a client generally will pay the commissions, sales charges and other transaction-based compensation disclosed in the prospectus or other offering documents for the applicable investment product. More information about this compensation is disclosed in Baird’s Important Information about Your Investment series of disclosure documents, which are available on www.rwbaird.com/disclosures.

For equity securities, exchange traded funds, bond and no-load mutual fund transactions, a client is subject to a minimum commission charge then in effect. The minimum commission charge

may change from time to time without notice to a client and can be found on Baird's website at www.rwbaird.com/disclosures or by contacting a PIM Manager.

The PIM Program fees and charges will be included in the cost of the trade and, therefore, automatically deducted from the client's account or from the investment amount. Other fees and charges, if applicable, will also be deducted from the client's account.

Baird may modify a client's existing fees and other charges or add additional fees or charges by providing the client with thirty (30) days' prior written notice.

A client account may also be subject to a minimum quarterly fee that will be set forth in the client's advisory agreement regardless of the values of the assets in the client's account.

The minimum account size for PIM accounts is typically \$50,000. This minimum may be waived in Baird's discretion.

The PIM Program fee and minimum account value are negotiable in certain instances and may vary based upon a number of factors, including but not limited to the size and nature of the assets in the client's account, the client's particular investment style or objective, and any particular services requested by the client. The fees paid by a client may differ from the fees paid by other clients based on a number of factors, including but not limited to the factors identified above.

Under the PIM Program, the compensation received by Baird and its PIM Managers is directly related to the amount of commissions paid by PIM Program clients and the number of transactions effected for their accounts. As the amount of commissions paid by PIM Program clients and the number of transactions effected for their accounts increases, the compensation that Baird receives and pays to PIM Managers also increases. Accordingly, this practice presents a conflict of interest because it gives Baird and its PIM Managers an incentive to trade actively for client accounts and to provide advice based upon the compensation received rather than on a client's needs. Clients should also

understand that the PIM Manager acts with discretion with respect to a PIM Program client's account and that, absent a client's instructions to the contrary, the PIM Manager will effect transactions for the client's account without obtaining the client's consent or providing notice to the client.

However, when providing investment advisory services to clients, Baird and its PIM Managers are fiduciaries and are required to act solely in the best interest of clients. Baird addresses these potential conflicts by adopting and enforcing policies and procedures that are designed to ensure that Baird and its PIM Managers comply with their fiduciary duties as is further described under the section "Advisory Business—The Client-Baird Advisory Relationship" above. In addition, the Branch Office Manager primarily responsible for supervising a PIM Manager periodically reviews trading in client accounts. Baird's Product Management and Compliance Departments also periodically monitor for excessive trading in PIM Program client accounts.

Other Fees and Expenses

In addition to the commission-based advisory fee described above, a client of Baird will incur other fees and expenses. A client also bears the costs of mark-ups, mark-downs, and spreads charged by broker-dealers in connection with purchases and sales of certain securities (such as securities traded over-the-counter and fixed-income securities) because such costs are inherently reflected in the price the client pays or receives for such securities. A client is also responsible for fees and expenses resulting from certain odd-lot differential, Securities and Exchange Commission ("SEC") and exchange fees, electronic fund and wire transfer fees, transfer taxes, margin interest, certain fees in connection with the establishment or administration or termination of retirement or profit sharing plans or trust accounting, or other costs or fees mandated by law or regulation.

A client's account may, from time to time, be invested in bank deposit accounts, money market funds, mutual funds, exchange traded funds and other registered investment companies, hedge funds, private investment partnerships, and other investment pools (including such funds and other products affiliated with Baird). These types of funds have their own fees and expenses that are

borne either directly or indirectly by their shareholders or unit holders, including a client. These fees and expenses may include investment management fees, distribution (12b-1) fees, transfer agency fees, networking fees, accounting fees, marketing support payments, administration fees, custody fees, shareholder servicing fees, expense reimbursements, and expenses associated with executing securities transactions for the fund's portfolio ("ongoing fund expenses"). These ongoing fund expenses are separate from, and in addition to, the fees and expenses a client pays for the PIM Program. As a result of making investments in these types of funds, a client should be aware that the client is paying multiple layers of fees and expenses on the amount of the client's assets so invested—the ongoing fund expenses and the PIM Program's fees and expenses. A client is also responsible for any redemption fees that a fund may impose on the client for frequent trading in the fund's securities. A client should review the prospectus and statement of additional information (or other applicable offering documents) for each fund in which the client invests for further information.

Clients who have PIM Program accounts may also have other accounts with Baird. Those accounts may be subject to fees, commissions or other expenses that are entirely separate from the payment of fees and expenses for the PIM Program.

Other Compensation Received by Baird

Baird is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and its Financial Advisors, including PIM Managers, are registered broker-dealer representatives of Baird. In such capacities, Baird and its PIM Managers provide brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, and other securities, and sales of life insurance policies and annuities. Baird and its PIM Managers receive compensation based upon the sale of such securities and other investment products, including asset-based sales charges and service fees on the sale of mutual funds. This practice presents a conflict of interest because it gives Baird and its PIM Managers an incentive to recommend investment products based upon the compensation received rather than on a client's needs. However, when providing investment

advisory services to clients, Baird and its PIM Managers are fiduciaries and are required to act solely in the best interest of clients. Baird addresses these potential conflicts by adopting and enforcing policies and procedures that are designed to ensure that Baird and its PIM Managers comply with their fiduciary duties as is further described under the section "Advisory Business—The Client-Baird Advisory Relationship" above. For more specific information about Baird's compensation and other benefit arrangements and how Baird addresses the potential conflicts of interest they create, please see the sections "Other Financial Industry Activities and Affiliations" and "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below.

With respect to clients participating in the PIM Program with a Commission-Based Pricing fee arrangement, Baird and its PIM Managers will generally not purchase for client accounts, or recommend the purchase of, "no load" mutual funds.

The PIM Program generally requires clients to custody their assets at Baird and requires them to effect transactions through Baird, as broker-dealer. Please see the section "Brokerage Practices" below for more information. A client that wishes to purchase investment products through other brokers or agents that are not affiliated with Baird should contact a PIM Manager about other Baird investment advisory programs that might be right for them.

Performance-Based Fees and Side-By-Side Management

Baird advises client accounts not participating in services described in this Brochure that are subject to performance-based fee arrangements. Performance-based fee arrangements involve the payment of fees based upon the capital gains or capital appreciation of a client's account. Any such fee arrangements are made in compliance with applicable provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Performance-based fee arrangements present a potential conflict of interest for Baird with respect to other client accounts that are not subject to performance-based fee arrangements because such arrangements give Baird an incentive to favor client accounts subject to performance-based fees

over client accounts that are not subject to performance-based fees.

In addition to complying with its fiduciary duties and avoiding or disclosing conflicts of interest to clients, Baird typically addresses potential conflicts of interest posed by performance-based fee arrangements by periodically monitoring the holdings and performance of performance-based fee accounts and comparing them to accounts not subject to a performance fee that are also managed using a similar strategy in an attempt to detect any possible inequitable treatment. Baird also attempts to minimize potential conflicts of interest posed by performance-based fee arrangements by adopting and enforcing internal procedures designed to ensure that securities allocations made to advisory client accounts are made in a manner such that all advisory clients receive equitable treatment.

Types of Clients

Baird offers the PIM Program to all types of current or prospective clients, including, but not limited to: individuals; banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; and corporations or other business entities. Applicable requirements for opening or maintaining an account with Baird, such as minimum account size, are discussed in the section entitled "Fees and Compensation" above.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies and Methods of Analysis

Under the PIM Program, a PIM Manager may use various investment strategies. A client's particular investment strategy is typically determined by the client's PIM Manager in consultation with the client.

PIM Managers, as a group, utilize a wide variety of investment styles, philosophies, strategies and techniques, which may change depending upon market conditions and developing portfolio theory. PIM Managers may follow different investing styles, such as, aggressive growth, growth, value, growth at a reasonable price, and others. The strategies may focus on certain market capitalization ranges, industries, sectors, credit quality, maturities and durations. Some PIM

Managers may specialize in select, concentrated and less diversified portfolios of securities that the PIM Manager thinks will appreciate in the future. Some PIM Managers may use leverage, including margin, in the management of the client's portfolio.

PIM Managers use various third party research information and related tools to provide investment advice to clients. These sources of information and tools may include, among others, issuer-supplied literature (such as annual reports, press releases and other information), and external market, economic, financial and investment data and analyses provided by organizations not affiliated with Baird, and research reports created by other departments of Baird. They may also employ the use of computers and third party application software to more readily display information and to assist with the evaluation and analysis. Although they use information and tools that Baird deems reliable, Baird does not independently verify or guarantee the accuracy of the information or tools used.

When managing client portfolios, PIM Managers may utilize Baird's Recommended Mutual Fund List, Baird's Recommended Portfolio, and lists of certain alternative investments that Baird has deemed eligible for use in the PIM Program. For more information about how Baird compiles its Recommended Mutual Fund List and lists of eligible alternative investments, see "Baird's Recommended Mutual Fund List", "Baird Recommended Portfolio", and "Alternative Investments", respectively below. The level of initial or ongoing review or evaluation that Baird performs on these products and their sponsors varies. Investment products that Baird merely makes available to clients do not generally receive the same level of initial or ongoing review or evaluation as those products that are included on a Baird recommended list.

A client should note that investment products recommended to the client or selected for the client's accounts, including investment managers or products included on a Baird recommended list, are those investments which, in Baird's professional judgment, may be appropriate to help the client pursue the client's financial goals, but that Baird and its PIM Managers do not represent or guarantee that such investment

products are or will be the best investment products available.

Under certain circumstances when requested by a client, Baird may allow a client to invest in a product that is not on a Baird recommended list or a list of products that Baird generally makes available to clients. A client should note that Baird does not provide any initial or ongoing evaluation of any such products or their sponsors and that the client's decision to invest in such a product is based solely upon the client's review of the product and sponsor.

PIM Managers, as a group, manage equity, balanced, fixed income and specialty portfolios. Some PIM Managers invest in registered investment companies (such as mutual funds, exchange-traded funds and closed-end funds) to help achieve a client's investment objective or to hedge a portion of the client's portfolio. Some PIM Managers may use illiquid securities for client accounts. Some PIM Managers invest in leveraged or inverse funds, and some PIM Managers invest in structured products. A PIM Manager may elect to use one or more model portfolios created by Baird for purposes of managing a client's account. The performance of a client's PIM account is compared to the benchmark index that the PIM Manager, in conjunction with the PIM Product Manager, determines is most suitable for comparison with the portfolio's investment style. Baird may at times change a client's PIM account benchmark index without prior notice to the client.

A PIM Manager's use of certain investment practices, such as concentrated investment strategies and margin, and certain types of investment products, such as illiquid securities, leveraged or inverse funds and structured products, involve special risks and may not be appropriate for all clients. Please see "Principal Risks" below for more information.

A client should ask the client's PIM Manager for additional information about the investment styles, philosophies, strategies, analyses and techniques the PIM Manager will use in order to meet the client's objectives.

Baird's Recommended Mutual Fund List.

Baird's PIM Managers may utilize Baird's Recommended Mutual Fund List when providing

investment advice to clients. Baird has engaged Wilshire Associates as an independent consultant in the construction of Baird's Recommended Mutual Fund List. The List is designed to include mutual funds across numerous asset classes. In constructing the List, Wilshire Associates may base its assessment of a particular mutual fund or the sponsor of a particular mutual fund on the organization's strength and performance quality; information gathering ability; forecasting ability; portfolio construction capability; idea implementation ability; self measurement capability; and use of various statistical techniques designed to assist in forecasting the expected future excess return of the fund. Baird's Mutual Fund Oversight Committee reviews the recommendations made by Wilshire Associates. Wilshire Associates also provides ongoing oversight and due diligence services to Baird in connection with maintaining the List. The Baird Aggregate Bond Fund, a mutual fund offered by Baird Funds, Inc. ("Baird Funds"), which is affiliated with Baird, has been selected by Wilshire Associates for inclusion in Baird's Recommended Mutual Fund List.

Baird Recommended Portfolio. PIM Managers may utilize the Baird Recommended Portfolio when providing investment advice to clients. The objective of the Baird Recommended Portfolio is to outperform the S&P 500 Index by selecting a diversified core portfolio of primarily large cap equities. Baird's Stock Selection Committee maintains the Baird Recommended Portfolio. The investment philosophy focuses on high quality companies with an emphasis on large cap stocks, as defined by a market capitalization of \$10 billion or greater. The portfolio may contain stocks with a market capitalization of less than \$10 billion, but these stocks will not represent more than 35% of the total portfolio. The portfolio is organized by industry sectors, with the Stock Selection Committee choosing to under- or overweight particular industry sectors (vs. the S&P 500 Index) based on economic analysis and input from Baird's Investment Policy Committee. Individual stocks are selected with an emphasis on quality companies that Baird believes have strong growth prospects and attractive price-appreciation potential. The portfolio will over- or under-weight an industry sector relative to the S&P 500 Index based on Baird's view of the current economic outlook and its fundamental analysis. Within a given industry sector, companies are selected with an emphasis on

quality and growth. Each stock is also assigned a weighting as a percentage of the portfolio with no one company comprising more than 5% of the entire portfolio. Stocks are sold or positions reduced primarily for three reasons: valuation, a change in company or industry fundamentals, or a change in industry sector weighting. The Baird Recommended Portfolio typically holds between 40-55 stocks. The Baird Recommended Portfolio represents a list of stocks only. It is not possible to invest directly in the Portfolio.

Alternative Investments

Baird's Recommended Fund of Hedge Fund List. When selecting funds of hedge funds for Baird's Recommended Fund of Hedge Fund List, Baird generally seeks to offer funds of hedge funds that have the following traits: a management firm that is registered with the SEC as an investment adviser; stable or growing assets under management; a well diversified portfolio of hedge funds; and reputable service providers (e.g., auditor, administrator, legal counsel and custodian). Baird also considers the principals' experience in managing fund of hedge fund portfolios and whether they have a network of contacts in the industry.

Baird's Advisory Services Research Department is primarily responsible for selecting and evaluating funds of hedge funds selected for Baird's Recommended Fund of Hedge Fund List. In selecting funds of hedge funds, Baird's Advisory Services Research group uses a due diligence process with a goal of determining whether the firm has an "edge" that Baird believes will result in favorable fund of hedge fund performance going forward. The process includes reviewing due diligence questionnaires and legal documents (e.g., subscription document, limited partnership agreement, offering memorandum, Form ADV brochures), completing an onsite review of the fund, and receiving approval by both Baird's Advisory Services Research Department and Baird's Manager & Policy Committee.

As part of its onsite review, Baird evaluates the fund's processes for: evaluating, hiring and terminating individual hedge funds; constructing a fund of hedge fund portfolio; and managing risk. Baird generally also meets with the fund's compliance personnel to understand their processes for evaluating prospective and current hedge fund investments from an operational and

compliance standpoint. Following the onsite review, an investment thesis is written and presented to the Advisory Services Research Department and Baird's Manager & Policy Committee. Baird's Manager & Policy Committee ultimately determines whether to include a fund of hedge fund on Baird's Recommended Fund of Hedge Fund List.

Baird monitors each recommended fund of hedge fund on a periodic basis. As part of its monitoring process, Baird reviews monthly and/or quarterly commentaries from the fund, and generally holds a quarterly conference call during which Baird reviews issues with fund personnel that Baird deems relevant, which may include the following: assets under management, asset flows (subscriptions and redemptions), organizational changes (e.g., personnel changes or new offerings), changes made to the fund (e.g., hedge funds added or terminated), and reasons for the fund's under- or out-performance relative to a benchmark. In addition, Baird conducts subsequent onsite reviews of each fund on a periodic basis when deemed necessary by Baird.

Baird may place a fund of hedge fund on "watch" status if the fund has experienced a material event that, in Baird's opinion, may negatively affect the fund's performance going forward. Examples include a significant decline in assets under management, high rate of redemptions, notable change in the investment or compliance teams, or regulatory problems. Any firm that is placed on watch status is subject to an onsite review to determine if the issue is likely to be temporary or long-term. Baird will remove a fund from watch if, in Baird's opinion, the issue has been adequately addressed. Baird will remove a fund from the List if it believes the issue is likely to be long-term.

Using the funds on Baird's Recommended Fund of Hedge Funds list, PIM Managers will select or replace, or recommend the selection or replacement of, a particular fund of hedge fund based upon each client's particular goals and circumstances.

Managed Futures. When making managed futures products available to its clients, Baird generally seeks to identify managed futures products that exhibit stable or growing assets under management and offer strategies that may

be suitable for Baird clients. Baird also considers the principals' management experience, size of the managed futures pool or fund and its sponsor, and historical performance.

Baird's Product Management Department is primarily responsible for selecting and evaluating managed futures products made available to clients under the Programs. Baird's initial evaluation of a managed future product and its sponsor includes a review of a questionnaire and legal documents (e.g., subscription documents and agreements, disclosure documents, and offering materials) and a meeting with key personnel in person or via telephone. Baird's Managed Futures Oversight Committee, which includes members of Baird's Product Management, Advisory Research, Compliance, Legal, and Risk Management Departments, ultimately determines whether to make a managed futures product available to Baird clients.

Baird generally monitors managed futures products made available to Baird clients on an annual basis through the use of a questionnaire that focuses primarily on the following factors: assets under management, organizational changes (e.g., personnel changes), changes made (e.g., investment strategies or process), and reasons for the product's recent performance. In addition, Baird conducts subsequent onsite reviews of each sponsor on a periodic basis when deemed necessary by Baird.

Baird may remove a managed futures product if it experiences a significant decline in assets under management, or a notable change in investment or key personnel, or regulatory problems.

Using the managed futures products that Baird makes available, PIM Managers will select or replace, or recommend the selection or replacement of, a particular managed futures product based upon each client's particular goals and circumstances.

Structured Products. When determining whether to make a structured product available to Baird clients, Baird reviews the offering documents for the structured product and considers: the size of the issuer and issuer's credit rating, the maturity of the product, how interest is calculated, the underlying asset category (e.g., a basket of

securities or currencies, or a market index), applicable caps, barriers, and participation rate, and whether the structured product has principal protection.

Baird tends to favor larger-sized issuers of structured products over smaller-sized issuers and also tends to favor structured products that have shorter maturities and offer principal protection.

Baird's Product Management Department is primarily responsible for selecting and evaluating structured products made available to clients under the Programs. Baird's Structured Products Oversight Committee, which includes members of Baird's Product Management, Advisory Research, Compliance, Legal, and Risk Management Departments, ultimately determines whether to make a structured product available to Baird clients.

Using the structured products that Baird makes available, PIM Managers will select or replace, or recommend the selection or replacement of, a particular structured product based upon each client's particular goals and circumstances.

Private Equity Funds. Generally, Baird only makes available to clients private equity funds that are affiliated with Baird. This presents a potential conflict of interest. See "Other Financial Industry Activities and Affiliations—Affiliated Private Equity Funds" below.

Principal Risks

Risk is inherent in any investment in securities and Baird does not guarantee any level of return on a client's investments. There is no assurance that a client's investment objectives will be achieved. By participating in the PIM Program, a client may be subject to the risks described below. The risks discussed below vary by Program and investment style or strategy, and may or may not apply to a client. Clients are encouraged to discuss with their PIM Manager the risks that apply to them.

General risks of the PIM Program include the following:

Market Risks. A client's account may change in value due to overall market fluctuations. General economic conditions, political developments,

international events and other factors may cause the overall market to decline, which in turn may reduce the value of the client's account regardless of the relative strength of the securities held in the account. Securities prices often vary for reasons unrelated to matters directly affecting the issuers of the securities.

Management and Securities Selection Risks.

A client's account may fluctuate in value differently than, or in the opposite direction as, the overall market or applicable benchmark because of the selection of individual securities for the account. The judgments made by the persons managing client accounts about the attractiveness, value and potential appreciation of particular securities may prove to be incorrect. For example, while the stock markets may experience increases in value, the client's account may experience a decline in value due to the underperformance of the stocks selected for investment in the client's account.

Investment Objective and Asset Allocation Risks.

A client's investment objective and asset allocation strategies involve the risk that certain asset classes selected for the client's account may not perform as well as other asset classes during varying periods. In addition, clients who pursue more aggressive investment objectives and asset allocation strategies, while hoping to achieve high returns, may face greater risk of loss than clients with more conservative objectives and strategies. In developing investment objectives and asset allocation strategies, clients should carefully consider their financial situation and needs, investment goals, investment time horizon and risk tolerance. A client should inform the client's PIM Manager of these considerations so the PIM Manager can assist in determining the client's investment objectives and asset allocation strategies.

Concentration Risks. A client's account may consist of a portfolio of securities that is concentrated in an issuer or group of issuers, an industry or economic sector or group of related industries or sectors, or concentrated in limited asset classes. Client accounts with concentrated positions are susceptible to greater volatility and increased risk of loss than an account that is diversified across several industries or sectors and asset classes.

Liquidity Risks. Certain securities may have more or less liquidity than other securities. Securities with less liquidity generally have wider bid and ask spreads. Also, the volatility of the price of a thinly traded security may be more than the volatility of the price of a widely traded security because of the impact of low trading volume. It may be difficult to sell an illiquid security at any given time and a client may not be able to obtain a favorable price for the security. As a result, illiquid securities may have a negative effect on the performance of the client's account.

Portfolio Turnover Risks. A portfolio with a high turnover rate will incur more transaction costs than one with a lower rate. Higher transaction costs may negatively impact the return of the account. High portfolio turnover may also result in tax liability due to the recognition of capital gains and ordinary income.

Derivatives Risks. The strategy used for a client's account may involve the use of options, futures, and short sales to "hedge" the overall risk of the client's account. The values of these investments are derived from an underlying asset and may fluctuate more than other investments, which may result in an unexpected decline in the account's value.

Leveraging Risks. The strategy used for a client's account may involve the use of margin (borrowing money to buy securities) also known as leveraging. Leveraging strategies may amplify the impact of any increase or decrease in the value of underlying securities in the client's account.

Stock Risks. Stock prices vary and may fall, thus reducing the value of a client's investments. Certain stocks selected for a client's account may decline in value more than the overall stock market.

Bond Risks. To the extent a strategy may involve investing in fixed-income securities, the strategy is subject to bond market risks. A bond's market value is affected significantly by changes in interest rates—generally, when interest rates rise, the bond's market value declines and when interest rates decline, its market value rises ("interest-rate risk"). Generally, the longer a bond's maturity, the greater the interest rate risk and the higher its yield. Conversely, the shorter a

bond's maturity, the lower the interest rate risk and the lower its yield ("maturity risk"). A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition ("credit-quality risk"). Because bond values may fluctuate, a client's account value may fluctuate. Client accounts may also be invested in municipal securities, and/or bonds that are not rated or are below investment grade. For more information, a client is encouraged to read the disclosure documents entitled "Important Information about Investing in Municipal Bonds" and "Important Information about Non-Rated or Below Investment Grade Securities" available on Baird's website at www.rwbaird.com/disclosures.

Capitalization Risks. A client may be invested in small and mid cap stocks, which are often more volatile and less liquid than investments in larger companies. The frequency and volume of trading in securities of such companies may be substantially less than is typical of larger companies. Therefore, the securities of such companies may be subject to greater and more abrupt price fluctuations. In addition, small- and mid-size companies may lack the management experience, financial resources and product diversification of larger companies, making them more susceptible to market pressures and business failure.

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

Government Obligation Risks. Certain securities issued by U.S. government-sponsored agencies or instrumentalities are not supported by the full faith and credit of the U.S. government. Examples of such securities are those issued by

the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation, which are supported only by discretionary authority of the U.S. Government, and the Student Loan Marketing Association, which are supported only by the credit of that agency.

Money Market Fund Risks. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1.00 per share, there can be no assurance that will occur, and it is possible to lose money should the fund value per share fall. In some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings may be liquidated and distributed to the fund's shareholders. This liquidation process could take time to complete. During that time, the amounts a client has invested in the money market fund would not be available for purchases or withdrawals.

Hedge Fund Risks. Investing in hedge funds presents special risks. Some of the more common risks include the following: limited regulatory oversight, lack of liquidity, management risks, limited disclosure and transparency of operations, potentially high fees, and performance fee conflicts. A client is encouraged to read the disclosure document entitled "Important Information about Fund of Hedge Funds" available on Baird's website at www.rwbaird.com/disclosures.

Managed Futures Risks. Investing in managed futures presents special risks. Some of the more common risks include the following: performance volatility, limited regulatory oversight, lack of liquidity, management risks, potentially high fees, and performance fee conflicts. A client is encouraged to read the disclosure document entitled "Important Information Regarding Managed Futures" available on Baird's website at www.rwbaird.com/disclosures.

Leveraged or Inverse Fund Risks. Leveraged or inverse funds are ETNs, ETFs or open-end mutual funds seeking returns that are the opposite of the performance of an index or other benchmark on a daily basis. Because of the effects of compounding, volatility and the fund

expenses, the returns of a leveraged or inverse fund over longer periods of time are not likely to track the opposite of the performance of the fund's underlying index, and may in fact be significantly different. To achieve their objectives, leveraged and inverse funds typically employ aggressive investment techniques, such as the use of short sales, swap contracts, futures, options and other derivatives with economic characteristics that are designed to perform opposite to the securities in the underlying index. Because of the unique characteristics of these funds and the special risks associated with them, the Financial Industry Regulatory Authority ("FINRA") and the Securities and Exchange Commission ("SEC") have issued a joint alert entitled "Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors", which is available on FINRA's and the SEC's websites. A client is encouraged to read the disclosure document entitled "Important Information about Leveraged and Inverse Funds" available on Baird's website at www.rwbaird.com/disclosures.

Structured Products Risks. Structured products are a hybrid between two asset classes typically issued in the form of a CD or note but instead of having a pre-determined rate of interest, the return is linked to the performance of an underlying asset class, such as single security or basket or index of securities; a commodity or basket or index of commodities, including futures; and/or a foreign currency or basket of foreign currencies. These investment products are complex and involve special risks. A client is encouraged to read the disclosure document entitled "Important Information about Structured Products" available on Baird's website at www.rwbaird.com/disclosures.

U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years. As a result, many of the above risks may be increased. Continuing market problems may have adverse effects on the client accounts.

For more information regarding the risks of investing in a particular investment product, a client should carefully review the offering documents for that product or ask the client's PIM Manager.

Disciplinary Information

In December 2008, Baird, without admitting or denying the allegations, consented to the findings of FINRA that it violated NASD Rules 2110, 3010(a) and 3010(b) by failing to establish and maintain an adequate supervisory system reasonably designed to review and monitor its fee-based brokerage business and its registered representatives. Baird was found to have failed to: implement fee breakpoint discounts on certain fee-based brokerage accounts; clearly identify the specific fee applicable to each customer; implement a system to automatically credit customers with the fee breakpoint discounts specified in their account agreements; and adequately disclose inclusion of margin activity and short sales in fee calculations for fee-based accounts. Baird was fined \$500,000 and paid restitution of \$434,510 plus interest to Baird customers.

Additional information about Baird's disciplinary history is available on the SEC's website at www.adviserinfo.sec.gov.

Other Financial Industry Activities and Affiliations

Baird is registered as a broker-dealer under the Exchange Act, and as an investment adviser under the Advisers Act. Baird is engaged in a broad range of activities, including: individual and institutional brokerage transactions; origination of, and participation in, underwritings of corporate and municipal securities; market making and trading activities in corporate securities and municipal and governmental bonds; distribution of mutual fund shares; option transactions; and research services.

Certain PIM Managers and certain management persons of Baird are registered, or have an application pending to register, as registered representatives and associated persons of Baird to the extent necessary or appropriate to perform their job responsibilities.

Baird is affiliated with certain investment advisors and investment products that are identified below, including certain mutual funds, ETFs and private equity funds. From time to time, Baird and its PIM Managers may recommend that clients invest assets with these investment advisors or in investment products that are affiliated with Baird. Such recommendation of

affiliated advisors or investment products creates a potential conflict of interest because Baird, its PIM Managers and/or Baird's affiliates may receive higher aggregate compensation if clients retain affiliated advisors or invest in affiliated investment products instead of retaining unaffiliated advisors or investing in unaffiliated investment products. However, as fiduciaries, Baird and its PIM Managers will select or recommend affiliated investment products only when they determine it to be in the client's best interest to do so. The criteria used by them in deciding to select or recommend affiliated investment products are the same as those used for unaffiliated investment products.

Other Investment Management Departments of Baird

Baird and its PIM Managers may, from time to time refer clients to Baird Advisors, Baird Investment Management, or Baird Public Investment Advisors, investment management departments of Baird. PIM Managers are eligible for special referral compensation to be paid by Baird that is based upon, among other factors, the compensation received by Baird. PIM Managers may have an incentive to recommend to clients the services of those Baird investment management departments over the services provided by other investment managers.

Affiliated Mutual Funds

Baird is the investment adviser and principal underwriter for the Baird Funds. Baird Advisors provides investment management, administrative, and other services to certain Baird Funds investing primarily in fixed-income securities (the "Baird Bond Funds"). Baird Investment Management provides investment management and other services to certain Baird Funds investing primarily in equity securities (the "Baird Equity Funds"). As compensation for those services, Baird receives fees from each Baird Fund, which are disclosed in each Fund's prospectus and statement of additional information available at www.bairdfunds.com.

PIM Managers who refer clients to the Baird Funds are eligible for special referral compensation to be paid by Baird that is based upon, among other factors, the compensation received by Baird. The amount of the referral compensation is disclosed in the each Baird Fund's statement of additional information available at www.bairdfunds.com.

PIM Managers may have an incentive to favor investments in the Baird Funds over investments in other mutual funds and to favor the Baird Equity Funds over the Baird Bond Funds.

Certain Baird Funds have been selected by Baird for inclusion on Baird's Recommended Mutual Fund List, and all Baird Funds are made available to clients under the PIM Program. Baird has a financial incentive to favor the Baird Funds because Baird receives more compensation if a client invests in the Baird Funds rather than other unaffiliated funds.

Currently, Baird Advisors serves as sub-advisor to a mutual fund series of the New Covenant Funds and a mutual fund series of CNI Charter Funds, Inc. Additional information about these mutual funds, including information relating to the compensation paid to Baird by these funds for investment management services, is available in each fund's prospectus and statement of additional information.

Affiliated Investment Advisors

Baird is affiliated with, and may be deemed to control, Riverfront Investment Group, LLC ("Riverfront") by virtue of Baird's equity ownership of Riverfront. Riverfront is an investment advisor that is based in Richmond, Virginia. Riverfront offers asset allocation, mutual fund, ETF and foundation strategies. Riverfront acts as investment sub-advisor for certain mutual fund series of the Financial Investors Trust. Baird is not involved in the day-to-day management of Riverfront or the investment decisions made by Riverfront for the account of Riverfront's clients. Riverfront investment products and services are available to Baird clients. Baird has a financial incentive to favor Riverfront investment products and services because the value of Baird's investment in Riverfront increases as Riverfront's assets under management increase.

Affiliated Private Equity Funds

Baird is also engaged in a private equity business through Baird Private Equity ("BPE"), Baird's global private equity group. Baird and PIM Managers may refer clients to BPE. BPE makes venture capital, growth equity and buyout investments in the business services, manufactured products and healthcare/life sciences sectors. Baird, in combination with certain executive officers, may be deemed to

control Baird Venture Partners Management Company I, LLC ("BVP I"); Baird Venture Partners Management Company III, LLC ("BVP III"); Baird Capital Partners Management Company III, LLC ("BCP III"); Baird Capital Partners Management Company IV, LLC ("BCP IV"); Baird Capital Partners Management Company V, LLC ("BCP V"); Baird Asia Partners Management Company I, LLC ("BAP I"); Baird Capital Partners Asia Management I Limited Partnership ("BCPA I"); and Baird Capital Partners Europe Limited. BVP I and BVP III participate in venture capital opportunities by investing in equity securities of early-to-growth stage companies. BVP I is the general partner of the three limited partnerships and is an investment adviser registered with the SEC. BVP III is the general partner of three limited partnerships and is an investment adviser registered with the SEC. BCP III, BCP IV and BCP V invest in equity securities of growing middle market companies issued in management buyouts, recapitalizations, industry consolidations and growth equity transactions. BCP III is the general partner of three side-by-side limited partnerships and is an investment adviser registered with the SEC. BCP IV is the general partner of three side-by-side limited partnerships and is an investment adviser registered with the SEC. BCP V is the general partner of three side-by-side limited partnerships and is an investment adviser registered with the SEC. BAP I has organized a limited partnership to invest in growth equity and change of control investments in companies that would benefit from accessing manufacturing or distribution capabilities in China. BAP I is the general partner of one limited partnership and is an investment adviser registered with the SEC. BCPA I makes growth equity investments in smaller, high potential companies with substantial operations and growth opportunities in China. BCPA I is the general partner of three limited partnerships and is an investment adviser registered with the SEC. Baird Capital Partners Europe Limited, an English limited company, is regulated and authorized by the Financial Services Authority and is the manager of certain partnerships formed to acquire businesses and make investments across a range of industry sectors.

PIM Managers who assist in obtaining a client's investment in a private equity fund affiliated with Baird are eligible for special referral compensation from the general partner of the private equity fund. The actual amount of compensation may

vary based upon the client's investment commitment and will be disclosed to a client prior to the time of investment.

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

Code of Ethics

Subject to the restrictions described below, Baird and its affiliates and associates may engage in securities transactions for their own accounts, including the same or related securities that are recommended to or owned by Baird clients. These transactions may include trading in securities in a manner that differs from, or is inconsistent with, the advice given to Baird clients, and the transactions may occur at or about the same time that such securities are recommended to or are purchased or sold for client accounts. This creates a potential for a conflict between the interest of clients and the interests of Baird and its affiliates and associates.

To address the potential for conflicts of interest, Baird has adopted a Code of Ethics (the "Code") that applies to its associates that provide investment advice to clients, including PIM Managers, their supervisors, and certain associates who have access to non-public information relating to advisory client accounts ("Access Persons"). The Code prohibits Access Persons from using knowledge about advisory client account transactions to profit personally, directly, or indirectly, by trading in his or her personal accounts. In addition, an Access Person who has discretionary authority over client accounts must generally pre-clear his or her trades or obtain prior authorization from his or her supervisor or Baird's Compliance Department before executing a trade. The Code also generally prohibits Access Persons who have discretionary authority over client accounts from executing a security transaction for their personal accounts during a blackout period that can extend from one to seven days before or after the date that a client transaction in that same security is executed. The Code provides for certain exceptions deemed appropriate by Baird management and/or by Baird's Compliance Department. In addition, orders for the accounts of Access Persons and other Baird associates that are under discretionary management by Baird may be aggregated with orders for other Baird client accounts, so long as the order is executed

as part of a block transaction with client orders. A copy of the Code is available to clients or prospective clients upon request.

Baird has also implemented certain policies and procedures relating to Baird's and its associates' trading activities that are designed to prevent them from improperly benefiting from the trading activities of Baird's advisory clients. For example, except for principal trades specifically authorized by clients, Baird conducts trading activity for advisory clients through trading personnel that are different from the trading personnel executing trades for Baird's own accounts. In addition, Baird's Compliance Department monitors the personal trading activities of all of Baird's associates providing advisory-related services to clients.

Baird's Participation or Interest in Client Transactions

Baird's Broker-Dealer and Related Activities.

In their broker-dealer capacities, Baird and its PIM Managers provide brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, options, and other securities, and sales of life insurance policies and annuities. Baird and its PIM Managers receive compensation based upon the sale of such securities and insurance and other investment products as further described below.

Brokerage and Related Trading Activities. Other investment management firms may select Baird, in its capacity as a broker-dealer, to execute portfolio trades for their clients, including for mutual funds or money market funds they advise. These investment management firms may also receive research in addition to execution services provided by Baird. Baird receives compensation for those execution services. This may create an incentive for Baird to favor the services of such investment management firms or their products, including the mutual funds or money market funds advised by such investment management firms. Also, because a client is paying commissions to Baird for advisory services it provides to the client, Baird and its PIM Managers have a financial incentive to favor an investment management firm that trades actively, thereby executing more trades and generating higher compensation for Baird and its PIM Managers. However, Baird and its PIM Managers act in the

best interest of advisory clients when selecting or recommending investment management firms or their investment products to such clients. Further, Baird does not consider the extent to which an investment management firm directs or is expected to direct trades to Baird for execution when considering the eligibility of an investment management firm for Baird's advisory programs (including when Baird constructs its Recommended Mutual Fund List). In addition, investment management firms are, absent client direction to the contrary, obligated at all times to retain the broker or dealer providing the client best execution. In addition, mutual fund companies are prohibited from considering Baird's efforts in marketing and selling their funds when selecting Baird for executing portfolio trades for the funds. To learn more about how a mutual fund company selects brokerage firms for trade execution, a client should consult the fund's statement of additional information, available from each fund.

If a client directs Baird to use a designated broker-dealer for trade execution (a "directed brokerage arrangement"), and if the designated broker-dealer referred the client to Baird or if the particular broker-dealer refers other clients to Baird in the future, Baird may benefit from the client's directed brokerage arrangement. Because of these potential benefits, Baird may have an economic interest in having the client continue the directed brokerage arrangement. The benefits Baird receives may conflict with the client's interest in having Baird recommend that the client utilize another broker-dealer to execute some or all transactions for the client's account.

Baird, as broker-dealer, continually engages in various securities transactions and trading activities through its institutional trading departments, including market making and corporate stock buyback activities. PIM Managers who refer corporate buyback opportunities to the institutional trading departments are eligible for referral compensation from Baird that is based upon, among other factors, the commissions that Baird receives. Baird and PIM Managers may, therefore, have an incentive to sell or to make sell recommendations with respect to the securities of issuers for which Baird provides such buyback services. However, Baird and PIM Managers will only sell or recommend a sale of such securities to an advisory client when they believe it is in the client's best interest to do so.

Baird may buy or sell securities for its own account, or may act as broker or agent for other Baird clients, including other advisory clients. Baird and its affiliates may give advice and take action in the performance of their duties to a client that may differ from advice given, or in the timing and nature of action taken, with respect to its own account or that of another client. These activities could create a conflict of interest with its clients. Baird addresses this potential conflict by adopting and enforcing internal procedures designed to ensure that securities allocations made to advisory client accounts are made in a manner such that all advisory clients receive equitable treatment. In addition, Baird has adopted a Code of Ethics and other internal trading policies and procedures relating to Baird's, its affiliates' and associates' trading activities that are designed to prevent them from improperly benefiting from the trading activities of Baird's advisory clients. See "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Code of Ethics" above.

Mutual Fund Selling and Servicing

Sales Charges. With respect to PIM Program accounts subject to a commission-based fee arrangement, a mutual fund may compensate Baird and the client's PIM Manager based on the front-end or back-end sales charges ("loads"), if any, paid by the client. This may provide Baird and the client's PIM Manager an incentive to favor mutual funds that have higher sales charges.

Distribution (12b-1) and Shareholder Servicing Fees. Baird and PIM Managers provide certain distribution and other shareholder-related services to mutual funds and their vendors with respect to Baird clients that hold shares of such mutual funds in their accounts. Baird and PIM Managers may receive distribution (12b-1) fees and other shareholder servicing fees from the funds or their sponsors on an ongoing basis as compensation for the services provided.

If Baird receives distribution (12b-1) or other shareholder servicing fees from a fund with respect to a client's mutual fund investment in the client's PIM account and the client is paying an asset-based fee to Baird on such investment, Baird rebates such distribution (12b-1) fees and other shareholder servicing fees to the client's PIM account, except for any account that is not a retirement plan account or other account subject

to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or an individual retirement account ("IRA") subject to the Internal Revenue Code (collectively, "Retirement Accounts"). Accordingly, the receipt of these fees provides Baird and PIM Managers an incentive with respect to non-Retirement Accounts participating in the PIM Program to favor mutual funds over other investment products, or to favor mutual funds that offer distribution (12b-1) and shareholder servicing fees greater than other funds.

Marketing and Other Financial Support. In addition to distribution (12b-1) and shareholder serving fees, Baird receives financial support from the sponsors of certain mutual funds included on Baird's Mutual Fund Leaders List. Baird also receives financial support from sponsors of certain money market mutual funds that Baird makes available to its clients. Financial support is not paid by sponsors of mutual fund companies on mutual fund assets held in Retirement Accounts. This support, which varies from fund company to fund company and is commonly referred to as "revenue sharing", is typically allocated toward the costs of training and educating PIM Managers and other Baird associates about the funds offered by the fund company, due diligence on the funds and marketing support.

In addition to marketing support payments described above, Baird may be reimbursed by mutual fund companies or their service providers for expenses incurred by Baird for various sales meetings, seminars, and conferences held in the normal course of business. Any such reimbursement is at the entire discretion of a particular mutual fund company.

Receipt of marketing support payments and expense reimbursements may provide Baird an incentive to favor mutual funds and their sponsors that make such payments over mutual funds and their sponsors that do not. However, Baird acts in the best interests of clients when recommending mutual funds to clients, and Baird does not consider the receipt of these payments in compiling its Mutual Fund Leaders List or Recommended Mutual Fund List.

The marketing support and other payments that Baird receives from mutual funds and their sponsors are not paid to PIM Managers, and the

compensation that Baird pays to PIM Managers is not tied to such payments. PIM Managers may, however, receive non-cash compensation and other benefits from Baird and mutual fund companies with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars, payment of related travel, lodging and meal expenses, and receipt of gifts and entertainment. Receipt of these benefits may provide PIM Managers an incentive to favor mutual funds and their sponsors that provide such benefits over mutual funds and their sponsors that do not. However, PIM Managers act in the best interests of clients when selecting or recommending funds in connection with the PIM Program. In addition, Baird has adopted policies and procedures for PIM Managers and other Baird associates providing advisory services that address and limit the receipt of such non-cash benefits in an attempt to avoid any question of propriety or any conduct inconsistent with Baird's high standards of ethics.

Networking Fees. Baird receives compensation from certain mutual funds in consideration for recordkeeping, sub-transfer agency and related services that it provides to those funds. While this may provide Baird an incentive to favor funds paying higher fees, these fees are not paid to PIM Managers, and the compensation that Baird pays to PIM Managers is not tied to such fees.

Schwab Clearing Arrangement. Baird has a clearing arrangement with Charles Schwab & Co., Inc. ("Schwab") whereby Schwab maintains an omnibus account with certain mutual funds for Baird on behalf of Baird clients. Although Baird pays Schwab a fee for the clearing service, Schwab passes through to Baird and PIM Managers a portion of the compensation that Schwab receives from the funds (including distribution (12b-1), shareholder servicing and revenue sharing payments) for services that Baird and PIM Managers provide to clients who invest in the funds.

If Baird receives distribution (12b-1) fees or other shareholder servicing fees from Schwab with respect to a mutual fund investment in a client's PIM account and client is paying an asset-based fee to Baird on such investment, Baird rebates such distribution (12b-1) fees and other shareholder servicing fees to the client's PIM account, except for any non-Retirement Account.

Accordingly, the receipt of these fees may provide Baird and PIM Managers an incentive with respect to non-Retirement Accounts participating in the PIM Program to favor funds that are part of the Schwab clearing arrangement over other investment products or funds not included in the Schwab clearing arrangement.

Additional Information. More detailed information about the compensation that Baird receives from a mutual fund company is available in the mutual fund company's prospectus or statement of additional information and on Baird's website at www.rwbaird.com/mutualfunds. Clients may also contact Baird or a PIM Manager for more specific information about the amount of compensation Baird may receive from any of these mutual fund companies. More detailed information about the compensation that Baird receives from Schwab is also available on Baird's website at www.rwbaird.com/mutualfunds.

Alternative Investment Product Selling and Servicing. With respect to PIM Program accounts subject to a commission-based fee arrangement, Baird and PIM Managers receive transaction-based compensation related to sales of alternative investment products. This may provide Baird and PIM Managers an incentive to favor alternative investments that pay higher compensation.

If an alternative investment product is registered as an investment company (that is, a mutual fund), Baird and PIM Managers may receive compensation described in the section entitled "Mutual Fund Selling and Servicing" above.

More detailed information about the compensation that Baird receives from an alternative investment product and its sponsor is available in the offering documents for the alternative investment product and in Baird's Important Information about Your Investment series of disclosure documents, which are available on Baird's website at www.rwbaird.com/disclosures. Clients may also contact Baird or a PIM Manager for more specific information about the amount of compensation Baird may receive from the sale of alternative investment products.

Annuities and Insurance Product Selling and Servicing. Insurance companies compensate Baird and its PIM Managers for selling their insurance products. Baird and its PIM Managers

are paid by the insurance companies in various forms including upfront commissions based upon the initial sale of the product and ongoing trail commissions or residuals relating to a client's continued holding of the product.

In addition to the compensation described above, Baird may receive additional financial support from the insurance companies of certain products that it sells for training and educating PIM Managers. This support, which varies from insurance company to insurance company, is commonly referred to as "marketing support payments". Receipt of marketing support payments may provide Baird an incentive to favor insurance companies that make such payments over insurance companies that do not. However, Baird does not consider the receipt of marketing support payments in compiling its "Baird Focus List" of insurance companies.

The marketing support payments that Baird receives from insurance companies are not paid to PIM Managers, and the compensation that Baird pays to PIM Managers is not tied to such financial support. PIM Managers and Baird associates may, however, receive non-cash compensation and other benefits from Baird and insurance companies with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars, payment of related travel, lodging and meal expenses, and receipt of gifts and entertainment. Receipt of these benefits may provide PIM Managers an incentive to favor insurance companies and their sponsors that provide such benefits over insurance companies and their sponsors that do not. However, Baird has adopted policies and procedures for its PIM Managers and other advisory personnel that address and limit the receipt of such non-cash benefits in an attempt to avoid having the investment advice provided to clients being compromised by such benefits.

More detailed information about the compensation that Baird receives from insurance companies is available in the disclosure documents related to the applicable insurance product and on Baird's website at www.rwbaird.com/annuities.

Baird's Other Financial Industry Activities

Investment Banking and Public Finance. Through its Investment Banking and Public Finance

departments, Baird provides investment advisory, securities underwriting and related investment banking services to various corporate, municipal, and other issuers of securities. Baird receives compensation and fees from such entities in connection with the services it provides. In addition, PIM Managers who refer securities underwriting or other business opportunities to the Investment Banking or Public Finance departments are eligible for referral compensation from Baird that is based upon, among other factors, the compensation and fees Baird receives. Baird and PIM Managers may, therefore, have an incentive to favor the securities of issuers for which Baird provides such services over the securities of issuers for which Baird does not provide such services. However, Baird and PIM Managers will only recommend such securities to a client when they believe it is in a client's best interest to do so. Also, in accordance with applicable law and Baird's policies, any securities underwritten by Baird will be sold to a client by Baird in a principal capacity only if the client consents to the transaction in writing and Baird has provided the client with all material information regarding Baird's or the client's PIM Manager's interest in the transaction. For more information, please see "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Principal Transactions" below.

Baird, by reason of its investment banking or other activities, may from time to time acquire information deemed confidential, material and non-public, about corporations or other entities and their securities. Baird and its associates are not permitted to divulge such information to any client or act upon such information with respect to a client's account or their own accounts.

Cash Sweep Program. Baird offers to clients a Cash Sweep Program through which cash balances in client accounts are automatically deposited or "swept" into an interest-bearing deposit account (the "Bank Sweep Option") established by Baird with one or more banks selected by Baird for inclusion in the Cash Sweep Program. Certain clients who meet the eligibility requirements may, as an alternative, invest their cash in one or more taxable or tax-exempt money market mutual funds (the "Money Market Fund Option") that Baird makes available as part of the Cash Sweep Program. The PrivateBank and Trust Company may from time to time hold client deposits under the Bank Sweep Option. Baird has

an ownership interest in The PrivateBancorp, the parent company of the PrivateBank and Trust Company.

In addition to the asset-based fee paid by the client on the funds invested in the Cash Sweep Program, Baird receives a fee from each bank or money market fund for the provision of certain administrative, accounting and other services to the bank or fund. Through the Money Market Fund Option, Baird receives compensation from the money market mutual funds and their sponsors. This compensation is further described in the section entitled "Baird's Participation or Interest in Client Transactions—Baird's Broker-Dealer and Related Activities—Mutual Fund Selling and Servicing—Marketing and Other Financial Support" above. Baird may waive receipt of any or all of this compensation. Baird generally shares a portion of the benefits it receives from the Cash Sweep Program with PIM Managers. The compensation that Baird and PIM Managers receive from the Bank Sweep Option and the Money Market Option gives them a financial incentive to recommend that clients invest cash balances in the particular sweep options included in the Cash Sweep Program. More detailed information about the Cash Sweep Program and the compensation Baird and PIM Managers receive is available on Baird's website at www.rwbaird.com/moneymarkets.

If a client holds mutual funds, alternative investment products, or any of the other investment products described above, Baird, its affiliates and associates will receive the fees and payments described above for the duration of the client's advisory relationship with Baird. In some circumstances, the receipt of such compensation may extend beyond a client's advisory relationship with Baird if the client continues to hold those assets at Baird.

Trust Service Providers. Baird maintains alliances with certain unaffiliated institutions that provide trust services. These unaffiliated institutions offer various types of trust services, including trust administration, custody, tax reporting and record keeping, to Baird clients. In connection with these alliances and the trust services provided by these unaffiliated institutions, Baird may provide marketing support services in assisting clients in their evaluation of the trust services. Baird may be compensated by these unaffiliated institutions for providing these marketing support services.

Such annual compensation generally will not exceed 10% of the annual trust service fees received by the unaffiliated institution.

Other Investment Products and Services. Baird offers to clients other investment products and services not described in this Brochure. These investment products and services provide different levels of compensation to Baird and PIM Managers. Baird and PIM Managers may have an incentive to favor those investment products and services that generate a higher level of compensation than those that generate a lower level of compensation. For more information about the other investment products and services offered by Baird, clients should contact Baird or a PIM Manager.

Agency Cross Transactions. In certain circumstances and to the extent permitted by applicable law and regulation, Baird may effect "agency cross" transactions through Baird with respect to a client's account. An "agency cross" transaction is a transaction in which Baird or its affiliates act as broker for the party or parties on both sides of the transaction. As compensation for its brokerage services, Baird may receive compensation from parties on both sides of an agency cross transaction, the amount of which may vary. Therefore, Baird may have a conflicting division of loyalties and responsibilities. However, in all cases, Baird will seek to obtain the best execution for each respective advisory client and will effect agency cross transactions only in accordance with the requirements of Rule 206(3)-2 under the Advisers Act. Furthermore, Baird will comply with additional conditions imposed by ERISA if the client account is a Retirement Account.

Where applicable, a client's advisory agreement discusses agency cross transactions and authorizes Baird to effect agency cross transactions for a client's account. **A client's authorization to Baird to effect "agency cross" transactions is given pursuant to Rule 206(3)-2 under the Advisers Act and may be withdrawn by a client at any time in client's sole discretion by sending written notice to Baird.**

Cross Trading Involving Baird Advisory Accounts. From time to time, when Baird believes that each respective transaction is

consistent with the client's best interest, Baird, acting as investment manager, may cause (or in the case of Non-Discretionary accounts, recommend) the sale of securities from an advisory client's account while at or about the same time causing (or, in the case of Non-Discretionary accounts, recommending) the purchase of the same securities for the account of another advisory client. Such transactions may have the benefit of reducing transaction and market impact costs.

In such cases, because Baird is acting as investment adviser for both buyer and seller, Baird is subject to potentially conflicting interests in causing (or recommending) the transactions. Also, because Baird is acting as investment adviser for both buyer and seller, transaction prices may be determined more by reference to market information or dealer indications for the securities involved, and less through the type of independent arms-length negotiation that might otherwise occur. In these transactions, Baird seeks to obtain best execution for each respective advisory client and to ensure that each client receives fair and equitable treatment.

Principal Transactions. Subject to the requirements of applicable law, Baird may, when it is in the best interest of a client to do so, execute transactions for a client account while acting as principal for Baird's own account (that is, Baird may sell a security from Baird's inventory to a client, or Baird may purchase a security from a client for Baird's inventory).

In addition to the advisory fee paid by a client, Baird may realize profits from principal transactions with a client based on the difference between the price Baird paid for the security and the price at which Baird sold the security, which may include a markup or markdown from the prevailing market price, an underwriting fee, selling concession, or other incentive to execute the transaction. In trading as principal with a client, Baird will have potentially conflicting division of loyalties and responsibilities regarding Baird's own interests and the interests of the client. This profit potential may give Baird an incentive to recommend a transaction in which Baird acts as principal. Nonetheless, Baird has a fiduciary duty to act in the best interest of clients and to obtain best execution for its advisory clients. Furthermore, Baird has adopted internal procedures designed to ensure that Baird will not

act in a principal capacity for any transaction in an advisory client's account, absent disclosure of the transaction to the client, including all material information regarding Baird's and the client's PIM Manager's interest in the transaction, and the client's prior written approval of the transaction or unless otherwise allowed by applicable law, and provided that such transaction is not otherwise prohibited by ERISA.

A client's advisory agreement discloses, where applicable, the possibility of Baird's role in potential principal transactions, and each transaction confirmation sent to Baird clients discloses the capacity in which Baird served in the transaction and whether Baird is a market maker in each security the client bought or sold.

Baird may also act as principal in selling securities to a client's account during offerings underwritten by Baird as further described above. In each such instance, Baird will provide certain disclosures about the transaction and obtain the client's consent to the trade.

Interest in Other Client Transactions. Baird and its PIM Managers may recommend to clients, and may buy and sell for client accounts, securities in which Baird and its affiliates and associates have a material financial interest. For more information, please see "Other Financial Industry Activities and Affiliations" above and "Brokerage Practices" below.

If Baird, or an affiliate or associate of Baird, receives any compensation or benefit described in this Brochure from or related to a client's investment, they will generally retain the compensation or benefit. Except as otherwise described above, Baird generally does not rebate these amounts to a client's account or credit the amount against the advisory fees payable by a client unless Baird may not keep such compensation under applicable law.

Brokerage Practices

Broker-Dealer Selection; Directed Brokerage Arrangement

Clients who participate in the PIM Program are generally required to maintain their accounts at Baird (and Baird has custody over the assets in those accounts). Clients also authorize and direct the PIM Manager to execute all securities transactions through Baird, as broker-dealer.

This is a directed brokerage arrangement. A client should understand that in the PIM Program (Commission-Based Pricing), a client's contemporaneous buy and sell orders are generally not aggregated. Because trade orders are not aggregated, a PIM Manager may be unable to achieve best execution for the client's transactions. Directed brokerage arrangements may cost the client more money as they may result in the client paying higher commissions and greater bid/offer spreads, or receiving a less favorable net price than the client may experience if a PIM Manager negotiated commission rates and spreads and selected broker-dealers to execute trades for client's account. Baird and the PIM Manager benefit from the client's directed brokerage arrangement. Because of these potential benefits, Baird and the PIM Manager have an economic interest in having the client continue the directed brokerage arrangement. The benefits received may conflict with the client's interest in having Baird and the PIM Manager recommend that the client utilize another broker-dealer to execute some or all transactions for the client's account.

Certain client accounts, including those of the mutual funds identified above, managed by Baird have similar investment objectives and strategies but may be subject to different fee schedules or commission rates. This creates a potential conflict of interest as Baird and its PIM Managers may have an incentive to favor client accounts that generate a higher level of compensation than accounts with lower fee or commission rates. Baird and its PIM Managers address potential conflicts of interest posed by different client fee arrangements by complying with their fiduciary duties to clients. Baird also adopted and enforces internal procedures designed to ensure that securities allocations made to advisory client accounts are made in a manner such that all advisory clients receive equitable treatment.

Soft Dollar Benefits

Because all trade orders under the PIM Program are executed by Baird, as broker-dealer, Baird does not receive any soft dollar benefits in connection with trades executed for PIM Program clients.

Other Brokerage Matters

Baird provides execution services to a client under the PIM Program. Baird will arrange for delivery

and payment in connection with the execution services rendered to a client, and the client authorizes Baird to act on the client's behalf in all other matters necessary or incidental to the handling of the client's account.

Baird, as a broker-dealer, is subject to the provisions of Section 11(a) of the Securities Exchange Act and Rule 11a2-2(T) thereunder. Therefore, some transactions effected by Baird for certain clients on a national or regional securities exchange must be executed through a floor broker unaffiliated with Baird.

In connection with transactions effected for a client's account, Baird may establish and trade in Baird's or the client's name with members of national or regional securities exchanges and FINRA, including "omnibus" accounts established for the purpose of combining orders for more than one client.

Trade Error Correction

It is Baird's policy that if there is a trade error for which Baird is responsible, trades will be adjusted or reversed as needed in order to put the client's account in the position that it would have been in as if the error had not occurred. Errors will be corrected at no cost to client's account, with the client's account not recognizing any loss from the error. The client's account will be fully compensated for any losses incurred as a result of an error. If the trade error results in a gain, the gain may be retained by Baird; however, any gain retained by Baird may not be used to offset previous losses charged to a Baird associate.

Baird offers many services and, from time to time, may have other clients in other programs trading in opposition to clients in Program accounts. To avoid favoring one client over another client, Baird attempts to use objective market data in the correction of any trading errors.

Review of Accounts

Client Account Review

Client accounts are monitored on an ongoing basis by the client's PIM Manager and are subject to review by the Branch Office Manager. The Baird Branch Office Manager (or his or her designee) responsible for supervising a client's PIM Manager is required to review the client's account's daily

trading activity. The Baird Branch Office Manager (or his or her designee) is also required to perform a quarterly review of his or her branch's PIM accounts, focusing on verifying that the PIM Manager's composites of client accounts are being managed in accordance with the PIM Manager's investment philosophy statement and that the client accounts within each composite are being treated equitably.

Performance and Account Reports

PIM Managers are generally required to provide a written report to each client on the performance of the client's PIM accounts at least annually. However, performance reporting may not be available for account assets that are not custodied at Baird. Client performance reports usually contain a portfolio valuation and typically show the asset allocation of the client's portfolio, changes in a client's portfolio, and account performance compared to a benchmark market index or indices (such as the S&P 500® Index or the Barclays Capital U.S. Intermediate Government/Credit Bond Index). The benchmark may be a blended benchmark that combines the returns for two or more indices.

Baird may change or discontinue performance reporting to a client at any time for any reason upon notice.

Benchmarks shown in performance reports are for informational purposes only. Baird's selection and use of benchmarks is not a promise or guarantee that the performance of a client's account will meet or exceed the stated benchmark. When the client compares portfolio performance to the performance of a market index, the client should recognize that a market index merely reflects the performance of a list of unmanaged securities included in the index and does not take into account management fees, execution costs, and other expenses related to the operation of a portfolio. The securities included in a client's portfolio generally do not mirror the securities included in the index.

If Baird provides transaction execution services to a client, Baird will generally provide the client with a monthly brokerage account statement when activity occurs during that month. Otherwise, Baird will provide the client with a quarterly statement if there has not been any intervening monthly transaction activity.

When preparing a client's account statements and performance reports, Baird relies upon third parties, such as third party quotation services and custodians when determining the value of account assets. Baird does not conduct an in-depth review of valuation information provided by third party quotation services or custodians, and it does not verify or guarantee the accuracy of such information. The prices obtained by Baird from the third party quotation services it uses may differ from prices that could be obtained from other sources. If a client has assets held by a third party custodian, the prices shown on a client's account statements provided by the custodian may be different from the prices shown on statements and reports provided by Baird due to the use of different valuation sources by the custodian and Baird.

Client Referrals and Other Compensation

Baird may provide compensation to individuals who refer clients in some instances. When applicable, the compensation paid is a percentage of the client's fee payments or the value of the client's account. The amount of compensation will vary, with the specific level determined based upon consideration of various factors including, but not limited to, the individual's role in developing the client relationship and the assets under management. Baird may pay these fees to registered representatives of Baird and its affiliates as well as to unaffiliated, solicitors that have entered into a written agreement with Baird.

Baird and its affiliates and associates may receive certain economic benefits, described in the sections entitled "Other Financial Industry Activities and Affiliations" and "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" above, for providing investment advice or advisory services to clients.

Custody

The PIM Program requires clients to custody their account assets at Baird. However, Baird in its sole discretion may accept certain clients into the PIM Program whose assets are custodied with other financial institutions that are acceptable to Baird. A client who uses a custodian other than Baird will pay a custody fee in addition to the Program fee and may not receive performance review or reporting from Baird.

A client who uses a third party custodian authorizes Baird to give instructions to the client's custodian for all actions necessary or incidental to the purchase, sale, exchange, and delivery of securities held in the client's account. Also, the client will receive account statements directly from their selected custodian. Clients should carefully review those account statements and compare them with any account statements provided by Baird.

Investment Discretion

If a client elects to participate in the PIM Program, the client's advisory agreement authorizes Baird to manage the client's account in accordance with the terms of the PIM Program and authorizes Baird to make investment decisions for the client's account, with the authority to determine the amount, type and timing with respect to buying, holding, exchanging, converting and selling securities and other assets for the client's account. The client's advisory agreement also grants to Baird complete and unlimited trading authorization and appoints Baird as agent and attorney-in-fact with respect to the client's accounts and all related trading and other decisions. Pursuant to such authorization, Baird may, in its sole discretion and at the client's risk, purchase, sell, exchange, convert and otherwise trade the securities and other investments in the client's account, as well as arrange for delivery and payment in connection with the above, and act on the client's behalf in all matters necessary or incidental to the handling of the client's account without prior notice to the client. Orders for the purchase and sale of securities in a client's account will generally be executed by Baird, in its capacity as broker-dealer.

Such trading authorization shall remain in full force and effect until terminated by the client or Baird.

The PIM Program offers clients the ability to impose reasonable investment restrictions on the management of their accounts, including the designation of particular securities or types of securities that should not be purchased for the client's account, but a client may not require that particular funds or securities (or types) be purchased for the client's account.

In the event that a client's account is restricted from investing in certain securities, the PIM Manager will select such other replacement securities, if any, as the PIM Manager deems appropriate. Accounts with investment restrictions may perform differently from accounts without restrictions and performance may be poorer. In addition, in the event there is a change in the classification or credit rating of a security held in the client's account, a client's investment restrictions may force the PIM Manager to sell such security at an inopportune time, possibly negatively impacting account performance and/or causing a taxable event to the client. A client should also be aware that, if the client's account holds any pooled investment vehicles (such as mutual funds or ETFs), any investment restrictions the client places on the client's account may not flow through to the securities owned by those pooled investment vehicles.

Baird may use the discretionary authority granted to it by a client to invest the client's accounts in mutual funds that pay fees to Baird or to any of its affiliates for investment advisory or other services they provide to the mutual funds. In addition, if the client participates in cash sweep services provided by Baird, short-term cash balances in the client's account may be invested in one or more money market mutual funds and individual deposit accounts, whether advised by Baird, its affiliates, or a third party. Baird and its affiliates may receive fees or other compensation related to such cash balance investments made by the client.

By signing an agreement with Baird, a client consents to Baird investing all or a portion of the client's account in mutual funds or deposit accounts with banks that pay advisory or other fees to Baird or its affiliates ("Baird-affiliated investment products"). The amount of fees received by Baird and/or its affiliates is described in this Brochure in the section entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Baird's Participation or Interest in Client Transactions" above and/or the prospectus or other offering documents for the investment product. Baird will use its discretionary authority to invest the client's account in Baird-affiliated investment products when Baird determines it to be in the client's best interest to do so. The criteria used by Baird in deciding to invest in Baird-affiliated

investment products are the same as those used in deciding to invest a client's assets in unaffiliated investment products. A client's consent may be revoked at any time.

Voting Client Securities

Under the PIM Program, a client may retain the right to vote proxies with respect to the securities held in the client's account, or a client may delegate such right to Baird. If a client delegates voting authority to Baird, Baird will vote proxies solicited by, or with respect to, securities held in the client's account for the exclusive benefit of the client and in accordance with policies and procedures adopted by Baird.

Baird has adopted written policies and procedures that are reasonably designed to ensure that it votes client securities in the best interests of clients. Those procedures address material conflicts of interest that may arise between Baird's interests and those of its clients. Although a description of Baird's proxy voting policies and procedures is provided below, Baird will furnish a copy of its proxy voting policies and procedures to clients upon their request. Additionally, clients may obtain information on how Baird actually voted proxies with respect to the securities held in their accounts by contacting their PIM Manager or by calling (414) 765-3500.

In situations in which a client has delegated to Baird voting authority with respect to securities in the client's account, Baird will monitor corporate events and vote proxies in a manner that Baird believes is consistent with the client's best interests. Baird utilizes Institutional Shareholder Services ("ISS"), an independent provider of proxy voting and corporate governance services, to analyze proxy materials and votes and make independent voting recommendations. ISS provides proxy voting guidelines regarding its position on various matters presented by companies to their shareholders for consideration. These guidelines provide an indication as to how Baird will actually vote on particular issues. Baird will generally vote proxies for client accounts based on the recommendations of ISS; however, the client's PIM Manager may suggest voting against ISS's recommendations when the PIM Manager determines it to be in the clients' best interests to do so. The PIM Manager also may suggest how to vote on a particular matter not addressed by ISS. When PIM Manager suggests

voting against ISS's recommendations on a particular matter or suggests how to vote on a matter not addressed by ISS, the PIM Manager will bring the matter to the attention of Baird's Proxy Voting Committee, which will then be responsible for determining how the vote will be cast.

The proxy voting policies and procedures also address instances in which Baird's interests may appear to conflict with client interests, such as when Baird or an affiliate is managing or administering (or seeking to manage or administer) a corporate retirement, pension or employee benefit plan or providing (or seeking to provide) brokerage, underwriting, insurance, financial advisory or investment banking services to a company whose management is soliciting proxies. In such instances, there may be a concern that Baird would be inclined to vote in favor of management because of its relationship or pursuit of a relationship with the company. Baird takes one of the following steps to address these potential conflicts: (1) casts the vote in accordance with the recommendations of ISS or other independent third party; (2) refers the proxy to the client or to a fiduciary of the client for voting purposes; (3) suggests that the client engage another party to determine how the proxy should be voted; or (4) obtain the client's direction to vote the proxy after disclosing the conflict to the client. Baird's Compliance Department is responsible for overseeing the operation of the proxy voting policies and procedures.

Clients wishing to direct particular votes once they have granted Baird discretionary voting authority may do so by contacting their PIM Manager. However, neither Baird nor the client's PIM Manager will provide a client with notice of any proxy solicitation if Baird has been granted discretionary authority.

Baird generally does not participate in securities class action claims or claims arising from bankruptcy. At a client's request, it will forward information about such claims to the client.

Financial Information

Baird does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. Baird

is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has it been the subject of a bankruptcy petition at any time during the past ten years.

Special Considerations for Retirement Accounts

If a client is a Retirement Account, each owner, trustee or other fiduciary acting on behalf of the client understands that Baird may invest for the client, or recommend that the client invest in, Baird-affiliated investment products and that Baird and its affiliates may receive fees or other compensation related to such investments made by the client. Each owner, trustee or other fiduciary acting on behalf of the client understands that when Baird invests with discretion the assets of a Retirement Account in a Baird-affiliated investment product that pays investment advisory fees to Baird or any of its affiliates, including in connection with any cash sweep services, Baird and its affiliates may receive such investment advisory fees in accordance with the terms of Department of Labor ("DOL") Prohibited Transaction Exemption ("PTE") 77-4, and, as required thereby, Baird will waive its advisory fees on that portion of the assets invested in the Baird-affiliated investment product for such period of time so invested or Baird will offset the investment advisory fees received by Baird or any of its affiliates from the Baird-affiliated investment product against the advisory fee that Baird charges to the client. For the purpose of complying with the terms of DOL PTE 77-4, each such client acknowledges in the client's advisory agreement that: (i) the investment in Baird-affiliated investment products for the client's account is appropriate because of, among other things, the investment goals, redeemability/liquidity, and diversification of those funds; (ii) subject to terms of a Program, all assets of the client's account may be invested in one or more of the Baird-affiliated investment products; (iii) the client received prospectuses or other disclosure documents for the Baird-affiliated investment products that may be used in connection with the account, each of which include a summary of all fees that may be paid by the Baird-affiliated investment products to Baird or its affiliates; and (iv) the client received information concerning the nature and extent of any differential between the rate of such Baird-affiliated investment products fees and the

advisory fees payable by the client to Baird. The differential between the fees to be charged by Baird for the advisory services it provides to the client and, if applicable, the investment advisory and other similar fees paid by the Baird-affiliated investment products to Baird or its affiliates with respect to the services Baird or any of its affiliates provides to the Baird-affiliated investment products is the difference between Baird's fee disclosed in the client's advisory agreement and the applicable investment management, investment advisory and other similar fees detailed in the section entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Baird's Participation or Interest in Client Transactions" above and/or in the relevant prospectus or other offering document for the Baird-affiliated investment product.

If the client is a Retirement Account, each owner, trustee or other fiduciary acting on behalf of the client understands that any directed brokerage arrangement must be for the exclusive benefit of participants and beneficiaries of the Retirement Account and that the client must not constitute or cause the account to be engaged in a prohibited transaction as defined by ERISA. If the client is an ERISA plan, each trustee or other fiduciary acting on behalf of the client is responsible for adhering to the fiduciary responsibilities discussed in ERISA Technical Bulletin 86-1 including, without limitation, the duty to determine that the directed brokerage arrangement decision has been made prudently in the interests of the plan participants and beneficiaries and that the specified broker-dealer executing the trades is capable of providing best execution.

If client is a Retirement Account and the client authorizes Baird, in its capacity as broker-dealer, to effect or execute securities transactions for the client's account and to receive commissions for such services, the arrangement is subject to DOL PTE 86-128. DOL PTE 86-128 exempts from certain ERISA and corresponding Internal Revenue Code restrictions a fiduciary's use of its authority to cause an ERISA qualified plan, plan participant or IRA to pay a fee (including a commission) for effecting or executing securities transactions for that plan or account, as agent, but only to the extent that such transactions are not excessive, under the circumstances, in either amount or frequency. DOL PTE 86-128 contains a number of conditions that must be satisfied, including written authorization from the client to

effect or execute securities transactions for the client's account, which authorization is terminable at will, at any time, without penalty; delivery to the client of trade confirmations or quarterly statements showing the securities transactions that were effected for the client's account and the commissions incurred by the client and retained by Baird, and annual summaries of such transaction information. Baird is also required for certain clients to provide the client annually with a form that the client can use to terminate the authorization given to Baird to effect or execute securities transaction for the client's account. To ensure that the client has sufficient information on which to determine whether such authorization should be made, Baird provides certain clients with a copy of DOL PTE 86-128 and the form to be used to terminate such authorization, as well as the description of Baird's brokerage placement practices set forth below. Baird also will provide such other reasonably available information that the client may request for such purpose.

that provide research products and services to Baird.

When placing orders for securities transactions for clients as a broker-dealer pursuant to DOL PTE 86-128, Baird has an obligation to use reasonable diligence to ascertain the best market for the subject security and to buy or sell in such market so that the resultant price to the client is as favorable as possible under prevailing market conditions. Baird routes or places client orders to various market makers, exchanges and other execution venues based on their quality of execution and execution capabilities in order to obtain the best possible price and speed of execution for clients. Baird selects market makers, exchanges and other execution venues based on the size of the order, the trading characteristics of the particular security, speed of execution, likelihood of price improvement, availability of efficient automated transaction processing, guaranteed automatic execution level and other qualitative factors. Order routing decisions are not based on the availability of payment for order flow, although Baird receives such payments on limit orders routed to and executed on the NASDAQ Stock Market and on orders for stock options routed to Interactive Broker. Baird also does not place orders with market makers or other third parties for the purpose of compensating such firms for their efforts in marketing Baird-affiliated mutual funds. Baird may place orders for securities transactions with third party broker-dealers and other firms