

Baird Family Wealth Group

Wrap Fee Program Brochure

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This wrap fee program brochure ("Brochure") provides information about the qualifications and business practices of Robert W. Baird & Co. Incorporated ("Baird") and Baird Family Wealth Group ("FWG"), a team within Baird's Private Wealth Management department. Clients should carefully consider this information before becoming a client of FWG. 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.

Table of Contents

Services, Fees and Compensation	1
Baird Family Wealth Group	1
The Client-Baird Advisory Relationship	1
Description of Advisory Services	2
Service Fees	7
Other Fees and Expenses	9
Other Compensation Received by Baird and FWG	10
Account Requirements and Types of Clients.....	10
Portfolio Manager Selection and Evaluation	10
Selection and Evaluation	11
Performance Calculation	12
Portfolio Management by Related Persons.....	13
Portfolio Management by FWG	13
Advisory Business.....	13
Performance-Based Fees and Side-By-Side Management	14
Methods of Analysis, Investment Strategies and Risk of Loss	14
Voting Client Securities	18
Client Information Provided to Portfolio Managers	19
Client Contact with Portfolio Managers	19
Additional Information.....	19
Disciplinary Information	19
Other Financial Industry Activities and Affiliations.....	19
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	21
Review of Accounts.....	28
Client Referrals and Other Compensation	29
Financial Information	29
Special Considerations for Retirement Accounts	29

Services, Fees and Compensation

This Brochure describes the investment advisory services that Robert W. Baird & Co. Incorporated ("Baird") offers to its clients through Baird Family Wealth Group ("FWG"), a team within Baird's Private Wealth Management department. Separate brochures describe other investment advisory services offered by Baird 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 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.

Baird Family Wealth Group

This Brochure describes certain advisory services that FWG offers to clients ("Services"). Depending on their particular needs or objectives, clients of FWG may use some or all of these services. Services include: Financial Planning; Risk Analysis; Asset Allocation and Investment Strategy Development; Portfolio and Investment Management; and Consolidated Reporting. Upon a request from client, FWG may also offer other consulting services described below.

Generally, FWG conducts due diligence and provides clients with analysis and recommendations on investment managers and strategies. Investment strategies typically may include either public or private securities, private placements, limited partnerships, institutional mutual funds, exchange traded funds (ETFs). Often these investment managers or strategies may be affiliated with external custodians. FWG will assist clients in evaluating custodians and negotiating custodial fees, trading commissions, as well as, investment management fees. From time-to-time clients of FWG will request other services not listed in this brochure. FWG may provide these services as mutually agreed to by the client, FWG and Baird.

These Services may involve any combination of discretionary services, where a client gives FWG and/or an FWG portfolio manager full discretionary authority to manage the client's account ("Discretionary Services"), non-discretionary services, where the client retains full

authority with respect to management of the client's account ("Non-Discretionary Services"), and separately managed account services, where other investment managers manage the client's account with full discretion and FWG provides additional advisory services to the client ("SMA Services").

Each Service is designed to address different investment needs of clients. All of the Services discussed in this Brochure may not be appropriate for a client.

FWG provides the Services described in this Brochure under a "wrap fee" arrangement. This means that in addition to the investment advisory services that FWG provides in connection with each Service, Baird, in its capacity as broker-dealer, also provides clients with trade execution, custody and other standard brokerage services for a single fee.

The particular investment advisory services that FWG provides in connection with each Service are further described below. Each Service may have differing structures and administration, and each Service offers different types and levels of service and has different fees and expenses. Please review this Brochure carefully.

The Client-Baird Advisory Relationship

A client that wishes to participate in a Service will enter into a Family Wealth Group Advisory Agreement ("Advisory Agreement") with FWG. The 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 FWG.

In addition to the investment advisory services that FWG provides in connection with each Service, Baird, in its capacity as broker-dealer, also provides 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 Baird to execute trades and perform related services for the client's account.

The terms of a client's Advisory Agreement, Client Account Agreement and this Brochure apply to all

of the accounts that a client establishes with FWG, including any accounts that a client may open with FWG 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 changes Services or establishes other advisory accounts with FWG. FWG will generally not provide a client another copy of the Advisory Agreement, Client Account Agreement or this Brochure when a client changes Services or establishes new advisory accounts unless the client requests a copy from FWG. 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 FWG.

FWG and Baird are deemed to have a fiduciary relationship with a client when providing the advisory services that are described in this Brochure.

From time to time FWG and Baird 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 FWG and Baird. Baird generally addresses potential conflicts of interest by adopting and enforcing policies and procedures for Baird and its associates (including FWG and its personnel) 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) FWG and Baird conduct their businesses in a manner that is consistent with the disclosures made.

FWG and Baird disclose 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 Advisory Services

Financial Planning. The Financial Planning Service includes a comprehensive development of a "financial framework" that is based upon an analysis of the client's cash flow. Generally, this service includes tax and estate planning review and coordination with the client's external professional providers.

Risk Analysis. When performing risk analysis services, FWG seeks to analyze and review with a client the risks identified in the financial planning process described above. FWG seeks to minimize investment risk through an asset allocation and investment strategy.

Asset Allocation and Investment Strategy Development.

Using a variety of tools, including the financial framework, FWG will develop and recommend a long-term, strategic asset allocation and investment strategy appropriate for the client's risk and return objectives. Investment strategies may involve the use of different portfolio equity styles or strategies, such as large cap growth, large cap value, small cap growth, small cap value, international and emerging market equities, different portfolio bond styles or strategies, such as short or intermediate, taxable and tax-exempt bonds, international and emerging market bonds, high yield bonds, different alternative investment styles or strategies, such as hedge fund, fund of hedge funds, private equity, fund of private equity funds, real estate and real estate funds, managed futures, and commodities.

Portfolio and Investment Management. FWG will manage a client's portfolio using the asset allocation and investment strategy developed for the client described above. FWG's management of client portfolios may involve a combination of management by an FWG portfolio manager and/or other investment managers that may be affiliated or unaffiliated with Baird.

To the extent FWG manages assets in a client's account, FWG will 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. For more information, see "Portfolio Manager Selection and Evaluation—

Methods of Analysis, Investment Strategies and Risk of Loss" below.

FWG typically recommends or selects for client accounts investments in mutual funds and ETFs. However, from time to time, FWG may make or recommend investments in various other 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, 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 deposited in interest-bearing bank accounts.

With respect to the selection of other investment managers, a client grants FWG the discretion to select investment managers to manage the client's portfolio. FWG, with the assistance of Baird, selects the investment managers to manage a client's account through an initial and ongoing evaluation process further described under "Portfolio Manager Selection and Evaluation—Selection and Evaluation" below.

Managers may have varying investment objectives, styles and strategies. An investment manager's strategy may change in response to market conditions and may include investing in affiliated mutual funds of the investment manager.

Managers may invest client accounts 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, investment company shares (including investing in mutual funds or exchange traded funds affiliated with the investment manager), leveraged or inverse funds, mortgage and asset backed securities, collateralized mortgage obligations, United States government securities, and agency securities. All or a portion of the client's account may be held in cash or cash equivalents, including securities issued by money market mutual funds and deposits in interest-bearing bank accounts. The strategies used by a manager are further described in the manager's

brochure, which will be delivered to a client when the client elects to participate in this Service or otherwise upon request.

By participating in this Service, a client authorizes and empowers FWG, with full discretion, to recommend, select and retain investment managers for the client's account and to terminate or replace investment managers for the client's account for any reason without prior client notice or approval. If FWG terminates an investment manager from management of a client's account, a client authorizes FWG to invest, with full discretion, the assets in the client's account previously managed by the terminated investment manager in other securities, including, but not limited to, mutual funds and ETFs. FWG's discretionary authority to make such other investments will continue until a replacement investment manager is selected or alternative arrangements are made for the management of the client's assets.

Notwithstanding the discretionary authority granted to FWG under this Service, FWG does not manage the account and does not otherwise have any influence over the other investment managers' investment decisions or securities selections to the extent the client's account is managed by another investment manager. However, FWG is available to a client on an ongoing basis to receive deposit and withdrawal instructions from the client or the client's authorized representative(s), and to convey any changes in the client's financial circumstances or investment objectives to the investment managers on the client's behalf.

If the client wishes to retain the authority to manage the client's portfolio, upon the client's request, FWG will provide consulting advisory services to the client by providing information and recommendations regarding investment managers and other investments for client's portfolio. The advice FWG provides is based upon the asset allocation and investment strategies developed for the client as described above. Unless specifically requested by the client, FWG does not perform a due diligence review of any third party investment manager managing client's assets.

FWG may use information provided by third parties, including but not limited to information provided by third party investment managers

managing a client's assets, to acquire information in connection with making recommendations and performing the services to the client. FWG assumes the accuracy, completeness, and currentness of such information used by it in connection with the services provided and that FWG does not conduct an in-depth review of, or verify, such information.

Consolidated Reporting. Clients of FWG receive a performance report and asset allocation report each quarter. Generally, this report covers all accounts and asset classes specified in the advisory agreement. For the convenience of clients of FWG, reports may include information, usually related to client's personal assets, that is provided by the client and is not covered by the advisory agreement. If a third party reporting company is used, Baird, FWG or the client may pay an additional fee to the third party for this service. FWG provides analysis of both performance and asset allocation decision to the client on a quarterly basis.

Additional Consultant Services. FWG offers the following additional consultant services.

Investment Policy Statement. FWG will assist a client in preparing an Investment Policy Statement reflecting the client's investment objectives, policies, constraints, and risk profile. The Investment Policy Statement is designed to provide guidance to the client's investment manager(s). The Investment Policy Statement is a product of information and data provided by the client; therefore, the client is responsible for review and final approval of the Investment Policy Statement. The client is solely responsible for determining whether the Investment Policy Statement accurately reflects the client's investment objectives, policies, constraints, and risk profile.

Asset Allocation Report. FWG provides to a client or its fiduciaries an Asset Allocation Report which identifies one or more investment portfolios for the client (in terms of risk and return) based on certain information requested by FWG and provided by the client. The client is solely responsible for determining whether the information taken into account by FWG in formulating an Asset Allocation Report is accurate and complete.

Investment Manager Search Report. FWG provides to a client an Investment Manager Search Report that lists investment managers with investment philosophies and investment policies believed to be consistent with the client's investment objectives, policies, constraints, and risk profile, as specified by the client to FWG. FWG does not assume responsibility for the client's choice of any investment manager or for any investment manager's performance when providing this service to the client, nor is FWG responsible for an unaffiliated investment manager's compliance with applicable law or for matters beyond FWG's reasonable control.

Investment Manager Search Interviews. FWG coordinates client interviews with a select number of investment managers listed on the Investment Manager Search Report. The interviews enable the client to gain additional information regarding such investment managers' respective investment philosophies, policies and business operations.

Past Performance Reviews. FWG provides to a client a Past Performance Review which, based on information supplied by the client, includes the historical performance of the client's portfolios and compares various aspects of such performance to one or more benchmark indices. Account data will be derived from information provided by the client or its agent(s) for the agreed upon time period. FWG is not responsible for verifying information supplied by the client or its agent(s).

Performance Monitoring Reports. FWG will periodically provide to a client written Performance Monitoring Reports which include calculations of the performance of the client's account(s) over various time periods and compare various aspects of such performance to one or more benchmark indices.

Additional Service Information.

Investment Discretion. A client retains complete trading authorization over assets in Non-Discretionary Service accounts, and FWG will only execute transactions pursuant to the client's instruction or authorization.

If a client elects to participate in a Discretionary Service, the client authorizes FWG to manage the client's account in accordance with the terms of the Service selected by the client and grants to

FWG complete and unlimited trading authorization and appoints FWG as agent and attorney-in-fact with respect to the client's accounts and all related trading and other decisions. The appointment provides FWG the authority to buy, sell or otherwise trade securities or other investments for a client's account without consulting 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, unless the client has provided other instructions to FWG in writing.

If a client participates in an SMA Service, the client authorizes investment managers selected for the client's account to manage the assets in the client's account and grants to such managers complete and unlimited discretionary trading authorization. The third party investment managers selected to manage the client's account will have full discretionary authority to purchase, hold and sell securities, cash equivalents, and other investments in the client's account. FWG does not have discretion over the assets in a client's account that are managed by an investment manager and cannot purchase or sell any securities or other investments in the account without the consent of the client or the client's investment manager. The investment manager for a client's account will initiate securities transactions through Baird, in its capacity as broker-dealer, subject to the manager's duty to achieve best execution. Baird, as broker-dealer, will rely upon any such instructions of any investment managers selected to manage a client's account.

Such trading authorizations, whether granted to FWG or a third party investment manager, shall remain in full force and effect until terminated by the client or FWG.

The Discretionary and SMA Services offer 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 not the right to require that particular funds or securities (or types) be purchased for the client's account. Reasonable investment restrictions requested by a client will apply only to those assets over which FWG or a client's investment managers have discretion.

In the event that a client's account is restricted from investing in certain securities, FWG or the client's investment manager will select such other replacement securities as deemed 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 FWG or the client's investment 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.

Eligible Investments. A client's account may generally only hold investment products that Baird has determined are eligible for the Service the client selected. Eligible investment products vary by Service.

Eligible investments for client accounts, depending upon the Service, generally include: common stocks, preferred stocks, convertible preferred stocks, convertible bonds, 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, REITs, and limited liability company units; fixed income securities, including but not limited to U.S Treasury and federal agency securities, corporate bonds, 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 purchased through Baird in which the client was charged a front-end sales load or commission at least 24 months prior to their being an eligible asset, annuities, and interests in unit investment trusts that have cost structures designed for use in fee-based investment programs; and certain other alternative investment products approved by Baird for use in connection with the Services such as: hedge funds, private equity and venture capital funds, managed futures; leveraged and

inverse funds and other special situation mutual funds; structured CDs and notes ("structured products"); and exchange funds (collectively, "alternative investments").

Baird may change the list of eligible investments for any Service at any time in its discretion.

Baird in its sole discretion may accept a client request to place certain ineligible assets into a client's Service account. If a client decides to hold ineligible assets in an advisory account, the client does so with the understanding that Baird and FWG do not provide advice regarding ineligible assets and ineligible assets may not be included in performance reports sent to the client. A client should consult the client's FWG representative for further information.

Custody and Trade Execution Services. Certain Services may require clients to custody their account assets at Baird. However, FWG in its sole discretion may accept certain clients 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 Service fee and may not receive performance review or reporting from Baird.

A client who uses a third party custodian authorizes FWG 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.

If Baird is the custodian of a client's assets, Baird will provide certain custody services, which shall include holding securities in nominee or "street" name, crediting interest and dividends received on securities held in a client's account, and crediting principal on called or matured securities. "Street" name refers to securities and assets being registered in Baird's name or in a name that Baird designates, rather than in a client's name directly. A client may obtain information about Baird by contacting Baird or at www.rwbaird.com. Baird's headquarters are located at 777 East Wisconsin Avenue, Milwaukee,

Wisconsin 53202, and its main telephone number is 414-765-3500.

If Baird provides execution services to a client, 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 of 1934, as amended (the "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 the Financial Industry Regulatory Authority ("FINRA"), including "omnibus" accounts established for the purpose of combining orders for more than one client.

Updating Client Information. A client is responsible for providing information to FWG and any third party investment managers managing client's account reasonably requested by them in order to provide the services selected by the client. FWG and third party investment managers will rely on this information when providing services to the client. A client is also responsible for promptly informing FWG and any third party investment managers managing client's account 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. Neither FWG nor the third party investment manager is responsible for any adverse consequence arising out of the client's failure to promptly inform FWG or the third party investment 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. FWG does not provide any tax advice in connection with any of the Services. 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 FWG to implement a particular investment strategy for tax purposes, and FWG agrees to implement such strategy, FWG will not be responsible for the development, evaluation or efficacy of any such strategy.

Service Fees

Fee Schedule. A client's Advisory Agreement will set forth the actual compensation the client will pay to Baird for FWG's services. In most instances, a client pays Baird an ongoing fee based upon the value of assets in the client's account (an "asset-based fee"), although other options may be available. There are generally two (2) asset-based fee options available for each Service: a Flat/Hourly Fee or a Tiered Fee.

Flat/Hourly Fee: Certain services, such as financial planning, may be offered for a flat or hourly fee.

Tiered Fee: Under a tiered fee arrangement, the asset-based fee will vary for different segments of client assets, gradually decreasing as the account balance increases. For example, a client with an account value of \$75 million may pay one rate on the first \$25 million of assets in the account, a lower rate on the next \$25 million assets in the account and a still lower rate on the remaining \$25 million of assets. Use of a tiered fee schedule will result in a blended asset-based fee rate.

In addition, the fee may be a fixed percentage across all asset categories, may be a percentage that varies by asset category (e.g., equity and fixed income securities may have a different applicable fee rate).

The typical asset-based fee varies depending upon the Service and the fee option selected by the client. Fee options and rates may also differ among different accounts held by the same client, depending on the services selected for a given account. The tiered and breakpoint fee schedules and minimum account sizes that apply to each Service are shown below.

The following fee schedule sets forth the maximum fee rates charged by FWG for the

Services. A client should note that the asset-based fee shown below does not include the advisory fees payable to any investment managers who are selected to manage all or a portion of a client's account.

Baird Family Wealth Group

Fee Schedule

<u>Value of Assets</u>	<u>Annual Fee Rate</u>
On first \$25 million	0.60%
On next \$25 million	0.45%
On next \$25 million	0.30%
On next \$25 million	0.15%
Above \$100 million	Negotiable

Calculation of Service Fees. FWG will calculate a Service fee by applying the applicable fee rate to the value of all of the assets in the client's account, including cash or its equivalent held for investment.

If requested by a client and approved by Baird, a Service fee may be determined based upon the aggregate value of assets in certain other accounts held by a client and the client's immediate family members residing in the same household, which may include managed account assets held in a client's name at Baird, and may include at Baird's discretion, assets held away from Baird, non-managed assets, and assets held in a name other than that of the client. The terms of any such household fee arrangement will be set forth in the client's Advisory Agreement.

The value of a client's assets is determined by the client's custodian. If Baird is the client's custodian, Baird will determine the value of the assets in the client's account and obtain prices from third party sources for that purpose. If the assets in the client's account are held by a custodian other than Baird, and FWG receives reports from the custodian setting forth current market prices or values of the assets, FWG relies on that information in determining the value of the assets in the client's account. Neither FWG nor Baird conducts 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.

The Service fees are payable on a calendar quarterly basis, in advance, in accordance with the terms of the client's Advisory Agreement. The initial billing period begins when the client's Advisory Agreement is signed by the client and accepted by Baird (the "Opening Date"). The initial fee payment will be adjusted for the number of days remaining in the then current quarter. The initial fee will be based on the value of assets deposited in the client's account. The period which such payment covers shall run from the Opening Date through the last business day of the then current calendar quarterly billing period. Thereafter, the quarterly fees shall be calculated based upon the account's asset value on the last business day of the prior calendar quarter and shall become payable on the first business day of the then current calendar quarter.

The Service fees and charges will be automatically deducted from the client's account, unless the client elects, and Baird agrees, to send to the client an invoice ("direct billing"). Direct billing may not be available for retirement accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or individual retirement accounts ("IRA") subject to the Internal Revenue Code (collectively, "Retirement Accounts"). If a client's account is subject to direct billing, the client is required to pay each bill within thirty (30) days of the date of the invoice. FWG may automatically debit a client's account for the fees and other charges in the event that FWG does not receive payment from the client within thirty (30) days of the invoice. FWG may rescind a direct billing arrangement with a client at any time.

FWG 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.

If either FWG or the client terminates the client's Advisory Agreement or a client's participation in a Service, a pro-rated refund from the date of termination through the end of the applicable billing period will be made to the client in the client's account. FWG makes no fee adjustment during any fee period for asset value appreciation or depreciation in a client's account during a billing period. However, FWG, in its sole discretion, may make fee adjustments in response to asset fluctuations in a client's account occurring during a billing period that result from contributions to, or withdrawals from, the client's account.

Depending upon the Service selected, clients may use margin (borrowing money to buy securities). Whether a client maintains a balance in his or her margin account with Baird has no bearing on the asset-based fees charged on client's account. In other words, the margin balance (i.e., the outstanding amounts a client owes to Baird) in any of the client's accounts will not be applied to reduce the client's billable account value in calculating the asset-based fees payable to FWG. For purposes of determining the asset-based fees imposed on an open short sale position, a client will be charged on the market value of the underlying securities sold short rather than on the difference between the price at which the underlying securities were sold and the current value of those securities. For purposes of determining the asset-based fee on options, the absolute value of the current market price of the option will be used.

The minimum asset value in order to retain the services of FWG is \$25 million, and a minimum annual fee of \$150,000 may be assessed to a client regardless of the level of assets advised by FWG. FWG may waive the minimum asset value or minimum fee at its discretion. The minimum fee is subject to change upon notice to the client.

The Service 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. In some instances, clients may pay a higher fee than indicated in the fee table above. 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.

In certain circumstances, FWG makes other compensation options available to eligible clients besides hourly and asset-based fees, such as a fixed dollar amount.

The fee schedule set forth above is the current fee schedule for the Services. Each Service has had other fee schedules in effect, which may reflect fees that are lower or higher, as the case may be, than those shown above. As new fee schedules are put into effect, they are made applicable only to new clients, and fee schedules applicable to existing clients are not affected. Therefore, some clients may pay different fees than those shown above.

Additional Service Fee Information. Each individual service provided to a client in connection with a particular Service may be available to a client outside of the Service separately. Thus, a client's participation in a Service could cost the client more or less than if the client purchased each service separately. A number of factors bear upon the relative cost of each Service, such as the cost of services if they were provided separately, the trading activity in a client's account, the size of a client's account, and the investment strategies and the nature and level of service sought by a client.

Payment to Portfolio Managers. Baird and FWG do not pay a portion of the Service fee to the client's investment manager as compensation for the manager's services. The fee of other investment managers managing a client's account is paid directly by clients in addition to the fee the client pays to Baird for FWG's services.

Baird may have an incentive to recommend Baird Advisors, BIM or other affiliated investment managers over unaffiliated investment managers because a greater fee will be paid to Baird and/or affiliated investment managers. However, due to the nature of how Baird compensates its FWG portfolio managers, FWG portfolio managers have no direct financial incentive to recommend one manager over another manager.

FWG portfolio managers are compensated based upon their total production level at Baird, which takes into account all of the fees and commissions

paid by clients for which they are responsible. Thus, although FWG portfolio managers do not receive any portion of the Service fee for providing portfolio management, their compensation is directly related to the size of the Service fee that a client pays to Baird. From time to time, Baird Financial Advisors outside of FWG may refer their clients to FWG portfolio managers. In those instances, the FWG portfolio manager shares a portion of his or her compensation with the referring Baird Financial Advisor.

Other Fees and Expenses

In addition to the Service fee, a client will generally be responsible for paying the fees charged by each other investment manager managing a client's account.

Clients who use a custodian other than Baird will pay the custodian's fees and expenses in addition to the Service fee.

In addition to the Service fee described above, a client may incur other fees and expenses. A client 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, margin interest, transfer taxes, 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 Service fees. 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 fees and expenses charged by the funds and the Service fee. 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.

The Service fee only covers the costs of trades executed by Baird, as broker-dealer. A client may be assessed other trading costs in addition to the Service fee if a client executes trades through another firm. For example, a third party investment manager managing a client's account may direct a transaction to another broker-dealer if the third party investment manager decides that its best execution obligations so require. Under that circumstance, a client may be assessed other trading costs in addition to the Service fee.

If a client is allowed to buy or sell an ineligible asset in the client's Service account, the client may be charged a commission in connection with the purchase or sale. The cash proceeds from the sale of an ineligible asset that remain in a client's Service account are considered eligible assets subject to the asset-based fee. If an ineligible asset is purchased during a quarterly billing period, that asset will not be included for purposes of determining the asset-based fee beginning at the start of the next quarterly billing period, and no portion of the asset-based fee paid by a client in advance for the quarter during which the ineligible asset is purchased is refunded or rebated to the client. Additionally, Baird may, upon notice to clients, impose a set-up fee and/or an annual maintenance or administrative fee on ineligible assets maintained in a Service account.

Clients who have accounts managed by FWG may also have other accounts with Baird that are not managed by FWG. Those accounts may be

subject to fees, commissions or other expenses that are entirely separate from the payment of fees and expenses for the services provided by FWG.

Compensation Received by Baird and FWG

The individual who recommends a Service to a client, including an FWG portfolio manager, receives compensation from Baird that is based upon the amount of the Service fee paid by the client. The amount of the compensation may be more than what the individual would receive if the client participated in other Baird investment advisory services or paid separately for investment advice, brokerage, and other services. Accordingly, the individual may have a financial incentive to recommend a Service over other programs or services offered by Baird. However, when providing investment advisory services to clients, Baird, FWG and its FWG portfolio managers are fiduciaries and are required to act solely in the best interest of clients. 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 "Additional Information—Other Financial Industry Activities and Affiliations" and "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below.

Account Requirements and Types of Clients

FWG offers the Services primarily to: high net worth individuals and their families and businesses. FWG also provides services to other types of current or prospective clients, including, but not limited to: pension and profit sharing plans; trusts; estates; charitable organizations; and corporations or other business entities. Applicable requirements for opening or maintaining an account in connection with each Service, such as minimum account size, are discussed in the applicable Service fee section set forth under the heading "Service, Fees and Compensation—Service Fees" above.

Portfolio Manager Selection and Evaluation

The persons providing portfolio management services to clients vary by Service. Information about how Baird may select and evaluate portfolio managers is further described below.

Selection and Evaluation

Portfolio and Investment Management Service.

In order to provide portfolio management services, Baird requires that FWG portfolio managers meet all applicable requirements set forth by self-regulatory organizations, such as FINRA, exchanges, and governmental agencies. The Investment Advisory Oversight Committee of Baird oversees the standards and implementation of the Services. The Investment Advisory Oversight Committee delegates its day-to-day oversight responsibilities to Baird's Private Wealth Management Chief Operating Officer ("PWM COO") and Compliance Departments to monitor the services and the performance of persons providing portfolio management services. Baird's PWM COO, along with compliance and other designees, provides ongoing review of the FWG personnel providing portfolio management services. Performance information is provided to the Investment Advisory Oversight Committee on a quarterly basis. Potential causes for removal include, operating outside of applicable Baird policies, a significant change in investment philosophy or style, significant drift from stated objectives, or other adverse changes affecting the manager that in Baird's opinion warrants the manager's removal.

When recommending or selecting other investment managers to manage a client's account, FWG typically utilizes managers included on Baird's Recommended Managers list. Although in some circumstances, FWG may select a manager to manage a client's account that is not included on Baird's Recommended Managers list.

When selecting managers for its Recommended Managers list, Baird seeks registered investment advisory firms having portfolio managers with academic credentials such as a Masters Degree or participation/completion of the Chartered Financial Analyst (CFA) program. Baird also looks for a portfolio manager with greater than three years of investment management experience focusing on the particular investment style that is offered by the portfolio manager. Baird generally looks for portfolio managers that have demonstrated success, that have performance histories showing sufficient ability to achieve returns in excess of their respective benchmarks, and that have satisfactory investment processes, infrastructure, personnel and other resources. Baird also

considers other qualitative and quantitative factors.

Baird's Advisory Services Research group is primarily responsible for selecting and evaluating investment managers included on Baird's Recommended Managers list. In selecting investment managers, Advisory Services Research utilizes quantitative and qualitative measures to evaluate managers based on the:

- quality and stability of their organization
- soundness and clarity of their investment philosophy
- reliability and consistency of their investment process
- competitiveness of their investment performance

Baird's Advisory Services Research group may employ the use of computers and application software to assist with its evaluation.

Baird's initial screening process begins with a proprietary, multi-factor model that evaluates managers on different factors including risk-adjusted performance, consistency of returns and downside protection. These factors are scored over various time periods and relative to a specific peer group universe, narrowing the pool of managers for further evaluation. The Advisory Services Research group then performs a more in-depth evaluation of managers that are identified through the initial screening process, including an examination of the level of personnel turnover at the investment management level at the investment management firm to assess the stability of the organization and how the manager adds value. The final determination of the Recommended Managers list is subject to the approval of Baird's Manager & Policy Committee.

Ongoing manager evaluation generally includes quarterly conference calls, and periodic performance attribution and on-site visits. Material adverse changes affecting a manager may result in the manager being placed on Baird's "watch" list. Managers on the watch list are scrutinized to see if improvement or degradation is taking place. Potential causes for removal from Baird's Recommended Managers list include fundamental changes in the operations of the manager, turnover in key personnel, substantial

changes in management or ownership, a change in investment philosophy or style, significant drift from stated objectives, major legal, regulatory or compliance difficulties, impairment of financial condition, underperformance in relation to its peers, or other adverse changes affecting the manager that in Baird's opinion warrants the manager's removal.

FWG will select or replace, or recommend the selection or replacement of, a particular manager based upon the client's particular goals and circumstances and the client's selected asset allocation and investment strategy. Before selecting or recommending a manager to a client, FWG performs its own quantitative and qualitative analysis of the manager, focusing on the manager's performance and factors FWG believes will help a manager repeat historical performance such as the investment process and personnel, organizational and investment structure. FWG also focuses on the risk and investment style relative to other investment strategies already in a client's portfolio. FWG generally relies upon Baird's Advisory Research group to provide ongoing review and evaluation of managers on Baird's Recommended Managers list. To the extent a manager is not on Baird's Recommended Managers list, FWG will perform ongoing review and evaluation of the manager using its own quantitative and qualitative analysis described above. FWG will remove a manager from management of a client's account when the manager is removed from Baird's Recommended Managers list or if FWG determines that removal is in the client's best interest.

A client should note that Recommended Managers are those managers which, in Baird's professional judgment, are appropriate to help clients pursue their financial goals. However, neither FWG nor Baird represent that such managers are or will be the best available managers in the industry.

Clients should note that an investment manager managing the client's account may not be on Baird's Recommended Managers list. A client should understand that Baird and FWG do not perform any due diligence or ongoing monitoring, evaluation or reviews of investment managers except to the extent FWG otherwise specifically agrees to do so.

Performance Calculation

As part of the selection and evaluation process described above, Baird reviews performance of portfolio managers managing client accounts. Baird calculates portfolio manager performance, except in the case of third party investment managers that are not included on Baird's Recommended Managers list.

When Baird calculates a portfolio manager's performance, Baird uses composites of the portfolio manager's client accounts to calculate the manager's performance. A composite generally is an aggregation of client accounts managed by the portfolio manager that are representative of a particular investment strategy, style, or objective. Examples of composites include large cap growth, all-cap value, balanced (includes equity and fixed income securities), and fixed income. Composites may be further broken down to separate taxable and non-taxable portfolios. Fixed income composites may be categorized by portfolio duration.

When calculating composite performance, Baird seeks to utilize calculation methods that are industry standard and adhere to Global Investment Performance Standards (GIPS®) recommendations. Baird calculates composite performance generally using the following principles:

- A total return calculation is used in reporting.
- Current market value including accrued income is used.
- Trade date accounting is used in deriving valuations.
- Monthly returns are calculated using the Modified Dietz calculation.
- Returns for periods greater than a month are calculated by geometrically linking the monthly returns. Returns for periods greater than one year are annualized.
- Reporting is net of fees at the total portfolio, but gross of fees for individual investment categories (e.g., equity or fixed income).

If Baird does not calculate performance information for a portfolio manager, Baird obtains performance information directly from the managers and/or from other external sources that Baird believes is reliable. A client should note

that: Baird does not recalculate the performance provided by such managers or external sources; generally, neither Baird nor any independent third party reviews the performance information provided by such managers to verify its accuracy or compliance with presentation standards; those managers may not calculate performance on a uniform or consistent basis; and Baird does not guarantee the accuracy of information provided by such managers or any external source.

A client should note that Baird does not generally present its performance calculations to clients. The information that Baird provides to clients about these portfolio managers from time to time may not be calculated by Baird but may be calculated by the portfolio managers themselves or derived from external sources. A client should ask the client's FWG portfolio manager for more information.

Portfolio Management by Related Persons

Portfolio management under the Services may be provided by Baird Advisors, BIM, other departments of Baird or other investment managers affiliated with Baird. Such arrangements create a potential conflict of interest because Baird and/or its affiliates may receive higher aggregate compensation if clients retain affiliated managers instead of retaining unaffiliated managers. However, when providing investment advisory services to clients, Baird, FWG and its FWG portfolio managers are fiduciaries and are required to act solely in the best interest of clients. For more specific information about these potential conflicts and how Baird addresses them, please see the sections "Additional Information—Other Financial Industry Activities and Affiliations" and "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below.

When FWG determines manager eligibility for the Services, affiliated investment managers are subject to the same selection and review process that FWG applies to unaffiliated investment managers.

Portfolio Management by FWG

Portfolio management services under the Portfolio and Investment Management Service may also be provided by FWG and FWG portfolio managers.

Additional information about Baird, FWG and this Service is provided below.

Advisory Business

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 and FWG tailor advisory services to the individual needs of clients. For more information about the services offered by FWG, please see "Services, Fees and Compensation" above.

Subject to the agreement of FWG, a client may impose reasonable restrictions on the securities or types of securities to be held in the client's account. Please see "Services, Fees and Compensation—Description of Advisory Services—Additional Service Information—Investment Discretion" above for more information.

Baird participates in wrap fee 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, 2010, Baird had approximately \$32.6983 billion in assets under management, approximately \$27.4167 billion of which was managed on a discretionary basis and approximately \$5.2816 billion of which was managed on a non-discretionary basis.

Performance-Based Fees and Side-By-Side Management

FWG does not advise any client accounts that are subject to performance-based fee arrangements.

Baird advises client accounts not participating in services described in this Brochure that are subject to performance-based fee arrangements. 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"). A client's agreement to a performance-based fee arrangement may create an incentive for Baird (but not FWG) to recommend or invest a client's account in riskier or more speculative products than would be the case in the absence of a performance-based fee arrangement. Performance-based fee arrangements also present a potential conflict of interest for Baird (but not FWG) 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 client accounts are made in a manner such that all clients receive equitable treatment.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies and Methods of Analysis. When providing advice to clients, FWG starts with the "financial framework" and risk analysis developed for a client in connection with the financial planning process described above. Using a variety of tools, FWG then develops and recommends a long-term, strategic asset allocation and investment strategy appropriate for the client's risk and return objectives. FWG develops a customized asset allocation strategy by dividing client assets into what FWG views as "less risky" and "more risky" asset classes. FWG then develops an investment strategy by diversifying the client's portfolio among different investments in each asset class with the goal to manage risk. Investment strategies may involve the use of different portfolio styles or strategies, such as large cap growth, large cap value, small cap growth, small cap value, international and emerging market equities, different portfolio bond styles or strategies, such as short or intermediate, taxable and tax-exempt bonds, international and emerging market bonds, high yield bonds, different alternative investment styles or strategies, such as hedge fund, fund of hedge funds, private equity, fund of private equity funds, real estate and real estate funds, managed futures and commodities.

From time to time, and depending on macroeconomic conditions, FWG may also recommend or implement a slight, short-term tactical tilt to the client's chosen asset allocation that is above or below the long-term strategic asset allocation.

To the extent FWG manages a client portfolio, FWG recommends or selects investments based upon the client's asset allocation and investment strategy. FWG typically uses mutual funds and ETFs, although other types of securities may be recommended or selected.

When recommending or selecting a particular fund for client accounts, FWG begins by reviewing a client's asset allocation and investment strategy needs and identifying the characteristics of the types of funds appropriate for the client. Once the characteristic types of mutual funds and/or ETFs are identified, FWG looks for funds that meet those requirements. FWG tends to look for passively managed funds when selecting funds

that invest primarily in equity securities and actively managed funds when selecting funds that invest primarily in fixed income securities. FWG also looks for funds that have higher trading volumes and lower expense ratios. Once FWG has identified a potential fund for a client, FWG conducts a quantitative and qualitative analysis of the investment manager for the fund similar to the analysis it performs on investment managers described under "Portfolio Manager Selection and Evaluation—Selection and Evaluation—Portfolio and Investment Management Service" above.

FWG may 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, research reports created by other departments of Baird, Baird's Recommended Managers list, Baird's Mutual Fund Recommended List and lists of alternative investments that Baird has deemed eligible for use in the Services. FWG 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 FWG uses information and tools that Baird deems reliable, Baird does not independently verify or guarantee the accuracy of the information or tools used. For more information about how Baird selects managers for its Recommended Managers list, see "Portfolio Manager Selection and Evaluation" above. For more information about how Baird compiles its Mutual Fund Recommended List and lists of eligible alternative investments, see "Baird's Mutual Fund Recommended List" and "Alternative Investments", respectively below.

Baird's Mutual Fund Recommended List. FWG may utilize Baird's Mutual Fund Recommended List when providing investment advice to clients. Baird has engaged Wilshire Associates as an independent consultant in the construction of Baird's Mutual Fund Recommended List. The List is designed to include mutual funds across numerous asset classes. In constructing the list of recommended mutual funds, 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 has been selected by Wilshire Associates for inclusion in the Mutual Fund Recommended list.

Alternative Investments. When providing investment advice to clients about alternative investments, FWG generally relies upon the lists of recommended alternative investments that Baird makes available. The level of diligence and ongoing review that Baird performs on these products and their sponsors varies. A client should contact FWG for more information about how Baird and FWG evaluate alternative investments and their sponsors.

FWG may also manage client assets using other investment strategies and investment products based upon a client's particular needs. FWG may use certain investment strategies, such as concentrated investment strategies and margin, and certain types of investment products, such as illiquid securities, leveraged or inverse funds and structured products. These investment strategies and products involve special risks and may not be appropriate for all clients. Please see "Principal Risks" below for more information.

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 a Service, a client may be subject to the risks described below. The risks discussed below vary by Service and investment style or strategy, and may or may not apply to a client. Clients are encouraged to discuss with their Financial Advisor the risks that apply to them.

General risks of the Services include the following:

Market. A client's portfolio 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 portfolio regardless of the relative strength of the securities held in the portfolio. Securities prices often vary for reasons unrelated to matters directly affecting the issuers of the securities.

Management and Securities Selection. A client's portfolio 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 portfolio. 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 portfolio may experience a decline in value due to the underperformance of the stocks selected for investment in the client's portfolio.

Investment Objective and Asset Allocation. 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 Financial Advisor of these considerations so the Financial Advisor can assist in determining the client's investment objectives and asset allocation strategies.

Concentration. 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 a portfolio that is diversified across several industries or sectors and asset classes.

Liquidity. 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 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. High portfolio turnover may result in tax liability due to the recognition of capital gains and ordinary income.

Derivatives. The strategy used for a client's portfolio may involve the use of options, futures, and short sales to "hedge" the overall risk of the client's portfolio. 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 portfolio's value.

Leveraging. The strategy used for a client's portfolio 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 portfolio.

Stock Risks. Stock prices vary and may fall, thus reducing the value of a client's investments. Certain stocks selected for a client's portfolio may decline in value more than the overall stock market. The U.S. and international markets have experienced extreme price volatility, reduced liquidity and valuation difficulties in recent years. Continuing market problems may have adverse effects on a client's portfolio.

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 portfolio 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 a 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.

Government Obligations. 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 Risk. 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 Funds. 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 a disclosure document entitled "Important Information About Fund of Hedge Funds" available

on Baird's website at www.rwbaird.com/disclosures.

Managed Futures. 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 a disclosure document entitled "Important Information Regarding Managed Futures" available on Baird's website at www.rwbaird.com/about-baird/disclosures.aspx.

Leveraged or Inverse Funds. 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, FINRA and the 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 a disclosure document entitled "Important Information About Leveraged and Inverse Funds" available on Baird's website at www.rwbaird.com/disclosures.

Structured Products. 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 a 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 portfolios.

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 FWG.

Voting Client Securities

Non-Discretionary Services. Under the Non-Discretionary Services, each client retains the right to vote proxies with respect to the securities held in his or her accounts. Accordingly, the client is responsible for voting proxies and otherwise addressing all matters submitted for consideration by security holders, and FWG is under no obligation to take any action or render any advice regarding such matters. The client's FWG portfolio manager may, upon the client's request, provide advice on how a proxy should be voted or what other action the client should take.

SMA Services and SMA Accounts. Under the SMA Services and with respect to SMA accounts managed by other investment managers, clients may retain the right to vote proxies with respect to the securities held in the client's account, or the clients may delegate such right to the investment manager selected to manage the client's account. A client may select either option by making the appropriate election in the client's Advisory Agreement (or by providing proper instructions to the third party investment manager directly). For information about a manager's voting policies and procedures, clients should review the manager's brochure. Baird has no authority, direct or implicit, and accepts no responsibility for taking any action or rendering any advice with respect to the voting of proxies related to securities held in SMA Service accounts.

Discretionary Services. Under the Discretionary Services, clients may retain the right to vote proxies with respect to the securities held in the client's account, or the clients 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 Baird Financial Advisor 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 FWG portfolio manager has the right to override ISS's recommendations when the FWG portfolio manager determines it to be in the clients' best interests to do so. The FWG portfolio manager also has the right to suggest how to vote on a particular matter not addressed by ISS. When an FWG portfolio manager suggests voting against ISS's recommendations on a particular matter or suggests how to vote on a matter not addressed by ISS, the FWG portfolio manager will bring the matter to the attention of Baird's Proxy Voting Committee who will then be responsible for determining the vote to 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 investment advisory 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 FWG portfolio manager. However, neither Baird nor the client's FWG portfolio manager will provide a client with prior 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.

Client Information Provided to Portfolio Managers

Under the Portfolio and Investment Management Service, Baird and FWG provide certain information about the client to the investment managers managing the client's account when the client establishes the advisory relationship with such manager. Such information includes the client's investment objectives, risk tolerance, age, investment timeframe, and liquidity requirements. Unless specifically requested to do so by a client, Baird and FWG do not generally provide ongoing information about the client to the other investment managers managing the client's account.

Client Contact with Portfolio Managers

FWG does not place any restrictions upon clients who wish to contact or consult with third party investment managers managing their accounts. FWG encourages clients to discuss their accounts with their FWG portfolio manager.

Additional Information

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 of Baird's and FWG's personnel 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 FWG 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 and FWG and/or their 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 FWG 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.

Affiliated Mutual Funds. Baird is the investment adviser and principal underwriter for the Baird Funds, Inc. ("Baird Funds"), a registered open-end management investment company. Baird Advisors provides investment management and other services to certain Baird Funds investing primarily in fixed income securities (the "Baird Bond Funds"). BIM 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 a fee from each Baird Fund, which is disclosed in each Fund's prospectus.

Baird also provides certain administrative services to the Baird Bond Funds. As compensation for those services, Baird receives a fee that is paid monthly at an annual rate of 0.05% of each of the Bond Fund's average daily net assets.

Baird Financial Advisors 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. FWG personnel do not receive any such referral compensation.

Currently, Baird Advisors serves as sub-adviser 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 and representation on Riverfront's Board of Directors. 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 clients. Due to Baird's equity ownership in Riverfront, Baird and FWG have a conflict of interest to the extent Baird or FWG would advise clients to participate in advisory programs offered by or invest in mutual funds, ETFs or other investment products offered by Riverfront because the value of Baird's investment in Riverfront increases as Riverfront's assets under management increase. However, although FWG and Baird provide information about Riverfront and its investment products to clients, FWG does not provide a client advice regarding the client's decision to retain Riverfront or select an investment product offered by Riverfront, and FWG does not cause clients to purchase Riverfront investment products or retain Riverfront to manage their accounts.

Affiliated Private Equity Funds. Baird is also engaged in a private equity business through Baird Private Equity ("BPE"), Baird's global private equity group. FWG and FWG personnel 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"), and Baird Capital Partners Asia Management I Limited Partnership ("BCPA I"). 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.

If a client expresses an interest, FWG may refer clients to BPE. FWG does not charge fees on client assets invested in private equity funds affiliated with Baird. Instead, Baird may provide compensation to FWG for referring the client to BPE.

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 FWG personnel, 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, FWG and FWG personnel 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. Baird, FWG and FWG personnel receive compensation based upon the sale of such securities 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 recommend or sell to clients the services of such investment management firms or their products, including the mutual funds or money market funds advised by other investment management firms. If a client is paying commissions to FWG for advisory services it provides to the client (in those advisory programs in which commissions may be charged), Baird, FWG and FWG personnel could have a financial incentive to recommend an investment management firm that trades actively, thereby executing more trades and generating higher compensation for Baird, FWG and FWG personnel. However, Baird, FWG and FWG personnel act in the best interest of clients when selecting or recommending investment management firms or their investment products to clients. Further, Baird and FWG do 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 advisory programs (including when constructing the Recommended Managers or Mutual Fund Recommended lists). In addition, investment management firms are, absent client direction to the contrary, obligated at all times to retain the broker providing the client best execution. In addition, mutual fund companies are prohibited from considering Baird's efforts in marketing and selling their funds in

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 statement of additional information, available from each fund.

If a client has 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, including market making and corporate stock buyback activities. 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 client accounts are made in a manner such that all 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" above.

Mutual Fund Selling and Servicing. With respect to brokerage accounts and advisory accounts subject to a commission-based fee arrangement (in those Services such option is available), a mutual fund may compensate Baird, FWG and FWG personnel based on the front-end or back-end sales charges, if any, paid by the client.

Baird, FWG and FWG personnel may also receive compensation from a mutual fund company relating to the client's continued investment in a mutual fund. Baird, FWG and FWG personnel provide certain distribution, sub-transfer agency, marketing, administration, custody, 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 receives distribution (12b-1) fees and other shareholder servicing fees that are intended to compensate Baird for the services provided. Baird, in turn, pays a portion of these fees to FWG personnel according to an internal compensation formula, which remains the same regardless of which mutual funds a client purchases. The distribution (12b-1) fees and other shareholder servicing fees paid to Baird are typically based upon the amount of assets Baird clients have invested in a particular mutual fund. The fee rate paid by mutual funds and their vendors to Baird is typically 0.25% per year of the net value of the assets Baird clients have invested in a particular mutual fund, but generally ranges from 0.10% to 1.00% depending upon the particular fund and class of shares.

If Baird receives distribution (12b-1) fees and other shareholder servicing fees with respect to a mutual fund investment in a client's account and client is paying an asset-based fee to Baird on such investment, Baird rebates the fee to the client's account, except with respect to a client's non-Retirement Account managed by FWG under the Portfolio and Investment Management Service. Accordingly, the receipt of these fees provides Baird and FWG personnel an incentive to recommend mutual funds over other investment products, or to recommend mutual funds that offer distribution (12b-1) and shareholder servicing fees greater than other funds. For further information regarding these fees, clients should review the prospectus and statement of additional information for the applicable fund or ask FWG.

Revenue Sharing. In addition to distribution (12b-1) and shareholder serving fees, Baird receives additional financial support from the sponsors of certain mutual funds included on Baird's Financial 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 Baird's ALIGN Program or 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 for Financial Advisors about the funds offered by the fund company, due diligence on the funds and marketing support. In exchange for such financial support, fund companies may receive certain benefits from Baird, including access to Baird Financial Advisors or Baird associates for educational, networking, marketing and other promotional opportunities.

The amount of financial support that Baird receives from fund companies varies and is based on the value of Baird client assets invested in certain mutual funds, a fixed dollar amount or some other method determined by the mutual fund company. However, the amount of financial support Baird receives from mutual fund companies does not exceed 0.09% of the value of Baird client assets invested in those funds. The financial support Baird receives from sponsors of money market mutual funds is typically based on the value of Baird client assets in those funds and has generally ranged from 0.12% to 0.96%, depending on the type of fund. The financial support Baird receives from mutual funds and money market funds is paid by the advisors or distributors of such funds out of their revenues or profits and are not paid out of fund assets. However, the revenues and profits of advisors and distributors to funds may in part be derived from fees paid by such funds for services provided by the advisors or distributors.

In addition to financial 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 financial 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 funds to clients, and Baird does not consider the receipt of these payments in compiling its Mutual Fund Leaders List, Mutual Fund Recommended List, or in constructing portfolios of mutual funds offered through ALIGN, which is an investment advisory program offered by Baird.

The financial support and other payments that Baird receives from mutual funds are not paid to FWG personnel, and FWG personnel compensation is not tied to such payments.

More detailed information about distribution (12b-1) and shareholder servicing fees, and financial support payments that Baird receives from mutual fund companies is available in the mutual fund companies' mutual fund prospectus or statement of additional information and on Baird's Website at www.rwbaird.com/mutualfunds. Clients may also contact Baird or FWG for more specific information about the amount of compensation Baird may receive from any of these mutual fund companies.

Recordkeeping Fees. Baird receives compensation from certain mutual funds in consideration for recordkeeping, sub-transfer agency and related services that it provides. Baird processes client transactions in mutual fund shares held at Baird on a networked basis, which means that Baird executes a trade for each client with the mutual fund company on an individual client basis and that Baird must maintain certain records. The networking fee is generally paid from client assets in the applicable mutual fund and is typically a fixed dollar amount based on the number of positions or accounts in that mutual fund family held at Baird. The networking fee paid to Baird is generally \$6 per position, but the range of fees paid to Baird varies based upon the particular fund, the level of client assets invested, and the level of service provided. While this may provide Baird an incentive to recommend funds paying higher fees, these fees are not paid to FWG personnel and the compensation Baird pays to FWG personnel 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. Schwab executes trades for Baird on behalf of Baird clients on an

omnibus basis, which means that trades made by Baird clients in a fund are consolidated into one daily trade with the fund. Although Baird pays Schwab a fee for the clearing service, Schwab passes through to Baird a portion of the compensation Schwab receives from the funds (including distribution (12b-1), shareholder service and sub-transfer agency fees and revenue sharing payments) for services Baird provides to its clients who invest in the funds, such as record maintenance, shareholder communications and transaction services. Baird, in turn, pays a portion of the distribution (12b-1) fees to FWG Portfolio Managers. If Baird receives distribution (12b-1) fees and other shareholder servicing fees from Schwab with respect to a mutual fund investment in a client's account and client is paying an asset-based fee to Baird on such investment, Baird rebates the fee to the client's account, except with respect to a client's non-Retirement Account managed by FWG under the Portfolio and Investment Management Service. This may provide Baird and FWG personnel an incentive to recommend certain funds that are part of the Schwab clearing arrangement over other investment products or funds not included in the Schwab clearing arrangement.

Annuities and Insurance Products. Through its Financial Advisors, Baird offers annuities and other insurance products to its clients. More detailed information about the types of compensation payments that Baird receives from insurance companies is on Baird's Website at www.rwbaird.com/annuities.

Baird's Other Financial Industry Activities. 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, FWG and FWG personnel. Baird, FWG and FWG personnel may have an incentive to recommend to clients 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 FWG.

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 issuers in connection with the services it provides. Baird may, therefore, have an incentive to recommend to clients the securities of issuers for which Baird provides investment banking services over the securities of issuers for which Baird does not provide investment banking services. However, FWG and FWG personnel 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 such securities will be purchased for a client's account only if the client consents to the transaction in writing and Baird has provided the client with all material information regarding Baird's or FWG'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 client. The fee that a bank pays to Baird is typically calculated based upon the amounts Baird clients deposit at the bank, determined on a weighted average basis across the various interest rate tiers, and may be up to 1.50%, annualized, of the daily deposit balances held in the Bank Sweep Option. Through the Money Market Fund Option, Baird receives compensation from the money market mutual funds and their sponsors, which may vary by fund, which compensation is further described under the heading "Baird's Broker-Dealer and Related Activities—Revenue Sharing" 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 its Financial Advisors, including FWG personnel. The compensation that Baird, FWG and FWG personnel receive from the Bank Sweep Option and the Money Market Option give 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 is available on Baird's Website at www.rwbaird.com/moneymarkets.

If a client holds mutual funds, alternative products, private investment partnerships, 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 FWG. In some circumstances, the receipt of such compensation may extend beyond a client's advisory relationship with FWG 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.

Agency Cross Transactions. In certain circumstances and to the extent permitted by applicable law and regulation, FWG 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 FWG 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 FWG believes that each respective transaction is consistent with the client’s best interest, such as when accounts are adjusting their respective durations, when one account is in a liquidation mode while another is in an accumulation mode, or for tax management purposes, FWG, 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 manager 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 manager 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, FWG 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 or the client’s Financial Advisor’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 FWG 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.

To the extent not otherwise prohibited by ERISA, if a client selects non-discretionary advisory services to be provided by FWG or if a client selects third party investment advisors to manage the client's account, the client's Advisory Agreement provides Baird with a blanket authorization to act as principal for Baird's own account in selling any security to or purchasing any security from the client's account. With this authorization, Baird may effect any and all principal transactions with the client's account without having to provide specific written disclosures and obtain written client consent prior to completion of each proposed principal trade, subject to the requirements of Rule 206(3)-3T under the Advisers Act (including any amendments to such rule or successors to such rule) and/or other applicable rules and interpretations. **This authorization to enable Baird to trade as principal with a client's account may be revoked at any time by the client in client's sole discretion by notifying FWG in writing.**

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.

Block Transactions. FWG may aggregate contemporaneous buy and sell orders for the accounts of its discretionary advisory clients ("block transactions"). This practice may enable FWG to obtain more favorable execution, including better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated.

The advisory clients participating in block transactions may not all be participants in the services described in this Brochure. All advisory clients participating in a block transaction will receive the same execution price for the security bought or sold. Average prices may be used when allocating purchases and sales to a client's account because such securities may be purchased and sold in a series of transactions.

The amount of securities available in the marketplace, at a particular price at a particular time, may not satisfy the needs of all clients participating in a block trade and may be insufficient to provide full allocation across all client accounts. To address this possibility, Baird and FWG have adopted trade allocation policies and procedures for FWG to follow that require FWG to make security allocations to client accounts in a manner such that all clients receive equitable treatment. If a block transaction cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will generally be allocated pro rata among the clients participating in the block trade. However, FWG may also make random allocations to client accounts in certain circumstances, such as when FWG deems a partial fill for the total block order to be low. Adjustments to trade allocations may also be made, at the discretion of FWG, to take into consideration account specific investment restrictions, undesirable position size, account portfolio weightings, client tax status, client cash positions and client preferences. Adjustments may also be made to avoid a nominal allocation to a client account.

FWG generally aggregates buy and sell orders when executing trades for discretionary client accounts when it has the opportunity to do so. However, FWG determines whether or not to utilize block transactions for a client in its sole discretion and FWG's decision is subject to its duty to seek best execution. FWG will aggregate a client's trade orders only when FWG deems it to be appropriate and in the best interests of the client, consistent with a client's investment objectives and risk tolerance, and permitted by regulatory requirements. When FWG is not able to aggregate trades, FWG generally uses a trade rotation process that is designed to be fair and equitable to all FWG clients.

Because FWG is unable to buy or sell any security for a client's non-discretionary accounts without the client's authorization, FWG generally does not aggregate or bunch trades for the client's account with the same or similar trades for other client accounts and places orders for the client's account promptly after receiving the client's authorization to do so. Because similar orders for the client and FWG's other clients may be placed and filled at different times, the client may buy or sell securities at prices that are different from the

prices obtained by other clients who received the same or similar advice from FWG.

Similarly, if a client directs FWG to use a designated broker-dealer for trade execution (a “directed brokerage arrangement”), FWG may not be able to aggregate the client’s account trades with orders for other FWG clients. Directed brokerage arrangement orders, because they are directed to the specified broker-dealer, may be manually executed by FWG after the trade execution is completed for other FWG client accounts. Directed brokerage arrangements may cost the client more money as they may result in the client paying commissions and greater bid/offer spreads, or receiving a less favorable net price than the client may experience than if Baird executed trades for client’s account.

Certain client accounts, including those of the mutual funds identified above, managed by FWG and 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 FWG and Baird may have an incentive to favor client accounts that generate a higher level of compensation than accounts with lower fee or commission rates. FWG and Baird address potential conflicts of interest posed by different client fee arrangements by complying with their fiduciary duties, avoiding or disclosing conflicts of interest to clients, and adopting and enforcing internal procedures designed to ensure that securities allocations made to client accounts are made in a manner such that all clients receive equitable treatment.

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 Service accounts. To avoid favoring one client over another client, Baird attempts to use objective market data in the correction of any trading errors.

Interest in Other Client Transactions. Baird, FWG, and FWG personnel 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 “Additional Information—Other Financial Industry Activities and Affiliations” above.

If Baird, or an affiliate or associate of Baird, receives any compensation or benefit described in this Brochure from a client’s investment in funds or other investment products, 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.

Review of Accounts

Client Account Review. Client accounts are monitored on an ongoing basis by the client’s FWG portfolio manager and are subject to review by the Branch Office Manager (or his or her designee). The client’s FWG portfolio manager generally reviews the performance of the client’s account at least quarterly. The Baird Branch Office Manager (or his or her designee) responsible for supervising a client’s FWG portfolio manager performs a quarterly review of his or her branch’s accounts, focusing on clients’ investment objectives and the accounts’ performance.

Performance and Account Reports. Baird generally provides written reports to clients on the performance of their accounts on a quarterly basis, although 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.

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.

The benchmarks used by Baird with respect to a client's SMA Service account may differ from the benchmarks used by the manager of the client's SMA account. As a result, the performance comparisons in Baird's performance reports may differ from reports provided to clients directly by the client's SMA account manager.

If Baird provides transaction execution services to the client, the client will receive a monthly Baird brokerage account statement when activity occurs during that month. A quarterly statement is provided if there has not been any intervening monthly activity.

Baird gives each client the option of either receiving a trade confirmation for each transaction or suppressing delivery of trade confirmations by making the relevant selection in the client's Advisory Agreement.

When preparing a client's account statements and performance reports, Baird relies upon third parties when determining the value of account assets. If Baird has custody of a client's account assets, Baird will generally rely on third party quotation services to determine the value of such assets. If a client's account assets are held by a custodian unaffiliated with Baird, Baird will generally rely on the value of a client's assets provided by the client's custodian. 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 or FWG 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 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 under the headings "Additional Information—Other Financial Industry Activities and Affiliations" and "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" above, for providing investment advice or advisory services to clients.

Financial Information

Neither Baird nor FWG requires or solicits 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. Neither Baird nor FWG is aware of any financial condition that is reasonably likely to impair their ability to meet their contractual commitments to clients, nor has either been the subject of a bankruptcy petition at any time during the past ten years.

Special Considerations for Retirement Accounts

If the client is acting as an owner, fiduciary or otherwise on behalf of a Retirement Account, the client understands that, the client's Advisory

Agreement permits FWG to invest for the client, or recommend that the client invest in open-end registered investment companies (i.e., mutual funds), including mutual funds which pay fees to Baird or to any of its affiliates for investment advisory or other services provided to the mutual funds. In addition, short-term cash balances in a 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.

When FWG, acting with discretion, invests the assets of a Retirement Account in an open-end registered investment company that is managed for an advisory fee by Baird or any of its affiliates, including in connection with any cash sweep services, Baird or any of its affiliates may receive such fee in accordance with the terms of Department of Labor ("DOL") Prohibited Transaction Exemption ("PTE") 77-4, and, as required thereby, FWG will waive its investment advisory fees on that portion of the assets invested in the affiliated mutual fund for such period of time so invested or offset the investment advisory or similar fees received by Baird or any of its affiliates from the affiliated mutual fund against the investment advisory fees FWG charged 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 mutual funds 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 Baird Advisor's investment strategies and the investment guidelines for the client's account, all assets of the account may be invested in one or more of the Baird-affiliated mutual funds that may be used in connection with the client's account; (iii) the client received prospectuses or other disclosure documents for the Baird-affiliated mutual funds 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 mutual funds to Baird; and (iv) the client received information concerning the nature and extent of any differential between the rate of such fees and the investment advisory fees payable by the client to FWG. The differential between the fees to be charged by FWG for its investment management or advisory services pursuant to the client's Advisory Agreement, if applicable, and the investment advisory and other similar fees paid

by the affiliated mutual fund to Baird with respect to the services it or any of its affiliates provides to the affiliated mutual fund is the difference between any such fee disclosed on the fee schedule attached to the client's Advisory Agreement and the applicable investment management, investment advisory and other similar fees detailed in the relevant affiliated mutual fund prospectus.

For client accounts subject to ERISA, the client understands that a directed brokerage arrangement must be for the exclusive benefit of participants and beneficiaries of the plan 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, 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.