

# Baird Private Wealth Management

## Brochure

September 9, 2016



## Financial Planning Services

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Member FINRA & SIPC  
SEC File No. 801-7571

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



**Material Changes**

Not applicable.

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## Advisory Business

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

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

## Robert W. Baird & Co.

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

Baird is owned indirectly by its associates through several holding companies. Baird is owned directly by Baird Financial Corporation ("BFC"). BFC is, in turn, owned by Baird Holding Company ("BHC"). BHC is owned by Baird Financial Group, Inc. ("BFG"), which is the ultimate parent company of Baird. Associates of Baird own substantially all of the outstanding stock of BFG.

Baird offers various investment advisory services to clients, including services not described in this Brochure. The investment advisory services Baird offers include: portfolio management and analysis; analysis and recommendations regarding asset allocation and investment strategies; research, analysis and recommendations regarding investment managers and individual securities; investment consulting; financial planning; investment policy development; and account performance monitoring. Baird also offers clients execution of brokerage transactions and administrative services, including maintaining custody of account assets. Clients may also negotiate other services with Baird. Baird offers its services separately or in combination with other services.

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

As of December 31, 2015, Baird had approximately \$83.9098 billion in regulatory assets under management, approximately \$63.1077 billion of which was managed on a discretionary basis and approximately \$20.8021 billion of which was managed on a non-discretionary basis.

## The Client-Baird Fiduciary Relationship

Baird is registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Baird and its associates are deemed to have a fiduciary relationship with a client when providing the investment advisory services that are described in this Brochure. That means that Baird and its associates are required to act in the best interest of the client when providing investment advisory services. From time to time, Baird or its associates may engage in certain business practices or may receive compensation or other benefits that create a potential for conflict between the interests of clients and the interests of Baird or its associates. Baird generally addresses potential conflicts of interest by disclosing them to clients through documents provided to clients, including, without limitation, this Brochure, Brochure supplements that contain information about individuals providing investment advice to clients, and the agreements clients enter into with Baird. In addition, Baird has adopted internal policies and procedures for Baird and its associates that require them to: provide investment advice that is suitable for advisory clients (based upon the information provided by such clients); make full disclosure of all potential, material conflicts of interest; and act with utmost care and good faith in dealings with advisory clients. The specific business practices that create potential conflicts of interest with clients and additional measures used by Baird to address them are discussed in other sections of this Brochure.

*A client should note that registration as an investment adviser does not imply a certain level of skill or training.*

## Description of Services

Baird offers the services described in this Brochure (the "Services") through its Financial Advisors and certain of its home office professionals in its Financial & Estate Planning & Department (the "Department").

The Services are non-discretionary in nature and a client retains full discretionary authority to manage the client's assets.

Baird Financial Advisors and its home office professionals tailor their advisory services to the individual needs of clients.

## Financial Planning Services

### Financial Plan

If the client wishes to obtain a financial plan from Baird, the client will need to define his or her financial goals, needs and objectives and gather and provide relevant information to Baird. A client will typically complete a financial planning questionnaire to help define the client's financial goals, needs and objectives and provide relevant information to Baird. Upon request, a Baird Financial Adviser or other Baird representative may

provide assistance with the questionnaire. A client may also enter into a financial planning agreement (an "Agreement") with Baird that describes the specific Services being provided.

Based upon the responses to the questionnaire and other information provided by the client, the client's Baird Financial Advisor and/or the Department will prepare a financial plan (a "Plan") for the client. The contents of a Plan depend upon the particular needs and requests of the client. A Plan generally evaluates the client's retirement, life insurance, education funding, estate and/or other cash flow needs and provides recommendations and strategies for meeting those needs. The Plan generally includes an analysis of the client's investment needs and goals and recommends an asset allocation and/or broad categories of investment alternatives designed to achieve Client's goals. Recommended investment categories may include one or more of the following categories of assets, also known as asset classes:

- Equity securities, including, but not limited to, equity securities issued by U.S. large cap, mid cap and small cap companies (which may include value and growth companies);
- Fixed income securities, including, but not limited to, short-term, intermediate-term and long-term fixed income securities issued by U.S. companies and obligations issued by U.S. or state governments or their agencies (which may include high yield corporate bonds, mortgage-backed and asset-backed securities, and municipal securities);
- Foreign securities, including equity and fixed income securities issued by foreign companies and governments (which may include companies and governments in emerging markets);
- Non-traditional assets, including, but not limited to, real estate, commodities, currencies, securities indices, interest rates, credit spreads, and private companies;
- Investment products that pursue non-traditional, complex or alternative investment strategies ("Alternative Strategies") or that involve special risks not apparent in more traditional investments ("Alternative Investment Products"), including, but not limited to: hedge funds, funds of hedge funds, private equity funds, funds of private equity funds, exchange or swap funds, leveraged funds, inverse funds, and other special situation funds, structured certificates of deposit and structured notes ("structured products"), ETNs, business development companies ("BDCs"), REITs, master limited partnerships ("MLPs"), managed futures and mutual funds and ETFs that pursue Alternative Strategies; and
- cash, including, but not limited to, money market funds.

Each asset allocation strategy has different allocations across each asset class, and some strategies may have no allocation to one or more asset classes described above.

If requested by a client and agreed to by Baird, the Plan may consist of an estate plan analysis designed to provide information on possible gift and estate tax consequences for the client related to the transfer of assets during his or her lifetime or at death. This estate plan analysis may make recommendations regarding advanced estate planning techniques specific to high net worth families.

If requested by a client and agreed to by Baird, the Plan may also consist of detailed stock option analysis. This analysis may calculate the approximate tax cost associated with stock option exercises over a number of years. It may also compare various stock option exercise strategies to help determine the optimal strategy from a tax and investment standpoint.

The Plan will set forth recommended actions in furtherance of the client's goals, needs and objectives. In developing a client's Plan, Baird does not assume or undertake any responsibility for implementing the recommended actions or for monitoring the actions taken by the client unless Baird has otherwise agreed to do so in writing.

A Baird Financial Advisor may assist the client in implementing the Plan under a separate arrangement; however, the client is not obligated to implement the Plan through Baird. Clients may utilize a financial advisor of their choice and may choose to implement only a portion of the recommendations included in the Plan. Since the client is not obligated to implement the Plan, neither the Baird Financial Advisor nor the Department performs a subsequent review or periodic or continual monitoring of the client's assets after delivery of a Plan unless Baird has otherwise agreed to do so in writing.

A Plan is effective as of the date indicated thereon. After a client has received a Plan, Baird undertakes no obligation to implement the actions recommended in the Plan, to review or monitor a client's investments, other assets, financial position or returns, or to update or modify the Plan, unless Baird has otherwise agreed to do so in writing. Any changes to a client's financial and personal position and needs will affect the analyses, information and recommendations made in a Plan. Financial planning is an ongoing process and a client should regularly consider whether financial and personal changes warrant a re-evaluation of the Plan.

#### **Additional Planning Services**

In addition to the development and delivery of a Plan described above, Baird also offers certain additional financial planning services ("Additional Planning

Services"). The Additional Planning Services made available to clients include: a discovery process, budget planning and review, goal setting (which may include goals and strategies for debt reduction or savings for education or other funding needs), goal action planning and implementation, goal check in meetings, general financial planning review (which may include reviewing and updating a Plan), investment review and retirement funding review.

In order to obtain Additional Planning Services, a client will need to enter into an Agreement with Baird. The Agreement will set forth the specific Services to be provided.

### **Divorce Financial Analyst and Consulting Services**

A Baird Financial Advisor may be engaged by a client (or the client's attorney) to provide financial analyses and related financial consulting services in connection with a divorce. These services are provided upon request and may include: gathering of financial details relevant to the divorce, assessment of marital/community and separate property, income and expense analysis, financial modeling, cash flow forecasts, examination of retirement and insurance issues, property division analysis, preparation of asset inventories and financial settlement scenarios, present value calculations, and tracing of financial statements to help categorize flow of funds or potential credits and reimbursements, and communications with the client's attorneys and tax advisers. Under certain limited circumstances approved by Baird's home office, a Baird Financial Advisor may also provide testimony and reports in the divorce proceeding as to the analytical services provided. Baird may provide its analyses and reports to a client's attorneys and, with the consent of the client or the client's attorney, as required by law or in order to provide the services requested by the client, to the client's tax adviser and other client representatives as well as insurance companies, mediators, judges, opposing parties and other third parties.

The divorce financial analyses and related consulting services Baird provides are based on information provided by the client and third parties (including without limitation the client's attorneys and tax advisers, opposing parties, mediators, forensic accountants, actuaries, pension valuers, insurance companies and others). Baird relies on the accuracy and completeness of the information provided to it without independent verification. Baird does not take responsibility for any losses resulting from incorrect or incomplete information Baird receives from the client, the client's advisers or third parties.

Baird's analyses and reports are effective as of the dates indicated thereon or, if not so indicated, on the dates they are delivered to the client or the client's attorney. After providing the analyses and other

services requested, Baird undertakes no obligation to review or update them.

If a client desires to engage Baird to provide additional services, either at the time Baird is providing divorce financial analyst and related consulting services or after such services have been provided, the client will be required to enter into a separate agreement with Baird describing those additional services.

### **Other Important Service Information**

A client should note that the Services do not include the analysis or recommendation of specific securities or other investments or the implementation of investment strategies, although those services may be provided by Baird and/or a Baird Financial Advisor under a separate agreement with Baird. The Services only offer a client a recommendation as to the allocation of the client's investment portfolio among various asset classes generally, which may include recommendations regarding allocations to alternative asset classes. The recommended allocation will reflect Baird's analysis of different asset classes and the different levels of risk associated with those investments. That analysis involves the consideration of past performance and the use of forward looking projections that are based upon certain assumptions about how markets will perform in the future.

Baird may use other entities to assist in the preparation of a Plan, such as the use of third party planning software and research providers. Baird will not separately charge a client for use of these other entities except with a client's consent.

The Services provided by Baird may also include limited consultations with the other professionals assisting the client, such as the client's attorney or tax adviser. More comprehensive financial planning services may involve the Baird Financial Advisor, working either independently or with individuals from other Baird departments, considering more complex issues in financial planning and reviewing estate planning strategies. A client's other professional advisers often play an integral role in the Services.

In preparing a Plan for a client or providing other Services, Baird relies on the accuracy and completeness of the information that the client provides in the financial planning questionnaire and otherwise, without independent verification. Baird is not responsible for any inadequacies or errors contained in the Plan or other advice provided in connection with the Services that result from a client's failure to provide Baird with accurate or complete information.

Baird's advisory relationship with the client terminates automatically upon the cessation of Services, which occurs when Baird delivers a Plan to the client, unless Baird has agreed in writing to provide Additional

Planning Services, in which event the advisory relationship terminates upon the cessation of Additional Planning Services.

A client or prospective client may, but is not required to, enter into a new relationship with Baird to implement the Plan or other recommendations made by Baird. In some cases, the client may already have a separate brokerage or advisory relationship with Baird while the financial planning Services are being provided to the client, and the termination of financial planning Services will not affect that pre-existing relationship. When a client enters into a new relationship with Baird following the cessation of financial planning Services, that relationship would generally be brokerage in nature and not advisory unless the client or prospective client and Baird separately agree to enter into an investment advisory contract.

If a client engages Baird to provide brokerage or advisory services in addition to the preparation of a Plan or provision of Services, Baird will earn additional compensation in the form of fees and/or commissions. Thus, any recommendation to use Baird to implement the Plan or other recommendations made pursuant to the Services presents a conflict of interest.

#### **Legal and Tax Considerations**

Baird and its associates will not provide any legal or tax advice to a client as part of the Services and no advice provided by Baird or any of its associates shall be deemed to be legal or tax advice. *A client is urged to consult with the client's personal legal and accounting professionals regarding any Plan or other financial planning Services provided by Baird.*

*If a client obtains an estate plan analysis, the client is urged to consult with the client's personal legal and accounting professionals to determine appropriate estate planning strategies and to prepare any necessary documents required to implement an estate plan.*

*If a client obtains financial analyses or related financial consulting services in connection with a divorce, the client should understand that Baird does not provide legal or tax advice even though Baird's services are provided in connection with a divorce or related legal process. Clients are encouraged at all times to obtain legal and tax services from licensed professionals. Baird is not responsible for judgments, settlements, consent decrees, awards or other decisions relating to a client's divorce, the division of assets or support payments. Those matters are the responsibility of the client and the client's attorney.*

Additional laws, regulations and other conditions apply to retirement accounts, which include employee pension benefit plan accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and individual retirement accounts ("IRAs")

that are subject to the Internal Revenue Code of 1986, as amended ("IRC") (collectively, "Retirement Accounts"). Each owner, trustee, named fiduciary, responsible plan fiduciary, or other fiduciary acting on behalf of a Retirement Account ("Retirement Account Fiduciary") understands and agrees that Baird and its associates do not provide legal advice regarding Retirement Accounts. A Retirement Account Fiduciary is urged to consult with his or her own legal advisor about the laws and regulations that may apply to Retirement Accounts.

#### **Fees and Compensation**

##### **Advisory Fee**

##### **Financial Planning**

Plans and other Services are provided for a fee. The fees for the Services are negotiated between the Baird Financial Advisor and the client. Generally, the fees are based upon the specific Services provided by Baird to the client. A wide range of Services is available, and the client selects the combination of Services that best fits his or her goals and objectives. The fees for the Services vary based upon a number of factors, including the complexity of the client's Plan, if any, the other Services to be provided, if any, and the interaction of the Baird Financial Advisor with the client's other professional consultants, including, among others, Certified Public Accountants ("CPAs"), trust department personnel, and attorneys. Fees may vary from client to client based on a number of factors, including, but not limited to, the factors described above. Baird may waive all fees for Services in its sole discretion.

The Services related to a Plan are typically provided under a flat fee arrangement, although hourly fee arrangements may also be available. Currently, the flat fee for preparing a Plan and providing related financial planning services generally ranges from \$500 to \$10,000, but may be higher depending upon the particular Services requested and complexity of the Plan. The flat fee will normally be paid in whole or in part in advance by the client, as reflected in the Agreement signed by the client. For clients paying an hourly rate, Baird may require a retainer (in an amount agreed to by the client) against which the hourly rate and out of pocket expenses will be applied. Following delivery of a Plan, clients will generally incur additional charges for follow-up consultations at a rate agreed to by the client and the Baird Financial Advisor.

The Additional Planning Services are typically provided under a flat fee arrangement, although other arrangements may be available in certain circumstances. The flat fee for Additional Planning Services generally ranges from \$125 to \$10,000 annually, but may be higher depending upon the particular Services requested.

The client may also negotiate fees based upon the number hours it takes to complete a Plan. The hourly



rate is negotiated by each individual client and the rate varies widely, depending upon the complexity of the Plan and the persons providing the services.

A written fee estimate will be provided to the client following an initial consultation. There is no fee for an initial consultation. Clients are not obligated to use any other Baird service to receive an initial consultation.

For Services related to a Plan, fees are payable as Services are rendered. Fees associated with Additional Planning Services are generally paid quarterly in advance. Baird's fees and other charges relating to the Services may be automatically deducted from a client's Baird account or the client may instruct Baird to issue the client an invoice for the fees and charges ("direct billing"). A client's Agreement will set for the specific fee amount and terms of payment.

### ***Divorce Financial Analytical Services***

Baird Financial Advisors who have been approved by Baird may also provide financial, analytical and related consulting services to clients in connection with a divorce for a flat fee or at an hourly rate, or a combination thereof. The flat fee or hourly rate is negotiated between the Baird Financial Advisor and the client. The fee or hourly rate is reflected in the agreement signed by the client. The fee or hourly rate will be reflected in an invoice sent to the client and paid within 30 days by the client (unless the client and Baird agree to another arrangement, such as debiting the amount from the client's account at Baird).

The flat fee will normally be paid in whole or in part in advance by the client, as reflected in the agreement signed by the client. If reflected in the agreement signed by the client, a flat fee may be imposed for each service provided. If agreed to by Baird, the flat fee may be paid upon completion of the services provided by Baird or on an installment basis. The flat fee will be subject to a minimum of \$500 unless Baird and the client negotiate a different minimum amount, to be reflected in the client's agreement.

As an alternative to the flat fee, or in addition to the flat fee, Baird may provide services at an hourly rate. The hourly rate will be reflected in the agreement signed by the client. The hourly rate may vary depending on the nature of the service provided. Normally, the hourly rate will be higher for any testimony, analyses and reports that Baird provides in the divorce proceeding. For clients paying an hourly rate, Baird may require a retainer (in an amount agreed to by the client) against which the hourly rate and out of pocket expenses will be applied. Baird will keep track of the time spent on the services provided in 0.25 hour increments, and provide an invoice each month showing the amount of time spent on the services provided and if, applicable, the amounts charged against the retainer and the remaining retainer balance. If the retainer amount is exhausted, Baird may

require that an additional retainer be provided to cover the cost of anticipated additional services. Any part of the retainer that is not used shall be promptly refunded following completion of the services provided or earlier termination of the relationship; provided, however, a minimum fee of \$500 will be charged in all cases.

### ***Other Information***

The fees charged to a client for the Services are paid to Baird and a portion of such fees are paid to the Baird Financial Advisor as part of the Financial Advisor's non-recurring compensation. Since Baird began providing these Services, it has had other fee ranges and schedules in effect, which may provide fees lower or higher, as the case may be, than those described above. As new fees are put into effect, they are made applicable only to new clients, and fees for existing clients are not affected. Therefore, some clients may pay different fees than those shown above.

There is no minimum dollar value of assets or other conditions required of a client to receive these services.

Baird may waive the minimum fee on a temporary or indefinite basis or negotiate a fee level different from the schedule shown above or set a different payment schedule.

### ***Other Fees and Expenses***

The fees and charges paid to Baird by the client only cover the preparation and delivery of the Plan, and if applicable, the performance of the Additional Planning Services. Baird's fees and charges do not include any costs or expenses associated with implementing the Plan or other recommendations made in connection with the Services, including, without limitation, fees that may be charged by investment advisors or managers advising the client or managing the client's assets or other service providers, such as custodians and broker-dealers.

If a Baird Financial Advisor or other representative of Baird discusses matters relating to a Plan or the Services with a client's tax or legal advisors, the client may be charged a separate fee by those advisors.

Clients may also subscribe to other services or programs offered by Baird. Those service and programs may be subject to fees, commissions or other expenses that are entirely separate from the payment of fees and expenses for the Service.

### ***Other Compensation Received by Baird***

Baird is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and its Financial Advisors are registered broker-dealer representatives of Baird. In such capacities, Baird and its Financial Advisors provide brokerage and related services to clients, including the



purchase and sale of individual stocks, bonds, mutual funds, private investment funds, and other securities, and sales of life insurance policies and annuities. Baird and its Financial Advisors receive compensation based upon the sale of such securities and other investment products, including asset-based sales charges and service fees on the sale of mutual funds. However, Baird and its Financial Advisors only offer asset allocation and similar investment recommendations of a general nature when providing the Services, and they do not recommend any particular investment product in connection with providing the Services. A client has the option to purchase investment products through brokers or agents that are not affiliated with Baird.

### **Performance-Based Fees and Side-By-Side Management**

Baird advises client accounts not participating in Services described in this Brochure that are subject to asset-based fee and performance-based fee arrangements. Performance-based fee arrangements involve the payment of fees based upon the capital gains or capital appreciation of a client's account. However, Baird does not offer these fee arrangements for financial planning services. If a client participates in other services provided by Baird, the client should review the Form ADV Part 2A Brochure for those services for more information about these types of fee arrangements.

### **Types of Clients**

Baird offers the Services to all types of current or prospective clients, including, but not limited to: individuals, banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; and corporations or other business entities.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Baird Financial Advisors and the Department may use various forms of third party research information and related tools to provide the Services. These sources of information and tools may include, among others, external market, economic, financial and investment data and analyses provided by organizations not affiliated with Baird. Baird Financial Advisors and the Department may also use research reports created by Baird. However, it should be noted that the Department and Baird Financial Advisors are not obligated to act in a manner consistent with Baird research reports and they may act in a manner that is contrary to those reports if they deem it to be consistent with the client's investment objectives and in the client's best interest. They may also employ the use of computers and third party financial planning software to more readily display information, assist with analysis, and make asset allocation recommendations. Although they use information and tools that Baird deems reliable, Baird

does not independently verify or guarantee the accuracy of the information or tools used.

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 if the client decides to implement a Plan. Baird's recommendations are based in part upon the use of forward looking projections, which in turn are based upon certain assumptions about how markets will perform in the future. There can be no guarantee that markets will perform in the manner assumed and the actual performance of markets and a client's investments could differ materially from those assumptions. Clients are encouraged to discuss with their Financial Advisor the risks that apply to them. A client should also review the prospectus or other disclosure document for any security or other investment product in which the client invests, as it will contain important information about the risks associated with investing in such security or other investment product.

### **Disciplinary Information**

In December 2008, Baird, without admitting or denying the allegations, consented to the sanctions and findings of the Financial Industry Regulatory Authority, Inc. ("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 affected customers.

In April 2016, Baird, without admitting or denying the findings, consented to the sanctions and findings of the Financial Industry Regulatory Authority, Inc. ("FINRA") that it violated NASD Conduct Rule 3010, FINRA Rule 3110, and FINRA Rule 2010, by failing to establish and maintain a supervisory system and procedures reasonably designed to ensure that customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. In May 2015, Baird began a review to determine whether Baird had provided available sales charge waivers to eligible customers. Based on this review, in May 2015, Baird self-reported to FINRA that various eligible customers had not received available sales charge waivers. Baird was found to have disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual

funds without a front-end sales charge. The findings also stated that these customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with higher ongoing fees and the potential application of a contingent deferred sales charge. Baird was censured and required to pay restitution to affected customers estimated to be approximately \$2.1 million including interest.

In July 2016, Baird, without admitting or denying the findings, consented to the sanctions and to the entry of findings of FINRA that the firm and a firm supervisor within its Private Wealth Management business did not reasonably supervise a former Financial Advisor who misused a customer's funds. The findings stated that the supervisor did not reasonably follow-up on red flags associated with a trade correction request submitted by the Financial Advisor that should have alerted him to the Financial Advisor's misuse of a customer's funds. The supervisor also did not follow certain of Baird's written supervisory procedures ("WSPs") relating to trade corrections. After the supervisor realized that the Financial Advisor misused the customer's funds, Baird reimbursed the customer for the loss. The findings also included that Baird did not establish and maintain a supervisory system, including WSPs, for correcting trade errors that was reasonably designed to ensure compliance with applicable securities laws, regulations and rules. Baird was censured and fined \$200,000.

In September 2016, the SEC announced that Baird, without admitting or denying the findings, consented to the sanctions and findings of the SEC that it violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to adopt and implement adequate policies and procedures to track and disclose trading away practices by certain of the subadvisors participating in Baird's wrap fee programs offered through its Private Wealth Management Department. Through these programs, Baird's advisory clients pay an annual fee in exchange for receiving access to select subadvisors and trading strategies, advice from Baird's financial advisors, and trade execution services through Baird at no additional cost. However, if a subadvisor chooses not to direct the execution of particular equity trades through Baird in order to fulfill its best execution obligation and the executing broker charges a commission or fee, Baird's advisory clients often are charged additional commissions or fees for those transactions, which is often embedded in the price paid or received for the security. This practice is referred to as "trading away" and these types of trades are frequently called "trade aways." Baird was found to have failed to adopt or implement policies and procedures designed to provide specific information to Baird's clients and financial advisors about the costs of trading away. Baird agreed to provide additional disclosure to clients and review and, as necessary, update its policies and procedures. Baird also was ordered to cease and desist committing or causing any violations and any future violations of Section 206(4) of

the Advisers Act and Rule 206(4)-7 thereunder and pay a civil money penalty in the amount of \$250,000.

Additional information about Baird's disciplinary history is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Other Financial Industry Activities and Affiliations

Baird is registered with the SEC as a broker-dealer under the Exchange Act and as an investment adviser under the Advisers Act. Baird is also affiliated with certain investment advisors and investment products that are identified below, including certain mutual funds, ETFs, private equity funds and hedge funds. Certain Baird Financial Advisors and certain management persons of Baird may invest in those funds.

### Broker-Dealer Activities

Baird is engaged in a broad range of broker-dealer 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 Baird Financial Advisors and certain management persons of Baird are registered, or have an application pending to register, as registered representatives and associated persons of Baird to the extent necessary or appropriate to perform their job responsibilities.

### Investment Management Activities

Baird Advisors and Baird Equity Asset Management are investment management departments of Baird, and Chautauqua Capital Management ("CCM") is a division of Baird Equity Asset Management.

### Certain Affiliations

#### Affiliated Investment Advisors

Baird is affiliated, and may be deemed to be under common control, with Riverfront Investment Group, LLC ("Riverfront") by virtue of their common indirect ownership by BFG. Additional information about Riverfront is available in Riverfront's Form ADV Part 2A Brochure.

Baird is affiliated, and may be deemed to be under common control, with Greenhouse Funds LP ("Greenhouse") and Greenhouse Fund GP LLC ("Greenhouse GP") by virtue of their common indirect ownership by BFG.

### ***Affiliated Mutual Funds and ETFs***

Baird is the investment adviser and principal underwriter for Baird Funds, Inc. (the “Baird Funds”). Baird Advisors provides investment management, administrative, and other services to certain Baird Funds investing primarily in fixed-income securities (the “Baird Bond Funds”). Baird Equity Asset Management provides investment management and other services to certain Baird Funds investing primarily in equity securities (the “Baird Equity Funds”). CCM provides investment management and other services to certain Baird Funds pursuing global or international investment strategies (the “Chautauqua Funds”). As compensation for its services, Baird receives fees from each Baird Fund, which fees are disclosed in each Fund’s prospectus and statement of additional information available at [www.bairdfunds.com](http://www.bairdfunds.com).

Baird Advisors serves as investment sub-adviser to a mutual fund series of the Bridge Builder Trust. Additional information about that mutual fund, including information relating to the compensation paid to Baird by that fund for investment management services, is available in the fund’s prospectus and statement of additional information.

Baird Equity Asset Management serves as investment sub-adviser to a mutual fund series of the Principal Funds, Inc. Additional information about that mutual fund, including information relating to the compensation paid to Baird by that fund for investment management services, is available in the fund’s prospectus and statement of additional information.

CCM serves as investment sub-adviser to a mutual fund series of each of The Advisors’ Inner Circle Fund and Pace® Select Advisors Trust. Additional information about those mutual funds, including information relating to the compensation paid to Baird by those funds for investment management services, is available in the funds’ prospectus and statement of additional information.

Riverfront acts as investment sub-adviser for certain mutual fund series of the Financial Investors Trust and certain ETFs that are part of the ALPS ETF Trust. Additional information about those mutual funds and ETFs, including information relating to the compensation paid to Riverfront by those funds for investment management services, is available in each fund’s prospectus and statement of additional information.

### ***Affiliated Private Limited Partnerships***

CCM acts as investment manager for, and Baird is the general partner of, the Chautauqua International Growth Equity QP Fund, LP and the Chautauqua Global Growth Equity QP Fund, LP (the “Chautauqua Limited Partnerships”), and CCM serves as investment sub-adviser to the Multi-Advisor Funds International Fund. Those funds are private pooled investment vehicles that

are not required to be registered with the SEC as investment companies.

### ***Affiliated Private Equity Funds***

Baird is also engaged in a private equity business through Baird Capital (“Baird Capital”), Baird’s global private equity group. Baird Capital makes venture capital, growth equity and private equity investments primarily in the healthcare, technology and services, and products 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 Venture Partners Management Company IV, LLC (“BVP IV”); Baird Capital Partners Management Company III, LLC (“BCP III”); Baird Capital Partners Management Company IV, LLC (“BCP IV”); Baird Capital Partners Management Company V, LLC (“BCP V”); Baird Asia Partners Management Company I, LLC (“BAP I”); Baird Capital Partners Asia Management I Limited Partnership (“BCPA I”); Baird Principal Group Management Company I, LLC (“BPG I”) and Baird Capital Partners Europe Limited. BVP I, BVP III, and BVP IV participate in venture capital opportunities by generally 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. BVP IV is the general partner of three limited partnerships and is an investment adviser registered with the SEC. BCP III, BCP IV and BCP V generally invest in equity securities of growing lower-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. BPG I co-invests with private equity funds and private equity professionals in transactions in the United States and Europe. BPG I is the general partner of one limited partnership and is an investment adviser registered with the SEC. Only Baird employees were permitted to invest in the BPG I limited partnership. Baird Capital Partners Europe Limited, an English limited company, is

regulated and authorized by the Financial Conduct Authority and is the manager of certain partnerships formed to acquire businesses and make investments across a range of industry sectors.

### **Affiliated Hedge Funds**

Greenhouse acts as investment manager for, and Greenhouse GP is the general partner of, the Greenhouse Master Fund LP and the Greenhouse Onshore Fund LP. Greenhouse also acts as investment adviser for the Greenhouse Offshore Fund LP. Those funds are hedge funds that are not required to be registered with the SEC as investment companies.

## **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 advisory services to clients, including Baird Financial Advisors, 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 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. In addition, Baird's Compliance Department monitors the personal trading activities of all of Baird's associates providing advisory-related services to clients.

## **Participation or Interest in Client Transactions**

### **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 or money market mutual fund. See "Custody" below for more information. In addition to the fee paid by the client related to the Services, Baird receives a fee from each bank or money market fund related to a client's investment in the Cash Sweep Program for certain administrative, accounting and other services that Baird provides to the bank or fund. Through the Money Market Fund Option, Baird receives compensation from the money market mutual funds and their sponsors. Baird may waive receipt of any or all of this compensation. The compensation that Baird receives from the Bank Sweep Option and the Money Market Option gives it a financial incentive to recommend that clients invest cash balances in the particular sweep options included in the Cash Sweep Program. More detailed information about the Cash Sweep Program and the compensation Baird receives is available on Baird's website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

### **Trust Services Arrangements**

Baird maintains alliances with certain unaffiliated institutions, including Comerica Bank & Trust, National Association, that provide trust services. These unaffiliated institutions offer various types of trust services, including trust administration, custody, tax reporting and recordkeeping, 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. This provides Baird a financial incentive to recommend firms that are part of the alliance.

### **Lending Arrangements**

Baird maintains alliances with certain unaffiliated lenders, including Tristate Capital Bank, that provide financing opportunities to Baird clients. Baird receives a referral fee from the lender in some instances. The



referral fee is generally shared with the client's Financial Advisor. The amount of the referral fee varies, depending upon the lender and the amount of the financing. It is Baird's practice to provide more specific information about the referral fee at the time a client obtains such financing. As a result of the foregoing, Baird and the client's Financial Advisor have a financial incentive to recommend that the client obtain loans from lenders that pay Baird referral fees.

### **Other Interests in Client Transactions**

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

Baird and its Financial Advisors 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 "Fees and Compensation" and "Other Financial Industry Activities and Affiliations" above.

### **Brokerage Practices**

The Services provided under this Brochure only include services related to the creation of a Plan. The Services do not include the implementation of the Plan or the solicitation or execution of specific securities transactions. As a result, Baird does not recommend or select broker-dealers to effect transactions for client accounts as part of the Services.

### **Review of Accounts**

Unless the client and Baird otherwise agree in writing, the client's Financial Advisor and the Department generally do not provide ongoing review of a Plan or the client's accounts or ongoing reporting. If a client requests and Baird agrees in writing to provide ongoing review of a Plan or other Services, the scope and frequency of the review or performance of other Services will be specified in the client's Agreement.

### **Client Referrals and Other Compensation**

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

representatives of Baird and its affiliates as well as to unaffiliated solicitors that have entered into a written agreement with Baird.

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

### **Custody**

Unless a client elects to open an account with Baird (an "Account") in connection with the Services, Baird does not have custody of client assets and it does not recommend or select custodians for client accounts as part of the Services.

If a client opens an Account with Baird, Baird will act as the custodian of a client's assets in the Account and will provide certain custody services, including holding the client's Account assets, crediting contributions and interest and dividends received on securities held in a client's Account, and debiting distributions from the Account.

As custodian, Baird may hold a client's Account assets in nominee or "street" name, a practice that 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. Baird will be the holder of record in those instances.

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. Baird generally receives compensation in addition to the Program Fee when clients participate in the Cash Sweep Program. See "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Cash Sweep Program" above for more information.

If a client elects to participate in Baird's Cash Sweep Program, Baird will deposit or invest (i.e., "sweep") a client's free credit balances in accordance with the client's instructions and terms of the Cash Sweep Program. Any deposits, including CDs that a client maintains directly with a bank or through an intermediary (such as Baird or another broker), in the same capacity with the bank, will be aggregated with the client's Bank Sweep Option assets at the bank for purposes of calculating the \$250,000 FDIC insurance

limit. Total deposits exceeding \$250,000 may not be fully insured by the FDIC. *A client is solely responsible for monitoring the total amount of other deposits that the client has with a bank in order to determine the extent of deposit insurance coverage available. Baird is not responsible for any insured or uninsured portion of a client's deposits at a bank.*

A client who uses a third party custodian to hold assets does so at the client's risk. A client should understand that Baird does not monitor, evaluate or review any third party custodian. The client should also understand that the client will pay a custody fee in addition to the fee that the client pays to Baird and that the client may not receive performance review or reporting from Baird. In addition, a client who uses a third party custodian is not eligible for cash sweep services offered by Baird. Clients using a third party custodian are encouraged to establish appropriate cash sweep arrangements.

### **Investment Discretion**

Baird does not have discretionary authority to buy or sell securities for client accounts or otherwise act for client accounts in connection with the Services. A client retains full discretionary authority over client's accounts and is solely responsible for implementing any Plan.

### **Voting Client Securities**

Baird does not have authority to vote proxies with respect to the securities held in the client's account or otherwise act for client accounts in connection with the Services. A client retains the right to vote proxies with respect to the securities held in such accounts and is solely responsible for voting any such proxies.

### **Financial Information**

Baird does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of its most recent fiscal year. Baird is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to clients, nor has it been the subject of a bankruptcy petition at any time during the past ten years.