

Baird Private Wealth Management

Wrap Fee Program Brochure

September 15, 2011



Discretionary Programs

ALIGN Strategic Portfolios

ALIGN Tactical Portfolios

ALIGN Custom Portfolios

Baird Investment Management Portfolios

Private Investment Management

Russell Model Strategies

Non-Discretionary Programs

Baird Advisory Choice

Separate Managed Account Programs and Services

Client Selected Managers

Recommended Managers

Referred Managers

Riverfront Managed Portfolios

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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 Private Wealth Management, a department of Baird. Clients should carefully consider this information before becoming a client of Baird. If you have any questions about the contents of this Brochure, please contact us at the toll-free phone number listed above. The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Baird is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Clients who received the Baird Private Wealth Management Brochure dated March 31, 2011 (the "Prior Brochure") should note that this Brochure amends and replaces the Prior Brochure. Baird amended the Prior Brochure because Baird is making new investment options available to clients under its ALIGN Strategic Portfolios and ALIGN Tactical Portfolios Programs. A description of the new investment options can be found below under the headings "Methods of Analysis, Investment Strategies and Risk of Loss—Investment Strategies and Methods of Analysis—ALIGN Strategic Portfolios" and "Methods of Analysis, Investment Strategies and Risk of Loss—Investment Strategies and Methods of Analysis—ALIGN Tactical Portfolios", respectively. This Brochure also includes certain other immaterial changes deemed appropriate by Baird.

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Services, Fees and Compensation

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

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

Baird Private Wealth Management

This Brochure describes certain investment advisory programs that Baird PWM offers to clients ("Programs"). These Programs consist of: (1) discretionary programs, where a client gives Baird (including its home office investment professionals, its investment management departments, and/or the client's Baird Financial Advisor) full discretionary authority to manage the client's account ("Discretionary Programs"); (2) non-discretionary programs, where Baird provides investment advice and recommendations but the client retains full authority with respect to management of the client's account ("Non-Discretionary Programs"); and (3) separately managed account ("SMA") services and Programs, where other investment managers manage the client's account with full discretion and Baird provides additional consulting services to the client ("SMA Programs and Services"). The Discretionary Programs described in this Brochure include: ALIGN Strategic Portfolios; ALIGN Tactical Portfolios; ALIGN Custom Portfolios; Baird Investment Management Portfolios; Private Investment Management; and Russell Model Strategies. The Non-Discretionary Programs include: Baird Advisory Choice. The SMA Programs and Services include: Client Selected Managers Service; Recommended Managers; Referred Managers; and Riverfront Managed Portfolios.

The advisory services offered under the Programs generally include investment advice and consulting services, which are provided by Baird's

home office investment professionals and/or the client's Baird Financial Advisor, performance reporting and related account services, and, depending upon the Program that a client selects, the Program may include portfolio management.

Each Program is designed to address different investment needs of clients. All of the Programs discussed in this Brochure may not be appropriate for a client. Baird clients typically work with a Baird Financial Advisor to determine the services that are most appropriate given their goals and circumstances. Most clients complete a Client Household Application and/or an investment questionnaire that assists the client and the client's Financial Advisor with determining the client's investment needs, objectives and risk tolerances for the assets being invested.

Baird provides the Programs described in this Brochure under a "wrap fee" arrangement. This means that in addition to the investment advisory services that Baird provides in connection with each Program, 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 Baird provides in connection with each Program are further described below. Each Program may have differing structures and administration, and each Program 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 Program will enter into an Advisory Household Agreement with Baird. The Advisory Household Agreement will contain the specific terms applicable to the services selected by the client, fees payable by the client and other terms applicable to the client's advisory relationship with Baird.

In addition to the investment advisory services that Baird provides in connection with each Program, 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 for, and perform related services to, the client's account.

The terms of a client's Advisory Household Agreement, Client Account Agreement and this Brochure apply to all Program accounts that a client establishes with Baird, including any Program accounts that a client may open with Baird in the future. Some of the information in those documents may not apply to a client now, but may apply in the future if a client changes Programs or services or establishes other advisory accounts with Baird. Baird will generally not provide a client another copy of the Advisory Household Agreement, Client Account Agreement or this Brochure when a client changes Programs or services or establishes new advisory accounts unless the client requests a copy from a Financial Advisor. Therefore, a client should retain those documents for future reference as they contain important information if a client changes Programs or services or establishes other advisory accounts with Baird.

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

Baird discloses potential conflicts of interest to a client by including relevant information in documents provided to the client, including, without limitation, this Brochure, brochure supplement(s) that contain information about individuals providing investment advice to the client, and the client's Advisory Household 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.

Discretionary Programs

ALIGN Strategic Portfolios Program. Under the ALIGN Strategic Portfolios Program, Baird manages a client's account with discretion according to a proprietary model strategic asset allocation strategy developed by Baird (each such model an "ALIGN Strategic Portfolio") that is selected by the client. Each ALIGN Strategic Portfolio provides for specific levels of investment across different asset classes and uses mutual funds and/or exchange traded funds ("ETFs") in order to implement the model asset allocation. Each ALIGN Strategic Portfolio may consist of numerous mutual fund and/or ETF holdings. For more information about the Program, see "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—ALIGN Strategic Portfolios" below.

Typically, a client selects the ALIGN Strategic Portfolio appropriate for the client's account with the assistance of the client's Baird Financial Advisor. A client's Baird Financial Advisor often provides the client with a proposal that identifies the ALIGN Strategic Portfolio and the underlying mutual funds and ETFs appropriate for the client's account.

Baird constructs each ALIGN Strategic Portfolio and adjusts the asset allocation of each ALIGN Strategic Portfolio from time to time. Baird also determines the mutual funds and ETFs that are available in the ALIGN Strategic Portfolios Program, including the percentage each mutual fund or ETF comprises in each asset class within an ALIGN Strategic Portfolio. From time to time, Baird may remove mutual funds or ETFs used in the ALIGN Strategic Portfolios Program and replace them with other mutual funds or ETFs. Baird may make any such changes to an ALIGN Strategic Portfolio from time to time as it deems appropriate and without client notice or approval.

Baird may rebalance a client's account assets to be consistent with the client's chosen asset allocation strategy or may change the client's asset allocation in certain circumstances. See "Additional Program Information—Asset Allocation Change and Rebalancing" below for more information.

ALIGN Tactical Portfolios Program. Under the ALIGN Tactical Portfolios Program, Baird manages a client's account according to a proprietary model tactical asset allocation strategy developed by Baird each such model an "ALIGN Tactical Portfolio") that is selected by the client (. Each ALIGN Tactical Portfolio provides for specific levels of investment across different asset classes and uses ETFs in order to implement the model asset allocation. *ALIGN Tactical Portfolios are designed for clients interested in pursuing more aggressive allocation strategies, with the use of tactical decisions involving the overweighting of certain asset classes. ALIGN Tactical Portfolios are not intended to be a complete investment program. The ALIGN Tactical Portfolios are actively managed and thus experience relatively high portfolio turnover. Because of this turnover, the portfolio may generate significant taxable gains and income.* For more information about the Program, see "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—ALIGN Tactical Portfolios" below.

Typically, a client selects the ALIGN Tactical Portfolio appropriate for the client's account with the assistance of the client's Baird Financial Advisor. A client's Baird Financial Advisor often provides the client with a proposal that identifies the ALIGN Tactical Portfolio and the underlying ETFs appropriate for the client's account.

Baird constructs each ALIGN Tactical Portfolio and adjusts the asset allocation of each ALIGN Tactical Portfolio from time to time. Baird also determines the ETFs that are available in the ALIGN Tactical Portfolios Program, including the percentage each ETF comprises in each asset class within an ALIGN Strategic Portfolio. From time to time, Baird may remove ETFs used in the ALIGN Tactical Portfolios Program and replace them with other ETFs. Baird may make any such changes to an ALIGN Tactical Portfolio from time to time as it deems appropriate and without client notice or approval.

Baird continuously rebalances a client's account assets to be consistent with the client's chosen ALIGN Tactical Portfolio strategy or may change the client's asset allocation in certain circumstances. See "Additional Program Information—Asset Allocation Change and Rebalancing" below for more information.

ALIGN Custom Portfolios Program. Under the ALIGN Custom Portfolios Program, Baird manages a client's account according to a custom model asset allocation strategy determined by the client with the assistance of Baird and the client's Financial Advisor. Each ALIGN Custom Portfolio provides for a customized level of investment across different asset classes and may use any combination of mutual funds and/or ETFs. For more information about the Program, see "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—ALIGN Custom Portfolios" below.

A client's Baird Financial Advisor often provides the client with a proposal that identifies the asset allocation and the underlying mutual funds and ETFs appropriate for the client's account.

A client gives Baird and the client's Financial Advisor full discretion to recommend and determine the client's asset allocation strategy (including the targeted percentages or percentage ranges to be allocated to each asset class within the strategy) and to make changes to that strategy from time to time. Baird and the client's Financial Advisor also has the full discretion to select mutual funds (or groups of funds within particular asset classes, or "sleeves") and ETFs in order to implement the client's asset allocation strategy, replace such funds or ETFs, and rebalance the client's account without prior client notice or approval. See "Additional Program Information—Asset Allocation Change and Rebalancing" below for more information.

Baird Investment Management Portfolios. Under the Baird Investment Management ("BIM") Portfolios Program ("BIM Portfolios Program"), a client grants full discretion to Baird Investment Management ("BIM"), an investment management department of Baird, to manage the client's account.

BIM provides portfolio management to clients desiring investments in equity and fixed-income products. BIM offers five (5) primary investment strategies: a Large Cap Growth Select Portfolio; a Large Cap Core Growth Portfolio; a Large Cap Balanced Portfolio; a Mid Cap Growth Portfolio; and a Specialized Asset Management Portfolio.

The Large Cap Growth Select Portfolio invests in large and medium sized, high-quality growth

companies holding leadership positions within their industries that BIM's portfolio managers believe are capable of producing above average growth in a variety of market environments.

The Large Cap Core Growth Portfolio emphasizes large cap, high-quality growth companies holding leadership positions within their industries that BIM's portfolio managers believe are capable of producing consistent performance in a variety of market environments.

The equity portion of the Large Cap Balanced Portfolio includes the same types of securities utilized in the Large Cap Growth Portfolio. The remainder of the Portfolio consists of what BIM believes are high-quality fixed-income securities.

The Mid Cap Growth Portfolio invests in medium sized, high-quality growth companies holding leadership positions within their industries that BIM's portfolio managers believe are capable of producing above average growth in a variety of market environments.

The Specialized Asset Management Portfolio emphasizes asset allocation among multiple investment strategies, which may include large cap, mid cap, small cap, international and fixed income securities.

BIM will make investment decisions for the client's BIM Portfolios 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.

In addition to equity and fixed income securities, BIM may invest client assets in securities of investment companies, such as money market funds, mutual funds, exchange traded funds, other registered investment companies, hedge funds, private investment partnerships and other investment pools (including such funds affiliated with Baird) that invest in securities or track securities-related indices.

Private Investment Management Program.

The Private Investment Management ("PIM") Program is a discretionary investment advisory program whereby a client grants full discretionary authority and management of the client's account to Baird and a Baird Financial Advisor who has

been approved by Baird to manage client accounts in the PIM Program (a "PIM Manager").

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

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

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

Russell Model Strategies Program. Under the Russell Model Strategies Program, Baird manages a client's account according to a model mutual fund asset allocation strategy (a "Russell Strategy") developed by Russell Investments ("Russell"), a subsidiary of the Russell Investment Group that is selected by a client. Each Russell Strategy uses mutual funds in the Russell Funds family of funds ("Russell Funds") to implement the strategy. For more information about the Program, see "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—Russell Model Strategies" below.

A client selects the Russell Model Strategy appropriate for the client's account with the assistance of the client's Baird Financial Advisor. A client's Baird Financial Advisor often provides the client with a proposal that identifies the strategy that is appropriate for the client's account.

Russell constructs each Russell Strategy and adjusts the Strategy from time to time. Russell also determines the Russell Funds that are available in each Russell Strategy, including the percentage each Russell Fund comprises in each Strategy. From time to time, Russell may remove Russell Funds and replace them with other Russell Funds. At Baird's discretion, Baird will implement any changes proposed to a Russell Strategy by Russell. However, Baird may implement the Russell Strategy differently than proposed by Russell or may sell the client's Russell Funds if Baird determines such action to be necessary and in the client's best interest.

Baird may rebalance a client's account assets to be consistent with the client's chosen asset allocation strategy or may change the client's asset allocation in certain circumstances. See "Additional Program Information—Asset Allocation Change and Rebalancing" below for more information.

Non-Discretionary Programs

Baird Advisory Choice Program. The Baird Advisory Choice Program is a non-discretionary investment advisory program whereby Baird provides advice to a client in connection with the client's own management of the client's account. As part of the Baird Advisory Choice Program, a client may also select third party investment

managers to manage the client's account with full discretion. See "Separately Managed Account Programs and Services—Client Selected Managers Service" below for more information.

Baird does not have discretion over the assets in client's Baird Advisory Choice account and cannot purchase or sell any securities or other investments in the client's Baird Advisory Choice account without the client's consent. A client makes the final decision as to selection of investments for the client's Baird Advisory Choice account.

The investment advisory services that may be available in the Baird Advisory Choice Program include research, analysis, consultation, advice and recommendations regarding various investment-related matters, such as financial and investment goals and needs, asset allocation strategies, investment policies and restrictions, methods for implementing investment strategies, trends and expectations regarding securities markets, economic sectors and industries, various types of securities and investments, and the purchase, holding and sale of specific securities. Some or all of these services may be provided to a client by a Baird Financial Advisor assigned to the client's account. The specific services to be provided to a client will be determined by mutual agreement between the client and the client's Financial Advisor. Baird does not undertake to provide any investment advisory services other than those specifically sought by the client or individual securities recommendations made from time to time.

Baird will provide investment recommendations for a client's account and may recommend the amount, type and timing with respect to buying, holding, exchanging, converting and selling securities and other assets for the client's account. Baird may recommend to a client securities, cash and/or other investments in accordance with the investment style that, in Baird's judgment, correlates with the information the client provides to Baird. Recommended investments may include, but are not limited to, common or preferred stocks, options, warrants, rights, corporate debt securities, commercial paper, certificates of deposit ("CDs"), municipal securities, investment company, exchange traded, or mutual fund shares, private investment funds, hedge funds, mortgage and asset backed securities, collateralized mortgage obligations,

structured CDs and notes, managed futures, United States government securities, and agency securities. Baird may also recommend that all or a portion of the client's Baird Advisory Choice account be held in cash or cash equivalents, including securities issued by money market mutual funds or deposited in interest-bearing bank accounts.

Important Information about Baird Advisory Choice Accounts. *A Baird Advisory Choice account provides a fee-based alternative to a traditional, commission-based brokerage account. Each client should determine whether a Baird Advisory Choice account is appropriate. In making this determination, a client should carefully consider all relevant factors, including his/her investment objectives, risk tolerance, past and anticipated trading practices, current assets, current investments, the value and type of eligible assets to be held in the account, anticipated use of other Baird products and services, and the costs and benefits of the account. A client should ask Baird questions about the investment styles, philosophies, strategies, analyses and techniques Baird will use in order to meet the client's objectives. The costs of a Baird Advisory Choice account may be more or less than in an account where the client is charged on a per-transaction basis. A Baird Advisory Choice account may not be appropriate for those who anticipate little or no trading activity and/or have small balances in their account, and do not receive or request investment advisory or other non-trading services. A Baird Advisory Choice account is also not for day trading or other extreme trading activity, including excessive options trading or trading in mutual funds based on market timing. Accounts engaged in "excessive trading activity" (herein defined as activity that would be considered "excessive" by industry professionals in a non-discretionary, fee-based program, as determined by Baird in its sole discretion) may immediately, upon sending notice to a client, be restricted as to the activity occurring in a client's account, terminated, converted to a commission-based account, or charged a higher fee at such rate as Baird, in its sole discretion, may elect. A client is responsible for monitoring his/her account and determining the desirability of maintaining the account as opposed to maintaining a traditional, commission-based brokerage account. A client should periodically reevaluate whether the ongoing use of this non-discretionary, advisory program is desired and*

request a Baird Financial Advisor to explain the benefits and disadvantages of maintaining a Baird Advisory Choice account and the availability of alternative arrangements. A client is responsible for trading in a Baird Advisory Choice account because the client's Baird Financial Advisor does not have investment discretion.

In addition to Baird Advisory Choice accounts, Baird offers various other advisory programs in which it has investment discretion. Baird also offers traditional, commission-based brokerage accounts. A client may terminate a Baird Advisory Choice account and convert it into a traditional, commission-based brokerage account at any time by contacting the client's Baird Financial Advisor. Baird also has the right, at any time upon notice to a client, to terminate a client's Baird Advisory Choice account and convert it into commission-based brokerage account.

Separately Managed Account Programs and Services

Client Selected Managers Service. The Client Selected Managers Service is a service a client may elect under the Baird Advisory Choice Program whereby a client selects a third party investment manager to manage the client's account. This service is designed to accommodate a client who wishes to independently select a third party investment manager to manage the assets in the client's account with full discretion.

A client wishing to participate in this Service selects a manager from a list of eligible managers that Baird makes available from time to time (a "CSM Eligible Manager"). Baird's list of CSM Eligible Managers is based upon the managers made available on a platform of investment advisory firms maintained by an overlay investment management firm that Baird has engaged in connection with this Service (the "CSM Overlay Manager"). The CSM Eligible Manager list is subject to change at any time in Baird's or the CSM Overlay Manager's discretion.

Once the client has decided to retain a CSM Eligible Manager to manage the client's account, the client authorizes and directs Baird to appoint the CSM Overlay Manager to serve as sub-adviser. The client also authorizes and directs the CSM Overlay Manager to appoint the CSM Eligible Manager to serve as sub-adviser. The CSM

Eligible Manager will manage the client's account with full discretion.

Baird may, in its discretion, permit a client to select a manager that is not a CSM Eligible Manager. However, the client will need to enter into a separate agreement with such manager in addition to the Advisory Household Agreement the client enters into with Baird. This arrangement is commonly referred to as a "dual contract" arrangement.

If a client appoints a third party investment manager to manage the client's account under the Client Selected Managers Service, the third party investment manager will have the authority and full discretion to manage the client's account. Third party investment managers may have varying investment objectives, styles and strategies. A third party investment manager selected by a client may invest the client's account in various types of securities, which will be chosen by the third party investment manager. All or a portion of a client's account may be held in cash or cash equivalents, including securities issued by money market mutual funds, or in an insured bank deposit account. A client should obtain the third party investment manager's brochure for more information.

Under the Client Selected Managers Service, Baird does not manage the account and does not otherwise have any influence over the third party investment manager's investment decisions or securities selections. Baird also does not provide any recommendations, investment advice or related services regarding the purchase or sale of investment products made for the client's account. Baird only provides a client with consulting services, such as assistance in determining a client's financial needs, investment goals, asset allocation strategies, investment policies and restrictions, and periodically reviewing the positions and transactions made in the client's account, third party investment manager performance and other characteristics. Some or all of these services may be provided to a client by a Baird Financial Advisor assigned to the client's account, and the client's Financial Advisor may provide his or her own advice and recommendations about the manager. The specific services to be provided to each client will be determined by mutual agreement of the client and the client's Baird Financial Advisor. Baird does not undertake to provide any investment

advisory services other than those specifically requested by a client and agreed to by Baird.

A client's appointment and continued retention of a third party investment manager to manage the client's account is based solely upon the client's independent review of such third party investment manager and such manager's services. Once retained by the client, a third party investment manager will only be removed from managing the client's account upon the client's direction to do so. However, Baird has the right to remove any manager from the CSM Eligible Manager list in Baird's sole discretion. See "Portfolio Manager Selection and Evaluation—Selection and Evaluation" below for further information.

Recommended Managers Program. The Recommended Managers Program is a discretionary investment advisory program whereby a client grants full discretion to Baird and the client's Financial Advisor to select investment managers to manage the client's account.

Under the Recommended Managers Program, Baird determines the investment managers eligible to participate in the Program ("Recommended Managers") through an initial and ongoing evaluation process further described under "Portfolio Manager Selection and Evaluation—Selection and Evaluation" below. The client's Financial Advisor then selects or replaces a manager based upon the list of Recommended Managers that Baird makes available. Most Recommended Managers are unaffiliated with Baird but some may be affiliated with Baird or may be another investment management department of Baird. Recommended 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.

Recommended 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 Recommended Manager are further described in the manager's brochure, which will be delivered to a client when the client elects to participate in the Recommended Managers Program or otherwise upon request.

By participating in the Recommended Managers Program, a client authorizes and empowers Baird and the client's Financial Advisor, 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 Baird terminates an investment manager from the Program, a client authorizes Baird 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. Baird'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. A client who prefers to continue using an investment manager that has been removed from the Recommended Managers Program, or who directs or otherwise requests that a particular manager not recommended by Baird be selected to manage the client's account, will generally need to enter into a separate advisory contract with that manager and a new arrangement with Baird. See "Client Selected Managers Service" above. Clients who elect to do so will no longer receive ongoing evaluation of that manager from Baird.

Notwithstanding the discretionary authority granted to Baird under the Recommended Managers Program, Baird does not manage the account and does not otherwise have any influence over the investment managers' investment decisions or securities selections. However, Baird 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.

Referred Managers Service. Under the Referred Managers Service, a client may select third party investment managers to manage the client's account. The Referred Managers Service is designed to accommodate a client who wishes to independently select a third party investment manager to manage the assets in the client's account with full discretion. These third party investment managers are managers that meet certain minimum qualification requirements imposed by Baird and that have indicated to Baird they prefer to act as sub-adviser to Baird rather than enter into contracts directly with the client.

If a client appoints a third party investment manager to manage the client's account under the Referred Managers Service, the third party investment manager will have the authority and full discretion to manage the client's account. Third party investment managers may have varying investment objectives, styles and strategies. A third party investment manager selected by a client may invest the client's account in various types of securities, which will be chosen by the third party investment manager. All or a portion of a client's account may be held in cash or cash equivalents, including securities issued by money market mutual funds, or in an insured bank deposit account. A client should obtain the third party investment manager's brochure for more information.

Under the Referred Manager Service, Baird does not manage the account and does not otherwise have any influence over third party investment manager's investment decisions or securities selections. Baird also does not provide any recommendations, investment advice or related services regarding the purchase or sale of investment products made for the client's account. Baird only provides a client with consulting services, such as assistance in determining a client's financial needs, investment goals, asset allocation strategies, investment policies and restrictions, evaluating potential third party investment managers, and periodically reviewing the positions and transactions made in the client's account, third party investment manager performance and other characteristics. Some or all of these services may be provided to a client by a Baird Financial Advisor assigned to the client's account. The specific services to be

provided to each client will be determined by mutual agreement of the client and the client's Baird Financial Advisor. Baird does not undertake to provide any investment advisory services other than those specifically requested by a client and agreed to by Baird.

A client's appointment and continued retention of a third party investment manager to manage the client's account is based solely upon the client's independent review of such third party investment manager and such manager's services. Once retained by the client, a third party investment manager will only be removed from managing the client's account upon the client's direction to do so. However, Baird has the right to terminate any manager from participating in the Referred Manager Service in Baird's sole discretion. See "Portfolio Manager Selection and Evaluation—Selection and Evaluation" for further information.

Riverfront Managed Portfolios Program.

Under the Riverfront Managed Portfolios Program, a client retains Baird to provide non-discretionary investment advisory services to client's account and authorizes and directs Baird to appoint Riverfront Investment Group, LLC ("Riverfront") to serve as sub-advisor to manage the client's account with full discretion.

If a client elects to participate in the Riverfront Managed Portfolios Program, Riverfront will have the authority and full discretion to manage the client's account. The investment strategies that Riverfront offers to clients participating in the Riverfront Managed Portfolios Program include asset allocation strategies, ETF strategies and foundation strategies (each a "Riverfront Portfolio"). The asset allocation strategies include three growth portfolios: long-term, moderate and conservative; and three growth & income portfolios: long-term, moderate and conservative. The ETF strategies include three growth portfolios: long-term, moderate and conservative. The asset allocation and ETF strategies involve analyses as to strategic asset allocation, tactical allocation, sector and security selection, and risk management. The foundation strategies consist of a large cap core portfolio and a small/mid cap core portfolio. Riverfront's ETF strategies invest exclusively in exchange-traded funds, Riverfront's asset allocation strategies invest in individual securities supplemented with investments in sector-specific ETFs, and Riverfront's foundation

strategies invest in individual stocks that are consistent with the strategies stated objectives. Riverfront may invest a client's account in wide-ranging types of securities, which include large cap, mid cap, small cap and international equities in various economic sectors, traditional fixed income securities such as U.S. Government and agency securities, corporate bonds and mortgage-backed and agency-backed securities, emerging market debt, commodities, REITs, closed-end funds, ETFs, leveraged or inverse ETFs and alternative investments. Riverfront's strategies are further described in Riverfront's brochure, which will be delivered to a client when the client elects to participate in the Riverfront Managed Portfolios Program or otherwise upon request.

The services that Baird makes available to clients in connection with the Riverfront Managed Portfolios Program are limited to: the appointment (at the client's direction) of Riverfront, assistance in selecting the strategy or strategies offered by Riverfront to manage client's account, and limited periodic reviews on Riverfront's performance. Baird is also available to a client on an ongoing basis to receive deposit and withdrawal instructions from the client or the client's authorized representatives, and to convey any changes in the client's financial circumstances or investment objectives to Riverfront on the client's behalf. Some or all of these services may be provided to the client by a Baird Financial Advisor assigned to the client's account.

Under the Riverfront Managed Portfolios Program, Baird does not provide a client recommendation or advice regarding the client's decision to retain Riverfront, and Baird does not cause clients to retain Riverfront to manage their accounts. Further, Baird does not manage the client's account and does not otherwise have any influence over Riverfront's investment decisions or securities selections. Baird also does not provide any recommendations, investment advice or related services regarding the purchase or sale of investment products made for the client's account.

Once the client has decided to retain Riverfront to manage the client's account, the client's Financial Advisor will generally assist the client in selecting the strategy suitable for the client's account. The client then authorizes and directs Baird to appoint Riverfront to serve as sub-advisor to manage the client's account with full discretion.

A client's appointment and continued retention of Riverfront to manage the client's account are based solely upon the client's independent review of Riverfront and its services. The client is responsible for selecting the Riverfront Portfolio and determining that the strategy to be used by Riverfront in managing the client's account is consistent with the client's stated investment objectives and financial needs and risk tolerance. Once retained by the client, Riverfront will only be removed from managing the client's account upon the client's direction to do so. See "Portfolio Manager Selection and Evaluation—Selection and Evaluation" for further information.

Important Information About Riverfront. *Riverfront is affiliated with Baird by virtue of Baird's equity ownership of Riverfront and representation on Riverfront's Board of Directors. Baird has a potential conflict of interest to the extent Baird would advise clients to participate in advisory programs offered by Riverfront because the value of Baird's investment in Riverfront increases as Riverfront's assets under management increase. However, although Baird provides information about Riverfront to clients, Baird does not recommend or advise a client to retain Riverfront, and Baird does not cause clients to retain Riverfront to manage their accounts. For more information, see "Additional Information—Other Financial Industry Affiliations and Activities—Affiliated Investment Advisors" below.*

Additional Program Information

Investment Discretion. A client retains complete trading authorization over assets in a Non-Discretionary Program account, and Baird will only execute transactions for such account pursuant to the client's instruction or authorization.

If a client elects to participate in a Discretionary Program, the client authorizes Baird to manage the client's account in accordance with the terms of the Program selected by the client and grants to Baird complete and unlimited trading authorization and appoints Baird as agent and attorney-in-fact with respect to the client's accounts and all related trading and other decisions. The appointment provides Baird 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 Baird in writing.

If a client participates in an SMA Program or Service, the client authorizes third party 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. Baird does not have discretion over the assets in a client's account that are managed by a third party 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 third party investment manager. The third party investment manager for a client's account will generally 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 Baird or a third party investment manager, shall remain in full force and effect until terminated by the client or Baird.

The Discretionary and SMA Programs and 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 Baird or a client's third party investment managers have discretion.

In the event that a client's account is restricted from investing in certain securities, Baird 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 Baird 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.

Special Considerations for ALIGN and Russell Model Strategies Clients.

Clients participating in an ALIGN Program or the Russell Model Strategies Program also grant Baird the discretion to sell fund positions from time to time and invest the proceeds temporarily in comparable ETFs, exchange traded notes ("ETNs") or similar securities in order to avoid the recognition of capital gain distributions to be made by the funds and/or to recognize taxable losses.

Asset Allocation Changes and Rebalancing.

Under the ALIGN and Russell Model Strategies Programs, Baird may rebalance a client's account assets to be consistent with the client's chosen asset allocation strategy at any time without prior client notice if Baird determines there has been drift from the client's chosen model allocation. A client's account may also be rebalanced if a client's cash deposits or withdrawals take the client's account significantly out of balance relative to the model allocation or if actions are taken to avoid recognition of capital gain distributions and/or to recognize taxable losses. Generally, a client's account in an ALIGN Strategic or Custom Portfolio is automatically rebalanced when the targeted allocation for a particular asset class drifts by 5% or more. A client's Financial Advisor has the discretion to rebalance the client's account invested in an ALIGN Strategic or Custom Portfolio at such other times as the Financial Advisor may determine, such as annually or when an asset class allocation drifts by more than 2.5%. Generally, a client's account invested in an ALIGN Tactical Portfolio is automatically rebalanced whenever Baird changes the asset allocation of the model ALIGN Tactical Portfolio. Baird may also change a client's asset allocation for any reason which may include, but shall not

be limited to, changes in market conditions, Baird's opinion on the future performance of particular asset classes or the client's financial circumstances. Any rebalance of a client's account or other change in asset allocation may result in taxable gains.

Eligible Investments. A client's account may generally only hold investment products that Baird has determined are eligible for the Program the client selected. Eligible investment products vary by Program. The ALIGN and Russell Programs generally only permit investments in the mutual funds and/or ETFs selected for inclusion in the Program.

Eligible investments for the Baird Advisory Choice, PIM and SMA Programs and Services, depending upon the Program, 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 Programs 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").

Assets that are ineligible for those Programs, depending upon the Program, generally include, but are not limited to: unit investment trusts with a sales load; mutual funds that charge a back-end or level load (commonly referred to as B and C shares, respectively); variable annuities charging a sales load; certain limited partnerships or

limited liability companies (other than publicly traded master limited partnerships and limited liability companies), such as hedge funds, private equity funds and other private investment funds not approved by Baird; insurance products; commodities, futures or options on commodities, and commodity pools; and real estate.

Baird may change the list of eligible and ineligible investments for any Program 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 Program account. If a client decides to hold ineligible assets in a Program account, the client does so with the understanding that Baird and its Financial Advisors 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 Financial Advisor for further information.

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

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

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 Baird and any third party investment managers managing client's account reasonably requested by them in order to provide the services selected by the client. Baird and third party investment managers will rely on this information when providing services to the client. A client is also responsible for promptly informing Baird 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 Baird nor any third party investment manager is responsible for any adverse consequence arising out of the client's failure to promptly inform Baird 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. Baird does not provide any tax advice in connection with any of the Programs. 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 Baird to implement a particular investment strategy for tax purposes, and Baird agrees to implement such strategy, Baird will not be responsible for the development, evaluation or efficacy of any such strategy.

Program Fees

Fee Schedules. A client's Advisory Household Agreement will set forth the actual compensation the client will pay to Baird. 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 may be up to three asset-based fee options available for each Program: a flat fee, a breakpoint fee, or a tiered fee.

Flat Fee: Under the flat fee arrangement, the asset-based fee may be a flat or single percentage that may or may not vary by asset type or category (such as equity securities and fixed income securities). The maximum flat fee paid by clients is 3.00% of assets in the client's account.

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 \$1,000,000 may pay one rate on the first \$250,000 of assets in the account, a lower rate on the next \$250,000 of assets in the account and a still lower rate on the remaining \$500,000 of assets. Use of a tiered fee schedule will result in a blended asset-based fee rate.

Breakpoint Fee: Under a breakpoint fee arrangement, the asset-based fee is determined by reference to the market value of the client's account assets, with the fee being equal or lower for accounts with higher levels of assets. The breakpoint fee, once determined, is then applied to all of the assets in the client's account.

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

The tiered and breakpoint fee schedules and minimum account sizes that apply to each Program are shown below.

The following fee schedule sets forth the maximum tiered fee rates for the Programs.

Tiered Fee Schedule

<u>Value of Assets</u>	<u>Annual Fee Rate</u>
First \$250,000	3.00%
Next \$250,000	2.50%
Next \$500,000	2.25%
Next \$1,000,000	2.00%
Next \$3,000,000	1.75%
Above \$5,000,000	1.50%

The following fee schedule sets forth the maximum breakpoint fee rates for the Programs.

Breakpoint Fee Schedule

<u>Value of Assets</u>	<u>Annual Fee Rate</u>
\$0 to \$249,999	3.00%
\$250,000 to \$499,999	2.50%
\$500,000 to \$999,999	2.25%
\$1,000,000 to \$1,999,999	2.00%
\$2,000,000 to \$4,999,999	1.75%
\$5,000,000 and above	1.50%

The minimum asset value to open an account in a Program is set forth in the table below.

Program Account Minimum

<u>Program</u>	<u>Asset Level</u>
ALIGN Programs	\$50,000
Baird Advisory Choice	\$25,000
BIM Portfolios	\$100,000*
Client Selected Managers	\$100,000
Private Investment Management	\$50,000
Recommended Managers	\$100,000**
Riverfront Managed Portfolios	\$200,000
Russell Model Strategies	\$25,000

* BIM's Specialized Asset Management Portfolio has a minimum account requirement of \$1,000,000. All other BIM Portfolios have a minimum of \$100,000.

** Each investment manager may have different minimum account size requirements, which can range from \$100,000 to more than \$1,000,000. As a result, some investment managers may not be available to clients with smaller accounts.

A client account may also be subject to a minimum quarterly fee that will be set forth in the client's Advisory Household Agreement regardless of the value of the assets in the client's account.

Calculation of Program Fees. Baird will calculate a Program 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 Program 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 Household Agreement.

The value of a client's assets is generally determined by Baird. Baird determines the value of the assets in the client's account by obtaining prices from third party quotation sources. If the assets in the client's account are held by a custodian other than Baird, and client has elected to not receive performance reporting from Baird, Baird relies on valuation information provided by the client's third party custodian in determining the value of the assets in the client's account. 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.

The Program fees are payable on a calendar quarterly basis, in advance, in accordance with the terms of the client's Advisory Household Agreement. The initial billing period begins when the client's Advisory Household 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 Program 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. Baird may automatically debit a client's account for the fees and other charges in the event that Baird does not receive payment from the client within thirty (30) days of the invoice. Baird may rescind a direct billing arrangement with a client at any time.

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

If either Baird or the client terminates the client's Advisory Household Agreement or a client's participation in a Program, 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. Baird makes no fee adjustment during any fee period for asset value appreciation or depreciation in a client's account during a billing period. However, Baird, 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 Program 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 Baird. 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.

Each Program may have a minimum asset value in order to open an account as further described under "Program Fees—Fee Schedules" above. A client's account may be subject to a minimum fee.

The minimum fee will be described in the client's Advisory Household Agreement. Baird may waive the minimum fee at its discretion. The minimum fee is subject to change upon notice to the client.

The Program fee and minimum account value are negotiable in certain instances and may vary based upon a number of factors, including but not limited to the size and nature of the assets in the client's account, the client's particular investment style or objective, and any particular services requested by the client. In some instances, clients may pay a higher fee than indicated in the fee schedules 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.

Baird makes other compensation options available to eligible clients besides asset-based fees, such as a fixed dollar amount or a commission-based account. Baird may enter into these other fee arrangements, including performance-based fee arrangements with eligible clients. Performance-based fee arrangements are further described under the heading "Portfolio Manager Selection and Evaluation—Performance-Based Fees and Side-By-Side Management" below.

The fee schedules set forth above are the current fee schedules for the Programs. Each Program 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 Program Fee Information. Each service provided to a client in connection with a particular Program may be available to a client outside of the Program separately. Thus, a client's participation in a Program 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 Program, 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. With respect to the BIM Portfolios, Recommended Managers, Referred Managers, and Riverfront Managed Portfolios Programs, and with respect to the CMS Overlay Manager and CSM Eligible Managers under the Client Selected Managers Service, Baird pays a portion of the Program fee to the client's investment manager as compensation for the manager's services. The amount of the Program fee paid to a particular investment manager varies based upon, among other factors, the Program selected by a client, the investment strategy and other services sought by a client, the manager's investment style or strategy, and the size of a client's account. The portion of Program fees paid to investment managers pursuing equity and balanced investment styles or strategies may range from 0.45% to over 1.00%. The portion of Program fees paid to investment managers pursuing a fixed income investment style or strategy may range from 0.25% to over 0.50%. As the portion of the Program fee paid to an investment manager increases, the portion of the Program fee that is retained by Baird and paid to Financial Advisors decreases. Thus, Baird and its Financial Advisors may have an incentive to recommend investment managers that are paid less, because they will receive a higher portion of the Program fee. In addition, Baird may have an incentive to recommend BIM or Riverfront over other investment managers because the entire Program fee is retained by Baird and affiliated investment managers in those Programs.

Baird Financial Advisors, including PIM 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 PIM Managers do not receive any portion of the Program fee for providing portfolio management under the PIM Program, their compensation is directly related to the size of the Program fee that a client pays to Baird and the amount of the Program fee, if any, paid to other investment managers managing a client's account. The compensation paid to a PIM Manager for providing portfolio management services in connection with the PIM Program may, therefore, be higher than the compensation paid to the PIM Manager who recommends that other investment managers manage a client's account. As a result, a Baird Financial Advisor acting as a PIM Manager may have a financial incentive to recommend the PIM Program over other

Programs. From time to time, Baird Financial Advisors outside of the PIM Program may refer their clients to PIM Managers. In those instances, the PIM Manager shares a portion of his or her compensation with the referring Financial Advisor.

In the Russell Model Strategies Program, Baird pays no portion of the Program fee to Russell, except with respect to the Russell Enhanced Model. The portion of the Program fee paid to Russell with respect to the Russell Enhanced Model is 0.10%. Thus, Baird may have an incentive to recommend other Russell Models over the Russell Enhanced Model because it will retain a higher portion of the Program fee. However, due to the nature of how Baird compensates its Financial Advisors, Baird Financial Advisors have no direct financial incentive to recommend one Russell Model over another.

Other Fees and Expenses

In addition to the Program 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 Program 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 Program 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.

In addition to the Program fee, a client will be responsible for paying the fees charged by each third party investment manager selected by the client in connection with the Client Directed Manager Service under a dual contract arrangement.

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

The Program 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 Program 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 Program fee.

If a client is allowed to buy or sell an ineligible asset in the client's Program 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 Program 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 Program account.

Clients who have Program accounts may also have other accounts with Baird under programs not described in this Brochure. Those accounts may be subject to fees, commissions or other expenses that are entirely separate from the payment of Program fees and expenses.

Compensation Received by Baird and Baird Financial Advisors

The individual who recommends a Program to a client, including a Baird Financial Advisor, receives compensation from Baird that is based upon the amount of the Program 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 programs or paid separately for investment advice, brokerage, and other services. Accordingly, the individual may have a financial incentive to recommend a Program over other programs or services offered by Baird. However, when providing investment advisory services to clients, Baird and its Financial Advisors 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

Baird offers the Programs to all types of current or prospective clients, including, but not limited to: individuals; retirement accounts; trusts; estates; pension and profit sharing plans; charitable organizations; and corporations or other business entities. Applicable requirements for opening or maintaining an account in connection with each Program, such as minimum account size, are discussed under the heading

"Service, Fees and Compensation—Program Fees" above.

Portfolio Manager Selection and Evaluation

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

Selection and Evaluation

Recommended Managers. When selecting managers for the Recommended Managers Program, 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 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.

Certain investment strategies offered by BIM have been selected by Baird for inclusion on Baird's Recommended Managers list.

Using the managers made available on Baird's Recommended Managers list, Baird Financial Advisors will select or replace, or recommend the selection or replacement of, a particular Recommended Manager based upon the client's particular goals and circumstances.

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, Baird does not

represent that the Recommended Managers are or will be the best available managers in the industry.

Client Selected Managers, Referred Managers and Riverfront Managed Portfolios.

Clients participating in the Client Selected Managers Service, the Referred Managers Service or the Riverfront Managed Portfolios Program should note that any investment manager selected by the client under those Programs, including a CSM Eligible Manager, is not on Baird's Recommended Managers list, and Baird does not recommend or select the investment managers for the client's account under those Programs. A client is solely responsible for the appointment and continued retention of investment managers in connection with those Programs.

A client should understand that Baird conducts only limited due diligence and ongoing reviews of Riverfront and investment managers under the Referred Managers Service. Ongoing limited due diligence, reviewing and monitoring of Riverfront and a Referred Manager may include requesting the manager to answer a quarterly research questionnaire and utilizing third party software to monitor the manager's performance.

Baird does not perform any due diligence or ongoing monitoring, evaluation or reviews of any investment managers under the Client Selected Managers Service, unless Baird otherwise specifically agrees to do so. The CSM Overlay Manager may provide review and ongoing evaluations of CSM Eligible Managers only. Clients should review CSM Overlay Manager's brochure for more information, which is available upon request. In addition, the client's Financial Advisor may provide the client advice about the manager selected by the client under the Client Selected Managers Service.

ALIGN, PIM and Russell Model Strategies.

Portfolio management services under the ALIGN, PIM, and Russell Model Strategies Programs are provided by Baird, Baird's home office investment professionals, and/or its Financial Advisors. In order to provide portfolio management services under the Programs, Baird requires that Baird associates meet all applicable requirements set forth by self-regulatory organizations, such as the Financial Industry Regulatory Authority ("FINRA"), exchanges, and governmental agencies.

Typically, PIM Managers must also meet the following additional criteria: endorsement by his or her Branch Office Manager; successful completion of either the series 63 and 65 or the series 66 examination; completion of a portfolio management course acceptable to Baird, which includes a CFA designation; and completion of an application to the PIM Program, which includes one or more investment philosophy statements acceptable to Baird. The Investment Advisory Oversight Committee of Baird oversees the standards and implementation of the Programs. The Investment Advisory Oversight Committee delegates its day-to-day oversight responsibilities to Baird's Product Management and Compliance Departments to monitor the Programs and the performance of persons providing portfolio management services under those programs. Baird's Product Management Department, along with compliance and other designees, provides ongoing review of the performance of Baird associates providing portfolio management services. Performance information is provided to the Investment Advisory Oversight Committee on a quarterly basis. Potential causes for removal from the PIM Program include operating outside of the policies of the PIM Program, a change in investment philosophy or style, significant drift from stated objectives, underperformance in relation to peers, or other adverse changes affecting the manager that in Baird's opinion warrants the manager's removal.

BIM Portfolios. Portfolio management services under the BIM Portfolios Program are provided by BIM. In order to provide portfolio management services, Baird requires that BIM personnel meet all applicable requirements set forth by self-regulatory organizations. BIM also requires portfolio managers have an undergraduate degree. Furthermore, BIM strongly encourages that all portfolio managers pursue and work towards the attainment of the CFA designation and/or a relevant graduate level degree. BIM's Director and Baird's Investment Advisory Oversight Committee oversee the portfolio managers. Performance information is provided to the Investment Advisory Oversight Committee on a quarterly basis. Potential causes for removal from the BIM Portfolios Program include a change in investment philosophy or style, significant drift from stated objectives, underperformance in relation to peers, or other adverse changes affecting the manager that in Baird's opinion warrants the manager's removal.

Performance Calculation

As part of Baird's selection and evaluation process described above, Baird reviews performance of portfolio managers managing client accounts. Baird calculates the portfolio manager's performance, except in the case of the Client Selected Managers, Referred Managers, Riverfront Portfolios, and Russell Model Strategies Programs.

When Baird calculates a portfolio manager's performance, Baird generally uses composites of client accounts to calculate the manager's performance. A composite is an aggregation of Baird 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 Financial Advisor for more information.

Portfolio Management by Related Persons

Portfolio management services under the BIM Portfolios, Client Selected Managers, and Recommended Managers Programs may be provided by BIM. Portfolio management services under the Riverfront Managed Portfolios Program are provided by Riverfront. Such arrangements create a potential conflict of interest because Baird and/or its affiliates may receive higher aggregate compensation if clients retain those affiliated managers instead of retaining unaffiliated managers. However, when providing investment advisory services to clients, Baird and its Financial Advisors 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 Baird determines manager eligibility for the Recommended Managers and Client Selected Managers Programs, affiliated investment managers are subject to the same selection and review process that Baird applies to unaffiliated investment managers. However, a client should note that the BIM Portfolios and Riverfront Managed Portfolios Programs exclusively offer investment management by Baird or investment advisory firms that are affiliated with Baird. Thus,

those Programs are not subject to the same selection and review process.

Portfolio Management by Baird

Portfolio management services under the ALIGN, PIM, and Russell Model Strategies Programs may be provided by Baird, Baird's home office investment professionals, and/or its Financial Advisors. Additional information about Baird and these programs 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 tailors its advisory services to the individual needs of clients. For more information, please see "Services, Fees and Compensation" above.

Subject to the agreement of Baird, a client may impose reasonable restrictions on the securities or types of securities to be held in the client's account. Please see "Services, Fees and Compensation—Additional Program 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

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

In addition to complying with its fiduciary duties and avoiding or disclosing conflicts of interest to clients, Baird typically addresses potential conflicts of interest posed by performance-based fee arrangements by periodically monitoring the holdings and performance of performance-based fee accounts and comparing them to accounts not subject to a performance fee that are also managed using a similar strategy in an attempt to detect any possible inequitable treatment. Baird also attempts to minimize potential conflicts of interest posed by performance-based fee arrangements by adopting and enforcing internal procedures designed to ensure that securities allocations made to 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. The investment styles, philosophies, strategies, techniques and methods of analysis that Baird, its home office investment professionals, and its Financial Advisors use in formulating investment advice for clients vary widely by Program and the person providing the advice. The strategies may involve various investment styles, such as, aggressive growth, growth, value, growth at a reasonable price, and others. The strategies may focus on certain market capitalization ranges, industries, sectors, credit quality, maturities and durations. Baird, its home office investment professionals, and its Financial Advisors may use various forms of security analyses, including fundamental, qualitative, quantitative and technical analyses.

Baird, its home office investment professionals, and its Financial Advisors 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), external market, economic, financial and investment data and analyses provided by organizations not affiliated with Baird, and research reports created by other departments of Baird. They may also employ the use of computers and third party application software to more readily display information and to assist with the evaluation and analysis. Although they generally use information and tools that Baird deems reliable, Baird does not independently verify or guarantee the accuracy of the information or tools used.

More specific information about the particular investment strategies and methods of analysis Baird uses in connection with each Program is further described below.

ALIGN Strategic Portfolios. The ALIGN Strategic Portfolios Program generally offers five (5) primary investment strategies, consisting of the following model portfolios: (1) an All Growth Portfolio, which is designed to provide aggressive growth of capital; (2) a Capital Growth Portfolio, which is designed to provide growth of capital; (3) a Growth with Income Portfolio, which is designed to provide moderate growth of capital and limited current income; (4) an Income with Growth

Portfolio, which is designed to provide current income and some growth; and (5) a Conservative Income Portfolio, which is designed to provide current income. The ALIGN Strategic Portfolios Program generally accommodates both taxable and tax-exempt accounts of clients with differing investment objectives and risk tolerances.

Each ALIGN Strategic Portfolio provides for specific levels of investment across different asset classes, including equity and fixed income securities, commodities, emerging markets equity securities, global real estate, high-yield fixed income securities, mutual funds with fund of hedge fund strategies, and cash. Each ALIGN Strategic Portfolio has different allocations across each asset class, and some Portfolios may have no allocation to one or more asset classes.

Each ALIGN Strategic Portfolio uses mutual funds and/or ETFs in order to achieve the model asset allocation. The ALIGN Strategic Portfolios include active, indexed and hybrid options. Active ALIGN Strategic Portfolios consist of actively managed mutual funds; indexed ALIGN Strategic Portfolios consist of mutual funds and passive ETFs that replicate different indices; and hybrid ALIGN Strategic Portfolios consist of both actively managed mutual funds and passive ETFs. Multiple funds may be used for a particular asset class (referred to as a "sleeve"). Certain ALIGN Strategic Portfolio strategies offer clients the option to allocate a portion of their account to Funds and/or ETFs designed to provide an absolute return. Certain ALIGN Strategic Portfolio Strategies also offer clients the option to allocate a portion of their account to Funds and/or ETFs designed to provide enhanced yield to the client's portfolio.

Baird generally seeks mutual funds and ETFs that have investment managers with tenure of at least five (5) years and have underlying investments that adhere to the fund's market capitalization policy and are consistent with the manager's stated investment process and philosophy. Baird generally looks for funds that are among the top-performing funds in a style category in terms of risk-adjusted returns or that are managed by individuals or firms that have demonstrated success in other, related asset classes, that have performance histories showing sufficient ability to achieve returns in excess of their respective style index, and that have satisfactory investment processes, infrastructure, personnel and other

resources. All else being equal, Baird seeks funds that protect wealth in bear markets (i.e., funds that Baird believes will not decline as much as their respective comparative indices).

The construction of the ALIGN Strategic Portfolios, including allocation and strategic decisions, and the selection of the mutual funds and ETFs for each Strategic Portfolio, are made by Baird's ALIGN Oversight Committee.

Baird's Advisory Services Research group is primarily responsible for assisting with selecting and evaluating mutual funds and ETFs available in the ALIGN Strategic Portfolios Program. In selecting funds, Advisory Services Research utilizes a quantitative and qualitative evaluation process of the investment managers of such funds. The process Baird uses for selecting and removing funds for the ALIGN Strategic Portfolios Program is similar to the process Baird uses to select and remove Recommended Managers described under "Portfolio Manager Selection and Evaluation" above, except that the final determination of the funds made available in the Program is subject to the approval of Baird's ALIGN Oversight Committee. The ALIGN Strategic Portfolios Program may include funds included on Baird's Mutual Fund Recommended List and funds affiliated with Baird.

The Portfolio asset allocations and the funds included in the Program are evaluated on an ongoing basis, generally at least quarterly. Portfolios may be modified or rebalanced and funds may be removed or added as Baird determines is appropriate.

ALIGN Tactical Portfolios. The ALIGN Tactical Portfolios Program generally offers four (4) primary investment strategies, consisting of the following model portfolios: (1) a Tactical Equity Portfolio, which is designed to outperform a broad measure of the domestic and international equity markets over time; (2) a Tactical Allocation Portfolio, which is designed to outperform a broad measure of the domestic equity, international equity, and domestic fixed income markets over time; (3) a Tactical Opportunity Portfolio, which is designed to provide consistent capital appreciation; and (4) a Tactical Yield Portfolio, which is designed to provide total return and capital preservation with modest price appreciation.

Each ALIGN Tactical Portfolio provides for specific levels of investment across different asset classes, including styles, capitalizations, sectors, and market segments. Those asset classes may include equity and fixed income securities, commodities, emerging markets equity securities, global real estate, high-yield fixed income securities, alternative investments, and cash. For example, a Tactical Allocation Portfolio may have an 80% allocation to equity securities and a 20% allocation to fixed income securities. Some Portfolios may have no allocation to one or more asset classes. Each ALIGN Tactical Portfolio primarily uses ETFs in order to achieve the model asset allocation.

The construction of the ALIGN Tactical Portfolios, including allocation and tactical decisions and the selection of the ETFs for each Tactical Portfolio, are made by Baird's Investment Strategy team. Baird uses a top-down approach to identify which asset classes and areas of the stock market to include in the Tactical Portfolios at any given time. First, Baird identifies and considers major macroeconomic and related themes that are believed to be impacting the markets on a longer-term basis. Next, those themes are evaluated against a number of areas of influence on the market, such as Federal Reserve policy, economic fundamentals, investor sentiment, valuations, seasonal trends and broad market performance. From this analysis, Baird gains insight into the intermediate-term health of the market and identifies possible actionable strategies regarding the types of exchange traded funds to include in the Tactical Portfolios. The selection of the specific characteristics of ETFs to include in the Tactical Portfolios, i.e., market capitalizations, sectors and styles (e.g., growth or value) will be based on such factors as their relative strength rankings, economic environment, seasonal tendencies, technical indicators and longer-term trends. Once the characteristic types of ETFs are selected, Baird will choose specific ETFs, looking primarily for those that have a higher trading volume and a longer trading history, and lower expense ratios.

Depending on the ALIGN Tactical Portfolio chosen, the ETFs in the ALIGN Tactical Portfolio may consist of funds having various investment objectives and principal strategies, including but not limited to, the following: domestic equities, specific styles, capitalizations and sectors, domestic fixed income securities, international

equities, real estate, currencies, commodities and short domestic equities (i.e., ETFs that have an investment objective to provide returns that are inversely correlated to an equities index).

The ALIGN Tactical Portfolios are actively managed. The Portfolio allocations and the ETFs included in the Program are evaluated on an ongoing basis. Portfolios may be modified or rebalanced and ETFs may be removed or added as Baird determines is appropriate. ALIGN Tactical Portfolios may experience relatively high portfolio turnover.

ALIGN Custom Portfolios. ALIGN Custom Portfolios involve the use of various different investment strategies because they are customized for each client. A client's particular investment strategy is typically determined by the client's Financial Advisor in consultation with the client. Mutual funds and ETFs may be available to clients to pursue an investment objective or implement a customized asset allocation strategy. The mutual funds and ETFs that are available for use in connection with the ALIGN Custom Portfolios Program may include funds included in the ALIGN Strategic Portfolios Program, which is discussed above, and those funds included on Baird's Mutual Fund Recommended List. A client should ask the client's Financial Advisor for additional information about the investment styles, philosophies, strategies, analyses and techniques the Financial Advisor will use in order to meet the client's objectives.

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

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

PIM Manager thinks will appreciate in the future. Some PIM Managers may use leverage, including margin, in the management of the client's portfolio.

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

When managing client portfolios, PIM Managers may also utilize Baird's Mutual Fund Recommended List, Baird's Recommended Portfolio, and lists of alternative investments that Baird has deemed eligible for use in the PIM Program. For more information about how Baird compiles its Mutual Fund Recommended List, the Baird Recommended Portfolio and lists of eligible alternative investments, see "Baird Advisory Choice—Baird's Mutual Fund Recommended List", "Baird Advisory Choice—Baird Recommended Portfolio", and "Baird Advisory Choice—Alternative Investments", respectively below.

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

A client should ask the client's PIM Manager for additional information about the investment styles, philosophies, strategies, analyses and

techniques the Financial Advisor will use in order to meet the client's objectives.

Russell Model Strategies. The Russell Model Strategies Program offers a number of investment strategies through three primary models: a core model (the "Russell Core Model"); a tax-managed model (the "Russell Tax-Managed Model"); and an enhanced model (the "Russell Enhanced Model"). The Russell Core and Russell Tax-Managed Models offer five style strategies, and the Russell Enhanced Model offers two style strategies (each a "Russell Strategy").

As determined by Russell, each Russell Strategy consists of an allocation to various Russell Funds, which may include equity mutual funds, fixed income mutual funds and a real estate mutual fund. The Russell Funds employ a "multi-style, multi-manager" approach whereby the assets of the Russell Funds are allocated to different money managers who employ distinct investment styles. For example, a single Russell Fund may consist of six separate money managers; two managers employing a growth investment style; two managers employing a market-oriented style; and two managers employing a value investment style. Assets of a Russell Fund not allocated to a money manager are managed by Russell Investment Management Company, an affiliate of Russell Investment Group. The investment styles of the equity money managers generally include growth, value and market-oriented (i.e., investments across the broad equity market). The investment styles of the real estate money managers generally include global market-oriented, growth, market-oriented and value. The investment styles of the fixed income money managers generally include full discretionary (i.e., money managers that apply a variety of strategies, including, but not limited to, sector rotation, interest rate, yield curve and duration) and section rotation (i.e., a money manager may identify sectors of the fixed-income market that they believe are undervalued and focus their investments in those sectors, which may differ over time). Russell has the right to engage or terminate a money manager at any time. These money managers may or may not be affiliated with Russell Investment Management Company or Baird. For additional information regarding the characteristics of a Russell Fund, clients should contact their Baird Financial Advisor or review the applicable Russell Fund prospectus.

Russell performs a quantitative and qualitative assessment in the selection of money managers for the Russell Funds. The quantitative review generally includes a performance and investment profile analysis. Russell generally reviews the performance patterns of the money managers relative to historic market trends, comparing the manager's performance to benchmarks and peer group performance statistics. Russell also may review the money manager's performance in volatile markets for adherence to the money manager's stated investment philosophy and relative performance in such markets. The qualitative review may include a review of the money manager's organization, ownership, leadership, experience, research and development efforts, information management, investment process, stability of personnel, adherence to philosophy and risk management. Based on Russell's quantitative and qualitative assessment, Russell establishes an overall opinion of the money manager.

Each Russell Strategy allocates a portion of the client's account to a short term component, typically a money market mutual fund. This allocation is typically for the payment of fees and other charges. Russell determines the percent allocated to this short term component; however, Baird determines which short term investment product is used. This short term investment allocation may include investments in money market mutual funds affiliated with Baird.

Russell Core Model Strategies. The Core Model includes: (1) a Conservative Model Strategy, which is designed to provide low long-term capital appreciation and high current income; (2) a Moderate Model Strategy, which is designed to provide moderate long-term capital appreciation and high current income; (3) a Balanced Model Strategy, which is designed to provide above average capital appreciation and moderate current income; (4) a Growth Model Strategy, which is designed to provide high long-term capital appreciation and low current income; and (5) an Equity Growth Model Strategy, which is designed to provide high long-term capital appreciation. Each Core Model Strategy will have differing allocations across each available Russell Fund, and some Strategies may have no allocation to one or more Russell Funds. The Russell Funds to be actually used and their allocation will depend on the particular Strategy chosen by the client. The Russell Funds to be

used for the Core Model Strategies and their allocation across Strategies may change from time to time.

A client's assets invested in a Strategy are subject to rebalancing by Baird at any time if, in Baird's determination, there has been significant drift from the client's chosen Strategy. Such rebalancing may occur at any time and as often as Baird, in its sole discretion, deems appropriate. Any reallocation to the client's portfolio may result in taxable gains. The client's account may be rebalanced because of market fluctuation, a change at the mutual fund, a change to the client's circumstances, if the client's cash deposits or withdrawals take the client's portfolio significantly out of balance relative to the recommended allocation or for any other reason as Baird so determines.

Russell Tax-Managed Model Strategies. The Tax-Managed Model generally includes a Tax-Managed Conservative Model Strategy; a Tax-Managed Moderate Model Strategy; a Tax-Managed Balanced Model Strategy; a Tax-Managed Growth Model Strategy; and a Tax-Managed Equity Growth Strategy. Each Tax-Managed Model has an investment style similar to its counterpart Core Model Strategy discussed above, except that the Tax-Managed Model Strategies place a higher priority on managing tax liability. Each Tax-Managed Model Strategy will have differing allocations across each available Russell Fund, and some Strategies may have no allocation to one or more Russell Funds. The Russell Funds to be actually used and their allocation will depend on the particular Strategy chosen by the client. The Russell Funds to be used for the Core Model Strategies and their allocation across Strategies may change from time to time.

Not all Russell Tax-Managed Model Strategies will use all of the available Russell Funds, and the Russell Funds to be used for the Russell Tax-Managed Model Strategies may change from time to time.

Russell Enhanced Model Strategies. The Enhanced Model Strategies platform offers two base strategies: an Enhanced Balanced Model Strategy (the "Balanced Strategy"), which is designed to provide above average capital appreciation and moderate current income; and an Enhanced Growth Model Strategy (the "Growth

Strategy"), which is designed to provide high long-term capital appreciation and low current income (each a "Strategic Asset Allocation" or "SAA"). The Russell Enhanced Model Strategies represent target allocations of Russell Funds. Russell uses a multi-asset, multi-style and multi-manager approach to the construction and management of its investment portfolios. Assets are managed by multiple money management firms that Russell researches, hires, monitors and terminates on an ongoing basis. Each Strategic Asset Allocation has a different risk/return composition. For example, the Balanced Strategy may have a smaller percentage allocated to the Russell equity mutual funds as compared to the Growth Strategy.

The Russell Enhanced Model Strategies platform uses Russell's Enhanced Asset Allocation ("EAA") capability to compare five pairs of asset classes to identify short- or medium-term opportunities. This information is used to temporarily change the composition of, or "tilt", a portfolio's risk exposure from its long term "default" Strategic Asset Allocation in response to changes in expected returns. EAA tilts are applied at a broad asset class level (not sector-level). Currently, the asset class pairs Russell monitors for the United States retail market are: U.S. Bonds vs. U.S. Large Cap Equities; U.S. Large Cap Equities vs. U.S. Small Cap Equities; U.S. Bonds vs. REITs; U.S. Large Cap Equities vs. REITs; and U.S. Large Cap Equities vs. non-U.S. equities. As new modeling capabilities are developed or Strategic Asset Allocations change, additional asset class pair comparisons may be considered and implemented by Russell. EAA strategy is based on an assumption that the relative valuation of asset classes tends to revert to their historical averages. The time period of this reversion is expected to vary and is not predicted by the EAA strategy. The EAA strategy may underperform relative to a Strategic Asset Allocation portfolio.

Relative valuation of asset classes used in the Strategic Asset Allocation models will be assessed periodically by Russell. Allocations reflecting any EAA tilts to a Strategic Asset Allocation generally will not change more frequently than quarterly. Generally, the maximum tilt to a Strategic Asset Allocation will not exceed 20%; however, the tilt may be larger in periods of low market volatility, when multiple models sharing an asset class each contribute to the tilt of the same asset class or other times as determined by Russell or Baird.

Russell Enhanced Model Strategies may not take into account all of the variables that could affect the outcome. Asset class valuation models aim to identify relative mispricing of asset classes. These models are based on the assumption that long-term historical relationships between asset classes will continue. If those relationships change, the model may identify a mispricing opportunity when in fact there is a structural shift in the long-term relationship. It is possible that some EAA signals result in asset class tilts in opposite direction relative to the tilts in the underlying funds resulting from active management. EAA is not designed to protect portfolios in down markets. The Russell Strategies do not take into account tax consequences of the EAA tilt implementation.

At Baird's discretion, Baird will implement the changes proposed by Russell. However, Baird may implement the Russell Strategy differently than proposed by Russell or may sell the client's Russell Funds if Baird determines such action to be necessary and in the client's best interest.

Clients should contact their Baird Financial Advisor with any questions regarding the Russell Strategies.

Baird Advisory Choice. When recommending investment products to clients under the Baird Advisory Choice Program, Baird Financial Advisors may use any of the investment strategies and methods of analysis discussed above. They may also utilize Baird's Recommended Managers list, Baird's Mutual Fund Recommended List, Baird's Recommended Portfolio, and lists of alternative investments that Baird has deemed eligible for use in the Baird Advisory Choice Program. For more information about how Baird selects managers for the Recommended Managers Program, see "Portfolio Manager Selection and Evaluation" above. For more information about how Baird compiles its Mutual Fund Recommended List, the Baird Recommended Portfolio and lists of eligible alternative investments, see "Baird's Mutual Fund Recommended List", "Baird Recommended Portfolio", and "Alternative Investments", respectively below.

Baird's Mutual Fund Recommended List. Baird's Financial Advisors 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.

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

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

Alternative Investments. When providing investment advice to clients about alternative investments, Baird's Financial Advisors generally rely 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 the client's Baird Financial Advisor for more information about how Baird evaluates alternative investments and their sponsors.

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

General risks of the Programs 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 to obtain a favorable price for the security. As a result, illiquid securities may have a negative effect on the performance of the client's account.

Portfolio Turnover. 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.

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 Securities and Exchange Commission ("SEC") have issued a joint alert entitled "Leveraged and Inverse ETFs: Specialized Products with Extra Risks for Buy-and-Hold Investors," which is available on FINRA's and the SEC's websites. A client is encouraged to read 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 the client's Financial Advisor.

Voting Client Securities

Non-Discretionary Programs. Under Baird's Non-Discretionary Programs, 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 Baird is under no obligation to take any action or render any advice regarding such matters. The client's Baird Financial Advisor may, upon the client's request, provide advice on proxy voting or what other action the client could take.

SMA Programs and Services and SMA Accounts. Under the SMA Programs and 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 Household Agreement (or in the case of a dual contract arrangement under the Client Selected Managers Service, 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 Program accounts.

Discretionary Programs. Under the Discretionary Programs, clients may retain the right to vote proxies with respect to the securities held in the client's account, or 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 Financial Advisor may suggest that Baird override ISS's recommendations when the Financial Advisor determines it to be in the clients' best interests to do so. The Financial Advisor also may suggest how to vote on a particular matter not addressed by ISS. When a Financial Advisor suggests voting against ISS's recommendations on a particular matter or suggests how to vote on a matter not addressed by ISS, the Financial Advisor 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 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 Baird Financial Advisor. However, neither Baird nor the client's Financial Advisor will provide a client with notice of any proxy solicitation if Baird has been granted discretionary authority.

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

Client Information Provided to Portfolio Managers

Under the Recommended Managers, Referred Managers and Riverfront Managed Portfolios Programs, and the Client Selected Managers Service, Baird provides 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 does not generally provide ongoing information about the client to the other investment managers managing the client's account.

Client Contact with Portfolio Managers

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

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 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.

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

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

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

Affiliated Mutual Funds. Baird is the investment adviser and principal underwriter for the Baird Funds, 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"). The Baird Equity Funds have investment objectives and strategies substantially similar to the BIM Portfolio strategies discussed above. 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. The amount of the referral compensation is disclosed in the each Baird Fund's statement of additional information. Baird Financial Advisors may have an incentive to recommend investments in the Baird Funds over investments in other mutual funds.

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

Affiliated Investment Advisors. 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 affiliated with, and may be deemed to control, Riverfront by virtue of Baird's equity ownership of Riverfront and representation on Riverfront's Board of Directors. 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 its equity ownership in Riverfront, Baird has a conflict of interest to the extent Baird 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 Baird provides information about Riverfront and its investment products to clients, Baird does not provide a client advice regarding the client's decision to retain Riverfront or select an investment product offered by Riverfront, and Baird 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. Baird and its Financial Advisors may refer clients to BPE. BPE makes venture

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

Baird Financial Advisors who assist in obtaining a client's investment in a private equity fund affiliated with Baird are eligible for special referral compensation. The level of compensation is described in the offering documents of the applicable fund.

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 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 and/or by Baird's Compliance Department. In addition, orders for the accounts of Access Persons and other Baird associates that are under discretionary management by Baird

may be aggregated with orders for other Baird client accounts, so long as the order is executed as part of a block transaction with client orders. A copy of the Code is available to clients or prospective clients upon request.

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

Baird's Participation or Interest in Client Transactions.

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

Brokerage and Related Trading Activities. Other investment management firms may select Baird, in its capacity as a broker-dealer, to execute portfolio trades for their clients, including for mutual funds or money market funds they advise. These investment management firms may also receive research in addition to execution services provided by Baird. Baird receives compensation for those execution services. This may create an incentive for Baird to 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 Baird for advisory services it provides to the client (in those advisory programs in which commissions may be charged), Baird and its Financial Advisors could have a financial incentive to recommend an investment management firm that trades actively, thereby

executing more trades and generating higher compensation for Baird and its Financial Advisors. However, Baird and its Financial Advisors act in the best interest of clients when selecting or recommending investment management firms or their investment products to clients. Further, Baird does not consider the extent to which an investment management firm directs or is expected to direct trades to Baird for execution when considering the eligibility of an investment management firm for Baird's advisory programs (including when constructing the Recommended Managers Program or Mutual Fund Recommended List). 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 Programs such option is available), a mutual fund may compensate Baird and its Financial Advisors based on the front-end or back-end sales charges, if any, paid by the client.

Baird and certain of its Financial Advisors may also receive compensation from a mutual fund company relating to the client's continued investment in a mutual fund. Baird and its Financial Advisors 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 the Financial Advisor 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 Program 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 in the PIM Program. Accordingly, the receipt of these fees provides Baird and PIM Managers 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 a Baird Financial Advisor.

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 Mutual Fund Leaders List. Baird also receives financial support from sponsors of certain money market mutual funds that Baird makes available to its clients. Financial support is not paid by sponsors of mutual fund companies on mutual fund assets held in the ALIGN Programs 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 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 and their sponsors 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 in the ALIGN Programs.

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

More detailed information about distribution (12b-1) and shareholder servicing fees, and financial support payments that Baird receives from a

mutual fund company is available in the mutual fund company's prospectus or statement of additional information and on Baird's website at www.rwbaird.com/mutualfunds. Clients may also contact Baird or a Baird Financial Advisor 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 Baird Financial Advisors, and the compensation Baird pays to Baird Financial Advisors 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 its Financial Advisors. 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 Program 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 in the PIM Program. This may provide Baird and PIM Managers 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. Insurance companies compensate Baird and its Financial Advisors for selling their insurance products. Baird and its Financial Advisors are paid by the insurance companies in various forms including upfront commissions based upon the initial sale of the product and ongoing trail commissions or residuals relating to a client's continued holding of the product. The amount of compensation paid varies based on the amount and type of product and the insurance company offering the product.

In addition to the compensation described above, Baird may receive additional financial support from the insurance companies of certain products that it sells for training and educating Financial Advisors. This support, which varies from insurance company to insurance company, is commonly referred to as "marketing support" payments. In exchange for such marketing support payments, insurance companies may receive certain benefits from Baird, including access to Baird Financial Advisors or Baird associates for educational, networking, marketing and other promotional opportunities. Receipt of marketing support payments may provide Baird an incentive to favor insurance companies that make such payments over insurance companies that do not. However, Baird does not consider the receipt of marketing support payments in compiling its "Baird Focus List" of insurance companies.

The marketing support payments that Baird receives from insurance companies are not paid to Financial Advisors, and Financial Advisors' compensation is not tied to such financial support. Baird Financial Advisors and Baird associates may, however, receive non-cash compensation and other benefits from Baird and insurance companies with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars, payment of related travel,

lodging and meal expenses, and receipt of gifts and entertainment. Receipt of these benefits may provide Baird Financial Advisors an incentive to favor insurance companies and their sponsors that provide such benefits over insurance companies and their sponsors that do not. However, Baird has adopted policies and procedures for its Financial Advisors and other advisory personnel that address and limit the receipt of such non-cash benefits in an attempt to avoid having the investment advice provided to clients being compromised by such benefits.

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

Baird's Other Financial Industry Activities. *Other Investment Products and Services.* Baird offers to clients other investment products and services not described in this Brochure. These investment products and services provide different levels of compensation to Baird and its Financial Advisors. Baird and its Financial Advisors 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 a Baird Financial Advisor.

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. In addition, Baird Financial Advisors who refer securities underwriting opportunities to the Investment Banking or Public Finance departments are eligible for referral compensation from Baird that is based upon, among other factors, the compensation and fees the issuer pays to Baird. Baird and its Financial Advisors 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, Baird and its Financial Advisors 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 the client's Financial Advisor'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. This compensation varies by fund and is further described under the heading "Baird's Participation or Interest in Client Transactions—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. The compensation that Baird and its Financial Advisors 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 Baird. In some circumstances, the receipt of such compensation may extend beyond a client's advisory relationship with Baird if the client continues to hold those assets at Baird.

Trust Service Providers. Baird maintains alliances with certain unaffiliated institutions that provide trust services. These unaffiliated institutions offer various types of trust services, including trust administration, custody, tax reporting and record keeping, to Baird clients. In connection with these alliances and the trust services provided by these unaffiliated institutions, Baird may provide marketing support services in assisting clients in their evaluation of the trust services. Baird may be compensated by these unaffiliated institutions for providing these marketing support services. Such annual compensation generally will not exceed 10% of the annual trust service fees received by the unaffiliated institution.

Agency Cross Transactions. In certain circumstances and to the extent permitted by applicable law and regulation, Baird may effect "agency cross" transactions through Baird with respect to a client's account. An "agency cross" transaction is a transaction in which Baird or its affiliates act as broker for the party or parties on

both sides of the transaction. As compensation for its brokerage services, Baird may receive compensation from parties on both sides of an agency cross transaction, the amount of which may vary. Therefore, Baird may have a conflicting division of loyalties and responsibilities. However, in all cases, Baird will seek to obtain the best execution for each respective advisory client and will effect agency cross transactions only in accordance with the requirements of Rule 206(3)-2 under the Advisers Act. Furthermore, Baird will comply with additional conditions imposed by ERISA if the client account is a Retirement Account.

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

Cross Trading Involving Baird Advisory Accounts. From time to time, when Baird believes that each respective transaction is consistent with the client's best interest, 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, Baird, acting as investment manager, may cause (or in the case of non-discretionary accounts, recommend) the sale of securities from an advisory client's account while at or about the same time causing (or, in the case of non-discretionary accounts, recommending) the purchase of the same securities for the account of another advisory client. Such transactions may have the benefit of reducing transaction and market impact costs.

In such cases, because Baird is acting as investment 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 adviser for both buyer and seller, transaction prices may be determined more by reference to market information or dealer indications for the securities involved, and less through the type of independent arms-length negotiation that might otherwise occur. In these transactions, Baird

seeks to obtain best execution for each respective advisory client and to ensure that each client receives fair and equitable treatment.

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

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

To the extent not otherwise prohibited by ERISA, if a client selects non-discretionary advisory

services to be provided by Baird or if a client selects third party investment advisors to manage the client's account, the client's Advisory Household 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 the client's Baird Financial Advisor 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. Baird may aggregate contemporaneous buy and sell orders for the accounts of its discretionary advisory clients ("block transactions"). This practice may enable Baird 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 programs 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 block 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 transaction and may be

insufficient to provide full allocation across all client accounts. To address this possibility, Baird has adopted trade allocation policies and procedures for Baird to follow that require Baird 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, Baird may also make random allocations to client accounts in certain circumstances, such as when Baird deems a partial fill for the total block order to be low. Adjustments to trade allocations may also be made, at the discretion of Baird, 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.

Baird generally aggregates buy and sell orders when executing trades for discretionary client accounts when it has the opportunity to do so. However, Baird determines whether or not to utilize block transactions for a client in its sole discretion and Baird's decision is subject to its duty to seek best execution. Baird will aggregate a client's trade orders only when Baird 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 Baird is not able to aggregate trades, Baird generally uses a trade rotation process that is designed to be fair and equitable to Program clients.

Because Baird is unable to buy or sell any security for a client's Non-Discretionary accounts without the client's authorization, Baird 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 Baird'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 the client's Baird Financial Advisor.

Similarly, if a client directs Baird to use a designated broker-dealer for trade execution (a "directed brokerage arrangement"), Baird may not be able to aggregate the client's account trades with orders for other Baird clients. Directed brokerage arrangement orders, because they are directed to the specified broker-dealer, may be manually executed by Baird after the trade execution is completed for other Baird 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 Baird have similar investment objectives and strategies but may be subject to different fee schedules or commission rates. This creates a potential conflict of interest as Baird and its Financial Advisors may have an incentive to favor client accounts that generate a higher level of compensation than accounts with lower fee or commission rates. Baird and its Financial Advisors address potential conflicts of interest posed by different client fee arrangements by complying with their fiduciary duties and avoiding or disclosing conflicts of interest to clients. Baird also adopted and enforces 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 Program 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 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 “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 Financial Advisor and are subject to review by the Branch Office Manager. If a client receives quarterly performance reports, the client’s Baird Financial Advisor generally reviews the performance of the client’s account at least quarterly; otherwise the client’s Financial Advisor generally reviews the performance of the client’s account at least annually. However, the client’s Financial Advisor may not review the performance of a client’s SMA accounts managed by third party investment managers under the Client Selected Managers or Referred Managers Services. The Baird Branch Office Manager (or his or her designee) responsible for supervising a client’s Financial Advisor reviews a client’s account’s daily trading activity and also performs a quarterly review of his or her branch’s PIM accounts, focusing on PIM clients’ investment objectives and the accounts’ performance. On a quarterly basis, the PIM Product Manager (or his or her designee) generally reviews the performance of the PIM Manager’s composite in which client account is grouped and compares it with a relevant benchmark.

Performance and Account Reports. Baird generally provides written reports to clients on the performance of their Program 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 Program account may differ from the benchmarks used by the manager of the client’s SMA Program 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 Program 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.

For most Programs, Baird gives each client the option of either receiving a trade confirmation for each transaction or suppressing delivery of trade confirmations to the client by making the relevant selection in the client’s Advisory Household Agreement.

When preparing a client’s account statements and performance reports, Baird relies upon third

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

Client Referrals and Other Compensation

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

Baird and its affiliates and associates may receive certain economic benefits, described 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

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

Special Considerations for Retirement Accounts

If the client is acting as an owner, fiduciary or otherwise on behalf of a Retirement Account, the client understands that, Baird may 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 Baird, 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, Baird 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 Baird 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 Household 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 the terms of a Program or Service, 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

Baird. The differential between the fees to be charged by Baird for its investment management or advisory services pursuant to the client's Advisory Household 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 Household Agreement and the applicable investment management, investment advisory and other similar fees detailed in the relevant Baird-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.