

Baird Family Wealth Group

Wrap Fee Program Brochure

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

Baird Family Wealth Group ("FWG"), a team within the Private Wealth Management department of Robert W. Baird & Co. Incorporated ("Baird"), updated its Form ADV Part 2A wrap fee program brochure (the "Brochure") on March 28, 2013. The following summary discusses the material changes that FWG has made to the Brochure since March 30, 2012, the date of the last annual update to the Brochure.

- FWG has added new disclosures about special, and in some cases, significant risks posed by certain types of investment products and investment strategies. See the sections of the Brochure entitled "Services, Fees and Compensation—Summary of FWG's Services", "Services, Fees and Compensation—Description of Advisory Services", "Services, Fees and Compensation—Additional Service Information—Special Situation Strategies and Investments" and "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—Principal Risks" for more information.
- The Portfolio and Investment Management Service now offers model-traded strategies managed by an overlay management firm. See the sections of the Brochure entitled "Services, Fees and Compensation—Summary of FWG's Services" and "Services, Fees and Compensation—Description of Advisory Services—Portfolio and Investment Management" for more information.
- FWG has enhanced the disclosures pertaining to its and Baird's trading practices and those of investment managers that provide services to FWG clients and the circumstances under which an FWG client could incur trading costs in addition to the wrap fee the client pays to Baird. See the section of the Brochure entitled "Services, Fees and Compensation—Additional Service Information—Trading for Client Accounts" for more information.
- FWG has updated the list of the types of investments that are eligible for Accounts. See the section of the Brochure entitled "Services, Fees and Compensation—Additional Service Information—Eligible Investments" for more information.
- FWG has provided additional information on how account values are determined for purposes of calculating a client's asset-based wrap fee and performance reports. See the sections of the Brochure entitled "Services, Fees and Compensation—Advisory Fee—Calculation and Payment of Fees" and "Additional Information—Review of Accounts—Account Statements and Performance Reports" for more information.
- FWG has updated the information about the circumstances under which Baird shares a portion of the client's wrap fee with other parties and which present a conflict of interest. See the section of the Brochure entitled "Services, Fees and Compensation—Advisory Fee—Advisory Fee Payments to FWG, Baird and Investment Managers" for more information.
- FWG has provided additional information about the fees and expenses a client may incur in addition to the wrap fee the client pays to Baird. See the section of the Brochure entitled "Services, Fees and Compensation—Advisory Fee—Other Fees and Expenses" for more information.
- FWG has updated the information about the requirements for opening and maintaining an account. See the section of the Brochure entitled "Account Requirements and Types of Clients" for more information.
- FWG has updated the information about Baird's ownership structure and Baird's regulatory assets under management. See the section of the Brochure entitled "Portfolio Manager Selection and Evaluation—Advisory Business" for more information.

- FWG has enhanced the disclosures regarding: (a) the investment strategies and methods of analysis used by Baird's home office professionals and FWG associates when they provide investment advice to clients; (b) the level of initial on ongoing evaluation, monitoring and review they perform on investment managers and investment products; and (c) the risks posed by certain investment strategies and products. See the sections of the Brochure entitled "Services, Fees and Compensation—Additional Service Information—Trading for Client Accounts—Trading Practices of Investment Managers" and "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss" for more information.
- FWG has updated the disclosures about the information it shares with investment managers that manage client accounts. See the section of the Brochure entitled "Client Information Provided to Portfolio Managers" for more information.
- FWG has updated the information about the compensation that Baird and FWG associates may receive relating to client investments and the conflicts of interest the receipt of such compensation may pose. See the Brochure sections entitled "Additional Information—Other Financial Industry Activities and Affiliations" and "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions" for more information.

A client should note that the foregoing summary only discusses material changes made to the Brochure since March 30, 2012. The updated Brochure contains changes that are not listed above.

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Services, Fees and Compensation

This Brochure describes the investment advisory services that Robert W. Baird & Co. Incorporated ("Baird") offers to its clients through Baird Family Wealth Group ("FWG"), a team within Baird's Private Wealth Management department. Separate brochures describe other investment advisory services offered by Baird and discuss the agreements, fees and potential conflicts of interest for each service. If you would like to request a brochure for another investment advisory service provided by Baird, please contact an FWG representative 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.

The Client-Baird Fiduciary Relationship

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

additional measures used by FWG and Baird to address them are discussed in other sections of this Brochure.

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

Summary of FWG's Services

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

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

The Services may involve any combination of discretionary services, where a client provides Baird and/or FWG full discretionary authority to manage the client's Account ("Discretionary Services"), non-discretionary services, whereby FWG provides investment advice and recommendations but the client retains full authority with respect to management of the client's Account ("Non-Discretionary Services"), and separately managed account ("SMA") services, whereby other investment managers, sometimes called money managers, manage the client's Account according to a strategy (each, an "SMA Strategy") with full discretion and FWG and Baird provide additional advisory services to the client (collectively "SMA Services").

The SMA Services make available two types of investment managers: (1) managers that manage a client's Account directly; and (2) managers that make model portfolios available to FWG clients ("Model Portfolios") but the managers do not directly manage a client's Account ("Model Managers"). Baird has engaged an overlay management firm (the "Overlay Manager") to provide certain subadvisory services in connection with certain SMA Services. If a client selects an SMA Strategy provided by a Model Manager, the Model Manager will provide the Model Portfolio and updates to the Model Portfolio to the Overlay Manager, and the Overlay Manager will manage the client's Account with full discretionary authority according to the strategy selected by the client (a "Model-Traded Strategy"). Otherwise, if the SMA Strategy is offered by a non-Model Manager, the investment manager will directly manage the client's Account with full discretionary authority (a "Manager-Traded Strategy").

The SMA Services are generally offered under a "single contract" arrangement. Under a single contract arrangement, a client enters into an advisory agreement with FWG and Baird, and FWG and Baird, in turn, enter into a subadvisory or similar agreement with the investment manager on the client's behalf. This type of arrangement is frequently referred to as a single contract arrangement because there is only one contract between the client and FWG and Baird; the client does not have an agreement directly with the client's investment manager. Under certain circumstances, a client may have a "dual contract" arrangement. Under a dual contract arrangement, the client has two contracts; one contract with FWG and Baird and another contract with the client's investment manager.

Baird is also registered with the SEC as a broker-dealer under Securities Exchange Act of 1934, as amended (the "Exchange Act"). FWG provides the Services described in this Brochure under a "wrap fee" arrangement. This means that in addition to the investment advisory services that FWG provides in connection with each Service, Baird, in its capacity as broker-dealer, also provides clients with trade execution, custody and other standard brokerage services for a single fee ("Advisory Fee"). *A client should note that the client may incur costs in addition to the Advisory Fee. See "Additional Service Information—Trading for Client Accounts" and "Other Fees and Expenses" below for more information.*

Each Service is designed to address different investment needs of clients. All of the Services discussed in this Brochure may not be appropriate for every client. For example, the Services may not be appropriate for clients who have low or no trading activity, who maintain their accounts invested in high levels of cash, or who tend to execute transactions without the recommendation or advice of an advisor, which are commonly referred to as "unsolicited" transactions.

In addition, certain investment strategies and investment products made available to a client may not be appropriate for the client. The use of certain strategies and investment products involves special risks, and a client should not engage in a strategy or purchase an investment product unless the client understands the related risks. See "Additional Service Information—Special Situation Strategies and Investments" and "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—Principal Risks" below for more information.

FWG clients typically work with a Baird associate who has been approved by Baird to provide the Services (an "FWG Consultant"). The client, with the assistance of an FWG Consultant, determines the services that are most appropriate given the client's goals and circumstances. However, it is a client that ultimately selects the Service and investment strategy that is most appropriate for the client.

A client that wishes to participate in a Service will enter into an advisory agreement with FWG and Baird. The client's advisory agreement will contain the specific terms applicable to the services selected by the client, fees payable by the client, and other terms applicable to the client's advisory relationship with FWG and Baird. A client should note that the client's advisory relationship with FWG and Baird does not begin until they enter into an advisory agreement with the client, which occurs when Baird's home office has accepted the client's advisory agreement and determined that all of the client's paperwork is in order. See "Account Requirements and Types of Clients" below for more information.

As mentioned above, 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.

Each Service has different structures, administration, types and levels of service, and fees and expenses. In particular, a client should note that the investment advisory services provided by FWG and Baird, including the depth of initial and ongoing research, evaluation, monitoring and review of a client's Account and its investments, and the level of compensation that FWG and Baird receive, varies by Service. The particular investment advisory services that FWG provides in connection with each Service are further described below. Clients are encouraged to review this Brochure and their advisory agreement.

Description of Advisory Services

Financial Planning

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

Risk Analysis

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

Asset Allocation and Investment Strategy Development

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

emerging market bonds, high yield bonds, different alternative investment styles or strategies, such as hedge fund, fund of hedge funds, private equity, fund of private equity funds, real estate and real estate funds, managed futures, and commodities.

Portfolio and Investment Management

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

By retaining FWG, a client grants full discretionary authority and management of the client's Account to FWG. A client also provides FWG and the client's FWG Consultant with full discretionary authority to select investment managers to manage the client's Account. A client also authorizes such investment managers to manage such Accounts with full discretionary authority

FWG typically recommends or selects for client accounts investments in mutual funds and ETFs. However, from time to time, FWG may make investments in various types of securities, including, but not limited to, equity and debt securities, and certain Alternative Investment Products. All or a portion of the assets in a client's Account may be held in cash or cash equivalents, including securities issued by money market mutual funds or may be deposited in interest-bearing bank accounts. Additional information about the types of investments FWG may use for client accounts is contained under the heading "Eligible Assets" below. For more information about the FWG's Services, see "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—Investment Strategies and Methods of Analysis" below.

FWG and Baird determine the investment managers and their strategies ("BRM Strategies") eligible to participate in this Service through an initial and ongoing evaluation process further described under "Portfolio Manager Selection and Evaluation—Selection and Evaluation—Recommended Managers" below.

In most cases, FWG engages managers directly on the client's behalf. However, certain BRM Strategies are only available through the Overlay Manager, and Baird has engaged the Overlay Manager to provide certain subadvisory services in connection with those BRM Strategies. The BRM Strategies made available by the Overlay Manager include both Manager-Traded Strategies and Model-Traded Strategies, although managers generally only provide either Manager-Traded or Model-Traded Strategies.

To the extent necessary to implement the selected BRM Strategy, the client authorizes and directs FWG to appoint the Overlay Manager to serve as sub-adviser to the client's Account. If a Model-Traded Strategy is selected, the client also authorizes and directs the Overlay Manager to manage the client's Account with full discretionary authority in accordance with the BRM Strategy selected by the client. If a Manager-Traded Strategy is selected, the client authorizes and directs the Overlay Manager to appoint the applicable manager as sub-adviser, and the client also authorizes and directs such manager to manage the client's Account with full discretionary authority in accordance with the selected BRM Strategy.

If a client selects a Model-Traded Strategy, at the Overlay Manager's discretion, the Overlay Manager will implement the Model Strategy as proposed by the manager. However, the Overlay Manager may implement the Model Strategy differently than proposed by the manager if the Overlay Manager determines such action to be necessary and in the client's best interest.

If a client selects a BRM Strategy that is a Model-Traded Strategy, it is important to note that Baird's selection and ongoing evaluation of a manager is based upon an assumption that the manager's Model Portfolio will be fully and faithfully implemented by the Overlay Manager on a continuous basis. A client should understand that the Overlay Manager has discretion over the client's account and may invest the client's account in a manner that differs from the Model Portfolio. FWG and Baird do not monitor the Overlay Manager's implementation of the Model Portfolio nor do they ascertain whether the Overlay Manager is implementing the Model Portfolio as provided by the manager. If the Overlay Manager, in the exercise of its discretion, decides to implement the Model Portfolio

differently, the performance of a client's Account could be negatively impacted. FWG and Baird are not monitoring, evaluating or reviewing the Overlay Manager or the performance of client accounts under those circumstances. A client should periodically discuss the implantation of the Model Portfolio with the client's FWG Consultant.

Other investment managers selected to manage a client's Account under this Service (which may include the Overlay Manager) will have full discretionary authority to manage the client's Account. Other investment managers may have varying investment objectives, styles and strategies. The investment manager may invest the client's Account in various types of securities, which will be chosen by the investment manager and which may include mutual funds affiliated with the manager or Baird. A client should review the investment manager's Form ADV Part 2A Brochure for more information.

To the extent a third party manager manages a client's Account, a client should understand that, notwithstanding the discretionary authority granted to FWG to select other investment managers, FWG does not manage the Account and does not otherwise have any influence over the manager's investment decisions or securities selections, and therefore, FWG and Baird are not responsible for the decisions made by such manager.

From time to time, FWG may remove investment managers from this Service, and FWG will select a replacement manager to manage the client's Account. A client who prefers to continue using an investment manager that has been removed from this Service, or who directs or otherwise requests that a particular investment manager not recommended by FWG be selected to manage the client's Account, will generally need to move to another Program, such as the CSM Service. See "Client Selected Managers Service" below for more information. Clients who elect to do so will no longer receive ongoing monitoring, evaluation, or review of that investment manager from Baird.

If the client retains the authority to manage the client's portfolio, upon the client's request, FWG will provide consulting advisory services to the client by providing information and recommendations regarding investment managers and other investments for client's portfolio. The

advice FWG provides is based upon the asset allocation and investment strategies developed for the client as described above. Unless specifically requested by the client, FWG does not perform a due diligence review of any investment manager managing client's assets.

FWG may use information provided by third parties, including but not limited to information provided by third party investment managers managing a client's assets, to acquire information in connection with making recommendations and performing the services to the client. FWG assumes the accuracy, completeness, and currentness of such information used by it in connection with the services provided and that FWG does not conduct a review of, or verify, such information.

Important Information about Affiliated Managers. *The Portfolio and Investment Management Service makes available to clients investment services that are offered by Baird Advisors and Baird Investment Management ("BIM"), investment management departments of Baird. For more information, see "Additional Information—Other Financial Industry Affiliations and Activities" below.*

Client Selected Managers Service

The Client Selected Managers ("CSM") Service is a service a client may elect whereby a client independently selects an investment manager to manage the client's Account with full discretionary authority according to a strategy (a "CSM Strategy") selected by the client. This Service is designed to accommodate a client who wishes to independently select an investment manager to manage the assets in the client's Account with full discretion.

Under the CSM Service, Baird determines the investment managers eligible to participate in the Service (each, a "CSM Eligible Manager"). However, a client should note that FWG and Baird do not make any recommendation to clients regarding any CSM Eligible Manager or any representations regarding a CSM Eligible Manager's qualifications as an investment adviser or abilities to manage client assets. Other investment management departments of Baird, such as Baird Advisors or BIM, may manage client accounts under the CSM Service.

Baird has engaged the Overlay Manager to provide certain subadvisory services in connection with the CSM Service. The CSM Service makes both Manager-Traded Strategies and Model-Traded Strategies available to clients, although CSM Eligible Managers generally only provide either Manager-Traded or Model-Traded Strategies. Once the client has selected a CSM Strategy, the client authorizes and directs FWG and Baird to appoint the Overlay Manager to serve as sub-adviser to the client's Account. If the client has selected a Model-Traded Strategy, the client authorizes and directs the Overlay Manager to manage the client's Account with full discretionary authority in accordance with the CSM Strategy selected by the client. If the client has selected a Manager-Traded Strategy, the client authorizes and directs the Overlay Manager to appoint the applicable CSM Eligible Manager as sub-adviser, and the client also authorizes and directs such CSM Eligible Manager to manage the client's Account with full discretionary authority in accordance with the CSM Strategy selected by the client.

If a client selects a Model-Traded Strategy, at the Overlay Manager's discretion, the Overlay Manager will implement the Model Strategy as proposed by the CSM Eligible Manager. However, the Overlay Manager may implement the Model Strategy differently than proposed by the CSM Eligible Manager if the Overlay Manager determines such action to be necessary and in the client's best interest.

FWG and Baird may, in their discretion, permit a client to select an investment 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 agreement the client enters into with FWG and Baird (i.e., a "dual contract" arrangement). A client that enters into a dual contract arrangement is solely responsible for negotiating the client's agreement with the client's investment manager, and neither FWG nor Baird will participate or advise a client regarding the terms of such an agreement, the advisability of entering into such an agreement, or the retention of the client's investment manager unless FWG and Baird agree to do so in writing.

The investment manager selected by a client under the CSM Service (which may include the Overlay Manager) will have full discretionary

authority to manage the client's Account. Investment managers may have varying investment objectives, styles and strategies. The investment manager selected by a client may invest the client's Account in various types of securities, which will be chosen by the investment manager and which may include mutual funds affiliated with the manager or Baird. A client should review the investment manager's Form ADV Part 2A Brochure for more information.

If a client's Account is managed by a third party manager, a client should understand that: FWG and Baird do not manage the Account and they do not otherwise have any influence over the investment manager's investment decisions or securities selections, and therefore, FWG and Baird are not responsible for the decisions made by such investment manager; FWG and Baird also do not provide any recommendations, investment advice or related services regarding the purchase or sale of investment products made for the client's Account; and FWG only provides a client with consulting services, such as assistance in determining a client's financial needs, investment goals, asset allocation strategies, investment strategies and restrictions, and periodically reviewing the positions and transactions made in the client's Account, the manager's performance and other characteristics. The client's FWG Consultant may also provide his or her own advice and recommendations about the manager. FWG and Baird do not undertake to provide any investment advisory services other than those specifically agreed to by them in writing.

A client that participates in the CSM Service is strongly encouraged to contact the client's investment manager on a periodic basis to discuss: the Account and its investment performance; the investment manager's investment philosophy and style (to determine if the manager remains appropriate for the client); any potential conflicts of interest; and any investment restrictions the client may wish to impose or change. A client should also periodically check the registration status, disciplinary events and other information regarding the investment manager, described on the manager's Form ADV, which is available on the SEC's website at www.adviserinfo.sec.gov.

The CSM Strategies and CSM Eligible Managers made available under this Service are subject to change or removal at any time in Baird's or the

Overlay Manager's discretion. See "Portfolio Manager Selection and Evaluation—Selection and Evaluation" below for more information. If a client wishes to continue using a manager that Baird or the Overlay Manager has removed from this Service, and FWG and Baird agree, the client will need to enter into a dual contract arrangement.

Under certain circumstances, a client may provide FWG, and FWG may accept, full discretionary authority to select investment managers to manage the client's CSM accounts as described above under "Portfolio and Investment Management" above. Any such arrangement will be set forth in the client's advisory agreement.

Important Information about the CSM Service. *The CSM Service is designed for a client who wishes to independently select an investment manager to manage the client's Account. Unless FWG and Baird otherwise agree in writing, the client assumes sole responsibility for monitoring the client's Account and client's investment manager's performance. It is important to note that neither FWG or Baird will monitor, evaluate or review any third party investment manager or the performance of a client's Account managed by a third party investment manager, even if the manager or its strategy is on a Baird recommended list. 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 manager and such manager's services. The client solely determines that the SMA Strategy to be used 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, a third party investment manager will only be removed from managing the client's Account upon the client's direction to do so. A client should carefully consider the foregoing when deciding to participate in the CSM Service and also consider whether another Service, may be more appropriate for the client.*

Consolidated Reporting

Clients of FWG receive a performance report and asset allocation report each quarter. Generally, this report covers all accounts and asset classes specified in the advisory agreement. For the convenience of clients of FWG, reports may include information, usually related to client's

personal assets, that is provided by the client and is not covered by the advisory agreement. If a third party reporting company is used, Baird, FWG or the client may pay an additional fee to the third party for this service. FWG provides analysis of both performance and asset allocation decision to the client on a quarterly basis.

Additional Consultant Services

FWG offers the following additional consultant services.

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

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

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

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

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

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

Additional Service Information

Investment Discretion

Investment Selection and Trading Authorizations

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

If a client's Account participates in a Discretionary Service, the client's advisory agreement authorizes FWG to manage the client's Account in accordance with the portfolio strategy selected by the client and authorizes FWG to make investment decisions for the client's Account, with the authority to determine the amount, type and timing with respect to buying, holding, exchanging, converting and selling securities and other assets for the client's Account, subject to the investment strategy selected by the client. The client's advisory agreement also grants to FWG complete and unlimited trading authorization and appoints FWG as agent and attorney-in-fact with respect to the client's Account and all related trading and other decisions. Pursuant to such

authorization, FWG may, in its sole discretion and at the client's risk, purchase, sell, exchange, convert and otherwise trade the securities and other investments in the client's Account, as well as arrange for delivery and payment in connection with the above, and act on the client's behalf in all matters necessary or incidental to the handling of the client's Account without prior notice to the client. Orders for the purchase and sale of securities in a client's Account will generally be executed by Baird, in its capacity as broker-dealer, as further described below under the heading "Trading for Client Accounts", unless Baird's duty to seek to obtain best execution otherwise requires or unless the client has provided other instructions to FWG in writing.

If a client's Account participates in a Discretionary Service, a client also authorizes and empowers FWG, with full discretionary authority, 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 notice to the client. If FWG terminates an investment manager from management of a client's Account, a client authorizes FWG to invest, with full discretion, the assets in the client's Account previously managed by the terminated investment manager in other securities, including, but not limited to, mutual funds and exchange traded products ("ETPs"), primarily ETFs and exchange-traded notes ("ETNs"). FWG's discretionary authority to make such other investments will continue until a replacement investment manager is selected or alternative arrangements are made for the management of the client's assets.

If a client's Account participates in an SMA Service, the client authorizes the investment manager selected for the client's Account to manage the assets in the client's Account and grants to such investment manager 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, subject to the client's portfolio strategy. The client also grants to such investment manager complete and unlimited trading authorization and appoints each of them as agent and attorney-in-fact with respect to the client's Account and all related trading and other decisions. Pursuant to such authorization, such investment manager may, in its sole discretion

and at the client's risk, purchase, sell, exchange, convert and otherwise trade the securities and other investments in the Account, as well as arrange for delivery and payment in connection with the above, and act on the client's behalf in all matters necessary or incidental to the handling of the Account without prior notice to the client. FWG does not have discretion over the assets in a client's Account that is managed by a third party investment manager and cannot purchase or sell any securities or other investments in that Account without the consent of the client or the client's investment manager. The investment manager for a client's Account may initiate securities transactions through Baird, in its capacity as broker-dealer, as further described below under the heading "Trading for Client Accounts", subject to the manager's duty to seek to obtain best execution, or unless a client has provided other instructions in writing. Baird, as broker-dealer, will rely upon any such instructions of any investment managers selected to manage the client's Account.

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

Client Investment Restrictions

The Discretionary and SMA Services offer a client the ability to impose reasonable investment restrictions on the management of an Account, including the designation of particular securities or types of securities that should not be purchased for the client's Account, but a client may not require that particular funds or securities (or types) be purchased for the client's Account. Reasonable investment restrictions requested by a client will apply only to those assets over which FWG or a client's investment manager has discretion.

In the event that a client's Account is restricted from investing in certain securities, FWG or the client's investment manager will select such other replacement securities, if any, as they deem appropriate. Accounts with investment restrictions may perform differently from accounts without restrictions and performance may be poorer. In addition, in the event there is a change in the classification or credit rating of a security held in the client's Account, a client's investment restrictions may force FWG or the client's

investment manager to sell such security at an inopportune time, possibly negatively impacting Account performance and/or causing a taxable event to the client. A client should also be aware that, if the client's Account holds any investment vehicle (such as a mutual fund or ETF), any investment restrictions the client places on the client's Account may not flow through to the securities owned by that investment vehicle.

Should a client wish to impose or modify existing restrictions, or the client's financial condition or investment objectives have changed, the client should contact the client's FWG Consultant.

Affiliated Investment Products

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

By signing an advisory agreement with FWG, a client consents to FWG investing all or a portion of the client's Account in investment products or deposit accounts with banks that pay advisory or other fees to Baird or its affiliates ("affiliated investment products"). The amount of fees received by Baird and/or its affiliates is described in this Brochure in the section entitled "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions" below and/or the prospectus or other offering documents for the investment product. FWG will use its discretionary authority to invest the client's Account in affiliated investment products when FWG determines it to be in the client's best interest to do so. The criteria used by FWG in deciding to invest in affiliated investment products are the same as those used in deciding to invest a client's assets in investment products unaffiliated with Baird. A client's consent may be revoked at any time.

Investment Policy Statements

FWG and Baird will not review, monitor, accept or adhere to an investment policy statement or similar document that was not prepared by FWG or Baird, unless they otherwise specifically agree to do so in writing. Adherence to any such investment policy statement or similar document is solely a client's responsibility.

Trading for Client Accounts

FWG's Trading Practices

Placement of Client Trade Orders

FWG will select the broker-dealers that will execute trade orders for Non-Discretionary Accounts and with respect to Accounts that are managed directly by FWG unless the client has provided instructions to FWG to the contrary. As investment adviser, FWG and Baird have an obligation to seek "best execution" of client trade orders. "Best execution" means that they must place client trade orders with those broker-dealers that they believe are capable of providing the best qualitative execution of client trade orders under the circumstances, taking into account the full range and quality of the services offered by the broker-dealer, including the value of the research provided (if any), the broker-dealer's execution capabilities, the cost of the trade, the broker-dealer's financial responsibility, and its responsiveness to FWG and Baird. It is important to note that their best execution obligation does not require them to solicit competitive bids for each transaction or to seek the lowest available cost of trade orders, so long as they reasonably believe that the broker-dealer selected can be reasonably expected to provide clients with the best qualitative execution under the circumstances.

Because a client does not pay commissions to Baird when Baird, acting as broker-dealer, executes a client's trade orders, and because a client may incur commission costs in addition to the Advisory Fee if trade orders were to be executed by another broker-dealer firm, clients generally receive a cost advantage whenever Baird executes client transactions. For this reason, and given Baird's execution capabilities as broker-dealer, FWG expects that Baird will generally execute trade orders, as broker-dealer, for assets under the direct management of FWG.

However, in some instances, circumstances may arise that may require FWG and Baird, in compliance with their best execution obligations to a client, to place a client's trade order with a firm other than Baird. If they place trade orders for the client's Account for execution by a firm other than Baird, and the other firm imposes a commission or equivalent fee on the trade (including a commission imbedded in the price of the investment), the client will incur trading costs in addition to the Advisory Fee.

Trade Aggregation, Allocation and Rotation Practices

FWG may aggregate contemporaneous buy and sell orders for the accounts over which it has discretionary authority (a practice also known as bunching trades or block transactions). This practice may enable FWG to obtain more favorable execution, including better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated. Using block transactions may also assist FWG in potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a number of separate, successive or competing, client orders.

FWG generally aggregates buy and sell orders when executing trades for client accounts under the direct discretionary management of FWG when it has the opportunity to do so. When utilizing block transactions, FWG generally aggregates a client's trade orders with trade orders for clients who are participating in the same Service and pursuing the same model portfolio or strategy. In some cases, FWG may aggregate a client's trade orders with trade orders for other advisory clients who are not participants in the Services described in this Brochure. However, FWG determines whether or not to utilize block transactions for a client in its sole discretion and FWG's decision is subject to its duty to seek best execution. FWG will aggregate a client's trade orders only when FWG deems it to be appropriate and in the best interests of the client, consistent with a client's investment objectives and risk tolerance, and permitted by regulatory requirements.

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 at different prices in a series of block transactions. As a result, the average price received by a client may be higher or lower than the price the client may have received had the transaction been effected for the client independently from the block transaction.

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 that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and 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 transaction. However, FWG 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 FWG, to take into consideration account specific investment restrictions, undesirable position size, account portfolio weightings, client tax status, client cash positions and client preferences. Adjustments may also be made to avoid a nominal allocation to client accounts.

When FWG is not able to aggregate trades, FWG generally uses a trade rotation process that is designed to be fair and equitable to its advisory clients.

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

Directed Brokerage Arrangements

In some cases, a client may direct FWG to use a particular broker-dealer for execution of the client's trade orders (a "directed brokerage arrangement"), and FWG may agree to the arrangement. This may occur when a client's Account is held at another broker-dealer firm and a client directs FWG to execute trades through such firm, or when a client's retirement account or other account is maintained on a platform operated and managed by a third party unaffiliated with FWG or Baird and trades must be executed through that platform. A client should understand that FWG and Baird consider such arrangements to be directed brokerage arrangements. A client should also understand that if the client has a directed brokerage arrangement, Baird may be unable to achieve best execution for the client's transactions. A client should note that any costs related to the directed brokerage arrangement are not included in the Advisory Fee and that the client will be solely responsible for monitoring, evaluating and reviewing the arrangement with the directed broker-dealer and paying any commissions or markups or markdowns or other costs imposed by the directed broker-dealer. A client should also note that FWG generally will not aggregate the client's directed brokerage trade orders with orders for other FWG clients. As a result, a client's transaction costs may be higher because the client will not benefit from any volume discounts or other reduced transaction costs that FWG may obtain for its other clients. A client should further note that FWG generally will not include such client trade orders in its trade rotation process and that FWG will generally place the client's trade orders with the directed broker-dealer after FWG completes its trading for other FWG client accounts. The client's trade orders will significantly bear the market price impact, if any, of those trades executed earlier in FWG's rotation. As a result, the client may receive a less favorable net price for the trade.

If a client directs FWG to use a particular broker-dealer, and if the particular broker-dealer referred the client to FWG or if the particular broker-dealer refers other clients to FWG or Baird in the future, FWG and Baird may benefit from the client's directed brokerage arrangement. Because of these potential benefits, FWG and Baird may have an economic interest in having the client continue the directed brokerage arrangement. The benefits

that FWG and Baird receive may conflict with the client's interest in having FWG or Baird recommend that the client utilize another broker-dealer to execute some or all transactions for the client's Account.

Before directing FWG to use a particular broker-dealer, a client should carefully consider the possible costs or disadvantages of directed brokerage arrangements.

Cross Trading Involving Advisory Accounts

From time to time, when FWG and Baird believe that each respective transaction is consistent with the client's best interest, FWG, acting as investment manager, may cause (or in the case of Non-Discretionary accounts, recommend) the sale of securities from the account of an advisory client 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 FWG advisory client. Such transactions may have the benefit of reducing transaction and market impact costs.

In such cases, because Baird is acting as investment adviser for both buyer and seller, Baird is subject to potentially conflicting interests in causing (or recommending) the transactions. Also, because Baird is acting as investment adviser for both buyer and seller, transaction prices may be determined more by reference to market information or dealer indications for the securities involved, and less through the type of independent arms-length negotiation that might otherwise occur. Baird has adopted internal policies and procedures that require FWG and Baird to obtain approval of Baird's Compliance Department before affecting a cross trade.

Trade Error Correction

It is Baird's policy that if there is a trade error for which FWG or 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 caused by FWG or Baird 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 any such error. If the trade error results in a gain, the gain may

be retained by Baird but such gain is not given to or shared with any FWG or Baird associate.

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

Trading Practices of Investment Managers

If a client's Account or a portion thereof is managed by an investment manager, the client should note that, like Baird, such investment manager has a duty to seek best execution for the client's Account.

Investment managers may participate in other wrap fee programs sponsored by firms other than Baird. In addition, investment managers may manage institutional and other accounts not part of a wrap fee program. In the event an investment manager purchases or sells a security for all accounts using a particular SMA Strategy offered by the investment manager, the investment manager may have to potentially effect similar transactions through a number of different broker-dealers. In some cases, to address this situation, investment managers may decide to aggregate all such client transactions into a block trade that is executed through one broker-dealer. This practice may enable the investment manager to obtain more favorable execution, including better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated. Using block transactions may also assist the investment manager in potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a number of separate, successive or competing client orders. However, as it pertains to FWG clients, this practice may result in "trading away" from Baird, which is more fully described below.

Alternatively, investment managers may utilize a trade rotation process where one group of clients may have a transaction effected before or after another group of the investment manager's clients. A client should be aware that an investment manager's trade rotation practices may result in a transaction being affected for the client's Account that occurs near or at the end of the investment manager's rotation and the client's

trade orders may significantly bear the market price impact, if any, of those trades executed earlier in the investment manager's rotation, and, as a result, the client may receive a less favorable net price for the trade. Additional information regarding an investment manager's trade rotation policies, if any, is available in the investment manager's Form ADV Part 2A Brochure.

Because a client does not pay commissions to Baird when Baird, acting as broker-dealer, executes a client's trade orders, and because a client generally would incur trading costs in addition to the Advisory Fee if trade orders were to be executed by another broker-dealer firm, clients generally receive a cost advantage whenever Baird executes FWG client transactions. For this reason, and given Baird's execution capabilities as broker-dealer, investment managers may determine that placing trade orders for the client's Account with Baird is the most favorable option for the client. However, investment managers may place a client's trade orders with a broker-dealer firm other than Baird if the manager determines that it must do so to comply with its best execution obligations. This practice is frequently referred to as "trading away" and these types of trades are frequently called "step out trades". A client's trade order so executed is then cleared and settled through Baird in what is frequently referred to as a "step in".

In some instances, step out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If a client's investment manager places trade orders for the client's Account with a firm other than Baird, and the other firm imposes a commission or equivalent fee on the trade (including a commission imbedded in the price of the investment), the client will incur trading costs in addition to the Advisory Fee.

Some managers have historically placed nearly all client trades with broker-dealer firms other than Baird for execution. Some managers have placed nearly all or all client trades resulting from changes to their model portfolios or strategies with firms other than Baird. Similarly, some managers have frequently placed client trade orders for fixed-income, foreign and small cap securities with firms other than Baird. In some

cases, the other executing broker-dealer firm imposes a commission or markup or markdown (which is embedded in the price of the security) for executing the trade. As a result, these types of managers and their strategies could be more costly to a client than managers that primarily place client trade orders with Baird for execution.

A client should note that each investment manager is solely responsible for ensuring that it complies with its best execution obligations to the client. A client should review the manager's trading for the client's Account because FWG and Baird do not monitor, review or evaluate whether the manager is complying with its best execution obligations to the client. A client should review the manager's Form ADV Part 2A Brochure, inquire about the manager's trading practices, and consider that information carefully, before selecting a manager. In particular, the client should carefully consider any additional trading costs the client may incur before selecting a manager to manage the client's Account.

A client should note that the client's advisory agreement permits FWG and Baird to trade as principal on orders received from third party investment managers. See "Trade Execution Services Performed by Baird—Principal Transactions" below for more information.

Trade Execution Services Performed by Baird

If Baird provides trade execution services for a client's Account, Baird will generally act as agent when routing client trade orders for execution. However, Baird may cross trades between client accounts or may act as principal for its own account in certain circumstances to the extent permitted by applicable law as is more fully described below. Additional information about Baird's routing of equity orders is available on Baird's website at www.rwbaird.com/disclosures

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 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.

For certain Discretionary and SMA Services, a client has the option of receiving trade confirmations directly or having Baird send trade confirmations to the client's investment manager. A client may indicate the client's preference by selecting the preferred option in the client's advisory agreement.

A client should understand that certain securities, such as securities traded over-the-counter and fixed-income securities, are primarily traded in dealer markets. When Baird purchases or sells these types of securities for client accounts, it generally does so through broker-dealer firms acting as a dealer or principal. Dealers executing principal trades typically include a markup, markdown and/or spread in the net price at which transactions are executed. A client bears such costs in addition to the Advisory Fee.

Agency Cross Transactions

In certain circumstances and to the extent permitted by applicable law and regulation, FWG and Baird may effect "agency cross" transactions 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 their brokerage services, FWG and Baird may receive compensation from parties on both sides of an agency cross transaction, the amount of which may vary. Therefore, FWG and Baird may have a conflicting division of loyalties and responsibilities. However, in all cases, FWG and 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 regulations applicable to retirement accounts.

Where applicable, a client's advisory agreement discusses agency cross transactions and authorizes FWG and Baird to effect agency cross transactions for a client's Account. **A client's authorization to FWG and 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 FWG.**

Principal Transactions

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

FWG and 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, markdown or spread from the prevailing market price, an underwriting fee, selling dealer concession, or other incentive to execute the transaction. Any compensation received by FWG and Baird in a principal transaction is in addition to the Advisory Fee paid by the client. Thus, in trading as principal with a client, FWG and Baird will have potentially conflicting division of loyalties and responsibilities regarding FWG's and Baird's own interests and the interests of the client. This profit potential may give FWG and Baird an incentive to recommend a transaction in which FWG and Baird act as principal over other transactions. Nonetheless, FWG and Baird have a fiduciary duty to act in the client's best interest and to seek best execution for advisory clients. Furthermore, Baird has adopted internal procedures that require FWG and Baird, when acting in a principal capacity, to disclose all material information regarding FWG's and Baird's interest in the transaction, and obtain the client's written approval of the transaction prior to settlement.

A client's advisory agreement discloses, where applicable, the possibility of FWG's and Baird's role in potential principal transactions, and each transaction confirmation sent to FWG clients discloses the capacity in which FWG and Baird

served in the transaction and whether Baird is a market maker in each security the client bought or sold.

To the extent permitted by applicable law and regulation, if a client selects non-discretionary advisory services for an Account or if a client selects a third party investment manager to manage the client's Account, the client's advisory agreement provides FWG and 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, FWG and 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 FWG and Baird to trade as principal with a client's Account may be revoked at any time by the client in client's sole discretion by notifying FWG in writing.**

FWG and 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.

Special Situation Strategies and Investments **Alternative Investment Products**

Certain Services make available complex securities and investment products that pursue non-traditional, alternative investment strategies ("Alternative Investment Products"). Alternative Investment Products include, but are not limited to: hedge funds, funds of hedge funds, private equity funds, funds of private equity funds, exchange or swap funds, leveraged funds, inverse funds, and other special situation funds, structured certificates of deposit and structured notes ("structured products"), ETNs, business development companies ("BDCs"), real estate investment trusts ("REITs"), master limited partnerships ("MLPs"), and managed futures.

In addition, a client should be aware that more traditional investments, such as mutual funds,

ETFs, unit investment trusts ("UITs") and variable annuities may also pursue alternative investment strategies, thereby making them Alternative Investment Products. A client should carefully review the prospectus or other offering document for each investment and understand the strategy being pursued before deciding to invest.

Investing in these products is not appropriate for many clients because they involve special risks. A client should not invest in these products unless the client understands the related risks and is prepared to experience significant losses in the client's Account. See "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—Principal Risks" below for more information.

Margin, Short Sales, Options and Other Derivative Instruments

In special situations, the strategy used for a client's Account may involve leverage or margin (when the client borrows money from a firm, such as Baird, to buy securities). A client may also elect to use margin as a method to pay for securities outside of the strategy being pursued by the client's Account.

If a client wishes to pay for securities by borrowing part of the purchase price from Baird, a client must open a margin account with Baird, and Baird will provide the client with a margin loan. The securities purchased on margin are used as Baird's collateral for the margin loan. The value of the collateral in the margin account must be maintained at a certain level relative to the margin loan for the duration of the loan. If the securities in the client's Account decline in value, so does the value of the collateral supporting the margin loan, and as a result, Baird may take action, such as issue a margin call and/or sell securities in the Account.

In special situations, the strategy used for a client's Account may also involve short sales, options or other derivative instruments.

Short selling attempts to benefit from an anticipated decline in the market value of a security. To affect a short sale, a client sells a security the client does not own. When a client sells a security short, Baird borrows the security from a lender and makes delivery to the buyer on the client's behalf. Because short sales involve an

extension of credit from Baird to the client, a client must use a margin account. A client must also eventually purchase the same shares sold short and return them back to the lender.

An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying security at a specific price (exercise or strike price) on or before a certain date (expiration date). The two types of options available are calls and puts. A call option gives the holder the right to buy a security at a certain exercise price within a specific period of time. If the market value of the security underlying the option rises above the exercise price, the holder of a call option will be able to buy the security at a price below its current market value. A put option gives the holder the right to sell a security at a certain exercise price within a specific period of time. If the market value of the security underlying the option falls below the strike price, the holder of a put option will be able to sell the security at a price above its current market value. In some cases, Baird may require clients to open a margin account to engage in options trading.

The use of these strategies is not appropriate for many clients because they involve special risks. A client should not engage in these strategies unless the client is prepared to experience significant losses in the client's Account. This is especially true for short selling, which can result in unlimited losses as there is no limit to the amount borrowed securities can rise in value. See "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—Principal Risks" below for more information. Before engaging in these types of strategies, a client is strongly urged to discuss the strategy with the client's FWG Consultant and any investment manager managing the client's Account and to carefully review the client's client account agreement and related disclosure documents, which the client should have received when opening the Account. Additional information about these strategies generally is also available on Baird's website at www.rwbaird.com/disclosures.

A client assumes responsibility for engaging in these types of strategies. If a client determines that the client no longer wants to engage in any of these strategies, the client is responsible for notifying the client's FWG Consultant and any investment manager managing the client's

Account. FWG and Baird are not responsible for any losses resulting from any third party investment manager's failure or delay in implementing any such instructions.

The use of these strategies has a unique impact upon the calculation of a client's asset-based Advisory Fee. See "Advisory Fee—Calculation and Payment of Advisory Fees" below for more information. A client should also understand that FWG and Baird may have a financial incentive to use, or recommend the use of, these strategies or to increase, or recommend the increase of, margin loans. See "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Other Interests in Client Transactions" below.

As a creditor, Baird may have interests that are adverse to a client. Neither FWG nor Baird will act as investment adviser to a client with respect to the liquidation of securities held in an Account to meet a call on a margin loan. Any such sale of assets will be executed in Baird's capacity as broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis.

Eligible Assets

Except with respect to SMA Services, a client's Account held at Baird may generally only hold investment products that Baird has determined to make available for use in those Services ("eligible assets"). Although Baird determines the investment products made available under those Services, the level of initial and ongoing evaluation, monitoring and review that that FWG and Baird perform on investment products varies. Investment products that Baird merely makes available to clients do not generally receive the same level of initial or ongoing evaluation, monitoring or review as those products that are included on a recommended list. For more information, see the descriptions of each Service under "Services, Fees and Compensation" above and under "Portfolio Manager Selection and Evaluation—Methods of Analysis, Investment Strategies and Risk of Loss—Investment Strategies and Methods of Analysis" below.

FWG or Baird may change the eligibility of investments for any Service at any time in its sole discretion.

Some of the eligible assets offered in connection with the Services contain restrictions that limit their use, and such investments may be unavailable for purchase or holding outside of an Account. See "Account Requirements and Types of Clients" below for more information.

Eligible assets for Accounts, other than SMA Service Accounts, generally include, but are not limited to, the following types of investments:

- equity securities, including, but not limited to, common stocks, preferred stocks, convertible preferred stocks, American Depositary Receipts ("ADRs"), and ordinary shares, including whether exchange-traded, or over-the-counter traded;
- fixed-income securities, including but not limited to, debt securities issued by domestic and foreign corporations and other entities; asset-backed securities (including mortgage-backed securities and collateralized mortgage obligations ("CMOs")); convertible debt securities; obligations issued by U.S., state, or foreign governments or their agencies, instrumentalities, or authorities, such as securities issued by the U.S. Treasury, federal government agencies or federal government-sponsored enterprises ("Agency securities"), or foreign governments; municipal securities; money market mutual funds; certificates of deposit ("CDs") (primary or secondary); commercial paper; and cash and cash equivalents;
- rights or warrants on equity securities, written covered call equity options;
- open-end mutual funds shares that Baird has made available for use in the Services, which generally includes only those funds with which Baird has a selling agreement and only those funds that are no-load, load-waived, or that were purchased through Baird and at least 24 months has elapsed since a front-end sales charge (load) or commission was imposed;
- closed-end funds, ETFs, and UITs that have cost structures designed for use in fee-based investment advisory programs;

- BDCs, publicly-traded REITs and MLPs (which may be organized as limited liability companies ("LLCs"));
- ETNs, leveraged funds, inverse funds, and other special situation mutual funds, and exchange or swap funds; and
- certain hedge funds, funds of hedge funds, private equity funds, funds of private equity funds, structured products, and managed futures that Baird has made available for use in the Services.

The types of investments that are ineligible generally include, but are not limited to:

- Class B or Class C shares offered by mutual funds or any other class of mutual fund shares that impose a contingent deferred or level sales charge (back-end or level load);
- UITs that impose an initial or deferred sales charge (load);
- put options;
- private REITs and other real estate interests, and MLPs and LLC units that are not publicly-traded;
- annuities and insurance products;
- commodities, futures or options on commodities, and commodity pools; and
- private investment funds and Alternative Investment Products that have not been made available by Baird for use in the Services.

From time to time, FWG may advise clients with respect to, or may manage, assets held by custodians other than Baird, such as private REITs, real estate, and insurance products, even though those assets are not eligible for Accounts held at Baird. Any such arrangement will be set forth in the client's advisory agreement.

FWG and Baird do not determine the eligibility of investment products under the SMA Services. Investment products under the SMA Services are selected solely by the investment manager providing services to the client. *The investment products used by an investment manager may*

include products that Baird deems ineligible for use in connection with the other Services described above. A client should review the investment manager's Form ADV Part 2A Brochure for more information.

Unsupervised Assets

Under certain circumstances, FWG and Baird, in their sole discretion, may accept a client request to place an ineligible asset into a client's Account. In most cases, an ineligible asset is an "unsupervised" asset, meaning that FWG and Baird do not manage or provide investment advisory services regarding such asset. FWG and Baird, in their sole discretion, may also designate an asset that is otherwise eligible for a client's Account as "unsupervised" under certain circumstances, such as when a client acquires an asset in an unsolicited transaction, transfers an asset from an account held at another firm, or continues to hold an asset against FWG's or Baird's recommendation. If a client holds an unsupervised asset in an Account, the client does so with the understanding that the unsupervised asset may not be included in performance reports provided to the client and that FWG and Baird do not manage, provide investment advice, or otherwise act as an investment adviser with respect to the unsupervised asset, even if the unsupervised asset is included in account statements or performance reports provided to the client. FWG may also include the unsupervised asset in the calculation of the client's Advisory Fee and/or may impose administrative or other fees upon such asset. See "Advisory Fee—Other Fees and Expenses" below. A client should also understand that holding an unsupervised asset in an Account may increase the risk of trade errors, overinvestment, and negative Account performance. A client should consult the client's FWG Consultant for further information.

Custody Services

Certain Services may require clients to custody their account assets at Baird. If Baird is the custodian of a client's assets, Baird will provide certain custody services, including holding the client's Account assets, crediting contributions and interest and dividends received on securities held in a client's Account, and debiting distributions from the Account. Information about account statements and performance reports, if any, that FWG and Baird provide to clients is

contained under the heading "Services, Fees and Compensation—Description of Advisory Services" above and "Additional Information—Review of Accounts" below.

As custodian, Baird may hold a client's Account assets in nominee or "street" name, a practice that refers to securities and assets being registered in Baird's name or in a name that Baird designates, rather than in a client's name directly. Baird will be the holder of record in those instances.

Baird offers to clients a Cash Sweep Program through which cash balances in client accounts are automatically deposited or "swept" into an interest-bearing deposit account (the "Bank Sweep Option") established by Baird with one or more banks selected by Baird for inclusion in the Cash Sweep Program. Certain clients who meet the eligibility requirements may, as an alternative, invest their cash in one or more taxable or tax-exempt money market mutual funds (the "Money Market Fund Option") that Baird makes available as part of the Cash Sweep Program. FWG and Baird generally receive compensation in addition to the Advisory Fee when clients participate in the Cash Sweep Program. See "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Other Interests in Client Transactions" below for more information.

If a client elects to participate in Baird's Cash Sweep Program, Baird will deposit or invest (i.e., "sweep") a client's free credit balances in accordance with the client's instructions and terms of the Cash Sweep Program. Any deposits, including CDs that a client maintains directly with a bank or through an intermediary (such as Baird or another broker), in the same capacity with the bank, will be aggregated with the client's Bank Sweep Option assets at the bank for purposes of calculating the \$250,000 FDIC insurance limit. Total deposits exceeding \$250,000 may not be fully insured by the FDIC. *A client is solely responsible for monitoring the total amount of other deposits that the client has with a bank in order to determine the extent of deposit insurance coverage available. Baird is not responsible for any insured or uninsured portion of a client's deposits at a bank.*

FWG and Baird in their sole discretion may accept certain clients whose assets are held by another custodian that is acceptable to FWG and Baird in their sole discretion (a "third party custodian"). A client who uses a third party custodian will pay a custody fee in addition to the Advisory Fee and may not receive performance review or reporting from Baird. In addition, a client who uses a third party custodian is not eligible for cash sweep services offered by Baird. Clients using a third party custodian are encouraged to establish appropriate cash sweep arrangements.

A client who uses a third party custodian authorizes FWG and 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 the client's selected custodian. A client should carefully review those account statements and compare them with any statements provided by FWG or Baird. A client should note that the prices shown on a client's Account statements provided by the custodian could be different from the prices shown on statements and reports provided by FWG or Baird due to a variety of factors, including the use of different valuation sources and/or accounting methods (e.g., trade or settlement date accounting) by the custodian and Baird.

Updating Client Information

A client is responsible for providing information to FWG and any third party investment managers managing client's Account reasonably requested by them in order to provide the services selected by the client. FWG and third party investment managers will rely on this information when providing services to the client. A client is also responsible for promptly informing FWG and any third party investment managers managing client's Account of any changes in the client's investment objectives, financial condition, or other circumstances that may affect the manner in which the client's assets are invested. None of Baird, FWG, or any third party investment manager is responsible for any adverse consequence arising out of the client's failure to promptly inform FWG or the third party investment manager of any such changes. Since investment goals and financial circumstances change over time, a client should review the

client's participation in a Service with the client's FWG Consultant at least annually.

Legal and Tax Considerations

FWG and Baird do not provide legal or tax advice to clients.

Additional laws, regulations and other conditions apply to retirement accounts, which include accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and individual retirement accounts ("IRAs") subject to the Internal Revenue Code ("IRC") (collectively, "Retirement Accounts"). Each owner, trustee, responsible plan fiduciary, or other fiduciary acting on behalf of a Retirement Account ("Retirement Account Fiduciary") should understand that FWG and Baird do not provide legal advice regarding Retirement Accounts. A Retirement Account Fiduciary is urged to consult with the client's legal advisor with respect to laws and regulations that may apply to Retirement Accounts.

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. In addition, a client's Account may be invested in investment products classified as partnerships for U.S. federal income tax purposes, which may result in unique tax treatment, including Schedule K-1 reporting. FWG does not provide any tax advice in connection with any of the Services. A client should discuss the potential tax implications of the client's investment strategies, investment products, and transactions with the client's tax advisor. If a client wishes for FWG to implement a particular investment strategy for tax purposes, and FWG agrees to implement such strategy, neither FWG nor Baird will be responsible for the development, evaluation or efficacy of any such strategy.

Advisory Fee

Fee Options

A client's advisory agreement will set forth the actual compensation the client will pay for FWG's services. In most instances, a client pays an ongoing fee based upon the value of assets in the client's Account (an "asset-based fee"), although other options may be available. There are generally two (2) asset-based fee options

available for each Service: a Flat/Hourly Fee or a Tiered Fee.

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

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

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

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

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

Fee Schedule

The following fee schedule sets forth the maximum fee rates charged by FWG for the Services. *A client should note that the asset-based fee shown below does not include the advisory fees payable to any investment manager that is selected to manage all or a portion of a client's Account. In certain circumstances FWG and Baird may agree to a client's request to include a manager's fee in the Advisory Fee client pays to Baird and Baird will pay the manager's fee out of the Advisory Fee. If FWG and Baird agree to such an arrangement, a client should note that the Advisory Fee will be higher than shown below. Such higher Advisory Fee will be set forth in the fee schedule to the client's advisory agreement.*

Baird Family Wealth Group
Fee Schedule

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

A client is encouraged to periodically review with the client's FWG Consultant the client's Advisory Fee and the services provided to determine if the services and fees continue to meet the client's needs.

Calculation and Payment of Fees

Baird will calculate a client's Advisory Fee by applying the applicable fee rate to the value of all of the assets in the client's Account, including cash and its equivalent and including all assets held by any third party custodian.

If requested by a client and approved by Baird, a client's Advisory Fee may be determined by also including 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. A client should note that Retirement Accounts may not be included in to the extent a prohibited transaction under ERISA or the IRC may result. The terms of any such household fee arrangement will be set forth in the client's advisory agreement.

For purposes of calculating a client's asset-based Advisory Fee, the value of a client's assets is generally determined by Baird. Baird generally relies upon third party sources, such as third party pricing services when valuing Account assets. In some instances, such as when Baird is unable to obtain a price for an asset from a pricing service, Baird may obtain a price from its trading desk or it may elect to not price the asset. Obtaining a price from its trading desk may present a conflict of interest. In some cases, Baird obtains prices from the issuers or sponsors of

investment products in the client's Account. This frequently occurs with respect to the valuation of Alternative Investment Products. If the assets in the client's Account are held by a custodian other than Baird, Baird generally relies on valuation information provided by the client's third party custodian in determining the value of the assets in the client's Account.

Neither FWG nor Baird conducts a review of valuation information provided by third party pricing services, issuers, sponsors, or custodians, and they do not verify or guarantee the accuracy of such information. Valuation data for investments, particularly Alternative Investment Products, may not be provided to Baird in a timely manner, resulting in valuations that are not current. The prices obtained by Baird from third party pricing services, issuers, sponsors and custodians may differ from prices that could be obtained from other sources. Values used for fee-calculation purposes may vary from prices received in actual transactions and are not firm bids, offers or guarantees of any type with respect to the value of assets in an Account, and the Advisory Fee for some securities may be calculated based on values that are greater than the amount a client would receive if the securities were actually sold from the client's Account.

As mentioned above, Baird will include cash balances in a client's Account when calculating a client's asset-based Advisory Fee. However, Baird has adopted an internal policy that generally excludes large cash balances (currently 40% or more of an Account's total value) from the fee calculation after six (6) months, unless the client's FWG Consultant's supervisor or, in some cases, Baird's Compliance Department, has granted an exception to the policy or the client has been informed in writing that the large cash balance will continue to be included in the fee calculation. This internal policy was designed to benefit clients who hold large cash balances in their accounts and attempt to ensure that such clients pay an advisory fee that is reasonable for the services provided. However, this internal policy, in some cases, could create a financial incentive for FWG or Baird to recommend or select riskier investments for a client's Account.

If a client maintains a balance in the client's margin account with Baird, such balance has no bearing on the asset-based Advisory Fees charged on client's Account. In other words, the margin

balance (i.e., the outstanding amounts of the margin loan a client owes to Baird) in client's Account will not be applied to reduce the client's billable Account value in calculating the Advisory Fee. For purposes of determining the asset-based Advisory 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 Advisory Fees on options, the absolute value of the current market price of the option will be used.

The Account value used for the Advisory Fee calculation may differ from that shown on a client's Account statement or performance report due to a variety of factors, including the client's use of margin, options, short sales, and other considerations. If a client has assets held by a third party custodian, the prices shown on a client's Account statements provided by the custodian could be different from the prices shown on statements and reports provided by Baird. See "Services, Fees and Compensation—Additional Service Information—Custody Services" above for more information.

A client's Advisory Fees are payable in accordance with the terms of the client's advisory agreement. Typically, Advisory Fees are payable on a calendar quarterly basis, in advance. The initial billing period begins when the client's advisory agreement is signed by the client and accepted by Baird (the "Opening Date"). The initial Advisory Fee payment will be adjusted for the number of days remaining in the then current quarter. The initial Advisory 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 Advisory 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.

A client's Advisory Fees and other charges will be automatically deducted from the client's Account, unless the client elects, and FWG and Baird agree, to send to the client an invoice ("direct billing"). A client should understand that the client's Advisory Fees and other charges relating to the client's

Account may be satisfied from free credit balances and other assets in the client's Account. If free credit balances in a client's Account are insufficient to pay the Advisory Fees or other charges when due, FWG, Baird and any investment manager managing the client's Account may sell investments from the client's Account to the extent they deem necessary and appropriate, in their sole discretion, to pay the client's Advisory Fees and other charges.

If a client's Account is subject to direct billing, the client is required to pay each bill within thirty (30) days of the date of the invoice. FWG and Baird may automatically deduct a client's Advisory Fees and other charges from the client's Account as described above in the event that Baird does not receive payment from the client within thirty (30) days of the date of the invoice. FWG or Baird may rescind a direct billing arrangement with a client at any time. Direct billing may not be available for Retirement Accounts.

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

If either FWG or the client terminates the client's advisory agreement or a client's participation in a Service, a pro-rated refund from the date of termination through the end of the applicable billing period will generally be made to the client in the client's Account. FWG will not implement a decrease in the client's fee rate during a billing period or otherwise reimburse or adjust Advisory Fees during any such period for asset value appreciation or depreciation in a client's Account during such period. For example, if a client's Account is subject to a tiered or breakpoint fee schedule and the asset levels of the Account move into a new tier or cross a breakpoint during such period, no rebate or fee adjustment will be made. However, FWG, in its sole discretion, may make fee adjustments in response to asset fluctuations in a client's Account occurring during a billing period that result from contributions to, or withdrawals from, the client's Account.

The minimum asset value in order to retain the services of FWG is \$25 million, and a minimum annual Advisory Fee of \$150,000 may be assessed to a client regardless of the level of assets advised by FWG. FWG may waive the

minimum asset value or minimum Advisory Fee at its discretion. The minimum Advisory Fee is subject to change upon notice to the client.

The Advisory 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 schedule 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.

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

Obtaining Services Separately

Each service provided to a client in connection with a particular Service may be available to a client outside of the Service separately. Thus, a client's participation in a Service could cost the client more or less than if the client purchased each service separately. A number of factors bear upon the relative cost of each Service. In comparing the Services, a client should consider a number of factors, including, but not limited to:

- whether the client prefers an advisory or brokerage relationship, a discretionary or non-discretionary relationship, or a fee-based or commission-based relationship;
- the anticipated size of the Account and the types of investment strategies and products available for that account;
- the level of anticipated trading activity;
- the anticipated amount of the Account to be allocated to cash or to investment products that have additional internal ongoing operating fees and expenses (e.g., mutual funds); and

- the nature and level of advice, account oversight and review, transaction services, account performance reporting, or other ancillary services sought by the client.

A client should review other account types and programs with the client's FWG Consultant to determine whether they are more appropriate or should be used in addition to a Service.

Advisory Fee Payments to FWG, Baird, and Investment Managers

FWG and Baird and Baird's affiliates and associates benefit from the Advisory Fees and charges clients pay for the services described in this Brochure.

Baird retains the entire Advisory Fee paid by clients, except as further described below. Depending upon the client's fee arrangement with FWG, Baird may pay a portion of the Advisory Fee to the client's investment manager as compensation for the manager's services, including the Overlay Manager, and CSM Eligible Managers under the CSM Service. If FWG and Baird have agreed to such an arrangement, the client should note that the amount of the Advisory Fee that Baird pays to a particular manager varies based upon, among other factors, the investment strategy and other services sought by a client, the subadvisory fee FWG or Baird negotiated with the manager, the manager's investment style or strategy, the level of services provided by the manager, and the size of a client's Account. The portion of Advisory Fees paid to investment managers providing equity and balanced investment styles or strategies generally range from 0.45% to 1.00%, but could exceed 1.00%, depending upon the strategy selected. The portion of Advisory Fees paid to investment managers providing a fixed-income investment style or strategy generally range from 0.25% to 0.50%, but could exceed 0.50%, depending upon the strategy selected. As the portion of the Advisory Fee paid to an investment manager increases, the portion of the Advisory Fee that is retained by Baird decreases. Thus, Baird may have an incentive to recommend or favor investment managers that are paid less, because Baird will receive a higher portion of the Advisory Fee. In addition, Baird may have an incentive to favor other investment management departments of Baird or affiliated managers over other investment managers because the entire Advisory Fee is retained by Baird and affiliated investment

managers. Given the nature of the Advisory Fee, Baird may also have an incentive to recommend or select investment managers that trade less frequently with or that trade away from Baird because Baird will incur lower trading costs with respect to such managers and such relationships will be more profitable to Baird.

FWG Consultants and other associates offering services and providing ongoing assistance to clients receive compensation from Baird. FWG Consultants are compensated based upon their total production level at Baird, which takes into account all of the advisory fees, commissions and similar compensation paid by clients for which they are responsible. Baird may reduce the rate of compensation it pays to FWG Consultants when the Advisory Fees paid by clients are below certain levels. This creates an incentive for FWG Consultants to charge Advisory Fees at or above those levels and a disincentive to reduce the Advisory Fees below a level that will negatively impact their production. Although FWG Consultants do not receive any portion of the Advisory Fee for providing portfolio management, their compensation is directly related to the size of the Advisory Fee that a client pays to Baird and the amount of the Advisory Fee, if any, paid to other investment managers managing a client's Account. If Baird is responsible for paying a client's investment manager's fee out of the Advisory Fee, FWG Consultants may have an incentive to recommend or favor investment managers that are paid less, because they will receive higher compensation. The compensation paid to an FWG Consultant for providing portfolio management services may be higher than the compensation paid to the FWG Consultant who recommends that other investment managers manage a client's Account. As a result, an FWG Consultant may have a financial incentive to recommend that the FWG Consultant manage the client's Account over other investment managers. From time to time, Baird Financial Advisors outside of FWG may refer their clients to FWG Consultants. In those instances, the FWG Consultant shares a portion of his or her compensation with the referring Baird Financial Advisor.

Baird addresses these conflicts through disclosure in this Brochure and by adopting internal policies and procedures for FWG and Baird that require them to provide investment advice that is suitable

for advisory clients (based upon the information provided by such clients).

Other Fees and Expenses

In addition to the Advisory Fee described above, a client will incur other fees and expenses. A client is responsible for bearing or paying, in addition to the Advisory Fee, the costs of all:

- markups, markdowns, and spreads charged by Baird in a principal transaction with a client or charged by other broker-dealers that buy securities from, or sell securities to, the client's Account (such costs are inherently reflected in the price the client pays or receives for such securities);
- front-end or deferred sales charges, redemption fees, or other commissions or charges associated with securities transferred into an Account;
- Underwriting discounts, dealer concessions or similar fees related to the public offering of investment products;
- extra or special fees or expenses that may result from the execution of odd lot trade orders (i.e., "odd-lot differential");
- electronic fund fees, wire transfer fees, fees for transferring an investment between firms, and similar fees or expenses related to account transfers (including any such fees imposed by Baird);
- currency conversions and transactions;
- securities conversions, including, without limitation, the conversion of ADRs to foreign ordinary shares;
- interest, fees and other costs related to margin accounts, short sales and options trades;
- fees related to the establishment, administration or termination of Retirement Accounts, retirement or profit sharing plans, trusts or any other legal entity;
- fees imposed by the SEC or securities markets, including transaction fees imposed by electronic trading platforms, which fees may be imbedded in the price the client receives for the security; and
- taxes imposed upon or resulting from transactions effected for a client's Account, such as income, transfer or transaction taxes, or any

other costs or fees mandated by law or regulation.

If the client's Account is custodied at Baird, the client is also responsible for all applicable account fees and service charges Baird may impose in connection with the client's client account agreement with Baird. A list of applicable fees and service charges is available on Baird's website at www.rwbaird.com/help/account-disclosures/schedule-fees-service-charges.aspx.

Certain investment products, such as mutual funds, ETFs, closed-end funds, UITs, alternative investments products, and other similar investment pools (collectively, "investment funds"), and annuities have their own internal fees and expenses that are borne either directly or indirectly by their holders, including a client. These fees and expenses may include investment management fees, distribution (12b-1) fees, shareholder servicing fees, transfer agency fees, networking fees, accounting fees, marketing support payments, administration fees, custody fees, expense reimbursements, and expenses associated with executing securities transactions for the product's portfolio ("ongoing operating expenses"). These ongoing operating expenses are separate from, and in addition to, the Advisory Fees. As a result of making investments in these types of products, a client should be aware that the client is paying multiple layers of fees and expenses on the amount of the client's assets so invested—the ongoing operating expenses and the Advisory Fee. A client is also responsible for any redemption fees, surrender charges or similar fees that the product or its sponsor may impose on the client. A client should review the prospectus or other applicable offering documents for each investment fund or annuity in which the client invests for further information.

A client is generally responsible for paying the fees charged by each other investment manager managing the client's Account in addition to the Advisory Fee. A client's specific fee arrangement will be specified in the client's advisory agreement. If a client directs Baird to pay the client's manager's fee out of the client's Account, and FWG and Baird agree to do so, FWG and Baird will not be responsible for verifying the calculation or accuracy of such fee.

Clients who use a custodian other than, or in addition to, Baird will pay the other custodian's fees and expenses in addition to the Advisory Fee.

A client may also be assessed other trading costs in addition to the Advisory Fee if client trades are executed through another firm. Please see "Services, Fee and Compensation—Additional Service Information—Trading for Client Accounts" above for more information.

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

Clients who have accounts managed by FWG may also have other accounts with Baird that are not managed by FWG. Those accounts may be subject to fees, commissions or other expenses that are entirely separate from the payment of fees and expenses for the services provided by FWG.

Compensation Received by FWG and Baird

The individual who recommends a Service to a client, including an FWG Consultant, receives compensation from Baird that is based upon the amount of the Advisory Fee paid by the client. The amount of the compensation may be more than what the individual would receive if the client participated in other Baird investment advisory services or paid separately for investment advice, brokerage, and other services. Accordingly, the individual may have a financial incentive to recommend a Service over other programs or services offered by Baird. However, when providing investment advisory services to clients, FWG and Baird are fiduciaries and are required to act solely in the best interest of clients. Baird

addresses these conflicts through disclosure in this Brochure and by adopting internal policies and procedures for FWG and Baird that require them to provide investment advice that is suitable for advisory clients (based upon the information provided by such clients). For more specific information about Baird's compensation and other benefit arrangements and how Baird addresses the potential conflicts of interest, please see the sections "Services, Fees and Compensation—Advisory Fee—Advisory Fee Payments to FWG, Baird and Investment Managers" above, and "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

Opening an Account

A client that wishes to engage FWG will enter into an advisory agreement with FWG and Baird. The client's advisory agreement will contain the specific terms applicable to the services selected by the client, Advisory Fees payable by the client, and other terms applicable to the client's advisory relationship with FWG and Baird.

In addition to the investment advisory services that FWG provides in connection with each Service, Baird, in its capacity as broker-dealer, will provide client 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 brokerage and custody services to, the client's Account.

After a client has signed and delivered an advisory agreement to Baird, the agreement is subject to review and acceptance by the client's FWG Consultant, his or her Branch Office Manager, and Baird's Fee Based Account Administration Department. The agreement will become effective when it is accepted by Baird's Fee Based Account Administration Department and Baird has delivered to the client all applicable agreement- and Brochure-related documents. A client should understand that the agreement will not become effective, and Baird will not provide any advisory services selected by the client, until

such time that Baird has accepted the agreement. Baird may delay acceptance of the agreement and the provision of advisory services to the client for various reasons, including deficiencies in the client's paperwork. Once it has become effective, the agreement shall continue until it is terminated in accordance with the terms described in the agreement.

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

Certain Account Requirements

Minimum Account Size

Each Service has a minimum account size and may have a minimum Advisory Fee, which are described in the section entitled "Service, Fees and Compensation—Advisory Fee" above. FWG or Baird may remove a client from a Service and immediately terminate the advisory agreement with respect to an Account upon written notice to the client if the client fails to maintain the required minimum asset levels in an Account or if the client fails to otherwise abide by the terms of a Service. Upon the termination of the advisory agreement, with respect to an Account held at Baird, a client's Account will be converted to and designated as a brokerage account. The advisory agreement will no longer apply to such Account and the terms and conditions of the client's client account agreement will govern such Account.

Account Contributions and Withdrawals

A client may fund an Account with cash and with securities that FWG and Baird deem to be acceptable in their sole discretion. A client should consider all relevant factors before contributing securities to the Account. For example FWG's or

the client's investment manager's review of securities used to fund the Account may delay investing, and/or the securities contributed to the Account may not be appropriate for the client's strategy and FWG or the investment manager may sell, or recommend the sale of, such securities. A sale could result in adverse tax consequences for the client. A client should note that securities transferred into an Account may be subject to the Advisory Fee immediately upon its transfer into the Account, even if the client paid a commission or front-end sales charge on the security prior to its transfer into the Account. In addition, if the securities are subject to deferred sales charges or redemption fees, the client will be responsible for paying those charges and fees. Certain funding transactions may be handled by Baird on a principal basis for trade execution, and are not considered investment advisory services of Baird or the client's investment manager.

If an asset transferred to an Account is an ineligible asset under the terms of the applicable Service, FWG, Baird or the client's investment manager may sell the asset or transfer it into a separate brokerage account. Alternatively, they may designate such asset as an unsupervised asset as further described under "Services, Fees and Compensation—Additional Service Information—Unsupervised Assets" above.

A client is responsible for notifying FWG and any investment manager managing the client's Account of any contributions made into the Account and to instruct FWG and any investment manager to liquidate positions in the event the client wishes to withdraw assets from the Account. FWG and Baird have no responsibility to invest cash deposits (other than cash sweeps described above) or liquidate positions with respect to an Account managed by a third party investment manager, and they are not responsible for any losses that may result from a client's failure to notify FWG and any investment manager managing the client's Account regarding deposits or withdrawals.

A client may also incur additional expenses and liabilities, including tax related liabilities, when transferring assets out of an Account or Baird's custody. See "Termination of Accounts" below.

Changes to Accounts

A client's direction to change Services, investment strategies or to make other changes to an Account will not become effective until such time that such change has been accepted by Baird's Fee Based Account Administration Department and Baird has delivered to the client the applicable advisory agreement or Brochure and any related documents.

Liens and Use of Account Assets as Collateral

As security for the full and complete payment when due of any debts and other obligations that a client owes to FWG and Baird, and to the extent permitted by applicable law or regulation, all assets in a client's Account held at Baird will be subject to a first priority security interest, lien and right of setoff in favor of Baird. Baird may sell assets in an Account to satisfy the lien. As a secured party, Baird may have interests that are adverse to a client. Neither FWG nor Baird will act as investment adviser to a client with respect to such sale of assets held in an Account. Any such sale of assets will be executed in Baird's capacity as broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis. A client should review the client's client account agreement for more information.

All of the assets in a client's Account must be free and clear from any security interest, lien, charge or other encumbrance (other than a security interest, lien, charge or other encumbrance in favor of Baird) and must remain so for the duration of the client's relationship with Baird, unless Baird otherwise specifically agrees in writing.

If a client wishes to obtain loans secured by assets in the client's Account (commonly referred to as "collateralizing") and Baird agrees to the arrangement, the client should understand that the lender may exercise certain rights and powers over the assets in the Account, including the disposition and sale of any and all assets pledged as collateral for the loan to meet a collateral call, which may occur without prior notice to the client. A collateral call could have adverse, tax consequences, disrupt a client's investment strategy, and have an adverse impact on the Account's performance. A client should be aware of these and other potential adverse effects of collateralizing accounts before deciding to do so.

A client is required to disclose the terms of the client's agreements with Baird to any lender seeking to use Account assets as collateral. In the event of any conflict between the terms of the client's agreements with Baird and the client's collateral arrangements, the terms of the client's agreements with Baird will prevail. A client must promptly notify FWG and Baird of any default or similar event under the client's collateral arrangements.

A client should understand that neither FWG nor Baird will provide advice on or oversee a collateral arrangement and they will not act as investment adviser to the client with respect to the liquidation of securities held in the client's Account to meet a collateral call. Any such liquidations will be executed in Baird's capacity as broker-dealer and may, as permitted by law, result in executions on a principal basis.

In some instances, FWG or Baird may refer a client to a lender that pays Baird a referral fee. See "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions—Other Interests in Client Transactions" below for more information.

Securities purchased on margin are used as Baird's collateral for the margin loan. Clients that have a margin account should review the section "Services, Fees and Compensation—Additional Service Information—Special Situation Strategies and Investments" above for additional information.

Electronic Delivery of Documents

By signing an advisory agreement, a client consents to the electronic delivery of documents that FWG or Baird may deliver to the client. The term of the consent to electronic delivery is indefinite but a client may revoke the consent at any time by a client by notifying FWG.

Termination of Accounts

A client's advisory agreement may be terminated in accordance with the terms of the agreement. Termination of the agreement will not, however, affect the liabilities or obligations of the parties under the agreement arising from transactions initiated prior to the termination, including, without limitation, the validity of any action previously taken by FWG, Baird or an investment

manager regarding a client's Account or a client's obligation to complete any transactions that FWG, Baird or an investment manager initiated on a client's behalf prior to the effectiveness of the termination. Following termination of the agreement with respect to an Account, FWG and Baird retain the right to complete any transactions open as of the termination date and they may retain such amounts in a client's Account that they deems to be necessary to effect completion of such transactions.

Upon the termination of the agreement with respect to an Account held at Baird, a client's Account will be converted to and designated as a brokerage account. The advisory agreement will no longer apply to such Account and the terms and conditions of the client's client account agreement will govern such Account. None of FWG, Baird, or, if relevant, any other investment manager managing such Account, will be under any obligation to recommend any action with regard to, or to liquidate the securities or other investments in, such Account. Upon termination, it is a client's exclusive responsibility to issue instructions, in writing, regarding any assets in the client's Account. A client must provide the name of another custodian to FWG at the time the agreement is terminated if the client elects to move custody of the assets from Baird.

If a client requests FWG to liquidate the client's investments in connection with a termination of an Account, the client may be charged commissions in accordance with Baird's standard commission schedule then in effect. When processing liquidation requests in such cases, FWG will sell readily marketable and otherwise unrestricted securities in the Account, leaving any investments that FWG is not able to sell in the client's Account until such time that FWG is able to sell them. For example, if a client's Account includes illiquid securities or securities with limited liquidity or redemption schedules, such as Alternative Investment Products, FWG may be unable to sell those investments upon request. A client will generally have to wait for specific liquidity windows applicable to investments the client owns.

A client may incur additional expenses and liabilities, including tax-related liabilities, if a client closes an Account, terminates the advisory agreement, or transfers of assets out of Baird's custody. Some of the investments offered in

connection with the Services contain restrictions that limit their use, and such investments may be unavailable for purchase or holding outside of a Baird account. For example, certain investment funds held in an Account may only be available to a client through a Service or may not be held at another firm. If restrictions apply, a client will be required to sell or redeem such shares or exchange them for another class that has higher ongoing operating expenses. A client should consider restrictions applicable to investments carefully before participating in the Services. A client should contact the client's FWG Consultant for specific information as to how Account closure, termination of the advisory agreement, or asset transfers might impact the assets in the client's Account.

The end of a client's FWG Consultant's employment with Baird will not automatically terminate the client's advisory agreement. In the event that a client's FWG Consultant is no longer able to service the client's Account, Baird may transfer that Account to another FWG or Baird representative and the client will be notified of any such change.

Types of Clients

FWG offers the Services primarily to: high net worth individuals and their families and businesses. FWG also provides services to other types of current or prospective clients, including, but not limited to: pension and profit sharing plans; trusts; estates; charitable organizations; and corporations or other business entities.

Portfolio Manager Selection and Evaluation

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

Selection and Evaluation

Portfolio and Investment Management Service

In order to provide portfolio management services, Baird requires that FWG Consultants meet all applicable requirements set forth by applicable law and regulations of self-regulatory organizations, such as FINRA, exchanges, and governmental agencies.

The Investment Advisory Oversight Committee of Baird, which includes members of Baird's Investment Management, Product Management, Asset Manager Research, Compliance, Legal, and Risk Management Departments, oversees the standards and implementation of the Services. The Investment Advisory Oversight Committee delegates its day-to-day oversight responsibilities to Baird's Private Wealth Management Chief Operating Officer ("PWM COO") and Compliance Departments to monitor the services and the performance of FWG Consultants providing portfolio management services. Baird's PWM COO, along with the Compliance Department and other designees, provide ongoing review of the FWG Consultants providing portfolio management services. Performance information is provided to the Investment Advisory Oversight Committee on a quarterly basis. Potential causes for removal include, operating outside of applicable Baird policies, a significant change in investment philosophy or style, significant drift from stated objectives, or other adverse changes affecting the manager that in Baird's opinion warrants the manager's removal.

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

When selecting managers for Baird's Recommended Managers List, Baird seeks registered investment advisory firms having portfolio managers with academic credentials such as a Masters Degree or participation or 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 investment processes, infrastructure, personnel and other resources satisfactory to Baird. Baird also considers other qualitative and quantitative factors.

Baird's Asset Manager Research Department is primarily responsible for selecting and evaluating investment managers included on Baird's Recommended Managers List. In selecting investment managers, Baird's Asset Manager Research Department 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 Asset Manager Research Department may also employ the use of computers and third party software to more readily display information and assist with the evaluation and analysis.

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. Baird's Asset Manager Research Department then performs a more in-depth evaluation of managers that are identified through the initial screening process, which generally includes a review of the following factors: stability of the firm/team, the robustness and repeatability of the investment process, the portfolio's past returns pattern and tax-efficiency, and how the manager adds value. The final determination of Baird's Recommended Managers List is subject to the approval of Baird's Investment Committee.

Ongoing manager evaluation generally includes quarterly conference calls, performance attribution and periodic onsite 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, sustained underperformance in relation to its peers, or other adverse changes affecting the manager that in Baird's opinion warrants the manager's removal.

If a client selects a BRM Strategy that is a Model-Traded Strategy, it is important to note that Baird's selection and ongoing evaluation of a manager is based upon an assumption that the manager's Model Portfolio will be fully and faithfully implemented by the Overlay Manager on a continuous basis. Baird does not monitor the Overlay Manager's implementation of the Model Portfolio nor does it ascertain whether the Overlay Manager is implementing the Model Portfolio as provided by the manager. If the Overlay Manager, in the exercise of its discretion, decides to implement the Model Portfolio differently, the performance of a client's Account could be negatively impacted. Baird is not monitoring, evaluating or reviewing the Overlay Manager or the performance of client accounts under those circumstances.

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

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

management of a client's Account when the manager is removed from Baird's Recommended Managers List or if FWG determines that removal is in the client's best interest.

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

Unless the client has granted full discretion to FWG to manage a client's portfolio, a client is solely responsible for the appointment and continued retention of investment managers and the selection of investments. Once retained by the client, an investment manager will only be removed from managing the client's Account upon the client's direction to do so. FWG and Baird assumes no responsibility for the client's selection or termination of an investment manager, the manager's investment decisions, performance, compliance with applicable laws or regulations, or for any other matters involving or affecting the manager.

Client Selected Managers Service

Clients participating in the CSM Service should note that any investment manager selected by the client under that Service is not on Baird's Recommended Managers list. A client should further note that Baird does not make any representation or recommendation to clients regarding such managers or their abilities or qualifications as an investment adviser or to manage client assets

FWG and Baird do not perform any due diligence or ongoing monitoring, evaluation or reviews of any investment managers under the CSM Service, including the Overlay Manager, unless FWG and Baird otherwise specifically agree to do so in writing. The Overlay Manager may provide review and ongoing evaluations of CSM Eligible Managers only. Clients should review Overlay Manager's Form ADV Part 2A Brochure for more information, which is available upon request or contact their FWG Consultant for more information.

A client is solely responsible for the appointment and continued retention of investment managers

in connection with this Service. Once retained by the client, an investment manager will only be removed from managing the client's Account upon the client's direction to do so. FWG and Baird assume no responsibility for the client's selection or termination of an investment manager under this Service, the manager's investment decisions, performance, compliance with applicable laws or regulations, or for any other matters involving or affecting the manager.

Performance Calculation

As part of the selection and evaluation of FWG Consultants and third party investment managers that are included on Baird's Recommended Managers List described above, Baird calculates the manager's performance.

When Baird calculates a manager's performance, Baird generally uses composites of the manager's client accounts to calculate the manager's performance. A composite is an aggregation of client accounts managed by the manager that are representative of a particular investment strategy, style, or objective. Examples of composites include large cap growth, all-cap value, balanced (which 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 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).

To the extent Baird selects or reviews investment managers other than Baird Recommended Managers or FWG Consultants, Baird does not calculate performance information for such managers. Baird obtains performance information directly from the managers and/or from other external sources that Baird believes to be reliable. A client should understand 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 FWG or Baird provides to clients about investment managers from time to time generally is not calculated by FWG or Baird but may be calculated by the managers themselves or derived from external sources. FWG and Baird do not audit or verify that performance information presented to clients that is calculated by managers or external sources is accurate. In addition, a client should note that such performance information may not be calculated on a uniform or consistent basis or reviewed by any independent third party. A client should ask the client's FWG Consultant for more information.

Portfolio Management by FWG and Related Persons

Portfolio management under the Services may be provided by FWG Consultants and by Baird Advisors, BIM, other investment management departments of Baird or other investment managers affiliated with Baird. Such arrangements create a potential conflict of interest because Baird and/or its affiliates may receive higher aggregate compensation if clients retain affiliated managers instead of retaining unaffiliated managers. However, when providing investment advisory services to clients, FWG and Baird are fiduciaries and are required to act solely in the best interest of clients. Baird addresses

these conflicts through disclosure in this Brochure and by adopting internal policies and procedures for FWG and Baird that require them to provide investment advice that is suitable for advisory clients (based upon the information provided by such 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.

To the extent FWG chooses not to manage a client's Account directly, affiliated investment managers are subject to the same selection and review process that FWG and Baird apply to unaffiliated investment managers. Additional information about Baird, FWG and FWG's Services 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.

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

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

needs of clients. For more information about the services offered by FWG, please see “Services, Fees and Compensation” above.

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

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

As of December 31, 2012, Baird had approximately \$48.3009 billion in regulatory assets under management, approximately \$33.2377 billion of which was managed on a discretionary basis and approximately \$15.0632 billion of which was managed on a non-discretionary basis.

Performance-Based Fees and Side-By-Side Management

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

Baird advises client accounts not participating in services described in this Brochure that are subject to performance-based fee arrangements. 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 Advisers Act. Performance-based fee arrangements present a potential conflict of interest for Baird (but not FWG) with respect to other client accounts that are not subject to performance-based fee arrangements because such arrangements give Baird an incentive to favor client accounts subject to performance-based fees over client accounts that are not subject to performance-based fees.

In addition to complying with its fiduciary duties by disclosing this conflict of interest to clients through this Brochure, Baird generally 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 through internal trade allocation procedures that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and equitable treatment.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies and Methods of Analysis

Portfolio and Investment Management Service

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

From time to time, and depending on macroeconomic conditions, FWG may also recommend or implement a slight, short-term tactical tilt to the client’s chosen asset allocation

that is above or below the long-term strategic asset allocation.

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

When recommending or selecting a particular fund for client accounts, FWG begins by reviewing a client's asset allocation and investment strategy needs and identifying the characteristics of the types of funds appropriate for the client. Once the characteristic types of mutual funds and/or ETFs are identified, FWG looks for funds that meet those requirements. FWG tends to look for passively managed funds when selecting funds that invest primarily in equity securities and actively managed funds when selecting funds that invest primarily in fixed-income securities. FWG also looks for funds that have higher trading volumes and lower expense ratios. Once FWG has identified a potential fund for a client, FWG conducts a quantitative and qualitative analysis of the investment manager for the fund similar to the analysis it performs on investment managers described under "Portfolio Manager Selection and Evaluation—Selection and Evaluation—Portfolio and Investment Management Service" above.

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

When providing investment advice to clients, FWG may also use recommended lists made available by Baird's Asset Manager Research Department or

other Baird Departments, or they may use lists of investment products that Baird has generally deemed to be "available" for use in its advisory programs. The level of initial and ongoing evaluation, monitoring and review that FWG and Baird perform on managers and on investment products varies. Managers and investment products that Baird merely makes available to clients do not generally receive the same level of initial or ongoing evaluation, monitoring or review as those managers or products that are included on a recommended list. For more information about Baird recommended lists and "available" lists, see "Selection and Evaluation—Portfolio and Investment Management Service" above and "Certain Recommended Lists" and "Certain Available Product Lists" below.

A client should note that investment products recommended to the client or selected for the client's Account, including investment managers or products included on a Baird recommended list, are those which, in FWG's professional judgment, may be appropriate to help the client pursue the client's financial goals. FWG and Baird do not represent or guarantee that such investment managers or products are or will be the best investment managers or products available.

Under certain circumstances when requested by a client, FWG and Baird may allow a client to select a manager or investment product that is not on a Baird recommended list or that is generally not made available to FWG clients. A client should note that FWG and Baird do not provide any initial or ongoing evaluation, monitoring or review of any such managers or investment products and that the client's decision to select such a manager or investment product is based solely upon the client's review of the manager or investment product.

Certain Recommended Lists

Baird's Recommended Mutual Fund List. Baird has engaged Wilshire Associates as an independent consultant in the construction of Baird's Recommended Mutual Fund List. The List is designed to include mutual funds across numerous asset classes. In constructing the List, Wilshire Associates may base its assessment of a particular mutual fund or the sponsor of a particular mutual fund on the organization's strength and performance quality; information gathering ability; forecasting ability; portfolio construction capability; idea implementation

ability; self-measurement capability; and use of various statistical techniques designed to assist in forecasting the expected future excess return of the fund. Baird's Mutual Fund Oversight Committee reviews the recommendations made by Wilshire Associates. Wilshire Associates also provides ongoing oversight and due diligence services to Baird in connection with maintaining the List. The Baird Aggregate Bond Fund, a mutual fund offered by Baird Funds, Inc. ("Baird Funds"), which is affiliated with Baird, has been selected by Wilshire Associates for inclusion in Baird's Recommended Mutual Fund List.

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

Baird's Asset Manager Research Department is primarily responsible for selecting and evaluating funds of hedge funds selected for Baird's Recommended Funds of Hedge Fund List. In selecting funds of hedge funds, Baird's Asset Manager Research Department uses a due diligence process with a goal of determining whether the firm has an "edge" that Baird believes will result in favorable fund of hedge fund performance going forward. The process includes reviewing due diligence questionnaires and legal documents (e.g., subscription document, limited partnership agreement, offering memorandum, Form ADV Part 2A Brochures), and completing an onsite review of the fund.

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

presented to Baird's Investment Committee, which determines whether to include a fund of hedge fund on Baird's Recommended Funds of Hedge Fund List.

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

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

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

Certain Available Product Lists

Managed Futures. When making managed futures products available to its clients, Baird generally seeks to identify managed futures products that exhibit stable or growing assets under management and offer strategies that may be suitable for Baird clients. Baird also considers the principals' management experience, size of the managed futures pool or fund and its sponsor, and historical performance.

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

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

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

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

Structured Products. When determining whether to make a structured product available to Baird clients, Baird reviews the offering documents for the structured product and considers: the size of the issuer and issuer's credit rating, the maturity of the product, how interest is calculated, the underlying asset category (e.g., a basket of securities or currencies or a market index), applicable caps, barriers, and participation rate, and whether the structured product has principal protection.

Baird tends to favor larger-sized issuers of structured products over smaller-sized issuers and also tends to favor structured products that have shorter maturities, less complex payout structures, underlying assets that are more liquid and/or transparent, and offer principal protection.

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

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

Funds of Private Equity Funds. When making funds of private equity funds available to its clients, Baird generally seeks to identify fund of private equity fund products that have the following traits: a management firm that is registered with the SEC as an investment adviser; stable or growing assets under management; a well-diversified portfolio of private equity funds; and reputable service providers (e.g., auditor, administrator, legal counsel and custodian). In addition, Baird looks for fund of private equity fund products that offer strategies that Baird believes may be suitable for Baird clients. Baird also considers the fund's principals' experience managing a fund of private equity fund and whether they have a network of contacts in the industry.

Baird's Product Management Department along with the Asset Manager Research Department are primarily responsible for selecting and evaluating the funds of private equity funds made available to clients under the Services. Baird's initial evaluation of a fund of private equity product and its sponsor includes a review of a questionnaire and legal documents (e.g., subscription documents and agreements, disclosure documents, and offering materials) and a meeting with key personnel in person or via telephone. Baird's Product Strategy Committee determines

whether to make a fund of private equity funds product available to Baird clients.

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

Baird may discontinue making a specific fund of private equity fund available for new investments if it experiences a notable change in investment or key personnel, or regulatory problems.

Using the funds of private equity funds that Baird makes available, FWG Consultants will select or replace, or recommend the selection or replacement of, a particular fund of private equity fund based upon each client's particular goals and circumstances.

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

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

Principal Risks

Risk is inherent in any investment product and FWG and Baird do not guarantee any level of return on a client's investments. There is no assurance that a client's investment objectives will be achieved, and a client could lose all or a portion of the amount invested. Also, a client's

Account value may fluctuate, sometimes dramatically, depending upon the nature of the client's investments, market conditions and other factors. By participating in a Service, a client may be subject to certain risks, including, but not limited to the risks described below. The risks discussed below vary by Service and investment style or strategy, and may or may not apply to a client. Clients should not pursue a strategy or invest in an investment product unless they are prepared to accept the associated risks. Clients are encouraged to discuss with their FWG Consultant the risks that apply to them. A client should also review the prospectus or other disclosure document for any security or other investment product in which the client invests, as it will contain important information about the risks associated with investing in such security or other investment product.

General risks of the Services include the following:

Market Risks. A client's Account may change in value due to overall market fluctuations. General economic conditions, political developments, international events and other factors may cause the overall market to decline, which in turn may reduce the value of the client's Account regardless of the relative strength of the securities held in the Account. Securities prices often vary for reasons unrelated to matters directly affecting the issuers of the securities.

Management and Securities Selection Risks.

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

Investment Objective and Asset Allocation Risks.

A client's investment objective and asset allocation strategies involve the risk that certain asset classes selected for the client's Account may not perform as well as other asset classes during

varying periods. In addition, clients who pursue more aggressive investment objectives and asset allocation strategies, while hoping to achieve high returns, may face greater risk of loss than clients with more conservative objectives and strategies. In developing investment objectives and asset allocation strategies, clients should carefully consider their financial situation and needs, investment goals, investment time horizon and risk tolerance. A client should inform the client's FWG Consultant of these considerations so the FWG Consultant can assist in determining the client's investment objectives and asset allocation strategies.

Conflicts of Interest Risks. Issuers, advisors or other sponsors of investment products or their affiliates may engage in business practices that conflict with the interests of investors. Among other things, these business practices can have a negative impact on the market price of the investment product. Clients are encouraged to review the prospectus or other disclosure document for the investment product and also discuss with their FWG Consultant the conflicts of interest risks that may apply to them.

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

Equity Securities Risks. Equity securities may experience sudden, unpredictable drops in value or long periods of decline in value. This may occur because of factors that affect the securities markets in general, such as adverse changes in economic conditions, the general outlook for corporate earnings, interest rates or investor sentiment. Equity securities may also lose value because of factors affecting an entire industry or sector, such as increases in production costs, or factors directly related to a specific company, such as decisions made by its management.

Common Stock Risks. Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. These investor perceptions are based on various and unpredictable factors including: expectations regarding government, economic, monetary and fiscal policies; inflation

and interest rates; economic expansion or contraction; and global or regional political, economic and banking crises. Holders of common stocks are generally subject to greater risk than holders of preferred stocks and debt obligations of the same issuer because common stockholders generally have inferior rights to receive payments from issuers in comparison with the rights of preferred stockholders, bondholders and other creditors.

Fixed-Income Security Risks. Fixed-income securities are subject to certain risks, including interest rate risk and credit risk. In addition, they are subject to maturity 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. Non-rated, split-rated, below investment grade, and asset-backed securities, including mortgage-backed securities and CMOs, have additional, special risks.

Interest Rate Risk. The value of some investment products, particularly fixed income securities, is affected significantly by changes in interest rates. Generally, when interest rates rise, the product's market value declines and when interest rates decline, its market value rises. In addition, a rise in interest rates may have a negative impact on the issuer, which, in turn, could have a negative impact on the market value of the investment product.

Credit Risk. The value of some investment products, particularly fixed income securities, is affected by changes in the product's credit quality rating or the issuer's financial condition. If the credit quality rating or the issuer's financial condition declines, so may the value of the investment product.

Investment Fund Purchase and Redemption Risks. From time to time Baird, an FWG Consultant, or an investment manager may decide to add or remove an investment fund to or from an investment strategy or Program. In addition, they may decide to increase or decrease their clients' account allocations to an investment fund. In general, they will place transactions for all affected Accounts at one time, which may cause the fund to experience relatively large purchases or redemptions. Significant purchases and redemptions may adversely affect the fund in

question and consequently, a client's investment. An investment fund receiving large purchase orders may have difficulty investing the cash, which may have a negative impact on the fund's performance. An investment fund experiencing large redemption orders may have to sell portfolio securities, which may negatively impact performance and which may have negative tax consequences. Large redemptions could also reduce liquidity as the fund may suspend or delay redemptions. These risks are more pronounced with respect to newer investment funds and those with smaller asset sizes.

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

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

Government Obligation Risks. Client assets may be invested in securities issued, sponsored or guaranteed by the U.S. Government, its agencies and instrumentalities. However, no assurance can be given that the U.S. Government will provide financial support to U.S. Government-sponsored agencies or instrumentalities where it is not

obligated to do so by law. For instance, securities issued by the Government National Mortgage Association ("Ginnie Mae") are supported by the full faith and credit of the United States. Securities issued by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") have historically been supported only by the discretionary authority of the U.S. Government. Securities issued by the Student Loan Marketing Association ("Sallie Mae") are supported only by the credit of that agency. While the U.S. Government provides financial support to various U.S. Government-sponsored agencies and instrumentalities, such as those listed above, no assurance can be given that it will always do so.

Money Market Fund Risks. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds typically seek to preserve the value of an 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.

Illiquid Securities and Liquidity Risks. Certain securities may have more or less liquidity than other securities. Securities with less liquidity generally have wider bid and ask spreads. Also, the volatility of the price of a thinly traded security may be more than the volatility of the price of a widely traded security because of the impact of low trading volume. It may be difficult to sell an illiquid security at any given time and a client may not be able 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. In the event the client directs Baird to liquidate an illiquid investment, the client should understand that Baird may have difficulty finding a buyer in the market for such investment and such investment may be held in the Account for a period of time while Baird attempts to satisfy the client's liquidation request.

Concentration Risks. A client's Account may consist of a portfolio of securities that is concentrated in an issuer or group of issuers, an industry or economic sector or group of related industries or sectors, or concentrated in limited asset classes. Client accounts with concentrated positions are susceptible to greater volatility and increased risk of loss than an Account that is diversified across several issuers and industries or sectors and asset classes. A client should not engage in strategies using concentration unless the client is prepared to experience significant losses in the value of the client's Account.

Frequent Trading and Portfolio Turnover Risks. Some of the investment strategies offered to clients in this Brochure may involve frequent or active trading for client accounts, which could result in high portfolio turnover. A portfolio with a high turnover rate will incur more transaction costs than one with a lower rate. Higher transaction costs may negatively impact the return of the portfolio. High portfolio turnover may also cause a client to experience adverse tax consequences due to the fact that the client may have increased instances of realized gains and losses and such gains and losses may commonly be characterized as short term gains and losses under applicable tax law.

Asset-Backed Securities Risks. Asset-backed securities are securities secured or backed by mortgage loans, student loans, automobile loans, installment sale contracts, credit card receivables or other assets and are issued by entities such as commercial banks, trusts, financial companies, finance subsidiaries of industrial companies, savings and loan associations, mortgage banks and investment banks. These securities represent interests in pools of assets in which periodic payments of interest and/or principal on the securities are made, thus, in effect passing through periodic payments made by the individual borrowers on the assets that underlie the securities, net of any fees paid to the issuer or guarantor of the securities. Asset-backed securities are issued in multiple classes (or tranches) and their relative payment rights may be structured in many ways. Asset-backed securities may be subject to greater risk of default during periods of economic downturn than other instruments. Asset-backed securities are also more sensitive to interest rate risk than other types of fixed-income securities. Modest movements in interest rates (both increases and

decreases) may quickly and significantly reduce the value of certain types of these securities. Asset-backed securities are subject to a number of other risks, including, but not limited to, market and valuation risks, liquidity risk, and prepayment risk.

Non-Rated, Split-Rated, and Below Investment Grade Securities. Investing in securities or other investment products that are not rated, split-rated or are below investment grade involve significant, special risks. As a result, they may not be suitable for all clients. The risks associated with these investments include, but not limited to, price volatility risk, credit risk, default risk, and liquidity risk. Clients investing in securities or other investment products that are not rated, split-rated or are below investment grade should have a high tolerance for risk, including the willingness and ability to accept significant price volatility, potential lack of liquidity and potential loss of their investment.

Leverage or Margin Risks. The strategy used for a client's Account may involve leveraging, which may include the use of margin. Leveraging strategies may amplify the impact of any increase or decrease in the value of underlying securities in the client's Account, thereby increasing a client's risk of loss. Strategies involving margin can cause a client to lose more money than deposited in the client's margin account, and a client should not engage in margin or leveraging strategies unless the client is prepared to experience significant losses in the value of the client's Account.

Options, Futures, and Short Sales Risks. The strategy used for a client's Account may involve the use of options, futures, short sales or other derivative instruments. The values of these investments are derived from an underlying asset and may fluctuate more than other investments, which may result in an unexpected decline in the Account's value. The use of these strategies is not appropriate for many clients because they involve special risks. A client should not engage in these strategies unless the client is prepared to experience significant losses in the client's Account. This is especially true for short selling, which can result in unlimited losses as there is no limit to the amount borrowed securities can rise in value.

Hedge Funds and Funds of Hedge Fund Risks.

Hedge fund and funds of hedge funds are complex investments that have unique tax characteristics and significant, special risks. As a result, they may not be suitable for all clients. A client should consult with a tax advisor before investing in these funds. Investment advisers or managers for these funds often receive a management fee plus incentive or performance-based compensation. Investing in these funds involves special risks, including, but not limited to, portfolio investment risk, leverage risk, market and valuation risk, conflicts of interest risk, price volatility risk, liquidity risk, interest rate risk, dependence on key personnel, and structural and regulatory risk. Clients investing in these funds should have a high tolerance for risk, including the willingness and ability to accept significant price volatility, potential lack of liquidity and potential loss of their investment.

Private Equity Fund and Funds of Private Equity Fund Risks.

Private equity funds and funds of private equity funds are complex investments that have unique tax characteristics and significant, special risks. As a result, they may not be suitable for all clients. A client should consult with a tax advisor before investing in these funds. Investment advisers or managers for these funds often receive a management fee plus incentive or performance-based compensation. Investing in these funds involves special risks, including, but not limited to, portfolio investment risk, leverage risk, market and valuation risk, conflicts of interest risk, price volatility risk, liquidity risk, interest rate risk, dependence on key personnel, and structural and regulatory risk. Clients investing in these funds should have a high tolerance for risk, including the willingness and ability to accept significant price volatility, potential lack of liquidity and potential loss of their investment.

Exchange Traded Notes Risks. ETNs are complex investments and involve significant, special risks. As a result, ETNs may not be suitable for all clients. An ETN is a type of debt security that trades on an exchange and provides a return linked to the performance of an underlying benchmark. The underlying benchmark can be a particular security, bond, commodity, currency, emerging markets or other alternative investment type, a group or basket of companies, securities, commodities, currencies, derivatives, alternative investments or other assets, or an

index or other benchmark linked to stocks, market volatility, bonds, interest rates, Treasury yields, yield curves and spreads, derivatives, strategies, commodities, currencies or other assets. ETNs trade on exchanges throughout the day at prices determined by the market. Unlike ETFs, issuers of ETNs do not buy or hold assets to replicate or approximate the performance of the underlying benchmark. Also in contrast to ETFs, ETNs also do not calculate their net asset value, are generally not redeemable on a daily basis, and are not registered under the Investment Company Act of 1940. Issuers may also have the right and option to redeem ETNs. Redemptions are made at the ETN's "indicative value" or "closing indicative value". An ETN's closing indicative value is computed by the issuer and is distinct from an ETN's market price, which is the price at which an ETN trades in the secondary market. Issuers of ETNs may also issue and redeem notes as a means to keep the ETN's market price in line with its indicative value, which have caused significant fluctuations in ETN prices. Investing in ETNs involves special risks, including, but not limited to, credit risk, market risk, liquidity risk, commodity price risk, conflicts of interest risk, tax uncertainty risk, and the risk that the actual market price for an ETN may vary significantly from the indicative value computed by the issuer.

Managed Futures Risks. Managed futures can be speculative investments because of the types of investments they make and involve significant, special risks. As a result, they may not be suitable for all clients. Managed futures are commodity pools (typically structured as investment partnerships) managed by a futures trading adviser that trade speculatively in various commodities and related futures contracts, spot and forward contracts, options, swaps and other derivative instruments on U.S. and foreign exchanges and markets. Sponsors or managers for these pools often receive a management fee plus incentive or performance-based compensation. The types of commodities in which managed futures invest may include interest rates, currencies, stock, bond and other indices, and physical commodities such as agricultural commodities, metals and energy products. Managed futures often employ computerized, systematic and often proprietary trading models and systems. Investing in managed futures involves special risks, including, but not limited to, portfolio investment risk, commodity price

risk, market risk, conflicts of interest risk, price volatility risk, liquidity risk, interest rate risk, dependence on key personnel, and structural and regulatory risk. Clients investing in these funds should have a high tolerance for risk, including the willingness and ability to accept significant price volatility, potential lack of liquidity and potential loss of their investment.

Leveraged or Inverse Fund Risks. Leveraged funds and inverse funds are complex investments and involve significant, special risks. As a result, they may not be suitable for all clients. 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. Leveraged and inverse funds have an increased risk of loss compared to other funds, and a client should not invest in these securities unless the client is prepared to experience significant losses in the value of the client's Account

Structured Products Risks. Structured products are complex investments and involve significant, special risks. As a result, they may not be suitable for all clients. 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. Investing in structured products involves special risks, including, but not limited to, credit risk, market risk, liquidity risk, commodity price risk, and conflicts of interest risk.

Real Estate Investment Trusts Risks. REITs involve significant, special risks and may not be suitable for all clients. A REIT is a corporation,

trust or association that owns and typically operates income-producing real estate or real estate-related assets. The income-producing real estate assets owned by a REIT may include office buildings, shopping malls, multi-family housing, student housing, hotels, resorts, hospitals and health care facilities, self-storage facilities, data centers, warehouses, telecommunications facilities, and mortgages or loans. Many REITs are registered with the SEC and their common stock and preferred stock are publicly traded on a stock exchange. These are known as publicly traded REITs. Others may be registered with the SEC but are not publicly traded. These are known as private REITs (also known as non-traded or non-exchange traded REITs). The shareholders of a REIT are responsible for paying taxes on the dividends that they receive and on any capital gains associated with their investment in the REIT. Dividends paid by REITs generally are treated as ordinary income and are not entitled to the reduced tax rates on other types of corporate dividends. Common risks associated with an investment in a REIT include, but are not limited to, real estate portfolio risk (including development, environmental, competition, occupancy and maintenance risk), general economic risk, market and liquidity risk, interest rate risk, sector diversification and geographic concentration risk, leverage risk, distribution risk, capital markets risk, growth risk, counterparty risk, conflicts of interest risk, key personnel risk, and structural and regulatory risk. These risks may cause volatility in the prices of REIT securities and trading volumes, and affect liquidity. Clients investing in REITs should have a high tolerance for risk, including the willingness and ability to accept significant price volatility and volatility of regular distribution amounts, potential lack of liquidity and potential loss of their investment.

Business Development Company Risks. BDCs can be speculative investments because of the types of investments they make and involve significant, special risks. As a result, BDC investments may not be suitable for all clients. A BDC is typically a domestic, closed-end investment company that is operated for the purpose of making equity and debt investments in small and developing businesses, as well as financially troubled businesses. Investment advisers or managers for BDCs often receive a management fee plus incentive or performance-based compensation. A debt security or preferred

stock issued by a BDC, in many cases, is non-rated or is rated below investment grade, which can carry its own risks and rewards. Investing in BDCs involves special risks, including, but not limited to, portfolio company credit and investment risk, leverage risk, market and valuation risk, price volatility risk, liquidity risk, capital markets risk, interest rate risk, dependence on key personnel, and structural and regulatory risk. Clients investing in BDCs should have a high tolerance for risk, including the willingness and ability to accept significant price volatility, potential lack of liquidity and potential loss of their investment.

Master Limited Partnership Risks. MLPs are complex investments that have unique tax characteristics and significant, special risks. As a result, MLPs may not be suitable for all clients. A client should consult with a tax advisor before investing in MLPs. An MLP is a form of publicly-traded partnership and taxed as a partnership. An MLP must generally earn at least 90% of its income from certain qualifying sources, which includes income and gains from certain activities involving natural resources such as oil, natural gas, natural gas liquids, refined petroleum products, coal, carbon dioxide and biofuels. An MLP is generally structured as a limited partnership or limited liability company and managed and operated by a general partner or manager. Shareholders of an MLP are called "limited partners" or "unit holders." Unit holders own interests or units in the MLP ("units") that are traded on a stock exchange. MLPs make distributions to unit holders of their available cash flows. Investing in MLPs involves special risks, including, but not limited to, market risk, commodity price risk, macroeconomic risk, interest rate risk, liquidity risk, operating risks, capital access risk, growth risk, conflicts of interest risk, tax risk, and regulatory risk. Clients investing in MLPs should have a high tolerance for risk, including the willingness and ability to accept potential lack of liquidity and potential loss of their investment.

Recent Market Events. 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 a client's Account.

Some of the investment strategies and investment products described above are complex and involve special risks. Additional information about these strategies and investment products, including the risks associated with those strategies and investment products, is available on Baird's website at www.rwbaird.com/disclosures and on FINRA's website at www.finra.org/Investors. A client is encouraged to read the disclosure documents included on those websites carefully.

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 FWG Consultant.

Voting Client Securities

Non-Discretionary Services

Under the Non-Discretionary Services, a client retains the right to vote proxies with respect to the securities held in such Accounts. Accordingly, the client is responsible for voting proxies and otherwise addressing all matters submitted for consideration by security holders, and FWG and Baird are under no obligation to take any action or render any advice regarding such matters. The client's FWG Consultant may, upon the client's request, provide advice on proxy voting or what other action the client could take.

Separately Managed Accounts

With respect to SMAs that are managed by other investment managers, a client may retain the right to vote proxies with respect to the securities held in the client's Account, or the client may delegate such right to the investment manager selected to manage the client's Account. A client may select either option by making the appropriate election in the client's advisory agreement (or by providing proper instructions to the third party investment manager directly). For information about a manager's voting policies and procedures, clients should review the manager's Form ADV Part 2A Brochure. FWG and Baird have no authority, direct or implicit, and accept no responsibility for taking any action or rendering any advice with respect to the voting of proxies related to securities held in a client's SMA.

Discretionary Services

Under the Discretionary Services (but not including SMAs), a client may retain the right to vote proxies with respect to the securities held in the client's Account, or a client may delegate such right to FWG.

If a client retains proxy voting authority, Baird will forward proxy materials that Baird actually receives to the client. The client will then be solely responsible for analyzing the materials and casting the vote.

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

In situations in which a client has delegated to FWG voting authority with respect to securities in the client's Account, FWG will monitor corporate events and vote proxies in a manner that FWG believes is consistent with the client's best interests. FWG 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 FWG will actually vote on particular issues. FWG will generally vote proxies for client accounts based on the recommendations of ISS; however, the client's FWG Consultant may suggest voting against ISS's recommendations when the client's

FWG Consultant determines it to be in the clients' best interests to do so. The FWG Consultant also may suggest how to vote on a particular matter not addressed by ISS. When an FWG Consultant suggests voting against ISS's recommendations on a particular matter or suggests how to vote on a matter not addressed by ISS, the FWG Consultant will bring the matter to the attention of Baird's Proxy Voting Committee, which will then be responsible for determining how the vote will be cast.

The proxy voting policies and procedures also address instances in which FWG's or 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 FWG would be inclined to vote in favor of management because of Baird's relationship or pursuit of a relationship with the company. FWG 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.

In addition to the services described above, Baird has engaged ISS for vote execution and record-keeping services.

Clients wishing to direct particular votes once they have granted FWG discretionary voting authority may do so by contacting their FWG Consultant. However, if FWG has been granted discretionary authority, neither FWG nor the Baird will provide a client with notice that FWG has received a proxy solicitation, nor will they consult with the client before casting a vote, unless the client otherwise directs them to do so.

Generally, neither FWG nor any third party investment adviser or manager responsible for managing all or a portion of the assets in a

client's Account will render advice or take action on a client's behalf with respect to securities that are or were held in the client's Account, or the issuers thereof, which go into default or become the subject of legal proceedings, such as class action claims, defaults or bankruptcies. Also, they may or may not vote or advise clients on other corporate actions, like tender offers, that are not solicited by a proxy statement. At a client's request, Baird will forward information that Baird actually receives to the client.

Providing Baird Voting Instructions

As mentioned above, Baird may be the holder of record for certain securities in a client's Account. If the client retains voting authority over such securities (or delegates such authority to party other than FWG), and a proxy is solicited with respect to any such securities, the client (or other authorized party) will need to provide voting instructions to Baird. To the extent the client (or other authorized party) does not provide timely voting instructions, Baird will vote such securities to the extent permitted by law and in compliance with the rules of the New York Stock Exchange and the SEC relating to such matters.

Client Information Provided to Portfolio Managers

Under the Portfolio and Investment Management Service and CSM Service, FWG and Baird provide certain information about the client to the investment managers managing the client's Account when the client establishes the advisory relationship with such manager. Such information includes the client's investment objectives and risk tolerance. Under the Portfolio and Investment Management Service, FWG and Baird also provide to the investment manager a client's age, investment timeframe, and liquidity requirements.

Unless specifically requested to do so by a client, FWG and Baird do not generally provide such information about the client on an ongoing basis to the other investment managers managing the client's Account.

Baird also generally provides the following to the client's manager unless otherwise instructed by a client: trade confirmations, account statements, and access to client's Account on Baird's system.

Client Contact with Portfolio Managers

FWG and Baird do not place any restrictions upon clients who wish to contact or consult with third party investment managers managing their accounts. FWG encourages clients to discuss their accounts with their FWG Consultant.

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 with the SEC 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.

FWG Consultants and certain other of Baird's and FWG's associates 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, FWG and Baird 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 FWG, Baird and/or Baird's affiliates may receive higher aggregate compensation if clients retain affiliated advisors or invest in affiliated investment products instead of retaining unaffiliated advisors or investing in unaffiliated investment products. However, when acting as fiduciary investment advisers, FWG and Baird 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

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

Certain investment strategies offered by BIM have been selected by Baird for inclusion on Baird's Recommended Managers List. Baird has a financial incentive to favor BIM because Baird receives more compensation if BIM manages a client's Account rather than other unaffiliated managers.

Certain Affiliations

Affiliated Mutual Funds

Baird is the investment adviser and principal underwriter for the Baird Funds. Baird Advisors provides investment management, administrative, and other services to certain Baird Funds

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

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

FWG associates who refer clients to the Baird Funds are eligible for special referral compensation to be paid by Baird that is based upon, among other factors, the compensation received by Baird. The amount of the referral compensation is disclosed in the each Baird Fund's statement of additional information available at www.bairdfunds.com. FWG associates may have a financial incentive to favor investments in the Baird Funds over investments in other mutual funds and to favor the Baird Equity Funds over the Baird Bond Funds.

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

Affiliated Investment Advisors

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

investment products and services because the value of Baird's investment in Riverfront increases as Riverfront's assets under management increase.

Affiliated Private Equity Funds

Baird is also engaged in a private equity business through Baird Capital ("Baird Capital"), Baird's global private equity group. FWG and Baird may refer clients to Baird Capital. Baird Capital 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.

If a client expresses an interest, FWG may refer clients to Baird Capital. FWG does not charge fees on client assets invested in private equity funds affiliated with Baird. Instead, the general partner of the private equity fund may provide compensation to the client's FWG Consultant for referring the client to Baird Capital. The actual amount of compensation may vary based upon the client's investment commitment and will be disclosed to a client prior to the time of investment.

Other Financial Industry Activities

Baird has business relationships with many investment managers, including those participating in the Programs, separate and apart from the Services. 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. Investment management firms may also select Baird to provide custody, research or other services. Baird receives compensation for those services. This may create an incentive for Baird to favor the services of such investment management firms or their products, including the mutual funds or money market funds advised by such investment management firms. However, Baird is a fiduciary that is required to act in the best interest of advisory clients when selecting or recommending investment management firms or their investment products to such clients. Baird addresses this potential conflict through disclosure in this Brochure. Further, Baird does not consider the extent to which an investment management firm directs or is expected to direct trades to Baird for execution when considering the eligibility of an investment management firm for Baird's advisory programs (including when Baird constructs its Recommended Managers List or Recommended Mutual Fund List). In addition, investment management firms are, absent client

direction to the contrary, obligated at all times to retain the broker or dealer providing the client best execution. In addition, mutual fund companies are prohibited from considering Baird's efforts in marketing and selling their funds when selecting Baird for executing portfolio trades for the funds. To learn more about how a mutual fund company selects brokerage firms for trade execution, a client should consult the fund's statement of additional information, available from each fund.

FWG associates may receive non-cash compensation and other benefits from investment managers 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 FWG associates an incentive to favor managers that provide greater levels of such benefits. Baird addresses this potential conflict through disclosure in this Brochure. Baird has also adopted policies and procedures for FWG associates providing advisory services that address and limit the receipt of non-cash benefits in an attempt to avoid any question of propriety or any conduct inconsistent with Baird's high standards of ethics.

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

Code of Ethics

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

To address the potential for conflicts of interest, Baird has adopted a Code of Ethics (the "Code") that applies to its associates that provide investment advisory services to clients, including FWG Consultants, 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.

Participation or Interest in Client Transactions

Broker-Dealer and Related Activities

In their broker-dealer capacities, FWG and Baird provide brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, Alternative Investment Products and other securities. FWG

and Baird receive compensation based upon the sale of such investment products.

FWG and Baird may buy or sell securities for Baird's own account, or may act as broker or agent for other FWG or Baird clients, including other advisory clients. FWG, Baird and Baird's 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. FWG and Baird may also engage in agency cross transactions and principal transactions with clients as further described under "Services, Fees and Compensation—Additional Service Information—Trading for Client Accounts—Trade Execution Services Performed by Baird" above.

Baird, as broker-dealer, continually engages in various securities transactions and trading activities through its institutional trading departments, including market making and corporate stock buyback activities. FWG associates who refer corporate buyback opportunities to the institutional trading departments are eligible for referral compensation from Baird that is based upon, among other factors, the commissions that Baird receives. FWG and Baird may, therefore, have an incentive to sell, or to make sell recommendations with respect to, the securities of issuers for which Baird provides such buyback services.

As a registered broker-dealer, Baird may also benefit from the possession or use of any free credit balances in client accounts, subject to restrictions imposed by Rule 15c3-3 under the Exchange Act.

The foregoing activities could create a conflict of interest with clients. Baird addresses these potential conflicts through disclosure in this Brochure and by adopting internal policies and procedures for FWG and Baird that require them to provide investment advice that is suitable for advisory clients (based upon the information provided by such clients) and that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and equitable treatment. In addition, Baird has adopted a Code of Ethics and other internal trading policies and procedures relating to FWG's, Baird's and their associates' trading

activities that are designed to prevent them from improperly benefiting from the trading activities of Baird's advisory clients. See "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Code of Ethics" above.

Investment Product Selling and Servicing

Mutual Funds

Distribution and Shareholder Servicing Fees. FWG and Baird provide certain distribution and other shareholder-related services to mutual funds and their vendors with respect to FWG clients that hold shares of such mutual funds in their accounts. FWG and Baird may receive distribution and shareholder servicing fees from those funds out of their 12b-1 plans ("12b-1 fees") on an ongoing basis as compensation for the services provided. The 12b-1 fees paid by a mutual fund are disclosed in the mutual fund's prospectus.

If FWG or Baird receives 12b-1 fees from a fund with respect to a client's mutual fund investment in the client's Account and the client is paying an asset-based Advisory Fee on such investment, Baird rebates such 12b-1 fees to the client's Account, except for any non-Retirement Account managed directly by FWG. Accordingly, the receipt of these fees provides FWG and Baird an incentive with respect to non-Retirement Accounts managed directly by FWG to favor mutual funds over other investment products, or to favor mutual funds that offer 12b-1 fees greater than other funds. If any rebated fees remain in a client's Account at the time of billing, those rebated amounts will be included in the Account assets subject to the Advisory Fee.

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

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

Receipt of marketing support payments and expense reimbursements may provide Baird an incentive to favor mutual funds and their sponsors that make greater levels of such payments. However, Baird is a fiduciary that is required to act in the best interests of advisory clients when recommending mutual funds to those clients, and Baird does not consider the receipt of these payments in compiling its Mutual Fund Leaders List or Recommended Mutual Fund List.

The marketing support and other payments that Baird receives from mutual funds and their sponsors are not paid to FWG, and the compensation Baird pays to FWG is not tied to such payments. FWG associates may, however, receive non-cash compensation and other benefits from Baird and mutual fund companies and their sponsors with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars and payment of meal expenses. Receipt of these benefits may provide FWG associates an incentive to favor mutual funds and their sponsors that provide greater levels of such benefits.

Networking Fees. Baird receives compensation from certain mutual funds in consideration for recordkeeping, sub-transfer agency and related services that it provides to those funds. While this may provide Baird an incentive to favor funds paying higher fees, these fees are not paid to FWG, and the compensation that Baird pays to FWG 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 fund families for Baird on behalf of FWG clients. Under the clearing arrangement, Schwab provides clearing services for nearly all "no load" funds held by FWG clients. Although Baird pays Schwab a fee for the clearing service, Schwab passes through

to FWG and Baird a portion of the compensation that Schwab receives from those funds (including 12b-1 and recordkeeping fees and revenue sharing payments) for services that FWG and Baird provide to clients who invest in those funds.

If FWG or Baird receives distribution (12b-1) fees or other shareholder servicing fees from Schwab with respect to a mutual fund investment in a client's Account and client is paying an asset-based Advisory Fee on such investment, Baird rebates such 12b-1 fees to the client's Account, except for any non-Retirement Account managed directly by FWG. Accordingly, the receipt of these fees may provide FWG and Baird an incentive with respect to non-Retirement Accounts managed directly by FWG to favor funds that provide higher compensation. If any rebated fees remain in a client's Account at the time of billing, those rebated amounts will be included in the Account assets subject to the Advisory Fee.

Additional Information. More detailed information about the compensation that FWG or 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/disclosures. Clients may also contact FWG or Baird for more specific information about the amount of compensation FWG or Baird may receive from any of these mutual fund companies. More detailed information about the compensation that Baird receives from Schwab is also available on Baird's website at www.rwbaird.com/disclosures.

Unit Investment Trusts

Baird may receive additional compensation related to the sale of shares of UITs. Sponsors of UITs typically make marketing or concession payments to the firms that sell their UITs, including Baird. These payments are typically calculated as a percentage of the total volume of sales of the sponsor's UITs made by the firm during a particular period. That percentage typically increases as higher sales volume levels are achieved. Descriptions of these additional payments are provided in a UIT's prospectus. The marketing and concession payments that Baird receives from UIT sponsors are not paid to FWG Consultants, and the compensation that Baird pays to its FWG Consultants is not tied to such payments.

Alternative Investment Products

FWG and Baird may receive compensation related to the sale of Alternative Investment Products or the servicing of client accounts that hold those products. If an Alternative Investment Product is registered as an investment company (that is, a mutual fund), FWG and Baird may receive compensation described in the section entitled "Mutual Funds" above.

More detailed information about the compensation that FWG or Baird receives from an Alternative Investment Product and its sponsor is available in the prospectus or other offering documents for the Alternative Investment Product and on Baird's website at www.rwbaird.com/disclosures. Clients may also contact FWG or Baird for more specific information about the amount of compensation FWG or Baird may receive from the sale or servicing of Alternative Investment Products.

Insurance Products

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

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

The marketing support payments that Baird receives from insurance companies are not paid to FWG, and the compensation that Baird pays to FWG is not tied to such financial support. FWG 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 and payment of meal expenses. Receipt of these benefits may provide FWG associates an incentive to favor insurance companies that provide greater levels of such benefits.

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

Baird addresses conflicts posed by the selling and servicing of the foregoing investment products through disclosure in this Brochure and the prospectuses or other offering documents provided to clients. In addition, Baird has adopted internal policies and procedures for FWG and Baird that require them to provide investment advice that is suitable for advisory clients (based upon the information provided by such clients). In addition, Baird has adopted policies and procedures for FWG associates providing advisory services that address and limit the receipt of non-cash benefits in an attempt to avoid any question of propriety or any conduct inconsistent with Baird's high standards of ethics.

Other Interests in Client Transactions

Cash Sweep Program

In addition to the asset-based Advisory 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 certain administrative, accounting and other services that Baird provides to the bank or fund. Through the Money Market Fund Option, Baird receives compensation from the money market mutual funds and their sponsors. This compensation is further described in the section entitled "Participation or Interest in Client Transactions—Investment Product Selling and Servicing—Mutual Funds" 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 FWG. 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. The compensation that FWG and Baird receive from the Bank Sweep Option and the Money Market Option gives them a financial

incentive to recommend that clients invest cash balances in the particular sweep options included in the Cash Sweep Program. More detailed information about the Cash Sweep Program and the compensation FWG and Baird receive is available on Baird's website at www.rwbaird.com/disclosures.

Investment Banking and Public Finance Activities

Through its Investment Banking and Public Finance Departments, Baird provides investment advisory, securities underwriting and related investment banking services to various corporate, municipal, and other issuers of securities. Baird receives compensation and fees from such entities in connection with the services it provides. Certain FWG associates may also receive a selling concession or other incentive on the sale to clients of securities that Baird underwrites. In addition, certain FWG associates who refer securities underwriting or other business opportunities to the Investment Banking or Public Finance Departments are eligible for referral compensation from Baird that is based upon, among other factors, the compensation and fees Baird receives. FWG and Baird may, therefore, have an incentive to favor the securities of issuers for which Baird provides such services over the securities of issuers for which Baird does not provide such services. However, FWG and Baird will only recommend such securities to an advisory client when they believe it is in a client's best interest to do so. Also, in accordance with applicable law and Baird's policies, any securities underwritten by Baird will be sold to a client by FWG in a principal capacity only if the client consents to the transaction in writing and Baird has provided the client with all material information regarding Baird's and FWG's interest in the transaction. For more information, please see "Services, Fees and Compensation—Additional Service Information—Trading for Client Accounts—Trade Execution Services Performed by Baird" above.

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, FWG and their 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.

Research Departments. The investment advice provided to a client may be based on the research opinions of Baird's Research Departments. Baird does, and seeks to do, business with companies covered by those research departments and as a result, Baird may have a conflict of interest that could affect the content of its research reports.

Trust Services Arrangements

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 recordkeeping, to Baird clients. In connection with these alliances and the trust services provided by these unaffiliated institutions, Baird may provide marketing support services in assisting clients in their evaluation of the trust services. Baird may be compensated by these unaffiliated institutions for providing these marketing support services. Such annual compensation generally will not exceed 10% of the annual trust service fees received by the unaffiliated institution.

Margin Loans

Baird generally receives margin interest, administrative fees and other compensation in addition to the Advisory Fee when a client obtains margin loans from Baird. If Baird extends a margin loan to a client, the costs incurred by the client, as well as the compensation received by FWG and Baird, will generally increase as the size of the outstanding margin loan increases. As a result of the foregoing, FWG and Baird may have a financial incentive to use, or recommend the use of, strategies using margin or to increase, or recommend the increase of, margin loans.

Lending Arrangements

Baird maintains alliances with certain unaffiliated lenders that provide financing opportunities to FWG and Baird clients. Baird receives a referral fee from the lender in some instances. The amount of the referral fee varies, depending upon the lender and the amount of the financing. The referral fee is generally not shared with FWG associates. It is Baird's practice to provide more specific information about the referral fee at the time a client obtains financing.

Other Clients, 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 FWG and Baird. FWG and Baird may have an incentive to favor those investment products and services that generate a higher level of compensation than those that generate a lower level of compensation. For more information about the other investment products and services offered by Baird, clients should contact their FWG Consultant.

FWG and Baird likely will receive higher overall compensation from advisory clients than from brokerage clients. FWG associates thus may have a financial incentive to provide investment advice based upon the compensation received. Certain client accounts managed by FWG and Baird have similar investment objectives and strategies but may be subject to different fee schedules or commission rates. Thus, FWG and Baird may have an incentive to favor client accounts that generate a higher level of compensation.

FWG and Baird address these conflicts through disclosure in this Brochure. In addition, Baird has adopted internal policies and procedures for FWG and Baird that require them to provide investment advice that is suitable for advisory clients (based upon the information provided by such clients) and that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and equitable treatment.

Other sections of this Brochure also describe instances when FWG or Baird may recommend to clients, and may buy and sell for client's Account, securities in which Baird and its affiliates and associates have a material financial interest. For more information, please see "Services, Fees and Compensation—Advisory Fee—Advisory Fee Payments to FWG, Baird and Investment Managers" and "Additional Information—Other Financial Industry Activities and Affiliations" above, and "Additional Information—Client Referrals and Other Compensation" below.

Duration Compensation Will Be Received

If a client holds mutual funds, Alternative Investment Products, or any of the other investment products described above, Baird, FWG

and Baird's affiliates and associates will receive the fees and payments described above for the duration of the client's advisory relationship with FWG or Baird. In some circumstances, the receipt of such compensation may extend beyond a client's advisory relationship with FWG or Baird if the client continues to hold those assets at Baird.

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

Review of Accounts

Client Account Review

Client accounts are monitored on an ongoing basis by the client's FWG Consultant and are subject to review by the Baird Branch Office Manager (or his or her designee) responsible for supervising the client's FWG Consultant. The Baird Branch Office Manager (or his or her designee) responsible for supervising a client's FWG Consultant is required to review the client's Account's daily trading activity. The Baird Branch Office Manager (or his or her designee) is also required to perform a quarterly review of his or her branch's accounts managed directly by FWG, focusing on verifying that the FWG Consultant's composites of client accounts are generally being managed in accordance with the FWG Consultant's investment philosophy statement and attempting to ascertain whether client accounts within each composite are being treated equitably.

Account Statements and Performance Reports

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

A client's FWG Consultant will provide the client with a written report on the client's Account's

performance as often as the client and the FWG Consultant may from time to time mutually agree. Performance reporting may not be available for account assets that are not custodied at Baird. For more information about performance reports provided by FWG, see “Services, Fees and Compensation—Description of Advisory Services” above. FWG or Baird may change or discontinue performance reporting to a client at any time for any reason upon notice.

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 U.S. Intermediate Government/Credit Bond Index). The benchmark may be a blended benchmark that combines the returns for two or more indices.

A client should note that past performance does not indicate or guarantee future results. None of FWG, Baird, or investment managers managing the client’s Account promise or guarantee any level of investment returns or that the client’s investment objective will be achieved.

Benchmarks shown in performance reports are for informational purposes only. FWG’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 Account 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 the index performance does not take into account management fees, execution costs, and other expenses related to investing for a client’s Account. The securities included in a client’s Account generally do not exactly mirror the securities included in the index.

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

When preparing a client’s Account statements and performance reports, FWG and Baird generally

rely upon third party sources, such as third party pricing services. In some instances, such as when Baird is unable to obtain a price for an asset from a pricing service, Baird may obtain a price from its trading desk or it may elect to not price the asset. Obtaining a price from its trading desk may present a conflict of interest. In some cases, Baird obtains prices from the issuers or sponsors of investment products in the client’s Account. This frequently occurs with respect to the valuation of Alternative Investment Products. If the assets in the client’s Account are held by a custodian other than Baird, Baird generally relies on valuation information provided by the client’s third party custodian.

FWG and Baird do not conduct a review of valuation information provided by third party pricing services, issuers, sponsors, or custodians, and they do not verify or guarantee the accuracy of such information. Valuation data for investments, particularly Alternative Investment Products, may not be provided to FWG or Baird in a timely manner, resulting in valuations that are not current. The prices obtained by FWG and Baird from the third party pricing services, issuers, sponsors and custodians may differ from prices that could be obtained from other sources. Values used in account statements and performance reports may vary from prices received in actual transactions and are not firm bids, offers or guarantees of any type with respect to the value of assets in an Account, and the values may be greater than the amount a client would receive if the securities were actually sold from the client’s Account.

If a client has assets held by a third party custodian, the prices shown on a client’s Account statements provided by the custodian could be different from the prices shown on statements and reports provided by FWG or Baird. See “Services, Fees and Compensation—Additional Service Information—Custody Services” above for more information.

Client Referrals and Other Compensation

FWG or 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.

FWG and Baird and its affiliates and associates may receive certain economic benefits in connection with providing advisory services to clients, which are described in the sections entitled "Services, Fees and Compensation", "Account Requirements and Types of Clients", "Additional Information—Other Financial Industry Activities and Affiliations" and "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" above.

Financial Information

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

Special Considerations for Retirement Accounts

Each Retirement Account Fiduciary acting on behalf of the client understands that FWG or Baird may invest for the client, or recommend that the client invest in, affiliated investment products and that Baird and its affiliates may receive fees or other compensation related to such investments made by the client. Each Retirement Account Fiduciary acting on behalf of the client understands that when FWG or Baird invests with discretion the assets of a Retirement Account in an affiliated investment product that pays investment advisory fees to Baird or any of its affiliates, including in connection with any cash sweep services, Baird and its affiliates may receive such investment advisory fees in accordance with the terms of Department of Labor ("DOL") Prohibited Transaction Exemption ("PTE") 77-4, and, as required thereby, FWG will waive its asset-based Advisory Fees on that portion of the assets invested in the affiliated

investment product for such period of time so invested or FWG will offset the investment advisory fees received by Baird or any of its affiliates from the affiliated investment product against the asset-based Advisory Fee that FWG charges to the client. For the purpose of complying with the terms of DOL PTE 77-4, each such client and Retirement Account Fiduciary acting on behalf of the client acknowledge in the client's advisory agreement that: (i) the investment in affiliated investment products for the client's Account is appropriate because of, among other things, the investment goals, redeemability/liquidity, and diversification of those products; (ii) subject to FWG's investment strategy selected by the client, all assets of the client's Account may be invested in one or more of the affiliated investment products; (iii) the client received prospectuses or other disclosure documents for the affiliated investment products that may be used in connection with the Account, each of which include a summary of all fees that may be paid by the affiliated investment products to Baird or its affiliates; and (iv) the client received information concerning the nature and extent of any differential between the rate of such affiliated investment products fees and the Advisory Fees payable by the client. The differential between the fees to be charged by FWG for the investment advisory services it provides to the client and, if applicable, the investment advisory and other similar fees paid by the affiliated investment products to Baird or its affiliates with respect to the services Baird or any of its affiliates provides to the affiliated investment products is the difference between the Advisory Fee disclosed in the client's advisory agreement and the applicable investment management, investment advisory and other similar fees detailed in the section entitled "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions" above and/or in the relevant prospectus or other offering document for the affiliated investment product.

Each Retirement Account Fiduciary acting on behalf of the client understands that any directed brokerage arrangement must be for the exclusive benefit of participants and beneficiaries of the Retirement Account and that the client must not constitute or cause the Account to be engaged in a prohibited transaction as defined by ERISA. If the client is an ERISA plan, each trustee or other

fiduciary acting on behalf of the client is responsible for adhering to the fiduciary responsibilities discussed in ERISA Technical Bulletin 86-1 including, without limitation, the duty to determine that the directed brokerage arrangement decision has been made prudently in the interests of the plan participants and beneficiaries and that the specified broker-dealer executing the trades is capable of providing best execution.

If a client's Account is a Retirement Account and if the client has selected an investment manager and/or product affiliated with Baird (such as the use of services or products offered by BIM, Baird Advisors, or any mutual fund affiliated with Baird), each Retirement Account Fiduciary acting on behalf of the client understands and agrees that in making such selection: (a) Baird and/or its affiliates may receive higher aggregate compensation than if the client selected investment managers, funds or other products not affiliated with Baird and thus Baird may have an incentive to offer such affiliated investment managers, funds or other products; (b) Baird makes available to the client investment managers, funds and products not affiliated with Baird and the client may obtain additional information about such unaffiliated investment managers, funds or products at any time by contacting the client's FWG Consultant; and (c) the client is free to choose another investment option or participate in another Baird advisory program that does not use investment managers, funds or products affiliated with Baird at any time by contacting the client's FWG Consultant. For more information about investment managers and products that are affiliated with Baird, please see "Additional Information—Other Financial Industry Activities and Affiliations" above.