

Baird Public Investment Advisors

Brochure

March 30, 2012



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This brochure ("Brochure") provides information about the qualifications and business practices of Robert W. Baird & Co. Incorporated ("Baird") and Baird Public Investment Advisors ("BPIA"), an investment management department operating within Baird. Clients should carefully consider this information before becoming a client of BPIA. If you have any questions about the contents of this Brochure, please contact BPIA 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 Public Investment Advisors ("BPIA"), an investment management department operating within Robert W. Baird & Co. Incorporated ("Baird"), updated its Form ADV Part 2A brochure (the "Brochure") on March 30, 2012. The following summary discusses the material changes that BPIA has made to the Brochure since March 31, 2011, the date of the last annual update to the Brochure.

- BPIA has clarified that the discretionary authority granted to BPIA under the client's advisory agreement includes the authority to: make investment and trading decisions for client accounts (including the amount, type and timing with respect to buying, holding, exchanging, converting and selling securities and other assets); and act in all matters necessary or incidental to the handling of client accounts as further described in the section of the Brochure entitled "Investment Discretion".
- BPIA has updated the summary of its proxy voting policies and procedures. In the rare event a client holds voting securities, BPIA generally will vote the securities in accordance with the recommendations of Institutional Shareholder Services ("ISS"), an independent provider of proxy voting and corporate governance services. A client's portfolio manager may suggest voting against an ISS recommendation or how to vote on a particular matter not addressed by ISS. Baird's Proxy Voting Committee is ultimately responsible for determining how a vote will be cast. See the Brochure section entitled "Voting Client Securities" for more information.

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

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Advisory Business

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

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

Robert W. Baird & Co.

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

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

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

Baird participates in wrap fee programs not described in this Brochure and it provides portfolio management services in connection with those

programs. Baird receives a portion of the wrap fee for providing portfolio management services under those wrap fee programs.

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

Baird Public Investment Advisors

BPIA offers investment advisory services to public entities and other clients desiring investments in a combination of securities that provide safety of principal, meet certain liquidity requirements, and will result in a competitive market rate of return.

The advisory services offered by BPIA generally include portfolio management, investment advice and consulting services, performance reporting, and related account services.

BPIA generally manages client portfolios with full investment discretion and tailors its advisory services to the individual needs of clients. Client portfolios are managed in a manner designed to produce similar investment returns, given specific investment parameters and to limit the dispersion of such investment returns in comparison to a representative benchmark index. The benchmark index is chosen by each client based on the investment parameters of each portfolio.

The investment advice that BPIA provides to BPIA's clients generally relates to short-term fixed-income investments. The investments may include any combination of government and government agency debt, corporate bonds, commercial paper, certificates of deposit, money market mutual fund shares, and mortgage-backed and asset-backed instruments, among others.

Subject to the agreement of BPIA, a client may impose reasonable restrictions on the securities or types of securities to be held in the client's account. Please see "Investment Discretion" below for more information. Clients may negotiate with BPIA to provide other investment advisory services. However, BPIA generally limits its services to providing investment advice relating to fixed-income investment products.

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

A client that wishes to retain the services of BPIA will enter into an investment management agreement with BPIA. The investment management agreement will contain the specific terms applicable to the client's advisory relationship with BPIA.

The Client-Baird Advisory Relationship

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

BPIA generally does not engage in business practices that present a conflict of interest with clients. However, from time to time BPIA 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 BPIA and Baird. BPIA and Baird generally address potential conflicts of interest by adopting and enforcing policies and procedures for BPIA, Baird and their associates to follow that are designed to ensure that: (i) BPIA and Baird comply with applicable fiduciary standards and act in the best interest of a client when providing investment advice; (ii) potential conflicts of interest are avoided or disclosed to a client; and (iii) BPIA and Baird conduct their businesses in a manner that is consistent with the disclosures made.

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

A client is responsible for providing to BPIA information that BPIA reasonably requires in order to provide the services selected by the client

including, but not limited to, any investment policy statement and anticipated liquidity needs. BPIA will rely on this information when providing its advisory services. A client is also responsible for informing BPIA in writing of any material change in circumstances that might materially affect the manner in which the client's assets should be invested.

Fees and Compensation

Advisory Fee

A client's investment management agreement will set forth the actual compensation the client will pay to BPIA. In most instances, a client pays BPIA an ongoing fee based upon the value of assets in the client's account (an "asset-based fee"). The typical asset-based fee varies depending upon the total value of the client's assets in the account, as shown in the fee schedule below.

BPIA Standard Fee Schedule

| <u>Value of Assets</u> | <u>Annual Fee Rate</u> |
|---------------------------|------------------------|
| On the first \$10,000,000 | 0.18% |
| On the next \$15,000,000 | 0.15% |
| On the next \$25,000,000 | 0.10% |
| On the remaining assets | 0.08% |

BPIA typically assesses its fees at the rates set forth above against the client's account in arrears following the end of each calendar month based on the market value of the assets in the account (including accrued interest), including cash or its equivalent held for investment, on the last business day of the applicable month, or other agreed upon term. However, if assets are added to or withdrawn from the client's account during the month and the cumulative net addition to or withdrawal from the account during the month is 10% or more of the market value of the assets in the account at the beginning of the month, then the fee will be determined by the average market value of the assets in the account for the month by the fee set forth above.

The value of assets in a client's account is generally determined by BPIA. BPIA determines the value of the assets in the client's account and obtains prices from third party quotation sources for that purpose. If the third party pricing source does not provide a price for an account asset, BPIA relies upon the value for the asset reported

by the client's custodian. BPIA and Baird do not conduct an in-depth review of valuation information provided by third party quotation services or custodians, and they do not verify or guarantee the accuracy of such information. The prices obtained by BPIA from the third party quotation services it uses may differ from prices that could be obtained from other sources.

Clients typically instruct BPIA to deduct the advisory fees from their accounts, but if BPIA agrees, a client may elect to receive an invoice ("direct billing"). Direct billing may not be available for all retirement plan accounts or other accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or an individual retirement account ("IRA") subject to the Internal Revenue Code (collectively, "Retirement Accounts"). If a client's account is subject to direct billing, the client is generally required to pay each bill within fifteen (15) days after receipt of the bill.

If a client's investment management agreement is in effect for only a portion of a month, the fee is pro-rated for such portion based on the number of days the agreement was in effect in relation to the number of days in the month. In the event termination occurs other than at the end of the billing period, the fee is based upon the value of the assets on the date of termination.

Some or all of the assets in a client's account may be invested in an institutional share class of one or more bond mutual funds within the Baird Funds, Inc. ("Baird Funds") for which Baird Advisors, another investment management department of Baird, serves as investment adviser. If any assets are held in any of the Baird Funds, BPIA will not charge the fees set forth above on those assets.

Baird may generally modify a client's existing fees and other charges or add additional fees or charges by providing the client with ninety (90) days' prior written notice.

The minimum asset value to open an account with BPIA is typically \$1,000,000. At times account balances may fall below the minimum due to liquidity needs. BPIA reviews with the client the ongoing needs of the account to determine if BPIA's investment services remain a suitable investment option.

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

BPIA may enter into other fee arrangements with clients.

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

Other Fees and Expenses

In addition to BPIA's fee described above, a client of BPIA may incur other fees and expenses. The asset-based fee only covers investment advice provided by BPIA, and a client may pay for other services, such as custody and trade execution, separately in addition to BPIA's fee. Please see the section entitled "Brokerage Practices" below for more information.

A client also bears the costs of mark-ups, mark-downs, and spreads charged by broker-dealers in connection with purchases and sales of certain securities (such as securities traded over-the-counter and fixed-income securities) because such costs are inherently reflected in the price the client pays or receives for such securities. A client is also responsible for fees and expenses resulting from electronic fund and wire transfer fees, transfer taxes, certain fees in connection with the establishment or administration or termination of retirement or profit sharing plans or trust accounting, or other costs or fees mandated by law or regulation. In addition, BPIA may purchase or sell securities through electronic trading platforms that may impose an execution or transaction fee that is imbedded in the price the client pays or receives for the security.

A client's account may, from time to time, be invested in bank deposit accounts, money market funds, mutual funds, exchange traded funds and other registered investment companies, hedge funds, private investment partnerships, and other investment pools (including such funds and other products affiliated with Baird). These types of funds have their own fees and expenses that are borne either directly or indirectly by their shareholders or unit holders, including a client. These fees and expenses may include investment management fees, distribution (12b-1) fees, transfer agency fees, networking fees, accounting fees, marketing support payments, administration fees, custody fees, shareholder servicing fees, expense reimbursements, and expenses associated with executing securities transactions for the fund's portfolio ("ongoing fund expenses"). These ongoing fund expenses are separate from, and in addition to, BPIA's fee. As a result of making investments in these types of funds, a client should be aware that the client is paying multiple layers of fees and expenses on the amount of the client's assets so invested—the fees and expenses charged by the funds BPIA's fee. A client should review the prospectus and statement of additional information (or other applicable offering documents) for each fund in which the client invests for further information.

Clients who have accounts managed by BPIA may also have other accounts with Baird that are not managed by BPIA. 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 BPIA.

Other Compensation Received by BPIA and Baird

BPIA. BPIA and its personnel do not receive compensation based upon the sale of securities or other investment products, and the compensation Baird pays to BPIA's personnel remains the same regardless of the type of investment product recommended to clients or purchased for client accounts.

Baird. Baird is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in such capacity, Baird provides brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, and other securities,

and sales of life insurance policies and annuities. Baird receives compensation based upon the sale of such securities and other investment products, including asset-based sales charges and service fees on the sale of mutual funds. This practice presents a conflict of interest because it gives Baird (but not BPIA or its personnel) an incentive to recommend investment products based upon the compensation received rather than on a client's needs. For more specific information about Baird's compensation and other benefit arrangements that present potential conflicts of interest with respect to clients of BPIA and how Baird addresses those conflicts, please see the sections "Other Financial Industry Activities and Affiliations" and "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below.

BPIA will purchase for client accounts, or will recommend the purchase of, various investment products, including "no load" mutual funds. A client has the option to purchase investment products through other brokers or agents that are not affiliated with Baird.

Performance-Based Fees and Side-By-Side Management

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

Baird advises client accounts that are subject to performance-based fee arrangements. Any such fee arrangements are made in compliance with applicable provisions of Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). A client's agreement to a performance-based fee arrangement may create an incentive for Baird (but not BPIA) to recommend or invest a client's account in riskier or more speculative products than would be the case in the absence of a performance-based fee arrangement. Performance-based fee arrangements also present a potential conflict of interest for Baird (but not BPIA) with respect to client accounts it also manages that are not subject to performance-based fee arrangements because such arrangements give Baird an incentive to favor client accounts subject to performance-based fees over client accounts that are not subject to performance-based fees.

In addition to complying with its fiduciary duties and avoiding or disclosing conflicts of interest to

clients, Baird typically address potential conflicts of interest posed by performance-based fee arrangements by capping the amount of performance-based fees that may be earned with respect to a client's account. By capping performance-based fees, Baird attempts to reduce the incentive to invest a client's account in riskier or more speculative products. Baird also periodically monitors the holdings and performance of performance-based fee accounts and compares them to accounts not subject to a performance fee that are also managed using a similar strategy in an attempt to detect any possible inequitable treatment. Baird also attempts to minimize potential conflicts of interest posed by performance-based fee arrangements by adopting and enforcing internal procedures designed to ensure that securities allocations made to advisory client accounts are made in a manner such that all advisory clients receive equitable treatment.

Types of Clients

BPIA predominately offers its services to public entity clients, such as counties, cities, school districts and other state political subdivisions, but may offer its services to other types of clients, such as: individuals; banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; corporations or other business entities. Applicable requirements for opening or maintaining an account with BPIA, such as minimum account size, are discussed in the section entitled "Fees and Compensation—Advisory Fee" above.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

BPIA's disciplined, fundamental investment process seeks to satisfy the client's investment objectives of principal preservation, liquidity and obtain a market rate of return. The goal of the overall investment strategy will emphasize the importance of reducing liquidity risk and interest rate risk while maintaining a diversified portfolio of allowable investments. An analysis of each client's allowable investments, risk tolerance and liquidity requirements will determine the maturity and security make-up of each portfolio. The investment strategies used to implement any investment advice given to clients generally include purchases of long term (i.e., securities held at least a year), short term (i.e., securities

sold within a year) and trading securities (i.e., securities sold within 30 days).

BPIA uses a combination of quantitative and fundamental analysis when selecting securities for a client's account. BPIA utilizes an investment style that blends several different market analysis techniques including: duration management, yield curve analysis, sector analysis and security selection.

Information used to select portfolio investments include, among others, regulatory filings and company-issued literature (e.g., annual reports, prospectuses, press releases and other information), analyses by outside investment houses, government and Federal Reserve Bank publications, financial and other newspapers, journals and corporate ratings services (e.g., Moody's, Fitch, Standard and Poor's), electronic data information sources (e.g., Bloomberg, Dow Jones, Reuters) and computer software used in measuring the duration of portfolios.

Using strategies developed through extensive economic, market and credit research, BPIA strives to produce consistently above-benchmark returns while minimizing risk. Investment portfolios are tailored to fit each client's unique cash flow needs and risk tolerance. Portfolio investments may include any combination of government and government agency debt, corporate bonds, commercial paper, certificates of deposit, money market mutual fund shares, and mortgage-backed and asset-backed instruments, among others. Generally and if rated, each portfolio security will be "investment grade", as rated by at least one nationally recognized rating organization, at the time of purchase. The securities purchased generally have a maturity that is less than five years.

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

BPIA may invest for the client, or recommend that the client invest in, mutual funds that pay fees to Baird or to any of its affiliates for investment

advisory or other services they provide to the mutual funds.

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

Principal Risks

Risk is inherent in any investment in securities and BPIA does not guarantee any level of return on a client's investments. There is no assurance that a client's investment objectives will be achieved. A BPIA client may be subject to the risks described below.

Management Risks. Stability of principal is a primary investment objective of most client portfolios managed by BPIA. At times, BPIA may purchase investment securities that have the potential for market values to fluctuate. Subsequent market events and conditions may adversely affect the value of client portfolios and could result in client portfolios earning a less than desired return and potential loss of principal if sold prior to stated maturity. BPIA monitors client portfolios daily and may rebalance client portfolios as a means to mitigate risk.

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

bond's maturity, the greater the interest rate risk and the higher its yield. Conversely, the shorter a bond's maturity, the lower the interest rate risk, and the lower its yield ("maturity risk"). A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition ("credit-quality risk"). Because bond values may fluctuate, a client's portfolio value may fluctuate.

Credit Quality Risks. Individual issues of fixed-income securities may be subject to the credit risk of the issuer. Therefore, the underlying company may experience unanticipated financial problems and may be unable to meet its payment obligations. Bonds receiving the lowest investment grade rating or a high yield ("junk bond") rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings agencies such as Moody's, Fitch and S&P provide ratings on bonds based on their analyses of information they deem relevant. Ratings are essentially opinions or judgments of the credit quality of an issuer and may prove to be inaccurate. In addition, there may be a delay between events or circumstances adversely affecting the ability of an issuer to pay interest and/or repay principal and an agency's decision to downgrade a security.

Liquidity Risks. Liquidity risk is the risk that certain securities may be difficult or impossible to sell at the time and price that BPIA would like to sell. BPIA may have to accept a lower price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of client portfolios. The liquidity of a particular security depends on the strength of demand for the security, which is generally related to the willingness of broker-dealers to make a market for the security as well as the interest of other investors to buy the security. During significant economic and market downturns and periods in which financial services firms are unable to commit capital to make a market in, or otherwise buy, certain debt securities, BPIA may experience challenges in selling such securities at optimal prices.

Government Obligations Risks. BPIA may invest client assets 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 Fannie Mae and 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.

Tax Risks. Municipal securities may decrease in value during times when tax rates are falling. Since interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing federal tax-exempt status of, such interest income. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the liquidity, marketability and supply and demand for municipal obligations, which would in turn affect BPJA's ability to acquire and dispose of municipal obligations at desirable yield and price levels. Investment in tax-exempt securities poses additional risks. In many cases, the Internal Revenue Service ("IRS") has not ruled on whether the interest received on a tax-exempt obligation is tax-exempt, and accordingly, purchases of these securities are based on the opinion of bond counsel to the issuers at the time of issuance. BPJA relies on these opinions and will not review the basis for them.

Municipal Obligations Risks. Clients may have their portfolios invested in municipal obligations issued by entities located in the same state or the interest on which is paid solely from revenues of similar projects. As a result, changes in economic, business or political conditions relating to a particular state or types of projects may have a disproportionate impact on client's portfolio value.

Recent Market Events. U.S. and international markets have experienced extreme price volatility, reduced liquidity, credit downgrades, increased likelihood of default 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 client portfolios.

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

Disciplinary Information

There are no legal or disciplinary events that relate to BPJA or its business operations.

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

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

Other Financial Industry Activities and Affiliations

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

Certain management persons of BPJA 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.

Other Departments of Baird

Baird and its Financial Advisors may, from time to time refer clients to BPJA or to Baird Advisors or Baird Investment Management, other investment management departments of Baird. Baird Financial Advisors are eligible for special referral compensation to be paid by Baird that is based upon, among other factors, the compensation received by Baird.

Affiliated Mutual Funds

Baird is the investment adviser and principal underwriter for the Baird Funds. Baird Advisors provides investment management, administrative, and other services to certain Baird Funds investing primarily in fixed-income securities (the "Baird Bond Funds"). Baird Investment Management provides investment management and other services to certain Baird Funds investing primarily in equity securities. 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.

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

Affiliated Investment Advisors

Baird is affiliated with, and may be deemed to control, Riverfront Investment Group, LLC ("Riverfront") by virtue of Baird's equity ownership of Riverfront. 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 account of clients.

Affiliated Private Equity Funds

Baird is also engaged in a private equity business through Baird Private Equity ("BPE"), Baird's global private equity group. Certain departments of Baird, other than BPJA, may refer clients to BPE. BPE makes venture capital, growth equity and buyout investments in the business services, manufactured products and healthcare/life sciences sectors. Baird, in combination with certain executive officers, may be deemed to control Baird Venture Partners Management Company I, LLC ("BVP I"); Baird Venture Partners Management Company III, LLC ("BVP III"); Baird Capital Partners Management Company III, LLC ("BCP III"); Baird Capital Partners Management Company IV, LLC ("BCP IV"); Baird Capital Partners Management Company V, LLC ("BCP V"); Baird Asia Partners Management Company I, LLC ("BAP I"); Baird Capital Partners Asia Management I Limited Partnership ("BCPA I"); and Baird Capital Partners Europe Limited. BVP I and BVP III participate in venture capital opportunities by investing in equity securities of early-to-growth stage companies. BVP I is the general partner of the three limited partnerships and is an investment adviser registered with the SEC. BVP III is the general partner of three

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

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

Code of Ethics

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

To address the potential for conflicts of interest, Baird has adopted a Code of Ethics (the "Code") that applies to its associates that provide

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

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

Baird's Participation or Interest in Client Transactions

Baird's Broker-Dealer and Related Activities. In its capacity as broker-dealer, Baird provides brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, options, and other securities, and sales of

life insurance policies and annuities. Baird receives compensation based upon the sale of such securities and insurance and other investment products.

Other investment management firms may select Baird, in its capacity as a broker-dealer, to execute portfolio trades for their clients, including for mutual funds or money market funds they advise. These investment management firms may also receive research in addition to execution services provided by Baird. Baird receives compensation for those execution services. This compensation is not paid to BPIA or its personnel. This compensation provides Baird (but not BPIA or its personnel) an incentive to favor investment management firms or their investment products based upon compensation it receives for providing execution services. However, in accordance with its fiduciary duties, BPIA acts in the best interests of clients when recommending investment management firms or their investment products to clients. 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.

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

Baird's Other Financial Industry Activities.

Investment Banking and Public Finance. Through its Investment Banking and Public Finance departments, Baird provides investment advisory, securities underwriting and related investment banking services to various corporate, municipal, and other issuers of securities. Baird receives compensation and fees from such entities in connection with the services it provides. 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. BPIA and its personnel who refer investment banking business opportunities to Baird's Public Finance department are eligible for referral compensation from Baird that is based upon, among other factors, the compensation and fees the referred business pays to Baird. BPIA and its personnel may, therefore, have an incentive to recommend to clients the securities of issuers for which Baird provides investment banking services over the securities of issuers for which Baird does not provide investment banking services. However, BPIA will only recommend such securities to a client when it believes it is in a client's best interest to do so, and BPIA generally does not recommend to clients securities of issuers for which Baird provides investment banking services.

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, BPIA 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.

Other Investment Products and Services. Baird offers to clients other investment products and services not described in this Brochure. These investment products and services provide different levels of compensation to Baird and its associates. For more information about the other investment products and services offered by Baird, clients should contact Baird or their BPIA representative.

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

client's best interest, such as when accounts are adjusting their respective durations, when one account is in a liquidation mode while another is in an accumulation mode, or for tax management purposes, BPIA, acting as investment manager, may cause (or in the case of non-discretionary accounts, recommend) the sale of securities from an advisory client's account while at or about the same time causing (or, in the case of non-discretionary accounts, recommending) the purchase of the same securities for the account of another advisory client. Such transactions may have the benefit of reducing transaction and market impact costs.

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

Interest in Other Client Transactions. Baird and BPIA may recommend to clients, and may buy and sell for client accounts, securities in which Baird and its affiliates and associates have a material financial interest as described under the sections "Other Financial Industry Activities and Affiliations" above and "Brokerage Practices" below.

If BPIA 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, BPIA 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 BPIA or Baird may not keep such compensation under applicable law.

Brokerage Practices

Broker-Dealer Selection

Clients generally give BPIA the authority to determine independently the specific broker(s) or

dealer(s) used to execute trades for their accounts. BPIA selects brokers or dealers to execute a client's transactions based on the broker or dealer's ability to provide best execution for the client. When selecting a broker or dealer, BPIA may consider the following factors: client preferences; execution capability and past execution performance; access to markets; commission rates; financial standing of executing firm and counterparty risk; timeliness in rendering services; availability, cost and quality of custodial services; and continuity and quality of the overall provision of services.

BPIA may also purchase or sell debt securities through electronic trading platforms. These electronic trading platforms typically provide access to bids and offers from a greater number of dealers on a timely basis; however, these electronic platforms may impose an execution or transaction fee imbedded in the price paid or received for the security (i.e., a markup or markdown).

Soft Dollar Benefits

BPIA does not receive research in addition to execution services from a broker-dealer in connection with its clients' securities transactions. These research benefits are commonly referred to as "soft dollar benefits". BPIA may from time to time receive generic market commentaries or market research from broker-dealer firms. However, the receipt of those materials is not tied to the execution of client transactions.

BPIA seeks to select broker-dealers based upon the broker's or dealer's ability to provide best execution, and BPIA will not cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers for the purpose of obtaining soft dollar benefits. Furthermore, BPIA does not select broker-dealers to execute transactions for client accounts based upon client referrals received from broker-dealers.

Research services provided by internal and external sources are used in managing client accounts and, in the business judgment of BPIA, are important to each client; although, perhaps, in differing degrees at different times. As a general matter, such research services are used to service all BPIA client accounts. However, each and every research service may not be used to service each and every account managed by

BPIA. Research information and its application and the interpretation of its worth are matters of professional judgment made by BPIA.

Block Transactions

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

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. A client's commissions or transaction costs may vary depending upon, among other things, the type of advisory client account and the commission rate that the client has negotiated.

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

BPIA generally aggregates buy and sell orders when executing trades for discretionary client accounts when it has the opportunity to do so.

However, BPIA determines whether or not to utilize block transactions for a client in its sole discretion and BPIA's decision is subject to its duty to seek best execution. BPIA will aggregate a client's trade orders only when BPIA 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.

Because BPIA is unable to buy or sell any security for a client's non-discretionary accounts without the client's authorization, BPIA generally does not aggregate or bunch trades for the client's account with the same or similar trades for other client accounts and places orders for the client's account promptly after receiving the client's authorization to do so. Because similar orders for the client and BPIA's other clients will 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 BPIA.

Similarly, If a client directs BPIA to use a designated broker-dealer for trade execution (a "directed brokerage arrangement"), BPIA may not be able to aggregate the client's account trades with orders for other BPIA clients. See "Directed Brokerage" below.

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

In connection with the execution of block transactions, BPIA may, on occasion, employ the use of "step-outs" to satisfy client directed brokerage arrangements. A "step-out" typically

occurs when an executing broker executes the trade at no commission and then “steps out” the trade to a clearing broker that confirms and settles the trade.

Directed Brokerage

BPIA will comply with any guidelines and/or limitations reasonably requested by a client relating to brokerage for the client’s account that are contained in the client’s investment management agreement. Specific guidelines and/or limitations requested by clients vary from client to client based upon a client’s particular objectives and other factors. When possible, BPIA will also observe any non-binding statement of client preferences with respect to brokerage direction.

If a client’s account is subject to a directed brokerage arrangement, BPIA may be unable to achieve best execution for the client’s transactions because BPIA cannot negotiate better prices and lower commission rates for the client, nor can BPIA aggregate the client’s account trades with orders for other BPIA clients in order to seek volume discounts. Directed brokerage arrangements may cost the client more money as they may result in the client paying higher commissions and greater bid/offer spreads, or receiving a less favorable net price than the client may experience if BPIA negotiated commission rates and spreads and selected broker-dealers to execute trades for client’s account. Directed brokerage arrangement orders, because they are directed to the specified broker-dealer, may be manually executed by BPIA after the trade execution is completed for other BPIA client accounts.

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

Before directing BPIA to use a particular broker-dealer, clients may wish to compare the possible costs or disadvantages of directed brokerage arrangements.

Trade Error Correction

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

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

Review of Accounts

BPIA’s portfolio management team reviews BPIA’s client accounts. BPIA’s portfolio management team generally performs daily reviews on transactions in each client account. The portfolio management team generally reviews reports documenting each account’s performance compared to the performance of a relevant benchmark index at least monthly.

BPIA generally provides written investment summary reports to clients on a monthly basis. These monthly investment summary reports contain the client account’s holdings, yield, cash flow, gains and losses, and monthly interest earnings. BPIA may provide additional information in the investment summary report to meet the specific reporting needs of a client as the client and BPIA may agree.

A client’s account performance may be compared to a benchmark market index or indices. The benchmark may be a blended benchmark that combines the returns for two or more indices. Benchmarks shown in performance reports are for informational purposes only. BPIA’s selection and

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

The value of assets in a client's account is generally determined by BPIA. BPIA determines the value of the assets in the client's account in good faith and obtains prices from third party quotation sources for that purpose. If the third party pricing source does not provide a price for an account asset, BPIA relies upon the value for the asset reported by the client's custodian. BPIA and Baird do not conduct an in-depth review of valuation information provided by third party quotation services or custodians, and they do not verify or guarantee the accuracy of such information. The prices obtained by BPIA from the third party quotation services it uses may differ from prices that could be obtained from other sources. The prices shown on a client's account statements provided by the custodian may be different from the prices shown on statements and reports provided by BPIA due to the use of different valuation sources by the custodian and BPIA.

Client Referrals and Other Compensation

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

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

sections entitled "Other Financial Industry Activities and Affiliations" and "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" above, for providing investment advice or advisory services to clients.

Custody

Each client is responsible for appointing the client's custodian, which will have possession of the assets of the client's account and settle transactions for the account. Clients may choose Baird or a service provider unaffiliated with Baird to serve as custodian.

From time to time, BPIA may recommend a particular firm to a client to serve as the client's custodian. If the client chooses a recommended custodian, BPIA will, if instructed by the client and BPIA agrees, pay the custodial fee of the client until the agreement between BPIA and client is terminated or as otherwise determined by BPIA. If the client does not choose a recommended custodian, BPIA will not pay the client's custodian fee and it will be the obligation of the client to pay such custodian fee.

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

Investment Discretion

Clients generally give BPIA the discretionary investment authority to determine independently the specific securities purchased or sold, the amount of securities purchased or sold, and the broker(s) or dealer(s) used to execute trades for their accounts. By executing an investment management agreement with BPIA, a client authorizes BPIA 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 client's portfolio strategy. The client's investment management agreement also grants to BPIA complete and unlimited trading authorization and

appoints BPIA as agent and attorney-in-fact with respect to the client's accounts and all related trading and other decisions. Pursuant to such authorization, BPIA 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.

BPIA generally accepts reasonable limitations to its discretionary authority with respect to brokerage direction and securities selection, 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. Any such limitations agreed to by client and BPIA are generally included as an addendum to the client's investment management agreement or in a separate letter of understanding. When possible, BPIA will also attempt to observe any non-binding statement of client preferences with respect to factors such as brokerage direction, holding periods, and securities selection.

In the event that a client's account is restricted from investing in certain securities, BPIA will select such other replacement securities, if any, as it deems appropriate. Accounts with investment restrictions may perform differently from accounts without restrictions and performance may be poorer. In addition, in the event there is a change in the classification or credit rating of a security held in the client's account, a client's investment restrictions may force BPIA to sell such security at an inopportune time, possibly negatively impacting account performance and/or causing a taxable event to the client. A client should also be aware that, if the client's account holds any pooled investment vehicles (such as mutual funds or ETFs), BPIA will take reasonable measures to assure any investment restrictions the client places on the client's account will flow through to the securities owned by those pooled investment vehicles.

Voting Client Securities

BPIA does not typically recommend or select for client accounts securities that have voting rights. However, by signing an investment management

agreement, clients authorize and delegate the right to BPIA to vote proxies with respect to the securities held in their accounts.

BPIA has adopted written policies and procedures that are reasonably designed to ensure that it votes client securities in the best interests of clients. Those procedures address material conflicts of interest that may arise between BPIA's or Baird's interests and those of their clients. Although a description of BPIA's proxy voting policies and procedures is provided below, BPIA will furnish a copy of its proxy voting policies and procedures to clients upon their request. Additionally, clients may obtain information on how BPIA actually voted proxies with respect to the securities held in their accounts by contacting BPIA by calling 1-888-596-2293.

In situations in which a client has delegated to BPIA voting authority with respect to securities in the client's account, BPIA will monitor corporate events and vote proxies in a manner that BPIA believes is consistent with the client's best interests.

In the normal course of business BPIA does not invest in equity securities on behalf of clients. Only in very rare situations do BPIA clients hold equity securities, at which time BPIA attempts to sell the equity securities as quickly as practical. In the event BPIA clients hold voting securities, BPIA 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 BPIA will actually vote securities on particular issues. The portfolio managers for the client's account will generally vote proxies with respect to securities for client accounts based on the recommendations of ISS; however, the managers may suggest voting against ISS' recommendations when the managers determine it to be in the clients' best interests to do so. The manager also may suggest how to vote on a particular matter not addressed by ISS. When a portfolio manager suggests voting against ISS' recommendations on a particular matter or suggests how to vote on a matter not addressed by ISS, the portfolio manager will bring the matter to the attention of

Baird's Proxy Voting Committee who will then be responsible for determining how the vote will be cast.

The proxy voting policies and procedures also address instances in which BPIA'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 BPIA would be inclined to vote in favor of management because of Baird's relationship or pursuit of a relationship with the company. BPIA takes one of the following steps to address these potential conflicts: (1) casts the vote in accordance with the recommendations of ISS or other independent third party; (2) refers the proxy to the client or to a fiduciary of the client for voting purposes; (3) suggests that the client engage another party to determine how the proxy should be voted; or (4) obtain the client's direction to vote the proxy after disclosing the conflict to the client. Baird's Compliance Department is responsible for overseeing the operation of the proxy voting policies and procedures.

BPIA generally does not permit clients to direct particular votes once they have granted BPIA discretionary voting authority. Clients wishing to vote securities may do so by terminating the discretionary authority granted to BPIA.

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

Financial Information

BPIA 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 BPIA is aware of any financial condition that is reasonably likely to impair their ability to meet their contractual commitments to clients, nor has either been the subject of a bankruptcy petition at any time during the past ten years.

Special Considerations for Retirement Accounts

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

provides to the Baird-affiliated investment products is the difference between BPIA's fee disclosed in the client's investment management agreement and the applicable investment management, investment advisory and other similar fees detailed in the section entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Baird's Participation or Interest in Client Transactions" above and/or in the relevant prospectus or other offering document for the Baird-affiliated investment product.

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