

Baird Public Investment Advisors

Brochure

March 31, 2014



Baird Public Investment Advisors
3805 Edwards Road, Suite 610
Cincinnati, Ohio 45209
Toll Free: 888-596-2293
www.rwbaird.com

Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, WI 53202
1-800-792-2473
rwbaird.com

Member FINRA & SIPC
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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 31, 2014. The following summary discusses the material changes that BPIA has made to the Brochure since March 28, 2013, the date of the last annual update to the Brochure.

- BPIA has updated the information about Baird's ownership, Baird's regulatory assets under management, and certain of Baird's affiliates. See the section of the Brochure entitled "Advisory Business" and "Other Financial Industry Activities and Affiliations" for more information.
- BPIA has updated information about certain risks of investing, including those associated with the statutory debt ceiling, rising interest rates, and the tapering of quantitative easing by the Federal Reserve Board. See "Methods of Analysis, Investment Strategies and Risk of Loss—Principal Risks—Recent Market Events" for more information.

A client should note that the foregoing summary only discusses material changes made to the Brochure since March 28, 2013. The updated Brochure contains changes that are not listed above.

Table of Contents

Advisory Business	1
Robert W. Baird & Co.	1
The Client-Baird Fiduciary Relationship.....	1
Baird Public Investment Advisors.....	2
Fees and Compensation	2
Advisory Fee	2
Other Fees and Expenses	3
Other Compensation Received by BPJA and Baird	4
Performance-Based Fees and Side-By-Side Management.....	5
Types of Clients.....	5
Methods of Analysis, Investment Strategies and Risk of Loss	5
Investment Strategies.....	5
Principal Risks	6
Disciplinary Information	8
Other Financial Industry Activities and Affiliations	8
Baird's Broker-Dealer Activities	8
Baird's Other Investment Management Activities	8
Affiliated Investment Advisors.....	8
Affiliated Mutual Funds and ETFs	9
Affiliated Private Equity Funds.....	9
Other Financial Industry Activities	10
Code of Ethics, Participation or Interest in Client Transactions	
And Personal Trading	10
Code of Ethics	10
Baird's Participation or Interest in Client Transactions	10
Brokerage Practices	12
Broker-Dealer Selection	12
Soft Dollar Benefits.....	12
Trade Aggregation, Allocation and Rotation Practices	12
Directed Brokerage.....	13
Cross Trading Involving Advisory Accounts	14
Trade Error Correction	14
Review of Accounts.....	14
Client Referrals and Other Compensation	15
Custody.....	15
Investment Discretion	15
Voting Client Securities.....	16
Financial Information.....	17
Special Considerations for Retirement Accounts	17

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.

Baird is owned indirectly by its associates and associates of Baird Kailash Group, LLC ("BKG") 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 and BKG own substantially all of the outstanding stock of BFG.

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

Baird participates in wrap fee programs 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, 2013, Baird had approximately \$58.7335 billion in regulatory assets under management, approximately \$39.7578 billion of which was managed on a discretionary basis and approximately \$18.9757 billion of which was managed on a non-discretionary basis.

The Client-Baird Fiduciary Relationship

Baird is registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). BPIA is deemed to have a fiduciary relationship with a client when providing the investment 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 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 BPIA and Baird. In addition, Baird has adopted internal policies and procedures for BPIA and Baird that require them to: provide investment advice that is appropriate 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 BPIA 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.

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 investment 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 its clients generally relates to short-term fixed-income investments. The investments may include any combination of government and government agency debt, corporate bonds, municipal securities, 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.

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%

Clients generally pay BPIA its fees on a monthly basis, although BPIA may agree to other payment periods in certain circumstances. BPIA typically assesses its fees at the rates set forth above against the client's account in arrears following the end of each billing period 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 billing period. However, if assets are added to or withdrawn from the client's account during the billing period and the cumulative net addition to or withdrawal from the account during the billing period is 10%

or more of the market value of the assets in the account at the beginning of the billing period, then the fee will be determined by the average market value of the assets in the account for the billing period 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 Baird Funds, Inc. (the "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.

BPIA 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 its 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 portfolio management and 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 about BPIA's trading practices.

A client is responsible for bearing or paying, in addition to BPIA's fee, the costs of all:

- commissions, markups, markdowns, and spreads charged by broker-dealers that buy securities from, or sell securities to, the client's account (such costs may be inherently reflected in the price the client pays or receives for such securities);
- 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, and similar fees or expenses related to account transfers;
- currency conversions and transactions;
- 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.

Certain investment products, such as mutual funds, ETFs, and other similar investment pools (collectively, "investment funds") 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 fund's portfolio ("ongoing operating expenses"). These ongoing operating expenses are separate from, and in addition to, BPIA's fee. 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

BPIA's fee. A client is also responsible for any redemption fees or similar fees that the fund or its sponsor may impose on the client. A client should review the prospectus or other applicable offering documents for each investment fund in which the client invests for further information.

A client may also incur custody fees in certain circumstances. See "Custody" below for more 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 associates do not receive compensation based upon the sale of securities or other investment products, and the compensation Baird pays to BPIA associates 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 associates) 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 and how Baird addresses the potential conflicts of interest, 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 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 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.

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, municipal obligations, 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.

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 certain risks, including, but not limited to, the risks described below. The risks discussed below vary by investment style or strategy, and may or may not apply to a client. A client should also review the prospectuses or other disclosure documents for the securities purchased for the client's account, as they will contain important information about the risks associated with investing in such securities.

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 lower the 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 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.

The total public debt of the United States as a percentage of gross domestic product has grown rapidly since the beginning of the 2008-2009 financial downturn. Although high debt levels do not necessarily indicate or cause economic problems, they may create certain systemic risks if sound debt management practices are not implemented. A high national debt can raise concerns that the U.S. government will not be able to make principal or interest payments when they are due. This increase has also necessitated the need for the U.S. Congress to negotiate adjustments to the statutory debt ceiling to increase the cap on the amount the U.S. government is permitted to borrow to meet its existing obligations and finance current budget deficits. In August 2011, S&P lowered its long-term sovereign credit rating on the U.S. In explaining the downgrade at that time, S&P cited, among other reasons, controversy over raising the statutory debt ceiling and growth in public spending. Any controversy or uncertainty regarding the statutory debt ceiling may impact

the U.S. long-term sovereign credit rating and may cause market uncertainty. As a result, market prices and yields of securities supported by the full faith and credit of the U.S. government may be adversely affected.

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 BPIA'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. BPIA 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.

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.

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, particularly in the fixed income markets. Rising interest rates and the tapering of quantitative easing by the Federal Reserve Board may increase the potential for market volatility. In addition, any uncertainty or controversy regarding the U.S. government's statutory debt ceiling may impact the U.S. long-term sovereign credit rating and may cause market uncertainty. As a result, many of the above risks may be increased. Continuing market problems may have adverse effects on a client's portfolio.

Disciplinary Information

There are no legal or disciplinary events that relate to BPIA 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 with the SEC as a broker-dealer under the Exchange Act and as an investment adviser under the Advisers Act. Baird

is also affiliated with certain investment advisors and investment products that are identified below, including certain mutual funds, ETFs and private equity funds. Certain management persons of Baird may invest in those funds.

Baird's Broker-Dealer Activities

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

Certain management persons of BPIA 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's Other Investment Management Activities

Baird and its Financial Advisors may, from time to time refer clients to BPIA or to Baird Advisors or Baird Investment Management ("BIM"), 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 Investment Advisors

Baird is affiliated, and may be deemed to be under common control, with BKG by virtue of their common indirect ownership by BFG.

BKG also provides research to clients. BKG has agreed to provide research to Baird's Institutional Equity Services Department ("IES") Department. Baird's IES Department, in turn, distributes research to certain of its institutional clients. BKG receives a fee from Baird for providing that research. Additional information about BKG is available BKG's Form ADV Part 2A Brochure.

Baird is affiliated, and may be deemed to be under common control, with Riverfront Investment Group, LLC ("Riverfront") by virtue of their common indirect ownership by BFG. Additional information about Riverfront is

available in Riverfront's Form ADV Part 2A Brochure.

Affiliated Mutual Funds and ETFs

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"). BKG is the investment sub-adviser for a Baird Equity Fund. As compensation for those services, Baird and BKG receive fees from each Baird Fund, which fees are disclosed in each Fund's prospectus and statement of additional information available at www.bairdfunds.com.

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

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

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

Affiliated Private Equity Funds

Baird is also engaged in a private equity business through Baird Capital ("Baird Capital"), Baird's global private equity group. Certain departments of Baird, other than BPIA, 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 Venture Partners Management Company IV, LLC ("BVP IV"); Baird Capital Partners Management Company III, LLC ("BCP III"); Baird Capital Partners Management Company IV, LLC ("BCP IV"); Baird Capital Partners Management Company V, LLC ("BCP V"); Baird Asia Partners Management Company I, LLC ("BAP I"); Baird Capital Partners Asia Management I Limited Partnership ("BCPA I"); and Baird Capital Partners Europe Limited. BVP I, BVP III, and BVP IV 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. BVP IV is the general partner of three limited partnerships and is an investment adviser registered with the SEC. BCP III, BCP IV and BCP V 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 Conduct Authority and is the manager of certain partnerships formed to

acquire businesses and make investments across a range of industry sectors.

Other Financial Industry Activities

Baird has business relationships with investment managers separate and apart from BPIA. 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 compensation is not paid to BPIA or its associates.

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 BPIA associates, 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, BPIA 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.

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 these

potential conflicts through disclosure in this Brochure and by adopting internal policies and procedures for Baird and its associates that require them to provide investment advice that is appropriate 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 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. See "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Code of Ethics" above.

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. 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 associates 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 associates 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. BPIA addresses this potential conflict through disclosure in this Brochure. Further, 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 Clients 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.

Certain client accounts 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.

BPIA and Baird address these conflicts through disclosure in this Brochure. In addition, Baird has adopted internal policies and procedures for BPIA and Baird that require them to provide investment advice that is appropriate 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 BPIA or Baird may recommend to clients, and may buy and sell for client's accounts, securities in which Baird and its affiliates and associates have a material financial interest. For more information, please see "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 or regulation.

Brokerage Practices

Broker-Dealer Selection

BPIA will select the broker-dealers that will execute trade orders for a client's accounts, unless the client has provided instructions to BPIA to the contrary. As an investment adviser, BPIA has an obligation to seek "best execution" of client trade orders. "Best execution" means that BPIA must place client trade orders with those broker-dealers that BPIA believes 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. 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. It is important to note that BPIA's best execution obligation does not require BPIA to solicit competitive bids for each transaction or to seek the lowest available cost of trade orders, so long as BPIA reasonably believes that the broker-dealer selected can be reasonably expected to provide clients with the best qualitative execution under the circumstances.

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.

Trade Aggregation, Allocation and Rotation Practices

In order to seek best execution for clients, BPIA 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 BPIA 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 BPIA 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.

BPIA generally aggregates buy and sell orders when executing trades for client accounts under its discretionary management 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.

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. In addition, a client's transaction costs may vary depending upon, among other things, the type of security bought or sold, and the commission or

markup or markdown charged by the executing broker-dealer.

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, BPIA 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. 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 client accounts.

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 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 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.

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

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 directs BPIA to use a particular broker-dealer for execution of the client's trade orders (a "directed brokerage arrangement"), and BPIA agrees to the arrangement, a client should understand that BPIA 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 BPIA's 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 BPIA generally will not aggregate the client's directed brokerage trade orders with orders for other BPIA 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 BPIA may obtain for its other clients. A client should further note that BPIA generally will not include such client trade orders in its trade rotation process and that BPIA will generally place the client's trade orders with the directed broker-dealer after BPIA completes its trading for other BPIA client accounts. The client's trade orders will significantly bear the market price impact, if any, of those trades executed earlier in BPIA's rotation. As a result, the client may receive a less favorable net price for the trade.

If BPIA aggregates a client's directed brokerage trade orders with trade orders for other BPIA clients, BPIA may employ the use of "step-outs" to satisfy the client's directed brokerage arrangement. A "step-out" occurs when an executing broker executes the trade and then "steps out" the trade to a clearing broker (which would be the directed broker-dealer in a directed brokerage arrangement) that confirms and settles the trade. In such a case, a client will bear the costs of any commissions, markups or markdowns imposed by the executing broker-dealer in addition to the costs of any commissions, markups or markdowns imposed by the directed broker-dealer. As a result, a directed brokerage arrangement may be more costly to a client, as it may result in the client paying higher commissions, markups, markdowns and greater

bid/offer spreads, or receiving a less favorable net price.

If a client directs BPIA to use a particular broker-dealer, and if the particular 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 that 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, a client should carefully consider the possible costs or disadvantages of directed brokerage arrangements.

Cross Trading Involving 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. Baird has adopted internal policies and procedures that require BPIA 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 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 BPIA 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 BPIA or Baird associate.

BPIA 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.

Review of Accounts

BPIA's portfolio management team reviews BPIA 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 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 the operation of a portfolio. The securities included in a client's account generally do not exactly 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.

BPIA and Baird and Baird's affiliates and associates may receive certain economic benefits in connection with providing advisory services to clients, which are described in the sections entitled "Other Financial Industry Activities and

Affiliations", "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" and "Brokerage Practices" above.

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 and the amount of securities purchased or sold. 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 without consulting the client.

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 the client's account to realize taxable gains or losses, which could be significant. 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.

BPIA may use the discretionary authority granted to it by a client to invest the client's accounts 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 investment management 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 ("affiliated investment products"). The amount of fees received by Baird and/or its affiliates is described in the prospectus or other offering documents for the investment product. BPIA will use its discretionary authority to invest the client's account in affiliated investment products when BPIA determines it to be in the client's best interest to do so. The criteria used by BPIA 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.

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, which 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.

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

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 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. At a client's request, BPIA will forward information that BPIA actually receives 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's account is a Retirement Account, each owner, trustee, responsible plan fiduciary, or other fiduciary ("Retirement Account Fiduciary") acting on behalf of the client understands that BPIA 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 BPIA 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, BPIA will waive its advisory fees on that portion of the assets invested in the 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 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 and Retirement Account Fiduciary acting on behalf of the client acknowledge in the client's investment management 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 BPIA's investment strategies, 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 to BPIA. The differential between the fees to be charged by BPIA 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 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 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.