

Baird Private Wealth Management

Brochure

March 19, 2020



Financial Planning Services

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

Material Changes

Robert W. Baird & Co. Incorporated ("Baird") updated the Form ADV Part 2A brochure for its Private Wealth Management Department's Financial Planning Services (the "Brochure") on March 19, 2020. The following summary discusses the material changes that Baird has made to the Brochure since March 22, 2019, the date of the last annual update to the Brochure.

- Baird's parent company has completed its acquisition of J.J.B. Hilliard, W.L. Lyons, LLC ("Hilliard Lyons"), a financial services firm that is registered with the SEC as an investment adviser and broker dealer, and Hilliard Lyons Trust ("HLT"), a Kentucky-chartered trust company. ***The operations of Hilliard Lyons were merged into Baird on October 19, 2019. Hilliard Lyons has ceased operations as a separate company and Baird has assumed the operations of Hilliard Lyons. HLT continues to operate as a separate entity affiliated with Baird.*** As a result, Baird is affiliated, and under common control, with HLT, by virtue of their common indirect ownership.
- Baird updated information about Baird's regulatory assets under management. See the Section of the Brochure entitled "Advisory Business—Robert W. Baird & Co. Incorporated" for more information.
- Baird has updated information about how it benefits from Advisory Fees, how Baird Financial Advisors are compensated and related conflicts of interest. See the Section of the Brochure entitled "Fees and Compensation—Advisory Fee—Advisory Fee Payments to Baird and Baird Financial Advisors" for more information.
- In June 2019, Baird, without admitting or denying the findings, consented to the sanctions and to the entry of findings of FINRA that between late April 2013 and early July 2013 it published research reports about an issuer without disclosing that the research analyst who authored the reports was engaged in employment discussions with the issuer that constituted an actual, material conflict of interest and that the failure to disclose the research analyst's employment discussions with the issuer in the research reports made those reports misleading. Baird was censured and fined \$150,000.
- Baird updated information about Baird's affiliates. See the Section of the Brochure entitled "Other Financial Industry Activities and Affiliations" for more information.
- Baird updated information about the compensation that Baird and Baird Financial Advisors receive related to trust services referral arrangements and Baird's Securities Based Lending Program, third party payments that Baird and Baird Financial Advisors receive, and other conflicts of interest. See the Section of the Brochure entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions" for more specific information.
- Baird changed the terms of its Cash Sweep Program. The Cash Sweep Program provides clients the opportunity to earn income on available cash balances held in their Accounts. Baird's Cash Sweep Program consists of two features whereby, with some exceptions, cash in a client's Accounts will be automatically deposited or swept in an account maintained at one or more participating banks (the "Bank Sweep Feature"), until the client's aggregate cash balances in deposit accounts at the banks reach the applicable aggregate FDIC insurance limit, with any excess cash automatically invested in shares of one or more money market mutual funds Baird makes available in the program (the "Money Market Fund Feature"). In addition to the asset-based Advisory Fee paid by the client on the assets swept or invested in the Cash Sweep Program, Baird receives compensation from each bank or money market fund on those same assets for certain administrative, accounting and other services that Baird provides to the bank or money market fund and for maintaining the Cash Sweep Program and making it available to clients. As a result, Baird receives two layers of fees on client assets swept or invested in the Cash Sweep Program: the Advisory Fee, which compensates Baird for the investment advice, trading and custody services provided to clients related to those assets, and the compensation paid by the banks or money market funds related to those assets, which compensates Baird for the services it provides to the banks and funds and for Baird's efforts in maintaining the Cash Sweep Program. The compensation that Baird receives from the Cash Sweep Program gives it a financial incentive to recommend that clients sweep or invest cash balances through the Cash Sweep Program. A client should understand that the Cash Sweep Program is an ancillary account service and it is not an, nor is it part of any, investment advisory service. Baird does not act as investment adviser or a fiduciary to a client in connection with the Cash Sweep Program. However, a client should note that the amount of a client's Advisory Account dedicated to cash and cash equivalents is part of the overall investment allocation advice provided to the client and thus the amount of such cash and cash equivalents included in the calculation of the Advisory Fee for the client's Account. Clients should have already received more specific information about the changes to the Cash Sweep Program. A complete description of the modified Cash Sweep Program is available on Baird's website at www.rwbaird.com/cashsweeps.



A client should note that the foregoing summary only discusses material changes made to the Brochure since March 22, 2019. The updated Brochure contains changes that are not listed above.

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Advisory Business

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

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

Robert W. Baird & Co. Incorporated

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

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

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

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

As of December 31, 2019, Baird had approximately \$188.2526 billion in regulatory assets under management, approximately \$138.5221 billion of which was managed on a discretionary basis and approximately \$49.7305 billion of which was managed on a non-discretionary basis.

The Client-Baird Fiduciary Relationship

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

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

Description of Services

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

The Services are non-discretionary in nature and a client retains full discretionary authority to manage the client's assets. The Services may be provided on an individual, one-time basis ("Individual Planning Services") or may be provided on an ongoing basis ("Ongoing Planning Services"), depending upon the selection made by the client. Certain Baird Financial Advisors may also provide financial analyses and related financial consulting services in connection with a divorce.

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

Financial Planning Services

Individual Planning Services

Baird offers to clients Individual Planning Services, pursuant to which Baird prepares and delivers to the

client one financial plan (a "Plan") each time the client engages Baird to provide such Services.

If the client wishes to obtain Individual Planning Services from Baird, the client will need to define his or her financial goals, needs and objectives and gather and provide relevant information to Baird. A client will typically complete a financial planning questionnaire to help define the client's financial goals, needs and objectives and provide relevant information to Baird. Upon request, a Baird Financial Adviser or other Baird representative may provide assistance with the questionnaire. A client will also enter into a financial planning agreement (an "Agreement") with Baird that identifies the specific Services being provided.

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

- the equity securities asset category, which is comprised of certain asset classes, such as, equity securities issued by: U.S. large cap growth companies; U.S. large cap value companies; U.S. large cap core companies; U.S. mid cap growth companies; U.S. mid cap value companies; U.S. mid cap core companies; U.S. small cap growth companies; U.S. small cap value companies; U.S. small cap core companies; foreign companies located in developed markets; foreign companies located in emerging markets; U.S. real estate investment trusts ("REITs"); and foreign REITs;
- the fixed income securities asset category, which is comprised of certain asset classes, such as: short-term taxable bonds; intermediate term taxable bonds; long-term taxable bonds; short-term tax-exempt bonds; intermediate term tax-exempt bonds; long-term tax-exempt bonds; high yield fixed income securities; foreign fixed income securities; and broad fixed income securities;
- the non-traditional assets category, which is comprised of certain asset classes, such as: commodities and commodity-linked instruments; and currencies and currency-linked instruments;

- the alternative investment products category which is comprised of certain asset classes, such as: hedge funds, private equity funds; and managed futures; and
- cash.

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

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

If requested by a client and agreed to by Baird, the Plan may include insurance planning. An Insurance Needs Analysis may assess client needs for life insurance, long-term care insurance and disability insurance. It may also provide information about the costs of obtaining insurance coverage.

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

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

A Baird Financial Advisor may assist the client in implementing the Plan under a separate arrangement; however, the client is not obligated to implement the Plan through Baird. Clients may utilize a financial advisor of their choice and may choose to implement only a portion of the recommendations included in the Plan.

A client selecting Individual Planning Services should note that Baird only prepares and delivers one Plan to the client, Baird's engagement and the Agreement to provide Individual Planning Services ends once the Plan is delivered to the client and that, after a client has received the Plan, Baird undertakes no obligation to implement the actions recommended in the Plan, to review or monitor a client's investments, other assets,

financial position or returns, or to update or modify the Plan, unless the client Baird enters into another Agreement with Baird.

A Plan is effective as of the date indicated thereon. Any changes to a client's financial and personal position and needs will affect the analyses, information and recommendations made in a Plan. Financial planning is an ongoing process and a client should regularly consider whether financial and personal changes warrant a re-evaluation of the Plan and whether the client should engage Baird to update the Plan.

Ongoing Planning Services

As an alternative to the Individual Planning Services described above, Baird also offers Ongoing Planning Services. The Ongoing Planning Services made available to clients may include: a discovery process, general financial planning and budget review, preparation and delivery of a Plan described more fully above (which may include reviewing and updating a Plan), goal setting and action planning (which may include goals and strategies for debt reduction or savings for education or other funding needs), goal progress meetings, investment and asset allocation review and retirement funding review.

In order to obtain Ongoing Planning Services, a client will need to enter into an Agreement with Baird. The Agreement will set forth the specific Services to be provided. Generally, each Service selected by a client will be provided once annually unless the client's Agreement provides otherwise.

Divorce Financial Analyst and Consulting Services

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

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

Baird's analyses and reports are effective as of the dates indicated thereon or, if not so indicated, on the dates they are delivered to the client or the client's attorney. After providing the analyses and other services requested, Baird undertakes no obligation to review or update them.

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

Other Important Service Information

A client should note that the Services do not include the analysis or recommendation of specific securities or other investments or the implementation of investment strategies, although those services may be provided by Baird and/or a Baird Financial Advisor under a separate agreement with Baird. The Services only offer a client a recommendation as to the allocation of the client's investment portfolio among various asset classes generally, which may include recommendations regarding allocations to complex investment products or alternative investment asset classes.

The Services are based upon certain hypothetical assumptions about future events. Some of these hypothetical assumptions include, without limitation, hypothetical assumptions about future: rates of inflation, interest rates, rates of return, levels of asset appreciation, dividend rates, growth rates, a client's income and expenditure amounts, and a client's taxes, tax rates, and tax filing status. These hypothetical assumptions vary by client and market and other conditions existing at the time the Services are provided. For more specific information about the particular hypothetical assumptions made when providing the Services, a client should refer to the written Plan or other documentation provided to the client or ask the client's Financial Advisor.

The Services will also reflect Baird's and/or the client's Financial Advisor's analysis of different asset classes and the different levels of risk associated with each asset class. That analysis typically involves the consideration

of past performance of an asset class and the use of forward looking projections that are based upon certain assumptions about how markets will perform in the future.

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

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

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

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

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

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

the Plan or other recommendations made pursuant to the Services presents a conflict of interest.

Legal and Tax Considerations

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

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

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

Additional laws, regulations and other conditions apply to retirement accounts, which include employee pension benefit plan accounts that are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and individual retirement accounts ("IRAs") that are subject to the Internal Revenue Code of 1986, as amended ("IRC") (collectively, "Retirement Accounts"). Each owner, trustee, named fiduciary, responsible plan fiduciary, or other fiduciary acting on behalf of a Retirement Account ("Retirement Account Fiduciary") should understand that Baird and its associates do not provide legal advice regarding Retirement Accounts. A Retirement Account Fiduciary is urged to consult with his or her own legal advisor about the laws and regulations that may apply to Retirement Accounts.

Fees and Compensation

Advisory Fee

Financial Planning

Plans and other Services are provided for a fee. The fees for the Services are negotiated between the Baird Financial Advisor and the client. Generally, the fees are based upon the specific Services provided by Baird to the client. A wide range of Services is available, and the client selects the combination of Services that best fits his or her goals and objectives. The fees for the Services vary based upon a number of factors, including

the complexity of the client's Plan, if any, the other Services to be provided, if any, and the frequency and level of interaction that the client's Baird Financial Advisor has with the client's other professional consultants, including, among others, Certified Public Accountants ("CPAs"), trust department personnel, and legal professionals. Fees may vary from client to client based on a number of factors, including, but not limited to, the factors described above. Baird may waive all fees for Services in its sole discretion.

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

The Ongoing Planning Services are typically provided under a flat fee arrangement, although other arrangements may be available in certain circumstances. The flat fee for Ongoing Planning Services generally ranges from \$125 to \$10,000 annually, but may be higher depending upon the particular Services requested. The Ongoing Planning Services are typically billed and paid quarterly out of an account held by the client at Baird.

The client may also negotiate fees based upon the number hours it takes to complete a Plan. The hourly rate is negotiated by each individual client and the rate varies widely, depending upon the complexity of the Plan and the persons providing the services.

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

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

Divorce Financial Analytical Services

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

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

As an alternative to the flat fee, or in addition to the flat fee, Baird may provide services at an hourly rate. The hourly rate will be reflected in the agreement signed by the client. The hourly rate may vary depending on the nature of the service provided. Normally, the hourly rate will be higher for any testimony, analyses and reports that Baird provides in the divorce proceeding. For clients paying an hourly rate, Baird may require a retainer (in an amount agreed to by the client) against which the hourly rate and out of pocket expenses will be applied. Baird will keep track of the time spent on the services provided in 0.25 hour increments, and provide an invoice each month showing the amount of time spent on the services provided and if, applicable, the amounts charged against the retainer and the remaining retainer balance. If the retainer amount is exhausted, Baird may require that an additional retainer be provided to cover the cost of anticipated additional services. Any part of the retainer that is not used shall be promptly refunded following completion of the services provided or earlier termination of the relationship; provided, however, a minimum fee of \$500 will be charged in all cases.

Since Baird began providing these Services, it has had other fee ranges and schedules in effect, which may provide fees lower or higher, as the case may be, than those described above. As new fees are put into effect, they are made applicable only to new clients, and fees for existing clients are not affected. Therefore, some clients may pay different fees than those shown above.

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

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

Advisory Fee Payments to Baird and Baird Financial Advisors

Baird and its associates benefit from the Advisory Fees and charges clients pay for the services described in this Brochure.

Baird retains the entire Advisory Fee paid by clients.

A Baird Financial Advisor is primarily compensated on a monthly basis based upon a percentage of the Financial Advisor's total production each month, which primarily consists of the total advisory fees and transaction-based fees paid to Baird by the Financial Advisor's customers and clients and any other fees Baird earns on advisory and brokerage accounts held by those customers and clients, including trail fees paid by third parties. The percentage of the Financial Advisor's total production paid to the Financial Advisor is tiered and will increase as the total amount of the Financial Advisor's production increases, meaning that, as the total amount of the Financial Advisor's production increases, the rate of compensation that Baird pays to the Financial Advisor also increases. This means that Financial Advisors have an incentive to generate revenues to increase their total production and move up to the next percentage tier. Baird Financial Advisors generally also receive deferred compensation or bonuses based on various criteria, including net new assets they gather, performing certain wealth management activities, such as financial planning, and their total production levels. Baird Financial Advisors who achieve certain production thresholds are eligible for professional development conferences, business development coaching, reimbursements, awards and recognition trips to attractive destinations. Baird Financial Advisors are also eligible for bonuses for achievement of professional designations depending on a Financial Advisor's total production level. Thus, Baird Financial Advisors have an incentive to generate financial and other plans and charge higher fees for advisory accounts.

Given the structure of their compensation, they also have an incentive to recommend that a client transfer the client's accounts to Baird, establish new accounts with Baird (including IRA rollovers) and add more money into the client's accounts. In addition, most Baird Financial Advisors are shareholders of Baird Financial Group, Inc. ("BFG"), Baird's parent company, and thus benefit financially from Baird's overall success. The number of shares of BFG stock that a Financial Advisor may purchase is based in part on the Financial Advisor's total production level. Baird Financial Advisors generally receive compensation for referrals to certain affiliated managers and products and for referrals to a limited number of other firms. They also generally receive non-

cash compensation and other benefits from Baird and from sponsors of investment products with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars, payment of related travel, lodging and meal expenses, reimbursement for branch and client events, and receipt of gifts and entertainment. Receipt of such compensation and benefits provides Baird Financial Advisors an incentive to favor investment products and their sponsors that provide the greatest levels of compensation and benefits. Baird Financial Advisors generally receive recruitment bonuses and/or special compensation from Baird when they join Baird from another firm that are generally based on amounts of asset gathered or transferred to Baird. The compensation is intended to compensate Baird Financial Advisors for the significant effort involved in transitioning their business and customers and clients from the prior firm. This compensation provides Baird Financial Advisors who have left another firm additional incentive to recommend that customers and clients of the prior firm become customers and clients of Baird. Additional information about referral and non-cash compensation and other financial incentives provided to Baird Financial Advisors is provided under the heading "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions" below.

Baird addresses these 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 suitable for advisory clients (based upon the information provided by such clients).

Other Fees and Expenses

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

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

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

Other Compensation Received by Baird

Baird is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and its Financial Advisors are registered broker-dealer representatives of Baird. In such capacities, Baird and its Financial Advisors provide brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, and other securities, and sales of life insurance policies and annuities. Baird and its Financial Advisors receive compensation based upon the sale of such securities and other investment products, including asset-based sales charges and service fees on the sale of mutual funds. However, Baird and its Financial Advisors only offer asset allocation and similar investment recommendations of a general nature when providing the Services, and they do not recommend any particular investment product in connection with providing the Services. A client has the option to purchase investment products through brokers or agents that are not affiliated with Baird.

Performance-Based Fees and Side-By-Side Management

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

Types of Clients

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

Methods of Analysis, Investment Strategies and Risk of Loss

Baird Financial Advisors and the Department may use various forms of third party research information and related tools to provide the Services. These sources of information and tools may include, among others, external market, economic, financial and investment data and analyses provided by organizations not affiliated with Baird. Baird Financial Advisors and the Department may also use research reports created by Baird. However, it should be noted that the Department and Baird Financial Advisors are not obligated to act in a manner consistent with Baird research reports and they may act in a manner that is contrary to those reports if they deem it to be consistent with the client's

investment objectives and in the client's best interest. They may also employ the use of computers and third party financial planning software to more readily display information, assist with analysis, and make asset allocation recommendations. Although they use information and tools that Baird deems reliable, Baird does not independently verify or guarantee the accuracy of the information or tools used.

Risk is inherent in any investment in securities and Baird does not guarantee any level of return on a client's investments. There is no assurance that a client's investment objectives will be achieved if the client decides to implement a Plan. Baird's recommendations are based in part upon its Capital Market Assumptions. In determining its Capital Market Assumptions, Baird conducts an analysis of different asset classes and the different levels of risk associated with those investments. That analysis involves the consideration of past performance and the use of forward looking projections that are based upon certain assumptions made by Baird about how markets will perform in the future. For more information about Baird's Capital Market Assumptions and any other assumptions used by a client's Financial Advisor, a client should contact the client's Financial Advisor. There can be no guarantee that markets will perform in the manner assumed and the actual performance of markets and a client's investments could differ materially from those assumptions. Clients are encouraged to discuss with their Financial Advisor the risks that apply to them. A client should also review the prospectus or other disclosure document for any security or other investment product in which the client invests, as it will contain important information about the risks associated with investing in such security or other investment product.

Disciplinary Information

In April 2016, Baird, without admitting or denying the findings, consented to the sanctions and findings of FINRA that it violated NASD Conduct Rule 3010, FINRA Rule 3110, and FINRA Rule 2010, by failing to establish and maintain a supervisory system and procedures reasonably designed to ensure that customers who purchased mutual fund shares received the benefit of applicable sales charge waivers. In May 2015, Baird began a review to determine whether Baird had provided available sales charge waivers to eligible customers. Based on this review, in May 2015, Baird self-reported to FINRA that various eligible customers had not received available sales charge waivers. Baird was found to have disadvantaged certain retirement plan and charitable organization customers that were eligible to purchase Class A shares in certain mutual funds without a front-end sales charge. The findings also stated that these customers were instead sold Class A shares with a front-end sales charge or Class B or C shares with higher ongoing fees and the potential application of a contingent deferred sales charge. Baird was censured and required to pay restitution to affected

customers estimated to be approximately \$2.1 million including interest.

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

In September 2016, the SEC announced that Baird, without admitting or denying the findings, consented to the sanctions and findings of the SEC that it violated Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder by failing to adopt and implement adequate policies and procedures to track and disclose trading away practices by certain of the subadvisors participating in Baird's wrap fee programs offered through its Private Wealth Management Department. Through these programs, Baird's advisory clients pay an annual fee in exchange for receiving access to select subadvisors and trading strategies, advice from Baird's financial advisors, and trade execution services through Baird at no additional cost. However, if a subadvisor chooses not to direct the execution of particular equity trades through Baird in order to fulfill its best execution obligation and the executing broker charges a commission or fee, Baird's advisory clients often are charged additional commissions or fees for those transactions, which is often embedded in the price paid or received for the security. This practice is referred to as "trading away" and these types of trades are frequently called "trade aways." Baird was found to have failed to adopt or implement policies and procedures designed to provide specific information to Baird's clients and financial advisors about the costs of trading away. Baird agreed to provide additional disclosure to clients and review and, as necessary, update its policies and procedures. Baird also was ordered to cease and desist committing or causing any violations and any future violations of Section 206(4) of the Advisers Act and Rule 206(4)-7 thereunder and pay a civil money penalty in the amount of \$250,000.

In March 2019, Baird, without admitting or denying the findings, consented to an order of the SEC, which found that it violated Sections 206(2) and 207 of the Advisers

Act for making inadequate disclosures to advisory clients about mutual fund share classes. The order was part of a voluntary self-reporting program initiated by the SEC called the "Share Class Selection Disclosure (or SCSD) Initiative." Under the program, investment advisory firms were offered the opportunity to voluntarily self-report violations of the federal securities laws relating to mutual fund share class selection and related disclosure issues and agree to settlement terms imposed by the SEC, including returning money to affected investment advisory clients. The central issue identified by the SEC was that, in many cases, investment advisory firms bought for or recommended to their investment advisory clients mutual fund share classes that had distribution or service fees (commonly known as 12b-1 fees) paid out of fund assets to the firms when lower-cost share classes were available to those advisory clients, and the investment advisory firms did not adequately disclose their receipt of 12b-1 fees and/or the conflict of interest associated with those 12b-1 paying share classes. Baird and many other firms self-reported under the program and entered into substantially identical orders. By self-reporting and consenting to the order, Baird agreed to a censure and to cease and desist from committing or causing any violations and future violations of Sections 206(2) and 207 of the Advisers Act. Baird also agreed to establish a distribution fund and to deposit into that fund the improperly disclosed 12b-1 fees received by Baird plus prejudgment interest, which will be paid to affected advisory clients. More information about the order is contained in Baird's Form ADV, which is available on the SEC's Investment Advisory Public Disclosure website at <https://www.adviserinfo.sec.gov/IAPD/Default.aspx> or in the SEC's press release about the SCSD Initiative at <https://www.sec.gov/news/press-release/2019-28>.

In June 2019, Baird, without admitting or denying the findings, consented to the sanctions and to the entry of findings of FINRA that between late April 2013 and early July 2013 it published research reports about an issuer without disclosing that the research analyst who authored the reports was engaged in employment discussions with the issuer that constituted an actual, material conflict of interest and that the failure to disclose the research analyst's employment discussions with the issuer in the research reports made those reports misleading. Baird was censured and fined \$150,000.

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, private equity funds and hedge funds. Certain Baird associates and certain management persons of Baird may invest in those funds.

Broker-Dealer Activities

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

Certain Baird Financial Advisors and certain management persons of Baird are registered, or have an application pending to register, as registered representatives and associated persons of Baird to the extent necessary or appropriate to perform their job responsibilities.

Investment Management Activities

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

Certain Affiliations

Affiliated Broker-Dealers

Baird is affiliated, and may be deemed to be under common control, with Strategas Securities, LLC ("Strategas Securities"), which is registered with the SEC as a broker-dealer and investment adviser, by virtue of their common indirect ownership by BFG.

Affiliated Investment Advisors

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

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

Baird is affiliated, and may be deemed to be under common control, with Strategas Asset Management, LLC ("Strategas"), by virtue of their common indirect ownership by BFG.

Baird is affiliated, and may be deemed to be under common control, with J.J.B. Hilliard, W.L. Lyons, LLC ("Hilliard Lyons"), by virtue of their common indirect ownership by BFG.

Affiliated Mutual Funds, ETFs and Investment Companies

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

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

Baird Advisors also serves as investment sub-adviser to two sub-funds of PrivilEdge, a Société d'Investissement à Capital Variable (SICAV) (an investment company with variable capital) organized under the laws of Luxembourg. Baird receives compensation for the services provided to those sub-funds.

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

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

Baird acts as a portfolio consultant for certain UITs that are part of the FT Series, including the DIT Global Portfolio Series, the Dividend Income Trust Series, the Automated Quantitative Analysis (AQA®) Portfolio Series and the AQA® Large-Cap Portfolio Series. Baird also acts as administrator for certain closed-end funds sponsored by Duff & Phelps Investment Management

Co., including DNP Select Income Fund, Inc., Duff & Phelps Utility and Corporate Bond Trust, Inc., and DTF Tax Free Income Fund Inc. Additional information about those investment products, including information relating to the compensation paid to Baird is available in the applicable prospectus and other fund documents.

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 and First Trust Exchange-Traded Fund III. 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.

Strategas acts as investment sub-adviser for the Destinations Large Cap Equity Fund. Strategas Securities acts as a portfolio consultant to, or otherwise has a financial interest in, certain UITs, including the Policy Opportunities Portfolios, part of the Invesco Unit Trusts, and the Strategas Policy Basket Portfolio, part of the Alaia Market Linked Trust. Additional information about those investment products, including information relating to the compensation paid to Strategas and Strategas Securities, is available in the applicable prospectus.

Affiliated Private Funds

CCM acts as investment manager for, and Baird is the general partner or manager of, the Chautauqua International Growth Equity QP Fund, LP, the Chautauqua Global Growth Equity QP Fund, LP and the Chautauqua New World Growth Equity Series (a series of Chautauqua Series Fund, LLC) (the "Chautauqua Private Funds"), and CCM serves as investment sub-adviser to the Multi-Advisor Funds International Fund. Those funds are private pooled investment vehicles that are not required to be registered with the SEC as investment companies.

Affiliated Private Equity Funds

Baird is also engaged in a private equity business through Baird Capital ("Baird Capital"), Baird's global private equity group. Baird and its Financial Advisors may refer clients to Baird Capital. Baird Capital makes venture capital, growth equity and private equity investments primarily in the healthcare, technology and services, and products sectors. Baird, in combination with certain executive officers, may be deemed to control Baird Venture Partners Management Company I, L.L.C. ("BVP I"); Baird Venture Partners Management Company III, LLC ("BVP III"); Baird Venture Partners Management Company IV, LLC ("BVP IV"); Baird Venture Partners Management Company V, LLC ("BVP V"); Baird Capital Partners Management Company V, LLC ("BCP V"); Baird Capital Partners Asia Management I Limited Partnership ("BCPA I"); Baird Capital Global Fund Management I LP ("BCGF I"); and Baird Capital

Partners Europe Limited. BVP I, BVP III, BVP IV and BVP V participate in venture capital opportunities by generally investing in equity securities of early-to-growth stage companies. BVP I is the general partner of one limited partnership 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. BVP V is the general partner of three limited partnerships and is an investment adviser registered with the SEC. BCP V generally invests in equity securities of growing lower-middle market companies issued in management buyouts, recapitalizations, industry consolidations and growth equity transactions. BCP V is the general partner of three side-by-side limited partnerships 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. BCGF I generally makes buyout and growth equity investments in lower middle market companies in the U.S., U.K., as well as companies operating in Asia with operations or growth opportunities in China. BCGF I is the general partner of four 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.

In addition, Baird, in combination with certain executive officers, may be deemed to control Baird Principal Group Management Company I, LLC ("BPG I") and Baird Principal Group Management Company II, LLC ("BPG II"). BPG I and BPG II generally co-invest with private equity funds and private equity professionals in transactions in the United States and Europe. BPG I is the general partner of one limited partnership and is an investment adviser registered with the SEC. BPG II is the general partner of one limited partnership and is an investment adviser registered with the SEC. Only Baird employees were permitted to invest in the BPG I limited partnership and BPG II limited partnership.

Affiliated Hedge Funds

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

Other Affiliated Financial Services Firms

Baird is affiliated, and may be deemed to be under common control, with Hilliard Lyons Trust ("HLT"), a Kentucky-chartered trust company, by virtue of their common indirect ownership by BFG.

Baird Financial Advisors who refer clients to HLT generally receive referral compensation based upon the compensation received by HLT. The amount of the referral compensation may be up to 25% of the on-going fees that clients pay to HLT. The referral compensation paid to Baird Financial Advisors does not increase the fees that clients pay to HLT. *Baird Financial Advisors thus have a financial incentive to favor HLT over other trust companies.*

Baird is affiliated with, and may be deemed to control, bFinance UK Limited ("bFinance") and bFinance's related companies by virtue of Baird's indirect control over those entities. bFinance is a financial services firm located in the United Kingdom and regulated by the Financial Conduct Authority.

Other Financial Industry Activities

Baird has business relationships with many investment managers. Other investment management firms may select Baird, in its capacity as a broker-dealer, to execute portfolio trades for their clients, including for mutual funds or money market funds they advise. Investment management firms may also select Baird to provide custody, research or other services. Baird receives compensation for those services. This may create an incentive for Baird to favor the services of such investment management firms or their products, including the mutual funds or money market funds advised by such investment management firms. However, Baird is a fiduciary that is required to act in the best interest of advisory clients when selecting or recommending investment management firms or their investment products to such clients. Baird addresses this potential conflict through disclosure in this Brochure. In addition, investment management firms are, absent client direction to the contrary, obligated at all times to retain the broker or dealer providing the client best execution. In addition, mutual fund companies are prohibited from considering Baird's efforts in marketing and selling their funds when selecting Baird for executing portfolio trades for the funds. To learn more about how a mutual fund company selects brokerage firms for trade execution, a client should consult the fund's statement of additional information, available from each fund.

Certain Baird associates from time to time may provide clients with tax return preparation, bill pay or related services. In some instances, the fee for those services may be bundled with advisory fees. A client should understand that the provision of such services is separate from, and not related to, the advisory services offered under this Brochure and will be governed by an

agreement separate from the client's advisory agreement with Baird. *A client should understand that Baird and its associates do not act as investment adviser or fiduciary to the client when providing tax return preparation, bill pay or related services to the client.*

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

Code of Ethics

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

To address the potential for conflicts of interest, Baird has adopted a Code of Ethics (the "Code") that applies to its associates that provide investment advisory services to clients, including Baird Financial Advisors, their supervisors, and certain associates who have access to non-public information relating to advisory client accounts ("Access Persons"). The Code prohibits Access Persons from using knowledge about advisory client account transactions to profit personally, directly, or indirectly, by trading in his or her personal accounts. The Code also generally prohibits Access Persons from executing a security transaction for their personal accounts during a blackout period one business day before or after the date that a client transaction in that same security is executed. The Code provides for certain exceptions deemed appropriate by Baird management or by Baird's Compliance Department. In addition, orders for the accounts of Access Persons and other Baird associates that are under discretionary management by Baird may be aggregated with orders for other Baird client accounts, so long as the order is executed as part of a block transaction with client orders. A copy of the Code is available to clients or prospective clients upon request.

Baird has also implemented certain policies and procedures relating to Baird's and its associates' trading activities that are designed to prevent them from improperly benefiting from the trading activities of Baird's advisory clients. In addition, Baird's Compliance Department monitors the personal trading activities of all of Baird's associates providing advisory-related services to clients.

Participation or Interest in Client Transactions

Cash Sweep Program

Baird maintains a Cash Sweep Program that is intended for clients who want to earn interest and receive FDIC insurance protection on their cash over short periods of time while awaiting investment. If a client participates in Baird's Cash Sweep Program, uninvested cash in the client's Accounts will be automatically deposited or swept into one or more FDIC-insured deposit accounts at participating banks (the "Bank Sweep Feature") or, under certain conditions, will be automatically invested in shares of a money market mutual fund that Baird makes available in the program (the "Money Market Fund Feature"), subject to the terms and conditions of the program. By using multiple participating banks as opposed to a single bank, the Bank Sweep Feature seeks to provide FDIC insurance protection for client cash balances of up to an aggregate deposit limit determined under the program. Each deposit account at a bank constitutes a direct obligation of the bank and is not directly or indirectly an obligation of Baird.

Any aggregate cash balances held by a client in excess of the applicable aggregate deposit limit are automatically invested in shares of a money market mutual fund that Baird makes available in the Money Market Fund feature of the program. Cash held in employee benefit plan accounts, employee health and welfare plan accounts, and SEP and SIMPLE IRAs will be automatically invested or swept into a money market mutual fund that Baird makes available under the Money Market Fund Feature of the program. In addition, clients with aggregate cash balances of \$5 million or more across all of their Baird accounts within the same household are eligible to have all or any portion of their cash balances automatically swept into a money market mutual fund that Baird makes available under the Money Market Fund Feature of the program.

Baird receives compensation for the administrative, accounting and other services that Baird provides under the program, which is paid out of the aggregate interest that is paid by the participating banks on the aggregate client balances in the deposit accounts participating in the Bank Sweep Feature. Baird's annual rate of compensation may be up to 2.00% of the aggregate client balances. Baird also receives an annual rate of compensation of up to 0.50% of the aggregate balances automatically invested into money market mutual funds under the Money Market Fund Feature. A client should note that the client will be charged the Advisory Fee on the value of all of the assets in the client's advisory Accounts, including cash that is swept into a bank deposit account or invested into a money market mutual fund under the Cash Sweep Program. As a result, Baird receives two layers of fees on a client's assets swept or invested in the Cash Sweep Program: the Advisory Fee, which compensates Baird for the investment advice, trading and custody services provided to the client related to those assets, and the compensation paid by the banks or money market funds related to those

assets, which compensates Baird for the services it provides to the banks and funds and for Baird's efforts in maintaining the Cash Sweep Program. The compensation that Baird receives from the Cash Sweep Program gives it a financial incentive to recommend that clients participate in the Cash Sweep Program and maintain high levels of uninvested cash balances in their Accounts.

As an alternative to the Cash Sweep Program, Baird makes available other money market mutual funds and other cash alternatives in which a client may invest, often at a higher yield, although these investments do not have an automatic sweep feature. In addition, instead of maintaining cash balances in an advisory Account, a client has the option to maintain such cash balances in a brokerage account that is not subject to an asset-based fee.

A client should understand that the Cash Sweep Program is an ancillary account service and it is not an, nor is it part of any, investment advisory service. Baird does not act as investment adviser or a fiduciary to a client in connection with the Cash Sweep Program. More detailed information about the Cash Sweep Program and the compensation Baird receives is available on Baird's website at www.rwbaird.com/cashsweeps.

Trust Services Arrangements

Baird maintains an alliance with certain institutions, including Comerica Bank & Trust, National Association, that provide trust services, including trust administration, custody, tax reporting and recordkeeping. Baird Financial Advisors at times refer clients seeking trust services to institutions that are members of the alliance. Baird is generally compensated by institutions that are members of the alliance for the marketing support or other services that Baird provides. Such annual compensation generally will not exceed 10% of the annual trust service fees received by the institution. This provides Baird and Baird Financial Advisors a financial incentive to recommend firms that pay Baird such compensation. In addition, as described above, Baird Financial Advisors who refer clients to HLT generally receive referral compensation which may be up to 25% of the on-going fees that a client pays to HLT. The referral compensation paid to Baird Financial Advisors does not increase the fees that clients pay to HLT. Baird Financial Advisors thus have a financial incentive to favor HLT over other trust companies.

A client should understand that any such referral for trust services made by Baird and its Financial Advisors is an ancillary account service and it is not an, nor is it part of any, investment advisory service. They do not act as investment adviser or a fiduciary to the client when making such a referral and they will not provide advice on or oversee any such trust services arrangement.

Securities Based Lending Program

Baird offers clients an opportunity to borrow money from a third party bank, including Tristate Capital Bank, under Baird's Securities Based Lending Program. These loans, if made, can be used for any personal or business purpose other than to purchase, carry or trade securities, or to repay margin debt. These loans are secured by the investments and other assets in client's Baird accounts. A client will pay interest on the outstanding balance of the client's loan. Baird receives an ongoing administrative fee from the bank, with annual rates generally ranging from 0.50% to 2.50% of outstanding balances under a client's loan, which is paid by the bank out of the interest the client pays to the bank. Baird Financial Advisors receive an ongoing referral fee at the annual rate of 0.25% on the outstanding balance of a client's loan, which is paid out of Baird's administrative fee. Because Baird receives an administrative fee and a client's Baird Financial Advisor receives a referral fee if the client obtains a loan from a third party bank under Baird's Securities Based Lending Program, Baird and the client's Financial Advisor have an incentive to recommend that a client obtain loans under that program. Baird and a client's Baird Financial Advisor will continue to receive compensation on assets held in the client's accounts that are collateral for such loans, including advisory fees on such assets if those assets are in the client's account. As a result, Baird and a client's Baird Financial Advisor have a financial incentive to recommend that a client obtain a loan under the program to provide for the client's needs instead of liquidating assets in the client's accounts because a decline in the amounts the client has in the client's accounts will result in lower revenues to Baird and compensation paid to the client's Baird Financial Advisor.

A client should understand that any referral made by Baird and its Financial Advisors under the Securities Based Lending Program is an ancillary account service and it is not an, nor is it part of any, investment advisory service. They do not act as investment adviser or a fiduciary to the client when making such a referral and they will not provide advice on or oversee any such lending arrangement.

Other Conflicts of Interest

Asset-based advisory fee arrangements create an incentive for Baird and Baird Financial Advisors to set the applicable fee rate at a high level and to encourage clients to add more money into their accounts.

Baird and Baird Financial Advisors generally have a financial incentive to recommend investment advisory accounts to clients rather than brokerage accounts because advisory fee revenue is recurring, more predictable and typically greater than the revenues Baird earns, and the compensation Baird Financial Advisors receive, from brokerage accounts. In addition, because advisory fees are paid by a client regardless of

the trade activity in the client's advisory account, Baird will receive greater revenue, and the client's Baird Financial Advisor will receive greater compensation, from a low trade-activity advisory account than from a low trade-activity brokerage account. Baird and Baird Financial Advisors thus have an incentive to recommend an investment advisory account to a client rather than a brokerage account if the client has, or is expected to have, lower levels of trading activity in the client's account. However, because Baird's revenues and the compensation paid to Baird Financial Advisors from brokerage accounts increase as the level of trading increases, Baird and Baird Financial Advisors have an incentive to recommend a brokerage account to a client rather than an investment advisory account if the client has, or is expected to have, significant trading activity in the client's account.

Baird also periodically provides special incentives to Baird Financial Advisors to recommend advisory products and services to clients and to recommend that clients put more assets into their accounts.

Baird and a client's Baird Financial Advisor have an incentive to recommend that the client transfer the client's accounts to Baird and establish new accounts with Baird (including IRA rollovers) because doing so will result in increased revenues to Baird and compensation for the Baird Financial Advisor.

Baird and Baird Financial Advisors have an incentive to recommend that a client open different types of accounts with Baird, such as individual accounts, IRA rollovers, joint accounts, 529 plan accounts and UGMA/UTMA accounts, because if a client has different types of accounts with Baird, the client brings more of the client's investable assets to Baird, on which fees can be generated, thereby increasing Baird's revenues and the client's Baird Financial Advisor's compensation. Also, if a client has more account types with Baird, the client is statistically more likely to maintain the client's relationship with Baird and the client's Baird Financial Advisor for longer periods of time.

Most Baird Financial Advisors own common stock of BFG, Baird's ultimate parent, and when offered the opportunity to buy BFG stock they usually do so. The amount of BFG stock that a Financial Advisor may purchase is based in part on the Financial Advisor's total production level. A client's Baird Financial Advisor thus has an incentive to make recommendations that increase the Financial Advisor's total production on the client's accounts with Baird. Moreover, revenues from Baird's PWM department, in which Baird Financial Advisors operate, contribute substantially to BFG's overall revenues and profitability, and the performance of BFG's stock price is largely due to the profitability of Baird's PWM department. As a result, a client's Baird Financial Advisor's ownership of BFG stock creates a financial incentive to make recommendations to the client that increase the amount of revenues generated

from the client's accounts with Baird, even if those recommendations will not increase the Baird Financial Advisor's production, so as to increase the revenues and profitability of Baird's PWM department and thus of BFG, which will serve to grow the value of the BFG stock. For example, ownership of BFG stock provides a client's Baird Financial Advisor an incentive to recommend affiliated products to a client even though such recommendation does not increase the client's Baird Financial Advisor's production.

Certain client accounts managed by Baird and Baird Financial Advisors may have similar investment objectives and strategies but may be subject to different fee schedules or commission rates. Thus, Baird and its Financial Advisors have an incentive to favor client accounts that generate a higher level of compensation.

From time to time, Baird may have proprietary investments in companies or issuers whose securities are offered and sold to clients, a Baird Financial Advisor or another Baird associate may have significant investments in companies or issuers whose securities are offered and sold to clients, or a Baird Financial Advisor or another other Baird associate (or their spouses, partners or family members) may have a position as an officer or director of a company or issuer whose securities are offered and sold to clients. In such cases, Baird and/or a client's Baird Financial Advisor will have an incentive to recommend that the client invest in those companies.

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

Other sections of this Brochure also describe instances when Baird and its Financial Advisors may recommend to clients securities in which Baird and its affiliates and associates have a material financial interest or practices that present a conflict of interest. For more information, please see "Fees and Compensation—Advisory Fee Payments to Baird and Baird Financial Advisors" and "Other Financial Industry Activities and Affiliations" above, and "Client Referrals and Other Compensation" below.

Addressing Conflicts

In addition to the measures described above, Baird addresses these conflicts through disclosure in this Brochure. In addition, Baird has adopted internal policies and procedures for Baird and its associates that

require them to provide investment advice that is suitable for advisory clients (based upon the information provided by such clients).

Brokerage Practices

The Services provided under this Brochure only include services related to the creation of a Plan. The Services do not include the implementation of the Plan or the solicitation or execution of specific securities transactions. As a result, Baird does not recommend or select broker-dealers to effect transactions for client accounts as part of the Services. However, some clients elect to participate in other advisory programs or services provided by Baird to implement a financial plan. Under those circumstances, Baird may select broker-dealers. A client should consult with the client's Financial Advisor or review the Form ADV Part 2A Brochure for the other advisory program or service for more information.

Review of Accounts

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

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

Client Referrals and Other Compensation

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

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

Custody

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

If a client opens an Account with Baird, Baird will act as the custodian of the client's assets in the Account and will provide certain custody services, including holding the client's Account assets, crediting contributions and interest and dividends received on securities held in a client's Account, and making or "debiting" distributions from the Account. Information about account statements and performance reports, if any, that Baird provides to clients is contained under the heading "Review of Accounts" above.

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

Baird may utilize one or more subcustodians to provide for the custody of a client's assets in certain circumstances. For instance, Baird utilizes subcustodians to maintain custody of certain client securities that are traded on foreign exchanges.

As described above, Baird maintains a Cash Sweep Program that is intended for clients who want to earn interest and receive FDIC insurance protection on their cash over short periods of time while awaiting investment. If a client participates in Baird's Cash Sweep Program, uninvested cash in the client's Accounts will be automatically deposited or swept into one or more FDIC-insured deposit accounts at participating banks (the Bank Sweep Feature) or, under certain conditions, will be automatically invested in shares of a money market mutual fund that Baird makes available in the program (the Money Market Fund Feature), subject to the terms and conditions of the program. Each deposit account at a bank constitutes a direct obligation of the bank and is not directly or indirectly an obligation of Baird.

Baird generally receives compensation in addition to the client's advisory fee when clients participate in the Cash Sweep Program, which presents a conflict of interest in that such compensation gives Baird an incentive to encourage clients to participate in the Cash Sweep Program and to maintain cash balances in the program. See "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions—Other Interests in Client Transactions—Cash Sweep Program" above for more information.

The Bank Sweep Feature seeks to provide FDIC insurance protection for client cash balances up to an aggregate deposit limit determined under the program. Any deposits, including CDs, that a client maintains, directly or indirectly through an intermediary (such as Baird or another broker), with a bank participating in the Cash Sweep Program in the same capacity with the bank will be aggregated with the client's cash balances deposited with the bank under the Cash Sweep Program for purposes of calculating the \$250,000 FDIC insurance limit. Total deposits exceeding \$250,000 at a bank may not be fully insured by the FDIC. *A client is responsible for monitoring the total amount of other deposits that the client has with a bank outside the Cash Sweep Program in order to determine the extent of deposit insurance coverage available. Baird is not responsible for any insured or uninsured portion of a client's deposits at a bank.* Cash invested in a money market mutual fund under the Money Market Fund Feature is not FDIC insured, but is protected by Securities Investor Protection Corporation (SIPC) coverage up to applicable limits.

Baird in its sole discretion may accept certain clients whose assets are held by another custodian that is acceptable to Baird in its sole discretion (a "third party custodian"). A client who uses a third party custodian to hold Account assets does so at the client's risk. A client should understand that Baird does not monitor, evaluate or review any third party custodian. The client should also understand that the client will pay a custody fee to the third party custodian in addition to the fees the client pays to Baird. Baird may also impose additional fees on Accounts with assets held by a third party custodian due to the increase in resources needed to administer those Accounts. Further, such third party custody arrangements may limit the investments made available to the client and the client may not receive performance review or reporting from Baird. In addition, a client who uses a third party custodian is not eligible for cash sweep services offered by Baird. Clients using a third party custodian are encouraged to establish appropriate cash sweep arrangements.

A client who uses a third party custodian authorizes Baird to give instructions to the client's custodian for all actions necessary or incidental to the purchase, sale, exchange, and delivery of securities held in the client's Account. Also, the client will receive account statements directly from the client's selected custodian. A client should carefully review those account statements and compare them with any statements provided by Baird. A client should note that the prices shown on a client's Account statements provided by the custodian could be different from the prices shown on statements and reports provided by Baird due to a variety of factors, including the use of different valuation sources and accounting methods (e.g., trade or settlement date accounting) by the custodian and Baird.

Investment Discretion

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

Voting Client Securities

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

Financial Information

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