

Baird Private Wealth Management

Brochure

March 24, 2023



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 24, 2023. The following summary discusses the material changes that Baird has made to the Brochure since March 30, 2022, the date of the last annual update to the Brochure.

- Baird updated information about Baird's regulatory assets under management. See the Section of the Brochure entitled "Advisory Business" for more information.
- Baird updated information about its cash sweep program, including information about the current interest rates paid to clients and compensation received by Baird. A client receives interest on cash balances in deposit accounts under the Bank Sweep Feature at tiered rates that are based on the aggregate value of the accounts within the client's household. The applicable client household tier values are: less than \$1 million; at least \$1 million but less than \$2 million; at least \$2 million but less than \$5 million; and \$5 million or more. Current rate information is available at rwbaired.com/cashsweeps. Baird's annual rate of compensation may be up to 3.60% of the aggregate client balances for clients with household account values of less than \$1,000,000, 2.45% for clients with household account values of \$1,000,000 but less than \$2,000,000, 2.00% for clients with household account values of \$2,000,000 but less than \$5,000,000, and 1.75% for clients with household account values of \$5,000,000 or more. In a lower interest rate environment Baird's annual rate of compensation will be less. For individual retirement accounts enrolled in a Program ("IRA Accounts"), Baird's compensation is a monthly per account fee (which is the same regardless of client balances in bank deposit accounts). The per account fee for IRA Accounts is generally paid out of the interest that the banks pay on aggregate client balances in the deposit accounts, and the per account fee varies based on the applicable Fed Funds Target Rate but in no event will it exceed \$19.00 per month. Baird also receives an annual rate of compensation of up to 0.50% of the aggregate client balances automatically invested into money market mutual funds under the Money Market Fund Feature. See the information contained under the heading "Advisory Business—Additional Service Information—Cash Sweep Program" for more information.
- For clients receiving Ongoing Financial Planning Services, effective June 30, 2023, the advisory annuities held in, or linked to, a client's Account that are currently unbillable will become billable, and the value of such advisory annuities will be included in the calculation of the client's Advisory Fee as further described in the client's agreement and Brochure.
- In August 2022, Baird, without admitting or denying the findings, consented to the entry of findings of FINRA, which found that it charged certain brokerage customers an unfair commission when it charged its published minimum commission amount of \$100 on 7,277 retail equity trades and failed to establish and maintain a supervisory system reasonably designed to prevent charging a customer a commission that is unreasonable or unfair in violation of FINRA Rules 3110, 2121, and 2010. Baird also consented to a censure, a fine in the amount of \$150,000, and the payment of restitution of \$266,481 plus interest. The findings related to FINRA's routine examination of Baird in 2020. Following that examination, Baird modified its minimum commission schedule and supervisory procedures. Baird also took steps to make payments to the affected customers, which on average amounted to \$36.62 per trade and \$57.64 per customer. Baird will continue to make efforts to ensure that it charges fair prices and commissions on all securities transactions with its customers.
- Baird updated information about Baird's affiliates. See the Section of the Brochure entitled "Other Financial Industry Activities and Affiliations" for more information.

A client should note that the foregoing summary only discusses material changes made to the Brochure since March 30, 2022. 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 those other investment advisory services and discuss the terms and conditions, fees and costs and potential conflicts of interest associated with those services. This Brochure also references other documents that contain additional important information about Baird. Those documents describe the types of services that Baird offers to clients and certain types of investments it makes available to clients, including the terms, conditions, fees and costs applicable to those services and investments and certain risks and conflicts of interest associated with those services and investments. Those documents are available on Baird's website at bairdwealth.com/retailinvestor. Included on that website is Baird's *Client Relationship Booklet*, which contains Baird's Form CRS *Client Relationship Summary* and Baird's *Client Relationship Details* document. The *Client Relationship Booklet* also contains an important disclosure document for retirement investors that have 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"). A client of Baird should have already received a copy of the *Client Relationship Booklet*. A client or prospective client who wishes to obtain a brochure for another investment advisory service provided by Baird, or a paper copy of any of the other documents referenced in this Brochure, including the *Client Relationship Booklet*, should contact a Baird Financial Advisor or call Baird toll-free at 1-800-792-2473.

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

Robert W. Baird & Co. Incorporated

Baird is privately-held, employee-owned global investment and wealth management 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 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 paid by clients for providing portfolio management services under those wrap fee programs.

As of December 31, 2022, Baird had approximately \$247.7903 billion in regulatory assets under management, approximately \$177.1042 billion of which was managed on a discretionary basis and approximately \$70.6862 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 services they provide, 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").

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

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.

A client will enter into a financial planning agreement (an "Agreement") with Baird, which will identify the specific Services being provided, the advisory fee ("Advisory Fee") payable by the client and other terms applicable to the client's relationship with Baird.

In certain instances, particularly if a client has selected Ongoing Planning Services, the client will open an account at Baird (an "Account") by entering into another, separate account agreement with Baird, such as the Client Relationship Agreement.

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.

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.

If requested by the client and agreed by Baird, the Plan may also include tax planning when a tax return has been provided. The analysis may offer planning considerations and/or illustrate the tax consequence for the client of various transactions and planning techniques. Scenarios can be shown for a single year, or multiple years into the future. The offering and performance of tax planning services does not constitute tax advice. Tax planning services are provided solely based upon the direction and information provided by a client. Before obtaining a tax planning service or taking action based upon that service, a client should consult the client's tax advisors about the tax consequences of doing so.

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

In addition to the services available in 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.

A client's 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 Financial Planning 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.

Additional Service Information

Custody Services

Baird may provide custody services in connection with the Services. See "Custody" below for more specific information.

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 a client's cash balances of up to an aggregate deposit limit determined under the program (currently, \$1,250,000 for most account types and \$2,500,000 for joint accounts). Each deposit account at a bank constitutes a direct obligation of the bank and is not directly or indirectly Baird's obligation.

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 accounts with Baird 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.

The Bank Sweep Feature seeks to provide FDIC insurance protection for a client's 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 us 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 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, although in a low interest rate environment it is much lower. Baird also receives an annual rate of compensation of up to 0.50% of the aggregate client 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 asset-based Advisory Fee on the value of all of the assets in the client's 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 Baird 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 Baird a financial incentive to recommend that a client participate in the Cash Sweep Program and maintain high levels of uninvested cash balances in the client's 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 Advisory Fee.

A client should understand that the Cash Sweep Program is an ancillary account service and it is not nor is it part of any advisory program or 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 the 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 advisory Account.

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, both non-affiliated and affiliated, including Baird Trust Company, that provide trust administration services, including trust administration, custody, tax reporting and recordkeeping. Baird Financial Advisors at times refer clients seeking trust administration services to institutions that are members of the alliance. Subject to its fiduciary duties, the trustee oftentimes retains Baird to provide investment advisory services to the client trust. A client should understand that any such referral for trust services under the Trust Alliance Program made by Baird and its Financial Advisors is an ancillary account service and it is not an, nor is it part of any, Advisory Program or 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. Baird has a financial incentive to recommend that clients use Baird Trust, an affiliate, over other non-affiliated trust companies. As a result of this affiliation, Baird Trust also has a financial incentive to retain Baird to provide investment advisory or other services on behalf of the client. In addition, Baird and Baird Financial Advisors have a financial incentive to recommend arrangements that involve Baird and the Baird Financial Advisor providing investment advisory services to the client and the trust company only providing trust administration services compared to an arrangement whereby a trust company would provide both investment advisory and trust administration services because it is more profitable to Baird and the Baird Financial Advisor.

In addition, outside of the Trust Alliance Program, Baird Financial Advisors may refer a client to Baird Trust to provide investment advisory and trust administration services to the client. If a client enters into such a relationship with Baird Trust, Baird and the client's Baird Financial Advisor typically provide ongoing relationship management services. Baird Trust generally provides compensation to Baird and the client's Baird Financial Advisor for the referral and providing ongoing services, which may be up to 50% of the ongoing fees that a client pays to Baird Trust, and which is credited to the client's Baird Financial Advisor for purposes of determining the Financial Advisor's compensation. The compensation paid to Baird and a client's Baird Financial Advisor does not increase the fees that the client pays to Baird Trust. Due to Baird's affiliation with Baird Trust and the compensation paid to Baird and Baird Financial Advisors, Baird and Baird Financial Advisors have a financial incentive to favor Baird Trust over other trust companies.

Securities-Based Lending Program

Baird offers clients an opportunity to borrow money from a third party lender 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 the client's accounts with Baird. A client will pay interest on the outstanding balance of the client's loan. The rates of interest charged by the bank depends on many factors, such as the prevailing interest rate environment, the amount of the loan or line of credit, a client's creditworthiness, and the aggregate assets in a client's Baird accounts in the client's household ("relationship size"). The interest rates are based on a benchmark rate, plus an applicable percentage that varies based on the approved loan amount and the relationship size. Rates are generally higher for smaller loans and relationship sizes and lower for larger loans and relationship sizes. The interest rate that will apply to a client's loan will be set forth in the loan agreement the client enters into with the bank. Baird receives an ongoing administrative fee from the bank, at an annual rate of up to 2.50% of the outstanding balance under a client's loan, which is paid by the bank out of the interest the client pays to the bank. A client's Baird Financial Advisor typically receives an ongoing referral fee at an annual rate of up to 0.25% of the outstanding balance of the client's loan, which is paid out of Baird's administrative fee. A client should note that Baird and Baird Financial Advisors will continue to receive compensation on assets held in the client's accounts that serve as collateral for the client's loans, including Advisory Fees. Because Baird receives an administrative fee and Baird Financial Advisors receive a referral fee if a client obtains a loan from a third party lender under Baird's Securities-Based Lending Program, Baird and Baird Financial Advisors have an incentive to recommend that a client obtain loans under that program. Baird and Baird Financial Advisors will continue to receive compensation on assets held in a client's accounts that are collateral for such loans, including Advisory Fees on such assets if those assets are in the client's advisory Account. As a result, Baird and Baird Financial Advisors 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 with Baird 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. Additional important information about securities-based lending is set forth in the "Securities-Based Lending Program" section of Baird's website at bairdwealth.com/retailinvestor.

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, Advisory Program or 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.

Client Responsibilities

A client is responsible for providing information to Baird and the client's Baird Financial Advisor reasonably requested by them in order to provide the services selected by the client. Baird and the client's Baird Financial Advisor will rely on this information when providing services to the client. A client is also responsible for promptly informing the client's Baird Financial Advisor of any significant life changes (e.g., change in marital status, significant health issue, or change in employment) or if there is any change to the client's investment objectives, risk tolerance, financial circumstances, investment needs, or other circumstances that may affect the manner in which the client's assets are invested. Neither Baird nor the client's Baird Financial Advisor is responsible for any adverse consequence arising out of the client's failure to promptly inform the client's Baird Financial Advisor of any such changes. Since investment goals and financial circumstances change over time, a client should review the client's participation in a Service with the client's Baird Financial Advisor at least annually.

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. 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 Fees

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 are 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 Advisory 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 clients and any other fees Baird earns on advisory and brokerage accounts held by those clients, including trail fees paid by third parties. The percentage of the Financial Advisor's total production actually paid to the Financial Advisor 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 and amount of compensation that Baird pays to the Financial Advisor also increase. 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 a general incentive to generate financial and other plans and charge higher fees for advisory accounts and recommend larger investments in 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. More specific information is provided under the headings "Additional Information—Other Financial Industry Activities and Affiliations" and "Additional Information—Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Participation or Interest in Client Transactions" below. 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. The amount of such special compensation is typically based on the Baird Financial Advisor's production at the prior firm for the 1-year period prior to joining Baird or on the level of the Financial Advisor's client assets at the prior firm. All or a substantial portion of the special compensation is paid in the form of an upfront bonus when the Baird Financial Advisor joins Baird, and the remaining portion, if any, is paid in the form of back end bonuses generally in equal installments on an annual basis thereafter for a certain number of years (generally from one to three years). Installment payments are generally contingent upon the Baird Financial Advisor achieving annual production or client asset levels that exceed a significant percentage of the Financial Advisor's annual production for the 1-year period prior to joining Baird or the client assets that the Financial Advisor had prior to joining Baird. The special compensation is intended to compensate Baird Financial Advisors for the significant effort involved in transitioning their business from the prior firm. This compensation provides Baird Financial Advisors who have left another firm additional incentive to recommend that clients of the prior firm become Baird clients and to recommend investment products and services that increase their production, and thus presents a conflict of interest. The special compensation is generally structured in the form of a forgivable loan

from Baird to the Baird Financial Advisor. Under the terms of the forgivable loan, Baird makes the upfront or installment payment to the Baird Financial Advisor in the form of a loan, and Baird forgives a portion of the loan made to the Baird Financial Advisor each month for so long as the Baird Financial Advisor remains Baird's employee. Should the Baird Financial Advisor cease to be Baird's employee prior to the maturity date of the loan, the Baird Financial Advisor is required to repay Baird the amount of the loan outstanding and not forgiven by Baird. In other words, upon leaving Baird, the Baird Financial Advisor would be required to repay to Baird a portion of the special compensation that the Baird Financial Advisor had received and that had not been forgiven. The amount of such repayment declines over time in proportion to the time the Baird Financial Advisor remains Baird's employee. Structuring this special compensation in the form of forgivable loans provides the Baird Financial Advisor added incentive to remain Baird's employee and to recommend that persons become and remain a Baird client. 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 the conflicts described above 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.

In September 2022, Baird, without admitting or denying the findings, consented to the entry of findings of FINRA, which found that it charged certain brokerage customers an unfair commission when it charged its published minimum commission amount of \$100 on 7,277 retail equity trades and failed to establish and maintain a supervisory system reasonably designed to prevent charging a customer a commission that is unreasonable or unfair in violation of FINRA Rules 3110, 2121, and 2010. Baird also consented to a censure, a fine in the amount of \$150,000, and the payment of

restitution of \$266,481 plus interest. The findings related to FINRA's routine examination of Baird in 2020. Following that examination, Baird modified its minimum commission schedule and supervisory procedures. Baird also took steps to make payments to the affected customers, which on average amounted to \$36.62 per trade and \$57.64 per customer. Baird will continue to make efforts to ensure that it charges fair prices and commissions on all securities transactions with its 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 broker-dealers, investment advisors, other financial services firms and investment products that are identified below. Certain Baird associates and certain management persons of Baird may invest in those investment products.

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 and Greenhouse Fund GP LLC ("Greenhouse GP") by virtue of BFG's indirect minority ownership of Greenhouse and BFG's representation on the board of managers of Greenhouse GP.

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 Gamma Investing, LLC ("Gamma") by virtue of BFG's and Riverfront's indirect minority ownership of Gamma and BFG's and Riverfront's representation on the board of directors of Gamma.

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"), and Greenhouse is the investment subadvisor to one of those Funds, the Baird Equity Opportunity Fund. 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 on Baird's website at bairdassetmanagement.com/baird-funds.

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 advisor to the Strategas Global Policy Opportunities ETF and the Strategas Macro Thematic Opportunities ETF and acts as investment sub-adviser for the Destinations Large Cap Equity Fund. Strategas Securities is a sponsor of Strategas Trust, a unit investment trust organized in series, which series currently consists of Strategas Trust, Series 1-1 (Strategas Policy Basket Portfolio). 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"). 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. The private equity funds offered through Baird Capital make venture capital, growth equity and private equity investments primarily in the healthcare, technology and services, and products sectors. The private equity funds offered through Baird Capital and the investment adviser entities that manage them are set forth below.

Certain Baird Capital-Related Entities

Investment Advisor Private Equity Fund(s)

Baird Venture Partners Management Company I, L.L.C.

Baird Venture Partners I(B) Limited Partnership

Baird Venture Partners Management Company III, LLC

Baird Venture Partners III Limited Partnership

BVP III Affiliates Fund Limited Partnership

BVP III Special Affiliates Limited Partnership

Baird Venture Partners Management Company IV, LLC

Baird Venture Partners IV Limited Partnership

BVP IV Affiliates Fund Limited Partnership

BVP IV Special Affiliates Limited Partnership

Baird Venture Partners Management Company V, LLC

Baird Venture Partners V Limited Partnership

BVP V Affiliates Fund Limited Partnership

BVP V Special Affiliates Fund Limited Partnership

Baird Capital Partners Management Company V, LLC

Baird Capital Partners V Limited Partnership

BCP V Affiliates Fund Limited Partnership

BCP V Special Affiliates Limited Partnership

Baird Capital Management Company, LLC

Baird Venture Partners GP VI, LLC

Baird Venture Partners VI LP

BVP VI Affiliates Fund LP

BVP VI Special Affiliates Fund LP

Baird Capital Global Fund Management I LP

Baird Capital Global Fund I LP

Certain Baird Capital-Related Entities

Investment Advisor Private Equity Fund(s)

Baird Capital Global Fund I-DE LP

BCGF I Special Affiliates LP

BCGF I Affiliates Fund LP

Baird Capital Global Fund Management II LLC

Baird Capital Global Fund II Limited Partnership

BCGF II Affiliates Fund Limited Partnership

BCGF II Special Affiliates Limited Partnership

*Baird Capital Partners Europe Limited**

Baird Capital Partners Europe Fund L.P.

Baird Capital Partners Europe II LP

Baird Capital Partners Europe II Special Affiliates LP

The Growth Fund

* Baird Capital Partners Europe Limited, an English limited company, is regulated and authorized by the Financial Conduct Authority.

The Baird Principal Group is a group within Baird that has private equity funds where investors are limited to Baird employees and Baird affiliated entities. These funds generally co-invest with unaffiliated private equity funds and private equity professionals in transactions in the United States and Europe. The private equity funds offered through Baird Principal Group and the investment adviser entities that manage them are set forth below.

Certain Baird Principal Group-Related Entities

Investment Advisor Private Equity Fund(s)

Baird Principal Group Management Company I, LLC

Baird Principal Group Partners Fund I Limited Partnership

Baird Principal Group Management Company II, LLC

Baird Principal Group Partners Fund 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 Baird Trust, a Kentucky-chartered

trust company, by virtue of their common indirect ownership by BFG.

Baird and Baird Financial Advisors receive compensation from Baird Trust for referring clients and providing ongoing relationship management services to clients engaging Baird Trust for trust administration services as described under the heading "Advisory Business—Additional Service Information—Trust Services Arrangements" above. *Baird and Baird Financial Advisors thus have a financial incentive to favor Baird Trust over other trust companies.*

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 investment 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 investment 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

Investment Advisory Accounts

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 also 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. Select clients may pay a fixed dollar fee, which presents a conflict in that such fee does not give the Baird Financial Advisor an incentive to make recommendations that could benefit the client's account,

or a performance or incentive fee, which presents a conflict because it gives the Baird Financial Advisor an incentive to recommend riskier investments in order to achieve the level of performance in the account that would result in payment of the fee.

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.

Accounts and Investments Provide Different Levels of Compensation

The accounts and investments Baird offers provide Baird different levels of compensation. Baird and Baird Financial Advisors have an incentive to generate revenues from client accounts and to offer investment products and make recommendations that will provide them the greatest level of compensation.

Cash Sweep Program

Baird has an incentive to have clients participate and maintain significant balances in Baird's Cash Sweep Program because Baird receives substantial compensation on client cash balances that are automatically swept into bank deposit accounts and invested in money market mutual funds under the program. Please see "Advisory Business—Additional Service Information—Cash Sweep Program" above for more detailed information.

Trust Services Arrangements

Baird and Baird Financial Advisors have an incentive to recommend that a client retain Baird Trust for the client's trust services needs rather than an unaffiliated firm because it is more profitable for Baird and they receive compensation from Baird Trust if the client retains Baird Trust. Please see "Advisory Business—Additional Service Information—Trust Services Arrangements" above for more detailed information.

Securities-Based Lending Program

Baird and Baird Financial Advisors have an incentive to recommend that a client participate in Baird's Securities-Based Lending Program because Baird and Baird Financial Advisors receive referral compensation and such loans allow a client to keep more assets in the client's Accounts, which result in more advisory fees for us and paid to the client's Baird Financial Advisor. Please see "Advisory Business—Additional Service Information—Securities-Based Lending Program" above for more detailed information.

Investment Advisory and Brokerage Account and Service Recommendations

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 Financial Advisors also have a financial incentive to recommend certain wealth management services, such as financial planning. Please see "Fees and Compensation—Advisory Fees—Advisory Fee Payments to Baird and Baird Financial Advisors" above for more detailed information.

Account Transfers and New 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.

Recommendations to Open Different Types of Accounts

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.

Baird Stock Ownership

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.

Other Client Relationships

Certain client accounts overseen 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.

Baird Financial Advisors Transferring to Baird

A Baird Financial Advisor joining Baird from another firm has an incentive to recommend that a client to transfer the client's accounts from such firm to Baird because doing so will increase the Baird Financial Advisor's compensation. Please see "Fees and Compensation—Advisory Fees—Advisory Fee Payments to Baird and Baird Financial Advisors" above for more detailed information.

Research Activities

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

Baird's Other Broker-Dealer and Related Activities

As a registered broker-dealer, Baird effects transactions in securities on a national exchange and may receive and retain compensation for such services, subject to the limitations and restrictions made applicable to such transactions by Section 11(a) of the Exchange Act and Rule 11a2-2(T) thereunder. Baird may also benefit from the possession or use of any free credit balances in client Accounts, subject to restrictions imposed by Rule 15c3-3 under the Exchange Act. Free credit balances include uninvested cash in client Accounts that has not been automatically deposited or swept into a bank deposit account or money market mutual fund.

Baird and its associates, by reason of its broker-dealer, investment banking or other activities, may from time to time acquire information deemed confidential, material and non-public, about corporations or other entities and their securities. Baird and its associates are prohibited by applicable law or agreements from disclosing such information to clients or acting upon such information with respect to any client Account. Baird's other activities thus present a potential conflict of interest because such activities may limit Baird's ability to advise or manage client Accounts.

Other Conflicts of Interest

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, and may buy and sell for client's Account, 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 Fees—Advisory Fee Payments to Baird, Baird Financial Advisors and Investment Managers" and "Additional Information—Other Financial Industry Activities and Affiliations" above, and "Additional Information—Client Referrals and Other Compensation" below.

Addressing Conflicts

The foregoing activities could create a conflict of interest with clients. In addition to the measures described above, Baird addresses conflicts posed by those activities through disclosure in this Brochure, the client's agreements with Baird, the *Client Relationship Booklet* and prospectuses, offering documents or other disclosure documents provided or made available to clients. Baird has also adopted a Code of Ethics and other 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); and
- address and limit cash and non-cash benefits provided to Baird Financial Advisors by third parties in an attempt to avoid any question of propriety or any conduct inconsistent with Baird's high standards of ethics.

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 recommendation of specific investments or 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 Plan. Under those circumstances, Baird may select broker-dealers. A client should consult with the client's Financial Advisor or review Baird's Form ADV Part 2A Brochure and agreement 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 unless the client has selected Ongoing Planning Services. If a client has selected Ongoing Planning 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

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.

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.