

# **Important Account Disclosures**

**July 1, 2016**

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This document contains important information about Robert W. Baird & Co. Incorporated (“Baird”, “we”, “us” or “our”) and the wealth management services that Baird provides to clients and their accounts. This document is intended to provide each client of Baird (“client”, “you” or “your”) a summary description of the most common programs, services and features selected by Baird clients for their accounts. It is not intended to be a comprehensive description of all the programs, services or features that Baird offers to clients.

This document also references other documents where a client may find additional information. Many of those documents are available on Baird’s website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures). If a client would like a paper copy of a document available on Baird’s website, a client can contact the client’s Baird Financial Advisor or call Baird toll-free 1-800-RW-BAIRD.

*The information contained in this document is current as of the date above and is subject to change in Baird’s discretion. A client of Baird should review this document carefully and retain it with client’s records.*

### **USA PATRIOT Act Notice**

To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify and record information that identifies each person who opens an account. Baird will ask each client to provide certain required information. If a client is an individual, such information may include but is not limited to, the client’s name, date of birth, address, and other information that will allow Baird to identify the client. Baird will use electronic databases to verify a client’s identity and may ask for a copy of a client’s driver’s license or other identifying document. If a client is a corporation, partnership, trust or other legal entity, a client may be required to provide other information, such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement or trust agreement.

If Baird cannot verify a client’s identity, Baird reserves the right to request that the client provide additional information. If Baird still cannot verify the client’s identity, or if Baird deems it necessary or advisable to comply with applicable law, Baird may without prior notice to the client, restrict or close the client’s accounts, refuse to accept instructions from the client, and terminate the client’s agreements. In the event that a client’s account is restricted or closed, the client is responsible for the liabilities and obligations arising from transactions initiated prior to Baird closing the account. A client should understand that Baird is not liable for any losses or damages a client may incur, including, without limitation, lost opportunities, in the event Baird restricts or closes an account.

### **Understanding Brokerage and Investment Advisory Relationships**

Baird is registered with the Securities and Exchange Commission (“SEC”) as a broker-dealer under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and offers to its clients both brokerage services (“Brokerage Services”) and investment advisory programs (“Advisory Programs”) and services (“Advisory Services” and together with Advisory Programs, “Advisory Programs and Services”). Depending upon a client’s particular needs and goals, a client may have

brokerage accounts (“Brokerage Accounts”), accounts for which Baird acts as investment adviser (“Advisory Accounts”) or both.

A client of Baird should understand that Brokerage Services and Advisory Programs and Services are separate and distinct services, and that there are important differences between those services and between Brokerage Accounts and Advisory Accounts. Baird’s Brokerage Services and Advisory Programs and Services are governed by different laws and regulations and also different terms and conditions in a client’s agreements with Baird. As a result, Baird’s legal duties and contractual obligations to a client may differ depending upon whether Baird is acting as broker-dealer or investment adviser for a client or the client’s account. Some of the primary differences between Brokerage Services and Advisory Programs and Services and Baird’s legal duties and contractual obligations to clients are described below.

A client should review this information carefully and discuss it with the client’s Financial Advisor if the client is considering opening a Brokerage Account or an Advisory Account.

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

### **Brokerage Services and Brokerage Accounts**

The Brokerage Services that Baird offers to its clients are limited to providing custody of client assets, the execution of securities transactions and other customary brokerage services. In addition to taking a client’s trade orders and executing the client’s trades, Baird may also provide investment advice “incidental to” the Brokerage Services, settlement, custody, and other customary brokerage services. Investment advice “incidental to” the Brokerage Services may include investor education, investment research, financial tools, information about investment products and services, and recommendations about whether to buy, sell or hold particular securities.

When processing a client’s trade order, Baird will act as agent, principal for Baird’s own account, or in some instances as both agent and principal. When acting as agent, Baird will route the client’s order to a dealer, exchange or other marketplace. When acting as principal, Baird will sell a security from Baird’s inventory to a client, or purchase a security from a client for Baird’s inventory, depending upon the client’s order. A client should also note that Baird acts in a principal capacity when it underwrites securities and sells those securities to clients as part of a public offering.

Baird trades securities in more than one marketplace. Unless a client has requested that an order be executed in a specified marketplace (and Baird has agreed to such request), Baird will, in its sole discretion, and subject to applicable regulatory requirements, execute a client’s order on any exchange, including a foreign exchange where such security is traded, on the over-the-counter market in any location, or through any electronic communication network, alternative trading system, or similar execution system or trading venue that Baird may select. Additional information about Baird’s routing of trade orders is available on Baird’s website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

Baird will send a client a trade confirmation following the execution of the client’s trade order to the extent required by applicable law unless the client provides other instructions. A confirmation is a

written record of the transaction that provides important information about the transaction.

Once a client's trade order has been executed by Baird, the transaction must be settled, which means that the client must pay for the security purchased or must deliver the security sold in negotiable form. Generally, applicable rules require most equity securities transactions to be settled on or before the third business day following the trade date. For certain other securities, the required settlement date may be earlier. The required settlement date can be found the applicable trade confirmation.

Baird will act solely in its capacity as a broker-dealer (and not as an investment adviser) in discharging its duties with respect to a client's Brokerage Accounts. This means that Baird will only buy or sell securities based upon specific directions from a client. Baird does not make investment decisions for a client's Brokerage Accounts or manage such accounts on a discretionary basis.

Baird also does not provide investment advice with respect to a client's Brokerage Accounts on a regular or continuous basis. Any investment advice provided by Baird or a Baird Financial Advisor with respect to a Brokerage Account is solely "incidental to" the Brokerage Services provided to a client. A client should understand that any such advice should not form the primary basis for a client's investment decisions. A client should also understand that any incidental investment advice offered by Baird or a Baird Financial Advisor with respect to a Brokerage Account is not provided as part of any financial plan or in connection with any financial planning services.

When Baird acts as a broker-dealer, Baird is subject to a number of laws, rules and regulations, including the Exchange Act, the rules of the Financial Industry Regulatory Authority ("FINRA"), and similar state laws. When Baird acts as a broker-dealer, Baird's duties and obligations include, among others, the following:

- Baird is required to observe high standards of commercial honor and just and equitable principles of trade.
- Baird must have a reasonable basis for believing that each securities recommendation made to a client is suitable based upon the information provided by the client.
- When executing a client trade as principal for Baird's own account, the price that Baird provides to the client for the security must be fair under the circumstances.
- When executing a client trade as agent, the commission charged the client for executing the trade must be fair under the circumstances.

When acting as broker-dealer, Baird and its Financial Advisors may be compensated by a client or someone other than the client based upon the client's purchases or sales of investment products. Therefore, Baird's revenue, and a Baird Financial Advisor's compensation, may vary by client, by investment product and over time. As a result, Baird and its Financial Advisors may have a financial incentive to recommend certain investment products based upon the compensation received.

It is important to note that when Baird acts a broker-dealer, Baird generally does not have the same legal obligations that apply when Baird acts as investment adviser. For example, when acting as broker-dealer, Baird is permitted to trade with a client on a principal basis without obtaining the consent of the client or providing the client

prior notice. In addition, Baird's legal obligations to disclose information to brokerage clients about Baird's business, conflicts between a client's interests and Baird's interests, and other matters are more limited than if Baird acted as investment adviser or otherwise had a fiduciary obligation to the client.

### **Advisory Services and Advisory Accounts**

Baird offers a number of Advisory Programs and Services and to its clients. The Advisory Programs and Services generally include financial planning for which Baird charges a separate financial planning fee, recommendations and investment advice about investment products and services, and discretionary account management.

Baird will act as investment adviser for a client's account only when Baird has confirmed its appointment as investment adviser to the client in writing. Prior to such time, a client should understand that any account held or maintained by Baird is a Brokerage Account.

When Baird acts as an investment adviser, Baird is subject to the Advisers Act. Baird is deemed to have a fiduciary relationship with a client when providing Advisory Programs and Services to the client and the client's Advisory Accounts. When Baird acts as investment adviser, Baird's duties and obligations include, among others, the following:

- Baird is required to act in the best interest of a client when providing investment advisory services.
- Baird must act with utmost care and good faith when dealing with advisory clients.
- Baird has a duty to seek to obtain "best execution" of transactions for clients participating in discretionary advisory programs.
- Baird must avoid or disclose to clients material conflicts of interest.

Additional information about the Advisory Programs and Services that Baird makes available to a client, including the terms, conditions, fees, expenses, risks and potential conflicts of interest associated with those Advisory Programs and Services, is included in a client's investment advisory agreement with Baird and in Baird's Form ADV Part 2A Brochure ("Baird Brochure") for the applicable Advisory Program or Advisory Service. A client should review those documents carefully upon receipt.

It is important for a client to understand that fiduciary obligations arising under the Advisers Act on the one hand, and fiduciary obligations arising under the Employee Retirement Income Security Act ("ERISA") or the Internal Revenue Code ("IRC") on the other hand, are separate and distinct obligations. A client should refer to the client's agreements with Baird for more specific information about Baird's particular obligations to the client.

### **When Baird Acts as Broker-Dealer and Investment Advisor**

If a client has one or more Brokerage Accounts and one or more Advisory Accounts, Baird will provide both Brokerage Services and Advisory Services to the client. A client should understand that the fact that client has an Advisory Account does not mean that Baird has fiduciary obligations to the client when providing Brokerage Services or handling the client's Brokerage Accounts.

### **Other Important Considerations When Selecting Brokerage Services or Advisory Programs and Services**

The Brokerage Services and Advisory Programs and Services have different structures, administration, types and levels of service, and fees and expenses. Brokerage Services and Advisory Programs and Services are designed to address different investment needs of clients, and certain Brokerage Services and Advisory Programs and Services may not be appropriate for a client. For example, the Advisory Programs and Services may not be appropriate for clients who have low or no trading activity, who maintain their accounts invested in high levels of cash, or who tend to execute transactions without the recommendation or advice of an advisor, which are commonly referred to as “unsolicited” transactions. Before opening an Account, a client should carefully consider and discuss with the client’s Financial Advisor, in light of the client’s particular circumstances, the services, risks, fees and expenses associated with Brokerage Services or an Advisory Program or Service.

### **Cash Sweep Program**

Baird maintains a Cash Sweep Program that provides its clients the opportunity to earn income on available cash balances held in your Baird accounts (each an “Account”). Baird’s Cash Sweep Program consists of two alternatives whereby a client’s available cash will be automatically: (i) deposited in an account maintained at one or more banks selected by Baird (the “Bank Sweep Option”), or (ii), subject to eligibility, used to purchase shares of one or more money market mutual funds Baird makes available (the “Money Market Fund Option”) (Bank Sweep Option and Money Market Fund Option, together the “Cash Sweep Account Options”).

Clients consent to participation in Baird’s Cash Sweep Program by signing an account agreement with Baird, but may revoke this consent at any time by contacting a Baird Financial Advisor. Alternative short-term, cash-equivalent investments may be available to you through Baird, but will not offer an automatic sweep feature. For more information, please contact your Baird Financial Advisor or visit [www.rwbaird.com/moneymarkets](http://www.rwbaird.com/moneymarkets).

### **Cash Sweep Account Options**

Each Cash Sweep Account Option provides a distinct rate of return, is subject to unique risks and is afforded different protections. Subject to eligibility requirements, you may choose a different Cash Sweep Account Option at any time by contacting your Baird Financial Advisor; however, generally, participants in Baird’s Cash Sweep Program will participate in the Bank Sweep Option. A brief discussion of each option follows below.

#### **Bank Sweep Option**

If you are a participant in the Bank Sweep Option, your available cash balances will be automatically deposited into an interest-bearing deposit account (a “Deposit Account”) held at one or more banks selected by Baird. Currently, Baird maintains Deposit Accounts for the Bank Sweep Option with U.S. Bank National Association (“US Bank”) and The PrivateBank and Trust Company (“PrivateBank”) (US Bank and PrivateBank, each a “Bank”). A Deposit Account is not a “transaction account” within the meaning of Federal Reserve Board Regulation D or a transaction account substitute. Your transaction capabilities with respect to the Bank Sweep Option are limited.

Each of the Banks through which the Bank Sweep Option is currently available -- US Bank and PrivateBank -- is subject to regulation and examination by federal banking authorities and is considered “well-capitalized” under applicable federal banking regulations. U.S. Bank is a subsidiary of U.S. Bancorp, a diversified financial services holding company (NYSE: USB); and The PrivateBank and Trust Company is a subsidiary of PrivateBancorp, Inc., a bank and other financial services holding company (Nasdaq: PVTB).

Deposit Accounts are not subject to market risk or loss of value, but are subject to the risk of the Bank’s failure. As described in more detail below, in the unlikely event a Bank fails, your funds held in a Deposit Account at the Bank will be insured by the Federal Deposit Insurance Corporation (“FDIC”) up to applicable limits.

#### **Money Market Fund Option**

The money market mutual funds Baird makes available for the Money Market Fund Option include taxable and federally tax-exempt funds offered or sponsored by Dreyfus (collectively, the “Funds”). For a complete listing of the Funds including access to Fund prospectuses, please visit [www.rwbaird.com/moneymarkets](http://www.rwbaird.com/moneymarkets) or contact your Baird Financial Advisor. If you are eligible for and select the Money Market Fund Option, you will receive a prospectus describing your money market mutual fund prior to or at the same time your funds are invested.

Money market mutual funds are registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940, which imposes special rules on such funds. Money market mutual funds invest in high quality, short-term securities and seek to maintain a stable net asset value, but are subject to market risks and potential loss of value. **Investors should consider the investment objectives, risks, charges and expenses of each money market mutual fund carefully before investing. This and other information is found in the prospectus or summary prospectus for the Fund. Please contact your Baird Financial Advisor for a prospectus or summary prospectus, and read it carefully before investing.**

The Funds are not bank accounts and are not insured or guaranteed by the FDIC or any other government agency. However, as described in more detail below, the Funds are protected by Securities Investor Protection Corporation (“SIPC”) as well as Baird’s policy in excess of SIPC limits up to applicable limits.

### **General Program Information**

#### **Program Eligibility**

All Baird clients are eligible for participation in the Bank Sweep Option. However, eligibility for the Money Market Fund Option is determined by Baird based on account type and relationship size. The Money Market Fund Option is available to all clients whose household (as defined below) Accounts have an aggregate net asset value exceeding \$250,000. However, ERISA qualified plans, IRAs and similar tax-exempt retirement plans (“Tax Qualified Accounts”) with which Baird has an investment advisory relationship will have available cash balances invested in Class A shares of the Dreyfus General Money Market Fund regardless of the size of such Accounts or households. Your “household” includes your Account(s) and any accounts related to you that share the same address and, at your request, are consolidated by Baird for mailing purposes.

### ***Timing of Sweeps and Deposit of Cash Sweep Assets***

Participants in the Cash Sweep Program will have their available cash balances automatically deposited by Baird into the applicable Cash Sweep Account Option on the first business day of each week unless you maintain a Tax Qualified Account or other type of account in which available cash balances will be automatically deposited daily.

### ***Withdrawal of Cash Sweep Assets***

To withdraw cash from any of the Cash Sweep Account Options, please contact your Baird Financial Advisor. Baird may withdraw cash from your Account (including your Cash Sweep Account Option) to pay applicable fees and commissions, to effect the settlement of transactions such as securities purchases, checks, wire transfers, debit card purchases made in your Account and for other purposes stated in your account agreement with us or as permitted by law. Baird will generally first use any free credit balances in your Account before withdrawing funds from your Cash Sweep Account Option.

Under federal rules and regulations, the Bank reserves the right to require Baird to provide the Bank with seven days prior notice before withdrawing cash from any Bank Sweep Option. While the Bank is not currently imposing the seven day notice requirement on withdrawals of Bank Sweep Option assets, it could do so in the future. If the Bank does impose this prior notice requirement, your funds in the Bank Sweep Option could be at risk in the unlikely event of a Bank failure, to the extent your funds are not covered by FDIC insurance.

### ***Program Administration and Client Rates of Return***

The yields and rates of return for Bank Deposit Accounts are different, and may be lower or higher, than the yields and rates of return for the Funds. A discussion of the characteristics and administration of the Cash Sweep Program as well as a discussion of client rates of return follows below.

#### ***Bank Sweep Option***

Interest rates paid on your cash balances swept under the Bank Sweep Option are determined daily by Baird based upon a variety of factors including the interest rate paid by the Banks on the aggregate balances of the Deposit Accounts, the fees deducted by Baird out of such interest rates for certain administrative accounting, recordkeeping and other services, and prevailing economic and business conditions. The interest rates that are offered to you through the Bank Sweep Option are “tiered” and also vary based on the aggregate value of assets in your household Accounts. The deposit account balances of clients with household Account values in the higher tiers will receive higher interest rates than the account balances of clients with household Account values in the lower tiers. The rate of interest you will earn may, therefore, potentially be subject to significant and frequent change.

Interest accrues and is compounded daily beginning on the day the Bank receives funds from Baird. Accrued interest is credited to your Account on the last business day of each month. Withdrawals, which must be effected through Baird, are permitted on any business day, without penalty, and interest is paid through the day prior to the day of withdrawal.

The tier applicable to your and other clients’ household Accounts will be determined by Baird on a monthly basis calculated as of the last business day of the preceding calendar month. The interest rate tiers

are currently as follows (amounts shown represent the value of the assets in the household Accounts):

- Tier 1: Less than \$250,000
- Tier 2: \$250,000 - \$999,999
- Tier 3: \$1,000,000 - \$1,999,999
- Tier 4: \$2,000,000 - \$4,999,999
- Tier 5: \$5,000,000 or greater

Although interest rates may change daily, the interest rate tier applicable to your household Accounts will be determined monthly. However, when you open an Account and the aggregate value of the assets (net of liabilities) in the Account(s) at that time is less than \$250,000, your available cash balances will be deposited in a Deposit Account at US Bank and bear interest at the rate offered to Household Accounts in Tier 2 until the end of the calendar month during which assets are initially deposited or transferred in the Account, although Baird may determine the interest rate tier earlier if the amount that has been or will be so deposited or transferred is then determinable. After that time, future cash balances will earn interest at the tier applicable to the aggregate value of the net assets in your household Accounts. However, investment advisory accounts with values less than \$250,000 will always receive at least the rate offered to clients with Household Accounts in Tier 2.

Baird currently deposits cash from clients having aggregate household Account values in Tier 1 into a Deposit Account maintained at US Bank if you are a client of a Baird branch office located in the state of Washington or Oregon, and PrivateBank for all other Tier 1 clients. For clients having household Account values in all other tiers, available cash will be deposited into a Deposit Account at US Bank.

Baird may change the interest rate tiers (including the aggregate value of assets in Household Accounts that define each tier) with prior notice to you. Current interest rate and tier information are available on Baird’s website at or by contacting your Baird Financial Advisor.

#### ***Money Market Fund Option***

Your deposits in the Money Market Fund Option will earn dividends based on the interest and income realized by the Funds’ underlying investments. The dividends earned on the shares in the Funds will not be payable in cash but will be reinvested each month in additional shares of the applicable Fund at the then current net asset value. You should bear in mind that the rates of return you receive on your Fund selections will vary from Fund to Fund, because such rates are based on the investments made by the Funds net of such Fund’s operating expenses. Some Funds invest in certain securities, the income from which is exempt from federal and/or state income tax. The rates of return on Funds will differ from the interest rates available in the Bank Sweep Option.

There is no guarantee that the rate of return or the yields will equal or exceed rates of return or yields available at other financial institutions or invested in other products similar to your Money Market Fund Option. For more information about the current rate of interest or yield you are receiving in the Money Market Fund Option and current rates of return offered by other cash alternatives, please visit our website at [www.rwbaird.com/moneymarkets](http://www.rwbaird.com/moneymarkets) where interest rates and yields are posted daily, or contact your Baird Financial Advisor.



**An investment in a money market is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although a money market fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in a money market fund. Yields fluctuate and past performance is no guarantee of future results.**

#### *Important Disclosures*

While a money market mutual fund is bound by fiduciary obligations to its shareholders to seek the highest rates prudently available, a bank sponsoring an insured deposit account is under no such duty and may instead seek to pay as low a rate as possible consistent with its views of competitive necessities. The rates of return on the deposits in the Bank Sweep Option are determined by mutual agreement of the Bank and Baird. There is not necessarily any linkage between rates of interest on bank deposit accounts and those prevailing in the market, including money market mutual fund rates.

Baird may continue depositing cash into the Deposit Account at the Bank for as long as you elect the Bank Sweep Option, even if amounts you have deposited with the Bank exceed the applicable limits for FDIC insurance. However, when your balances in a Deposit Account at one bank exceed applicable FDIC insurance limits, Baird is authorized and may deposit your excess balances into a money market mutual fund available under the Money Market Fund Option, currently Class B shares of the Dreyfus General Money Market Fund.

#### *Baird's Role and Affiliations*

Baird will act as your agent for the purpose of administration of the Cash Sweep Program as further described below. Depending on the type of Cash Sweep Account Option chosen, an omnibus account will be established at the Bank or the Fund in the name of "Robert W. Baird & Co., as agent and custodian, for the exclusive benefit of its customers who are acting for themselves and others," into which your available cash balances will be deposited. Baird will maintain records identifying you as the owner of your cash balances or Fund in the omnibus account. Your interest in the omnibus account will be in book-entry form and no passbook or other certificate will be issued to you by the Bank, the Fund or Baird. Deposits or withdrawals will be reflected in your Account at Baird and described in your monthly Baird Account statement.

Deposits, withdrawals and other transactions in the Account can be processed only through Baird. The Deposit Account held at the Bank is a direct obligation of the Bank and not an obligation of Baird. In addition, Baird does not serve as investment adviser, distributor, transfer agent or custodian for any of the money market mutual funds offered in the Money Market Fund Option. While neither the Banks nor the Funds are affiliated with Baird, Baird may, from time to time, own securities issued by the Banks or the Fund sponsors and may have other business relationships with them.

#### *Protection of Client Funds*

##### *SIPC Coverage*

SIPC would protect any securities or cash in your account at Baird that cannot be accounted for, up to \$500,000 per customer (including a maximum of \$250,000 for eligible cash claims), in the event of Baird's insolvency. SIPC coverage contains certain limitations and eligibility requirements that may affect the amount you ultimately receive. For additional protection, Baird offers coverage in excess of SIPC limits through an insurance policy purchased through Lloyd's of London.

The Lloyd's policy has an aggregate coverage limit of \$250 million for all claims of Baird customers eligible for distributions under the Securities Investor Protection Act. The policy has a sublimit of \$1.9 million per customer for cash awaiting reinvestment. Money market mutual funds (including those offered through the Money Market Fund Option) are regarded as securities for purposes of SIPC coverage and Baird's policy in excess of SIPC limits. However, your balances that have been deposited into a Deposit Account at a Bank under the Cash Sweep Program are covered by the FDIC up to applicable limits in the event of a Bank failure, and not by SIPC or Baird's policy in excess of SIPC limits. Neither the coverage provided by SIPC nor the policy in excess of SIPC limits protect your assets from a decline in value due to market fluctuations.

Additional SIPC information may be obtained by contacting SIPC at 1-202-371-8300, by letter (Securities Investor Protection Corporation, 805 15th Street, N.W., Suite 800, Washington, D.C. 20005-2215) or by accessing the SIPC website at [www.sipc.org](http://www.sipc.org). You may also contact your Baird Financial Advisor for assistance.

#### *FDIC Deposit Insurance Information Statement*

Deposits in the Bank Sweep Option at the Bank are insured by the FDIC, subject to applicable limits in the event of a Bank failure. FDIC insurance is backed by the full faith and credit of the United States government. Under FDIC deposit insurance "pass-through" rules, funds owned by you and deposited into the Bank in Baird's name with Baird identified as your agent, custodian or nominee are insured as if deposited in your name.

In the event that insurance payments are made with respect to a Deposit Account, you will be entitled to receive the principal plus accrued interest without any penalty as soon as possible. There can be no assurance however as to the timeliness of any such payment after the date a claim for such insurance payment is made. Moreover, you may be required to provide certain documentation to the FDIC and Baird before such a payment is made.

#### Applicable Limits

Your deposits in a Deposit Account at a Bank are insured by the FDIC up to \$250,000 per depositor, including principal and interest. Additionally, if your deposits are in a joint account, which is an account owned by two or more people with equal withdrawal rights, then your share of that account will be insured up to \$250,000. This means that, if a husband and wife have a joint account with deposits in the Account, those deposits are insured up to \$250,000 for each spouse, for a total of \$500,000.

Deposits in the Deposit Account at the Bank for certain "self-directed" retirement accounts are also insured up to \$250,000. This insurance coverage applies primarily to traditional and Roth IRAs, Simplified Employee Pension (SEP) accounts, self-directed Keogh accounts, "Section 457" deferred compensation plan accounts, and self-directed defined contribution plan accounts (primarily 401(k) accounts). In general, an account or plan is self-directed if the person chooses how and where the money is deposited.

The FDIC has special rules for determining insurance coverage for deposits of revocable and irrevocable trust, corporate, partnership, employee benefit plan and government accounts, as described below.

### Aggregation of Deposits at a Bank

Any deposits, including deposits in checking, savings and NOW accounts, money market deposit accounts and time deposits (such as certificates of deposit), that you maintain directly with the Bank or through an intermediary (such as Baird or another broker) in the same capacity with the Bank will be aggregated with your Deposit Account assets at the Bank for purposes of the FDIC insurance limit of \$250,000 per depositor. The insurance limits apply to deposits for each type of "account." For example, deposits at the Bank for all single accounts owned in your name alone are aggregated for purposes of the \$250,000 limit on those accounts. Deposits attributable to your share of all joint accounts are likewise aggregated for purposes of the \$250,000 limit on joint accounts, but are not aggregated with your single accounts. In addition, if you have multiple self-directed retirement accounts, the deposits are combined for purposes of the \$250,000 limit, but they are not combined with other accounts in your name.

Total deposits exceeding \$250,000 per depositor may not be fully insured by the FDIC. However, as described below, your interest in certain other types of deposits may be entitled to additional, separate deposit insurance. You are responsible for monitoring the total amount of other deposits that you have with the Bank in order to determine the extent of deposit insurance coverage available to you. Baird is not responsible for any insured or uninsured portion of your deposits at the Bank.

### Employee Benefit Plan Deposits

If your deposits at the Bank consist of retirement and employee benefit plan assets, the Account assets will qualify for "pass-through" insurance from the FDIC. "Pass-through" insurance means that the insurance "passes through" from the depositor of the plan assets (i.e., Baird) to each participant who has an interest in the plan deposits (i.e., the insurance coverage interest passes through Baird, as depositor, to you if your deposits at the Bank consist of retirement and employee benefit plan assets and meet the requirements further outlined below). Funds from pension, profit sharing, and other employee benefit plans that qualify under section 3(3) of the Employee Retirement Income Security Act of 1974 are eligible for "pass-through" insurance coverage. The types of plans for which deposits may receive "pass-through" treatment include:

- Defined Contribution Plans, in which each participant has one or more accounts made up of contributions from the participant and/or employer that are not self-directed;
- Defined Benefit Plans, in which the employer is obligated to pay a retired employee a certain benefit amount, which is often based on the employee's years of service and salary at the time of retirement;
- Employee Welfare Plans or Welfare Benefit Plans, which are established by an employer or union in order to provide employees with medical, health, hospitalization benefits, or income, in the event of sickness, accident, or death. Welfare plans generally are funded through a trust; and
- Keogh Accounts, which qualify under Section 401(d) of the Internal Revenue Code of 1986 that are not self-directed. The words "Keogh" or "HR10" typically appear in the title of the employee benefit plan. This type of plan allows the employer to make contributions to an individual's retirement account.

Deposits of retirement and employee benefit plans are generally insured by the FDIC up to \$250,000 for the "non-contingent" interest of each plan participant. A "non-contingent" interest means an interest capable of determination without evaluation of contingencies other than life expectancy. Thus, instead of a plan's deposits at one depository institution being entitled to only \$250,000 of insurance in total per institution, each plan participant is entitled to insurance for his or her non-contingent interest in the plan's deposits at a depository institution up to \$250,000 per institution (subject to certain FDIC aggregation rules, as discussed below).

All non-contingent interests of plan participants are considered to be fully vested for FDIC insurance purposes. The contingent interests of employees in a plan and overfunded amounts of a plan ("overfunded amounts of a plan" means any portion of an employee benefit plan's deposits that is not attributable to the interests of the beneficiaries under the plan) are not insured on a "pass-through" basis. The contingent interests of employees in a plan and the overfunded amounts of a plan are aggregated together for purposes of determining deposit insurance at the Bank, and payment by the FDIC with respect to all such interest shall not exceed \$250,000, in the aggregate, for all of your Bank account interests that are deemed contingent interests in a plan or overfunded amounts of a plan.

Please note that even though your non-contingent interests in the plan deposits made by Baird at the Bank may qualify for "pass-through" insurance, your non-contingent interests in the plan deposits may not be fully insured up to \$250,000. There are FDIC rules that aggregate certain types of deposits held at the same depository institution for insurance purposes, and the application of these rules will determine if your non-contingent interest in a plan is insured up to \$250,000.

Under FDIC rules, the "pass-through" insurance on your interest in any employee benefit plan account is generally in addition to FDIC insurance on other categories of accounts held by you at the Bank. For example, if you have an interest in an employee benefit plan account that is eligible for "pass-through" insurance and you have a single ownership account at the Bank, your interest in the employee benefit plan account would be insured up to \$250,000 and your interest in the single ownership account would be insured up to \$250,000.

However, if you have an interest in multiple employee benefit plans that were established by the same organization and that are held by the Bank, all of your interests in each applicable account at the Bank will be aggregated together for determining availability of insurance. If you have an employee benefit plan account interest at the Bank that is entitled to "pass-through" coverage, any interests you may have in any other employee benefit plan established by the same employer or employee organization (such as a union) that is deposited at the Bank are combined and insured up to a total of \$250,000. For example, if a company deposits funds of both its pension plan and its profit-sharing plan at the same depository institution, the ownership interests of a participant who has interests in both plans would be added together and insured up to \$250,000.

### Certain Retirement Accounts

In addition, if you have interests in a combination of an IRA, a self-directed Keogh, a Section 457 deferred compensation plan or a self-directed defined contribution plan, such as a 401(k) plan, on deposit at the Bank, all such interests are aggregated when determining



deposit insurance coverage. The total amount of all these retirement funds is insured to a limit of \$250,000 per insured institution. In addition, if you are a participant in a retirement plan and have the right to choose a deposit account at the Bank as an investment, or if the plan has as its default option a deposit account at the Bank, the FDIC would consider your account to be self-directed and those deposits are aggregated with your other self-directed retirement account deposits at the Bank.

#### Corporate/Partnership/Unincorporated Association Accounts

Deposits owned by a corporation, limited liability company, partnership or unincorporated association are insured up to \$250,000, separately from the personal accounts of the entity's stockholders, members or partners. Please note that accounts in the names of sole proprietorships (e.g., "DBA" accounts) are not insured in this category but are added to the owner's other single accounts. Accounts owned by the same corporation, partnership or unincorporated association at the Bank but designated for different purposes or different divisions or business units are not separately insured. Instead, such accounts are added together and insured up to the \$250,000 limit.

#### Revocable Trust Accounts

Deposits in accounts of revocable trusts, such as "payable-on-death" accounts, Totten trusts and living, family, marital or generation-skipping trusts, are insured up to \$250,000 per owner (e.g., settlor or grantor) for each beneficiary named in the trust so long as the beneficiary is a natural person, charity or other non-profit organization. Contingent or alternative beneficiaries are not entitled to insurance protection if the primary or initial beneficiaries are still living. This \$250,000 per beneficiary limit applies to all formal and informal revocable trust accounts that an owner has at the same bank. The insurance coverage for each owner of a revocable trust is calculated based on the number of beneficiaries, not based on the combined number of owners and beneficiaries. If a revocable trust has one owner and names multiple eligible beneficiaries, that account is insured up to \$250,000 for each beneficiary. If the trust has more than one owner (e.g., husband and wife) with multiple beneficiaries, each owner is entitled to \$250,000 for each beneficiary. For example, if a living trust owned by a husband and wife names their three children as beneficiaries, the account will be insured up to \$1,500,000 because each of the husband and wife is entitled to \$250,000 of insurance for each of the children. For revocable trusts with more than five beneficiaries, the FDIC insurance per owner is limited to the greater of \$1,250,000 or the aggregate amount of the beneficiaries' interests in the trust, limited to \$250,000 per beneficiary.

The FDIC will assume that the owners' shares and the beneficiaries' interests are equal unless otherwise stated in the trust agreement or other account documentation held by Baird. There are special rules when the interests are not equal.

Please note that all deposits that an owner has in all formal and informal revocable trusts are added together for insurance purposes.

#### Irrevocable Trust Accounts

The interests of each beneficiary in all deposit accounts established by the same grantor and held at the same insured bank under an irrevocable trust are combined and insured up to \$250,000, so long as the beneficiary is named or otherwise identifiable, the interests of the beneficiary are not contingent and certain other conditions are met.

An irrevocable trust is a trust established by statute or written agreement in which the grantor contributes funds and/or other property to the trust and relinquishes all power to revoke the trust. If the conditions for "per beneficiary" insurance are not met, the coverage for the entire trust is limited to \$250,000. Irrevocable trusts often contain conditions that affect the interests of the beneficiaries or enable a trustee or beneficiary to invade the principal. As a result deposit insurance on a per beneficiary basis may not be available.

The interests of a beneficiary in all deposit accounts established by the same grantor and held at the same insured bank under an irrevocable trust are added together for purposes of the \$250,000 insurance limit.

#### More Information

The foregoing description of the availability of FDIC insurance for available cash deposited at the Bank is not a comprehensive discussion of the FDIC insurance rules that may apply to your situation. If you have questions about how your interest in the deposits will be insured, please contact your Baird Financial Advisor. Additional FDIC information may be obtained by contacting the FDIC Call Center at 1-877-ASK-FDIC (1-877-275-3342, 1-800-925-4618 [TDD]), by letter (FDIC, Deposit Insurance Outreach/Division of Supervision and Consumer Protection, 550 17th Street, N.W., Washington, DC 20429-9990), by e-mail ([webmaster@fdic.gov](mailto:webmaster@fdic.gov)), or by accessing the FDIC website at [www.fdic.gov](http://www.fdic.gov).

#### *Client's Responsibility*

**Please note you are responsible for monitoring the total amount of deposits you have with the Bank in order to determine the extent of FDIC insurance coverage available to you and/or the extent of available protection under SIPC.** Baird is not responsible for any insured or uninsured portion of your assets. You may wish to seek advice from your own attorney concerning FDIC insurance of deposits held in more than one capacity or the extent of the protection offered by SIPC and Baird's coverage in excess of SIPC limits.

#### *Compensation and Benefits to Baird*

Baird offers the Cash Sweep Program as an additional service to you and at no separate charge. Baird does not charge you any fees or commissions in connection with your participation in the Cash Sweep Program or your deposits into or withdrawals from the Bank Sweep Option or the Money Market Fund Option. However, Baird receives a fee for the provision of certain administrative, accounting, recordkeeping and other services in connection with the administration of the Cash Sweep Program. This fee is deducted from the interest agreed to be paid by the Banks on the aggregate balances in the Deposit Accounts. This fee is not separately negotiated, is determined by Baird and may be changed by Baird at any time. The fee paid to Baird on amounts held in the Bank Sweep Option, determined on a weighted average basis across the various interest rate tiers, may be up to 1.00%, annualized, of the daily deposit balances held in the Bank Sweep Option. Through the Money Market Fund Option, Baird receives compensation from the Funds and their sponsors, which may vary by Fund. The compensation and other economic benefits that Baird receives by offering the Money Market Fund Option currently may range from 0.10% to 0.90%, annualized, of the value of your and other client assets invested in the particular Funds. Baird does not receive compensation or other economic benefits with respect to the value of any client assets invested in Class

A share of the Dreyfus General Money Market Fund. Baird may waive receipt of any or all of this compensation.

Baird makes money on the Cash Sweep Program because the fees and other compensation Baird receives for the services it provides in connection with the Bank Sweep Option and Money market Fund Option exceed the costs of providing those services. The benefits that Baird receives from the Bank Sweep Option and the Money Market Option also give Baird a financial incentive to recommend that Clients participate in the Cash Sweep Program. Baird generally shares a portion of the benefits it receives from the Cash Sweep Program with its Financial Advisors.

### **Changes to the Cash Sweep Program**

Baird may discontinue or modify the terms and conditions of the Cash Sweep Program and may modify the Banks or Funds offered therein in Baird's sole discretion. If Baird makes a material change to the Cash Sweep Program, when a particular money market mutual fund is closed to new investment or when Baird otherwise believes it is in your best interest to do so, Baird will provide notice to you and, if applicable, identify options you may take to transfer balances from one Cash Sweep Program option to another.

### **Additional Information**

For additional information, visit [www.rwbaird.com/moneymarkets](http://www.rwbaird.com/moneymarkets) or contact your Baird Financial Advisor.

### **Dividend Reinvestment Program**

The Dividend Reinvestment Program offered by Baird provides a convenient, cost-effective way to buy additional shares of eligible securities you already hold in your portfolio. Pursuant to the Dividend Reinvestment Program, cash dividends you receive from eligible securities will be automatically reinvested, commission-free, allowing you to purchase additional full and/or fractional shares on a regular basis. As with any securities investment, there is no guarantee that you will realize a gain or be protected against a loss. Only cash dividends may be reinvested.

### **Enrollment**

You may enroll in the Dividend Reinvestment Program at any time by contacting your Baird Financial Advisor. Following your enrollment, all cash dividends paid to you with respect to your holdings of eligible securities will be automatically reinvested in additional shares of that security commission-free. However, the program is flexible and you may decide, with the assistance of your Baird Financial Advisor, which of your eligible securities you would like exclude from reinvestment transactions.

To participate in the Dividend Reinvestment Program, you must hold your securities in "street name" with Baird. If you currently hold your securities in customer name, a stock power must be completed for each security to transfer them to street name. Once your eligible securities are held in street name, you will be enrolled in the Dividend Reinvestment Program with respect to those securities.

Please note that, if you are an affiliate or insider of a company, Baird suggests that you consult your attorney or the company's legal counsel before enrolling in the Dividend Reinvestment Program for that company's shares. You may be subject to regulatory limitations concerning your investment activity in the securities issued by the company.

### **How the Dividend Reinvestment Program Works**

#### **Eligible Securities**

The Dividend Reinvestment Program applies to "eligible securities." Baird maintains a list of more than 1,600 eligible dividend-paying stocks. Eligibility is based on the regularity of dividends paid on the particular security and the trading volume in that security. Baird may add or delete eligible securities at any time in Baird's sole discretion. If you are a participant in the Dividend Reinvestment Program and Baird adds a security you currently hold to its list of eligible securities, any dividends you receive from such securities will be automatically reinvested unless you inform your Baird Financial Advisor otherwise. Additional cash, other distributions or dividends from non-eligible securities may not be used to purchase additional shares under the Dividend Reinvestment Program.

#### **Eligibility Dates**

For dividends to be reinvested pursuant to the Dividend Reinvestment Program, you must beneficially own an eligible security on that security's dividend record date. For more information, please discuss with your Baird Financial Advisor.

#### **Reinvestment of Cash Dividends: Security Purchases**

When cash dividends are reinvested, shares will be purchased commission-free on the date you receive the dividend. Reinvestment will be effected through open market purchases and will be consistent with Baird's obligation to obtain best execution of client orders at the time the order is entered.

On the applicable reinvestment date, Baird calculates the aggregate amount the eligible security Baird must purchase to effect reinvestment on behalf of each participant in the Dividend Reinvestment Program. If the aggregate number of required shares cannot be acquired in a single trade, purchases will be combined and the per-share cost will be calculated on a weighted average basis and allocated across all participating accounts. If Baird makes a market in the eligible security, shares may be purchased directly from Baird's inventory.

#### **No Separate Confirmations for Reinvestment Transactions**

You will not receive a written confirmation of each individual dividend reinvestment transaction; however, your Baird Client Statement will provide details, including the number of shares and the price of each security purchased. At any time after the date you receive a cash dividend on an eligible security, you may obtain current information on a reinvestment transaction by contacting your Baird Financial Advisor.

#### **Changing Instructions**

If you want to change your instructions regarding the Dividend Reinvestment Program, simply contact your Baird Financial Advisor. Please allow at least two business days to process such requests.

#### **Right to Modify Program**

Baird may modify, discontinue or suspend the Dividend Reinvestment Program, in whole or in part, or modify its terms in response to market conditions or other factors in Baird's sole discretion, with or without notice to you.

### **Tax Consequences**

Cash dividends that are received, whether paid in cash or reinvested in additional shares pursuant to the Dividend Reinvestment Program, are subject to tax and will be reported on IRS Form 1099-DIV.

### **Fees, Charges and Other Compensation**

The fees and charges that a client may pay to Baird, and the compensation that Baird and its Financial Advisors receive related to a client's accounts, depends upon the types of accounts a client establishes with Baird and the particular programs, services and features that the client selects for those accounts.

A summary of some of the more common fees and charges that a client may pay to Baird and the compensation that Baird and its Financial Advisors may receive is provided below. *Please note that this is not an all-inclusive list.*

#### **Account Fees**

Each account is generally subject to certain account fees and service charges, which vary depending upon the type and size of the account and the programs or services that the client has selected for the account. The fees and service charges that may apply to an account include but are not limited to:

- annual account fees;
- fees charged for establishing certain types of accounts, such as collateral pledge accounts;
- order handling fees;
- fees charged for the purchase or sale of certain types of assets or securities, such as private placement securities and "no load" mutual funds;
- wire transfer or securities transfer fees; and
- account closing and transfer fees.

A Schedule of Fees and Service Charges is available on Baird's website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures). A client that wishes to obtain a paper copy of the Schedule of Fees and Service Charges can do so by contacting the client's Baird Financial Advisor or Baird at 1-800-RW-BAIRD. Baird will endeavor to provide a client reasonable notice of the addition of or a change to the type or amount of its fees and charges, which may include a posting of the new fees or charges to Baird's website at [www.rwbaird.com](http://www.rwbaird.com). However, Baird reserves the right to change the fees and charges at any time in Baird's sole discretion without prior notice to Client. Client may qualify for a fee waiver and should contact Client's Baird Financial Advisor for details.

#### **Brokerage Account Transaction Charges**

A client will pay Baird transaction-based compensation for each transaction that is effected for the client's Brokerage Accounts. Such compensation may include commissions, sales loads, markups/markdowns, or other charges. For transactions effected by Baird on an agency basis, a client will generally pay commissions determined according to Baird's standard commission schedule then in effect. Transactions in certain types of securities, such as equity securities, exchange-traded funds, bonds and no-load mutual funds, are subject to a minimum commission charge then in effect. Baird may change its standard commission schedule and the minimum commission charge from time to time without prior notice to a client.

For transactions effected by Baird on a principal basis, a client will generally pay a markup/markdown, which will be imbedded in the price that the client pays or receives for the investment product. For certain investment products, such as mutual funds, a client generally will pay the commissions, sales charges and other transaction-based compensation disclosed in the prospectus or other offering documents for the applicable investment product. A client should discuss with the client's Financial Advisor the amount of charges the client may incur before placing an order for the client's Brokerage Account.

#### **Margin Accounts**

If a client has a margin account, the client will pay Baird interest on any margin loan and certain administrative fees as described in the client's Client Margin Agreement. A client should refer to that document for more information.

#### **Advisory Accounts**

Clients participating in an Advisory Program or Advisory Service typically pay Baird an advisory fee that based upon a percentage of the assets in the client's Advisory Accounts, although Baird does offer other fee arrangements. Additional information about advisory fees is contained in the client's advisory agreement and the Baird Brochure for the applicable Advisory Program or Advisory Service. A client should review the client's Advisory Account paperwork for more information about the actual advisory fee that the client pays to Baird.

#### **Other Program and Service Fees**

A client's account may be subject to other fees and charges related to particular programs and services that client has selected for the account, such as cash management services. A client should refer to the particular program or service documentation for more specific information.

#### **Other Compensation Received by Baird**

Baird may be compensated by an issuer or sponsor of an investment product based upon the client's purchases or sales of the particular investment product.

Certain investment products, such as mutual funds, exchange traded funds ("ETFs"), closed-end funds, unit investment trusts ("UITs"), alternative investments products, and other similar investment pools (collectively, "investment funds"), and annuities have their own internal fees and expenses that are borne either directly or indirectly by their holders, including a client. These fees and expenses may include investment management fees, distribution (12b-1) fees, shareholder servicing fees, transfer agency fees, networking fees, accounting fees, marketing support payments, administration fees, custody fees, expense reimbursements, and expenses associated with executing securities transactions for the product's portfolio ("ongoing operating expenses"). Baird may receive all or a portion of those ongoing operating expenses for the services it provides to the issuers or sponsors of those investment products. A client should refer the Section of this document entitled "Important Information about Certain Investment Products" below for more information.

As described in greater detail under the "Cash Sweep Program" section above, Baird receives a fee from each bank or money market fund participating in Baird's Cash Sweep Program for certain administrative, accounting and other services that Baird provides to the bank or fund. Baird may share a portion of the benefits it receives

from the Cash Sweep Program with its Financial Advisors. Baird maintains alliances with certain unaffiliated institutions that provide trust services. These unaffiliated institutions offer various types of trust services, including trust administration, custody, tax reporting and recordkeeping, to Baird clients. In connection with these alliances and the trust services provided by these unaffiliated institutions, Baird may provide marketing support services in assisting clients in their evaluation of the trust services. Baird may be compensated by these unaffiliated institutions for providing these marketing support services. Such annual compensation generally will not exceed 10% of the annual trust service fees received by the unaffiliated institution.

Baird maintains alliances with certain unaffiliated lenders that provide financing opportunities to Baird clients. Baird receives a referral fee from the lender in some instances. The referral fee is generally shared with the client's Financial Advisor. The amount of the referral fee varies, depending upon the lender and the amount of the financing. It is Baird's practice to provide more specific information about the referral fee at the time a client obtains such financing.

Baird effects transactions in securities on a national exchange for clients 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.

Subject to restrictions imposed by applicable law, Baird may benefit from free credit balances in client accounts unless and until such balances are invested or swept pursuant to the Cash Sweep Program.

As described in greater detail in the Section titled "Payment for Order Flow" below, Baird receives payment on certain options or equities orders routed to some venues, but Baird's routing decision is always based upon obtaining favorable executions for our clients rather than the availability of payment for order flow.

Baird may also earn compensation related to a client's investments or accounts in connection with the business activities conducted through its Investment Banking, Public Finance, Asset Management, Fixed Income, or Institutional Equities & Research Departments.

#### **How Baird Compensates Its Financial Advisors**

Baird Financial Advisors and other associates offering services and providing ongoing assistance to clients receive compensation from Baird. A Baird Financial Advisor is generally compensated based upon the Financial Advisor's total production level at Baird, which generally takes into account all of the advisory fees, commissions and similar compensation paid to Baird by the clients for which the Financial Advisor is responsible. Accordingly, as the amount of commissions and fees paid by a client increase, the compensation paid by Baird to the client's Financial Advisor increases. A Baird Financial Advisor may also be eligible for incentive compensation and bonuses based upon the amount of the Financial Advisor's production level and length of service. Baird also periodically incentivizes Baird Financial Advisors and other Baird associates to recommend advisory products and services to clients. Baird may reduce the rate of compensation it pays to Baird Financial Advisors when the commissions and fees paid by clients are below certain levels. This creates an incentive for Baird Financial Advisors to charge commissions and fees at or above those levels and a disincentive to reduce commissions and fees below a level that will negatively impact their production.

#### **Other Fees and Expenses**

In addition to the fees and charges described above, a client may incur other fees and expenses, which may include:

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

Investment funds and annuities have their own ongoing operating expenses. These ongoing operating expenses are separate from, and in addition to, the fees and charges that the client pays to Baird.

A client is also responsible for any redemption fees, surrender charges or similar fees that the investment product or its sponsor may impose on the client.

If a client uses a custodian other than, or in addition to, Baird, the client will pay the custodian's fees and expenses in addition to the Account fees and charges imposed by Baird.

If a client participates in an Advisory Program or Advisory Service, the client should review the applicable Baird Form ADV Part 2A Brochure for information about additional fees and expenses that may apply.

#### **How to Obtain More Specific Information**

A client should contact the client's Financial Advisor for more specific information about the client's fees and charges or the compensation that Baird and the Financial Advisor may receive in connection with the client's accounts.

#### **Client Communications**

From time to time, Baird will deliver to clients certain account-related communications, which may include account statements, trade



confirmations, performance reports, periodic issuer reports, proxy statements, prospectuses, Form ADV Part 2 brochure documents, privacy notices and other regulatory communications, tax documentation, agreements and amendments thereto, newsletters, and certain other information regarding a client's accounts (collectively, "Client Communications").

### **Trade Confirmations and Account Statements**

Baird will send a client a trade confirmation following the execution of a client's trade order to the extent required by applicable law unless the client provides other instructions or elects to suppress delivery of trade confirmations. If Baird provides Brokerage Services to a client, Baird will generally provide the client with a monthly account statement when activity occurs during that month. Otherwise, Baird will generally provide the client with a quarterly statement if there has not been any intervening monthly transaction activity. If a client has assets held by a third party custodian, the prices shown on the client's account statements provided by the custodian may be different from the prices shown on statements and reports provided by Baird.

### **Performance Reporting**

Depending upon the program and services selected, a client may or may not receive performance reports. Performance reporting is generally not available for account assets that are not custodied at Baird. Baird may change or discontinue performance reporting to a client at any time for any reason upon notice.

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

A client's performance reports may contain a comparison of the client's account performance to a benchmark market index or indices. The benchmark may be a blended benchmark that combines the returns for two or more indices. Benchmarks shown in performance reports are for informational purposes only. Baird's selection and use of a benchmark is not a promise or guarantee that the performance of the client's account will meet or exceed the stated benchmark, or that the benchmark used is relevant or comparable to the client's account. When a client compares account performance to the performance of a market index, the client should recognize that a market index merely reflects the performance of a list of unmanaged securities included in the index and the index performance does not take into account management fees, execution costs, and other expenses related to the operation of a portfolio. The securities included in the client's account generally do not exactly mirror the securities included in the index.

When preparing a client's account statements and performance reports, Baird generally relies upon third party sources, such as third party pricing services. In some instances, such as when Baird is unable to obtain a price for an asset from a pricing service, Baird may obtain a price from its trading desk or it may elect to not price the asset. Obtaining a price from its trading desk may present a conflict of interest. In some cases, Baird obtains prices from the issuers or sponsors of investment products in the client's account when prices are not otherwise readily available. This frequently occurs with respect to the valuation of Alternative Investment Products (defined below), as well as community bank stocks and private limited

partnerships. If the assets in the client's account are held by a custodian other than Baird, Baird generally relies on valuation information provided by the client's third party custodian.

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

### **Electronic Delivery of Documents**

As a convenience for clients, Baird offers clients the ability to receive Client Communications electronically. If a client consents to electronic delivery, Baird may deliver documents electronically in any of the following ways:

- Baird may deliver an e-mail to a client using the client's email address on file with Baird. The email will contain an active link to the documents or the documents will be attached to the email in portable document format (.pdf) or other readable format.
- Baird may deliver removable media, such as a CD-ROM or DVD, to the client's mailing address on file with Baird. The removable media will contain the documents in portable document format (.pdf) or other readable format.
- Baird may post the documents on Baird Online, at [www.rwbaird.com](http://www.rwbaird.com) or another website designated by Baird. Baird will notify a client via email or mail when the client should visit the website to obtain and view the documents.

A client should understand that the client must have internet access and the computer hardware and software necessary to receive and view electronic documents, including, but not limited to, internet browsing software and document reader software, such as Adobe Acrobat Reader. Baird does not charge clients for electronic delivery. However, a client will generally be subject to fees and charges imposed by the client's internet service provider. Because the internet is not a secure communications network, a client should understand that there are risks associated with the electronic transmission of the client's financial and personal information, such as unauthorized access and systems outages, delays, disruptions in telecommunications services and the internet. Baird or its agents will maintain an archive of documents delivered electronically that will be accessible to a client only for a limited period of time, in some cases for only one (1) year after the original delivery date. If a client wishes to retain documents for a longer period of time, the client is responsible for downloading and retaining a copy of the documents.

If a client has consented to electronic delivery, the client has the right to request paper delivery of any Client Communication that the law requires Baird to deliver to the client in paper form. A client should understand that if Client revokes or restricts his or her consent to



electronic delivery of Client Communications or requests paper delivery, Baird may, in Baird's sole discretion, charge the client a service fee for the delivery of paper copies. Please note that certain documents may continue to be delivered in paper form despite a client's consent to electronic delivery.

### **Paper Delivery of Documents**

To the extent paper copies of Client Communications are delivered to a client, Baird may deliver such paper copies to Client's address of record or at such other address as Client may provide to Baird in writing. Baird is dependent on a client's prompt communication of any disruption in the client's mail service.

A client has the ability to direct Baird to make the client's primary mailing address a Post Office Box ("P.O. Box"). When a client instructs Baird to utilize a P.O. Box as the client's primary mailing address, most Client Communications, including but not limited to account statements, confirmations, asset dispersal, confirmation letters and debit cards will be sent to the P.O. Box. Baird is required by regulation to also obtain a client's legal street address and maintain a record of such address. Baird reserves the right to send any or all Client Communications to the client's legal street address or to discontinue mailing to a P.O. Box address at any time in Baird's sole discretion. There are risks in utilizing a P.O. Box and such risks may include, but are not limited to, theft of documents, failure to timely gain physical receipt of documents, and third parties accessing the P.O. Box. Baird advises clients to not give third parties access to their P.O. Box. Baird is not responsible for any fees or charges associated with opening or maintaining P.O. Box or the consequences to a client of a failure to pay such fees or charges.

### **Householding of Client Communications**

As a convenience for clients, Baird may consolidate communications to clients sharing the same address. This practice is frequently referred to as "householding".

Unless otherwise directed by a client, Baird will deliver all Client Communications on a consolidated basis to a client's "Statement Household". A client's Statement Household automatically includes all client accounts that share the same name, address and social security or tax identification number. Subject to Baird's agreement, a client may also add to the client's Statement Household other accounts that share the same address, such as accounts for the client's spouse or children or accounts for which the client serves as a trustee, conservator, guardian, or other fiduciary or authorized representative; provided that, all affected clients have directed Baird to add such accounts to the Statement Household.

If a client elects householding, Baird will send all Client Communications to the client and all other members of client's Statement Household on a consolidated basis. For clients receiving paper copies of documents, this means that Client Communications will be consolidated into a single envelope. For Baird Online clients, this means that any member of the Statement Household who has enrolled in Baird Online will have access to view Client Communications for all accounts in the Statement Household.

A client should note that members of the client's Statement Household will have access to client's personal and financial information.

A client should understand that, by electing householding, only a single copy of certain types of Client Communications will be sent to the Statement Household. Such documents may include periodic issuer reports, proxy statements, prospectuses, Form ADV Part 2 brochure documents, privacy notices and other regulatory communications, agreements and amendments thereto, newsletters, and certain other information regarding client accounts that Baird may deliver from time to time.

In the event that a client desires to change a Statement Household or terminate householding, the client can contact the client's Financial Advisor or the client can contact Baird, in writing, at 777 East Wisconsin Avenue, Milwaukee, Wisconsin, 53202, Attention: Name & Address Department.

### **Baird's Privacy Statement**

It is the policy of Baird to protect the privacy of our clients who share personal and financial information with us in the course of receiving financial services from Baird. We treat your information as confidential and recognize the importance of protecting access to it.

Baird protects your privacy and treats as confidential any personal or financial information we receive in the course of providing our financial services to you. We are providing you with our Privacy Policy in accordance with Title V of the Gramm-Leach-Bliley Act and its implementing regulations.

### **Categories of Information We Collect**

Baird collects and maintains information about our clients so that we can evaluate their financial needs and provide a broad range of financial services. You may provide information to your Baird Representative or others at Baird when communicating with us in writing, electronically, or by phone.

For instance, we may collect the following personal information about you:

- Information we receive from you on account applications, agreements or other forms, such as your name, address, e-mail address, phone number, Social Security number, assets, income and date of birth
- Information about your transactions with us, our affiliates, or others, such as your account balance, positions and history

Depending on the products and/or services you require, information may also come from consumer reporting agencies and those providing services to us.

### **Protecting Your Privacy**

We do not disclose any nonpublic information about our clients or former clients to anyone, except as requested or authorized by our clients, as necessary to process a transaction or service an account, as requested by regulatory authorities, or as otherwise permitted by law.

We may disclose information about you or your account with companies that perform administrative or marketing services for Baird, with investment advisors, with a research firm we have hired, or with a business partner (such as a bank, insurance company, or other financial institution) with whom we are developing or offering investment products or services. When we enter into such a relationship, our contracts restrict the companies' use of client

information, requiring them to maintain the confidentiality of such information.

We also restrict access to nonpublic personal information about you to your Baird Representative and those Baird employees who need to know that information to provide investment products or services to you. We maintain physical, electronic, and procedural safeguards to protect your nonpublic personal information. If your Financial Advisor's affiliation with Baird ends and they join a non-affiliated broker-dealer, your Financial Advisor may use limited information to contact you to move your account to their new firm. The information they may use is limited to your name, address, email address, phone number and account title.

At Baird, we have always worked to maintain the highest standards of confidentiality and to respect the privacy of our clients. While regulation requires that we provide this notice, Baird's Privacy Policy reflects the level of confidentiality that has always existed at Baird.

You may have instructed Baird to share certain information with members of your Baird household or with other third parties. If you have given such instructions to Baird, you have the ability to revoke these instructions by contacting your Baird Financial Advisor.

We endeavor to keep our client information complete and accurate, and encourage you to notify us if any of your information should be updated. Should you need to update your records, or have any questions regarding Baird's Privacy Policy, please contact your Baird Financial Advisor.

## **Important Information about Certain Investment Products and Investment Strategies**

### ***Mutual Funds***

#### ***Choosing a Mutual Fund***

Baird provides clients the ability to choose from a large selection of mutual funds, sponsored by more than 200 fund families. In many cases, a mutual fund offers multiple share classes that have different cost structures and eligibility requirements. Before a client invests in mutual funds, it is important that the client fully understands the options available, the costs of investing in a mutual fund, which can impact investment returns, and the risks associated with investing in a fund.

All mutual funds have direct costs associated with their sales or operation that will have an impact on a client's investment returns. These costs may include transaction fees, such as front-end or contingent deferred sales charges (often referred to as "loads"), which will be paid directly by a client, and indirect, ongoing operating expenses, such as management fees, distribution (12b-1) fees, and other operating costs, which are paid by the funds (and thus indirectly by a client). Sales charges and ongoing operating expenses vary among mutual funds and share classes.

If a client is considering a load fund, it is important for a client to be aware of any sales charge breakpoint discounts that may apply. A client may be eligible for sales charge discounts based on the size of the client's purchase, current holdings or future intended purchases, as well as holdings in related accounts. A client should also be aware of the alternative share classes available, if any and that some mutual fund families offer funds with no sales charge.

In addition to the costs and expense of a fund, a client should also consider a fund's investment objectives and its risks to determine if they are consistent with the client's goals and risk tolerance. Like any investment, mutual funds carry some risks which may include market risk, interest rate risk, credit risk, style risk and securities selection risk. The degree of these and other risks will vary depending on the type of mutual fund a client chooses.

Before investing in any mutual fund, a client should read the fund's prospectus, an informational document provided by each mutual fund that contains information about the fund's investment objectives and strategies, costs, and risks. A client's Financial Advisor is also available to assist the client with any questions.

### ***Compensation Baird Receives***

The following information primarily pertains to mutual fund transactions in Brokerage Accounts. For more information on the compensation Baird receives with respect to Advisory Accounts, a client should refer to the Baird Brochure for the applicable Advisory Program or Advisory Service.

Mutual fund companies compensate Baird and its Financial Advisors based on the applicable front-end or back-end sales charges detailed in the mutual fund prospectus. Many mutual fund companies also make ongoing payments to Baird, referred to as service fees or distribution fees out of their 12b-1 plans ("12b-1 fees"), as described in the prospectus. Baird, in turn, pays a portion of these fees to the Financial Advisor.

In addition to sales loads and 12b-1 fees, Baird receives additional financial support from the sponsors of certain mutual funds. This support, which varies from fund company to fund company and is commonly referred to as "revenue sharing," is typically allocated toward the costs of training and education for Financial Advisors, due diligence on the funds and marketing support. In addition to financial support payments described above, Baird may be reimbursed by mutual fund companies or their service providers for expenses incurred by Baird for various sales meetings, seminars, and conferences held in the normal course of business.

Baird Financial Advisors may receive non-cash compensation and other benefits from Baird and mutual fund companies with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars, payment of related travel, lodging and meal expenses, and receipt of gifts and entertainment.

Baird also receives compensation from certain mutual funds and their sponsors in consideration for administrative, accounting, recordkeeping, sub-transfer agency or other services that Baird provides to those funds.

Baird has a clearing arrangement with Charles Schwab & Co., Inc. ("Schwab") whereby Schwab maintains an omnibus account with certain mutual fund families for Baird on behalf of Baird clients. Under the clearing arrangement, Schwab provides clearing services for nearly all "no load" funds held by Baird clients. Although Baird pays Schwab a fee for the clearing service, Schwab passes through to Baird and its Financial Advisors a portion of the compensation that Schwab receives from those funds (including 12b-1 and administrative fees and revenue sharing payments) for services that Baird provides to Schwab and clients who invest in those funds.

Some mutual funds and their sponsors may provide Baird and its Financial Advisors greater levels of compensation and benefits described above than other mutual funds and their sponsors. Accordingly, the receipt of such compensation and benefits provides Baird and its Financial Advisors an incentive to recommend mutual funds that provide greater levels of compensation and benefits.

Additional information about mutual funds is available on Baird's website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

### **Money Market Funds**

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds typically seek to preserve the value of an investment at \$1.00 per share, there can be no assurance that will occur, and it is possible to lose money should the fund value per share fall. In some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings may be liquidated and distributed to the fund's shareholders. This liquidation process could take time to complete. During that time, the amounts a client has invested in the money market fund would not be available for purchases or withdrawals. New SEC regulations for money market funds that go into effect in October 2016 may impact how some money market funds operate. The new regulations make a distinction between: (1) government money market funds (funds that invest nearly all assets in cash, government securities, and/or repurchase agreements collateralized by cash or government securities); (2) retail money market funds (funds that have policies and procedures reasonably designed to limit beneficial ownership to natural persons); and (3) institutional money market funds (funds that permit beneficial ownership by institutions and natural persons). Beginning in October 2016, institutional money market funds will be required to calculate their NAV in a manner such that the NAV will vary based upon the market value of assets and liabilities of the fund (also known as a "floating NAV"). In addition, retail and institutional money market funds will be required to impose redemption fees (also known as liquidity fees) and suspend redemptions (also known as redemption gates) in certain circumstances. Government money market funds may also impose redemption fees and suspend redemptions in those same circumstances. More specific information about how a money market fund calculates its NAV and the circumstances under which it will impose a redemption fee or suspend redemptions is set forth in the prospectus for that money market fund.

### **Annuities**

An annuity is a contract between a client and an insurance company, under which a client makes a lump-sum payment or series of payments to fund the annuity. In return, the insurer agrees to make periodic payments to the client beginning immediately or at some future date. Annuities are complex financial instruments and a client should develop an understanding of their terms, features, fees, charges and expenses, tax consequences and risks. Before a client invests in an annuity, the client should read the prospectus and other material provided about that annuity. A client's Financial Advisor is also available to assist the client with any questions.

Baird and its Financial Advisors are compensated by the insurance companies whose annuities they sell. Baird and its Financial Advisors generally receive up-front commissions based on a client's annuity purchases and trail commissions or residuals on the value of client

assets invested in an annuity. Some insurance companies may pay higher commissions than others, which in turn may result in Baird and its Financial Advisors receiving greater compensation from certain annuities.

Baird may also receive additional financial support from certain insurance companies for certain annuities that it sells. This support, which varies from insurance company to insurance company, is commonly referred to as "marketing support payments", and in exchange, Baird provides insurance companies with special marketing benefits.

Baird Financial Advisors may receive non-cash compensation and other benefits from Baird and insurance companies with which Baird does business. Such non-cash compensation and other benefits may include invitations to attend conferences or educational seminars, payment of related travel, lodging and meal expenses, and receipt of gifts and entertainment.

Some insurance companies may provide Baird and its Financial Advisors greater levels of compensation and benefits described above than other insurance companies. Accordingly, the receipt of such compensation and benefits provides Baird and its Financial Advisors an incentive to recommend annuities that provide greater levels of compensation and benefits.

Additional information about annuities is available on Baird's website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

### **Closed -End Funds and UITs**

A closed-end fund is a type of investment fund or company. Unlike mutual funds which continuously offer and redeem their shares on a daily basis at net asset value (NAV), closed-end funds typically raise money by selling a fixed number of shares of common stock in a single, one-time offering, much the way a company issues stock in an initial public offering. Closed-end fund shares are also not redeemable, meaning that investors cannot require closed-end funds to buy back their shares, although closed-end fund shares are listed and traded on an exchange. Investment advisors manage the investments of the closed-end fund subject to the oversight of the fund's board of directors. Like other equity investments that trade on an exchange, clients typically pay Baird a commission for effecting closed-end fund trades.

Like a closed-end fund, a UIT is a type of investment fund or company. UITs are designed as grantor trusts which are created by a trust sponsor who enters into agreement with a trustee. A UIT is a professionally selected pooled investment vehicle in which a portfolio of securities is selected by the sponsor and deposited into the trust for a specified period of time. Units or interests in the UIT are sold to investors to cover the purchase of the fixed portfolio of securities, which units or interests represent ownership in the UIT or its portfolio of securities. UITs are passively managed and follow a "buy and hold" strategy, meaning that UITs generally buy a fixed portfolio of securities and hold on to that portfolio until their termination date at which time the portfolio is liquidated with the net proceeds paid to investors.

Closed-end funds and UITs have their own investment objectives, strategies, and investment portfolios. They also can be subject to different risks, volatility, and fees and expenses. Closed-end funds and unit investment trusts are unique investments and involve special risks. They may not be suitable for all clients. Before a client invests in

a closed-end fund or UIT, the client should read the prospectus and other material made available about those investments. A client's Financial Advisor is also available to assist the client with any questions.

UITs or their sponsors pay Baird and its Financial Advisors compensation in the form of sales loads or dealer concessions, which are described in the UIT's prospectus.

Baird generally receives additional compensation related to the sale of units of UITs. Sponsors of UITs typically make marketing or concession payments to the firms that sell their UITs, including Baird. These payments are typically calculated as a percentage of the total volume of sales of the sponsor's UITs made by the firm during a particular period. That percentage typically increases as higher sales volume levels are achieved. Descriptions of these additional payments are provided in a UIT's prospectus.

Some UITs and their sponsors may provide Baird and its Financial Advisors greater levels of compensation described above than other UITs and their sponsors. Accordingly, the receipt of such compensation provides Baird and its Financial Advisors an incentive to recommend UITs that provide greater levels of compensation.

Additional information about closed-end funds and UITs is available on Baird's website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

### **Alternative Strategies and Alternative Investment Products**

Baird makes available to clients securities or other investment products that pursue non-traditional, complex or alternative investment strategies ("Alternative Strategies") or that involve special risks not apparent in more traditional investments ("Alternative Investment Products"). Alternative Strategies may be pursued in multiple ways, including alternative mutual funds, ETFs, hedge funds, managed futures, private equity funds and separately managed accounts managed by third party managers. Some Alternative Strategies invest in non-traditional assets, such as real estate, commodities (which may include metals, mining, energy and agricultural products), currencies, movements in securities indices, credit spreads and interest rates, and venture capital and buyout investments in private companies. Some Alternative Strategies engage in the use of margin or leverage or selling securities short ("short sales"). Some Alternative Strategies invest in derivative instruments such as options, convertible securities, futures, swaps, or forward contracts. Alternative Investment Products generally engage in one or more Alternative Strategies. Additional information about Alternative Strategies and Alternative Investment Products is provided below.

### **Non-Traditional Assets**

Non-traditional assets, like real estate, commodities, currencies, securities indices, interest rates, credit spreads, and private companies, may be used for diversification purposes. They may also be used to try to reduce market and inflation risk. The performance of non-traditional assets may not correspond to the performance of the stock markets generally, and investments in non-traditional assets will generally impact an account's returns differently than more traditional investments like stocks or bonds. Non-traditional assets are subject to risks that are different from, and in some instances, greater than, other assets like stocks and bonds. Non-traditional assets are generally more difficult to value, less liquid, and subject to greater volatility compared to stocks and bonds.

### **Short Sales**

Short selling attempts to benefit from an anticipated decline in the market value of a security. To effect a short sale, a client sells a security the client does not own. When a client sells a security short, Baird borrows the security from a lender and makes delivery to the buyer on the client's behalf. Because short sales involve an extension of credit from Baird to the client, a client must use a margin account. A client must also eventually purchase the same shares sold short and return them back to the lender. It is possible that the prices of securities that a client sells short may increase in value, in which case the client may lose money on the short position. Short selling thus runs the risk of loss if the price of the securities sold short does not decline below the price at which they were originally sold. This risk of loss is theoretically unlimited, as there is no cap on the amount that the price of a security may appreciate.

Clients should note that an investment manager managing a client's account or investment products in the client's account may also engage in short sales. Thus, a client's account will be subject to short sales risks if the investment manager managing the client's account or an investment product in the client's account engages in short sales.

### **Options and Other Derivative Instruments**

#### Derivative Instruments

Derivatives instruments, such as options, convertible securities, futures, swaps, and forward contracts are financial contracts that derive value based upon the value of an underlying asset, such as a security, commodity, currency, or index. Derivative instruments may be used as a substitute for taking a position in the underlying asset. Derivative instruments may also be used to try to hedge or reduce exposure to other risks. They may also be used to make speculative investments on the movement of the value of an underlying asset. The use of derivative instruments involves risks different from, or possibly greater than, the risks associated with investing directly in securities and other traditional investments. Investing in derivatives also generally involves leverage. Derivatives are also generally less liquid, and subject to greater volatility compared to stocks and bonds.

#### Options

Options transactions may involve the buying or writing of puts or calls on securities. In some cases, Baird may require clients to open a margin account to engage in options trading.

With a call option, the purchaser has the right to buy, and the seller (writer) the obligation to sell, the underlying security or index at a predetermined price (that is, the exercise or strike price) prior to expiration of the option. The premium paid to the seller (writer) for the option is in consideration for the underlying obligations imposed on the seller should the option be exercised. With a put option, the purchaser has the right to sell, and the seller has the obligation to buy, the underlying security or index at the exercise price prior to expiration of the option.

In buying a call option, the purchaser expects that the market value of the underlying security or index will appreciate, which would enable the purchaser of a call to buy the underlying security or index at a strike price lower than the prevailing market price. The purchaser of the call option makes a profit if the prevailing market price is greater than the sum of the strike price plus the premium paid for the option. The seller of a call option earns income in the form of the premium



received from the purchaser for the option and expects that the market value of the underlying security or index will depreciate such that the option will expire without being exercised. The seller of a call option makes a profit if the prevailing market price of the underlying security or index is less than the sum of the strike price plus the premium received.

In buying a put option, the purchaser expects that the market value of the underlying security or index will depreciate, which would enable the purchaser of a put to sell the underlying security or index at a strike price higher than the prevailing market price. The purchaser of the put option makes a profit if the prevailing market price is less than the sum of the strike price and the premium paid for the option. The seller of a put option earns income in the form of the premium received from the purchaser for the option and expects that the market value of the underlying security or index will appreciate such that the option will expire without being exercised. The seller of a put option makes a profit if the prevailing market price of the underlying security or index is greater than the difference between the strike price and the premium.

In purchasing a put or call option, the purchaser faces the risk of loss of the premium paid for the option if the market price moves in a direction opposite to what the purchaser had expected. In selling or writing an option, the seller faces significantly more risk. A seller of a call option faces the risk of significant loss if the prevailing market price of the underlying security or index increases above the strike price, and a seller of a put option faces the risk of significant loss if the prevailing market price of the underlying security or index decreased below the strike price.

A client should note that an investment manager managing a client's account or investment products in the client's account may also engage in options transactions. Thus, a client's account will be subject to options risks if the investment manager managing the client's account or an investment product in the client's account engages in options transactions.

#### **Alternative Investment Products**

Alternative Investment Products typically invest primarily in non-traditional assets or engage in one or more Alternative Strategies. Alternative Investment Products may include, but are not limited to: hedge funds, funds of hedge funds, private equity funds, funds of private equity funds, exchange or swap funds, leveraged funds, inverse funds, and other special situation funds, structured certificates of deposit and structured notes, exchange-traded notes, business development companies, real estate investment trusts, master limited partnerships, and managed futures.

In addition, Client should be aware that more traditional investments, such as mutual funds, ETFs, UITs and variable annuities, may also pursue Alternative Strategies. A client should carefully review the prospectus or other offering document for each investment and understand the strategy being pursued before deciding to invest.

Additional information about Alternative Investment Products is available on Baird's website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

#### **Additional Important Information**

The use of Alternative Strategies or Alternative Investment Products is not appropriate for some clients because they involve special risks. A client should not engage in those strategies or invest in those

products unless the client is prepared to experience significant losses in the client's account. This is especially true for short selling, which can result in unlimited losses as there is no limit to the amount borrowed securities can rise in value. Before using those types of strategies or products, a client is strongly urged to discuss them with the client's Financial Advisor and any investment manager managing the client's account. A client should also carefully review the client's agreements with Baird and related disclosure documents. Additional information about Alternative Strategies and Alternative Investment Products is available on Baird's website at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

#### **Callable Securities**

Baird maintains policies and procedures designed to ensure the fair and impartial allocation of securities among all clients in the event of a partial call or redemption of such securities prior to maturity. A description of these policies and procedures is available at [www.rwbaird.com/disclosures](http://www.rwbaird.com/disclosures).

#### **Important Information about Rollover IRAs**

An IRA rollover may be an appropriate solution for clients wanting to transfer assets from one or more tax-qualified retirement plan(s) (such as a 401(k) plan with a former employer) to a newly-established or existing individual retirement account ("IRA") held at Baird. Because each client's situation is different, Baird has prepared this document to help you understand your options as well as the benefits and costs associated with a decision to roll over tax-qualified assets.

#### **Overview of Your Options**

While some clients may have the option to leave tax-qualified assets in their plan account with their current custodians, other clients may be required to take action following the occurrence of certain types of events, such as termination of employment or retirement. Depending upon your particular circumstance, you may have the following options available with respect to the assets in your plan account:

- Leave assets in your existing plan;
- Move the plan assets to another plan, such as a new employer's plan;
- Move your plan assets to an IRA held at another custodian, such as Baird; or
- Receive a distribution from the plan (which may be subject to taxes and/or penalties).

#### **Important Considerations Prior to Making a Decision to Roll Over Assets**

Every situation is unique and it is important to consider all options carefully prior to making a decision. At a minimum, your evaluation should include a review of the following:

- *Investment Options and Services.* Consider the investment and service options available with your current plan as well as what may be available to you elsewhere. Certain employer plans may provide access to planning tools, telephone help lines, educational materials and workshops at little or no charge to you. Consider the best fit for you with respect to selecting investment service providers.



- **Fees and other costs.** Consider the total cost, in terms of fees charged by your current plan custodian as well as other costs or expenses you may bear to complete a rollover. Baird will not charge you a fee to process any rollover of assets to Baird. However, following a successful rollover of assets, Baird will charge you fees and commissions for any brokerage, account administration, investment advisory, or other services you may select. As a result, Baird Financial Advisors have a financial incentive to recommend a rollover over the other options described above. You can obtain information about Baird's fees and commissions from your Baird Financial Advisor.
- **Taxes.** Be sure to consult your tax advisor to evaluate the tax implications of rolling over tax-qualified plan assets to an IRA. For example, you will be taxed on assets rolled over from a tax-deferred 401(k) plan to a Roth IRA. In addition, before taking a distribution from your current plan, note that once you take a distribution, you will only have 60 days to deposit the funds into a tax-qualified account. Otherwise, you may be assessed taxes and penalties.
- **Your Age.** Clients between the ages of 55 and 59 ½ may be able to take penalty-free withdrawals from tax-qualified accounts under certain circumstances. This option may not be available following a rollover of assets to an IRA held at another custodian.

#### **60-day IRA Rollover Rule**

Beginning January 1, 2015, an IRA owner may complete one IRA rollover in any 12-month period. This applies to all IRAs regardless of the type (Traditional, Rollover, Roth, Simple). There is no limit on direct transfers of retirement assets from one trustee to another. In addition, Roth conversions and rollovers to/from a qualified plan are not limited by the one-per-year rollover rule. Before taking a distribution from a retirement account, be sure to consult your tax professional.

#### **Potential Benefits of an IRA Rollover**

As discussed above, a decision to roll over assets into an IRA held at Baird may not make sense in all circumstances. However, some of the benefits of rolling over or consolidating assets with Baird may include:

- **A greater range of investment options.** Rolling over plan assets provides you the ability to leverage Baird's large variety of products and services and that may not have been available at other financial institutions.
- **Access to full-service investment resources.** You will receive ongoing investment advice and guidance from your Baird Financial Advisor, who is supported by the full-service investment resources of Baird.
- **One custodian.** You may choose to consolidate all your retirement assets held at Baird instead of maintaining relationships with multiple custodians. With one account to maintain, you have the convenience of greater control and the ability easily track all your investments. Holding assets with a single custodian may also reduce fees charged on your multiple accounts.
- **Fees and transaction costs.** Baird may provide lower-cost alternatives than those available under your current plan. Be

sure to ask your Baird Financial Advisor questions about options available and how Baird's fee and commissions may differ.

#### **More Information**

For more information on important considerations when making the decision to roll over assets as well as the costs and benefits of an IRA rollover, consult your Baird Financial Advisor or visit <http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/RetirementAccounts/P436001>.

#### **Business Continuity Plan**

Baird has taken measures to structure a business continuity plan in the event that a significant business disruption occurs. Such steps include, but are not limited to, the establishment of external sites to be used for recovery of various electronic functions, the establishment of specialty task forces assembled to complete timely recovery functions, and the employment of technology to reduce and prevent the loss of data. A more detailed summary of the plan is available to a client upon the client's request. A summary of the plan also contained in the Annual Disclosure Notice sent to clients, the most recent copy of which is available at on Baird's website at [rwbaird.com/disclosures](http://rwbaird.com/disclosures).

#### **Securities Investor Protection Corporation**

Baird is a member of the Securities Investor Protection Corporation ("SIPC"). Through SIPC, assets of Baird's clients are protected up to \$500,000 (\$250,000 of which may be in cash deposits with Baird). Baird provides additional protection in excess of SIPC limits through a private insurance company for customers eligible for SIPC, subject to policy coverage limits. Neither SIPC nor Baird's policy in excess of SIPC limits protects against potential losses from market fluctuations and neither apply to unregistered investment contracts, interests in commodities, commodity contracts, or commodity options. In addition, neither SIPC nor Baird's policy in excess of SIPC limits covers assets that clients hold in bank deposit accounts, which are covered by FDIC insurance up to applicable limits. A client may obtain additional details regarding SIPC and coverage in excess of SIPC limits from the client's Baird Financial Advisor. A client may also obtain information about SIPC, including its brochure, "How SIPC Protects You," by visiting SIPC's Web site at [www.sipc.org](http://www.sipc.org) or by calling SIPC at 1-202-371-8300.

#### **Notice of Escheatment of Client Property**

Baird may transfer a client's property to certain state authorities pursuant to applicable unclaimed property law for any reason permitted by applicable law, including but not limited to Baird's inability to locate a client's address of record or if no activity occurs in a client's account within a time period set forth by applicable law.

#### **Extended Hours Trading**

Clients should consider the following risks prior to engaging in extended hours trading. "Extended hours trading" is defined as trading outside of the regular trading hours for the primary exchange of the security being traded. "Regular trading hours" generally means between 9:30 a.m. and 4:00 p.m. Eastern Standard Time for trades in equity securities, and 8:00 a.m. and 6:30 p.m. Eastern Standard Time for trades in fixed-income securities.

**Risk of Lower Liquidity.** Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that

are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result, investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, an order may only be partially executed, or not at all.

**Risk of Higher Volatility.** Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, an order may only be partially executed, or not at all, or an order may receive an inferior price in extended hours trading than it would during regular market hours.

**Risk of Changing Prices.** The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours or upon the opening the next morning. As a result, an order may receive an inferior price in extended hours trading than it would during regular market hours.

**Risk of Unlinked Markets.** Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, an order may receive an inferior price in one extended hours trading system than it would in another extended hours trading system.

**Risk of News Announcements.** Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the price of a security.

**Risk of Wider Spreads.** The spread refers to the difference between the price at which a security can be bought and the price for which it can be sold. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.

**Risk of Lack of Calculation or Dissemination of Underlying Index Value or Intraday Indicative Value ("IIV").** For certain derivative securities products, an updated underlying index value or IIV may not be calculated or publicly disseminated in extended trading hours. Since the underlying index value and IIV are not calculated or widely disseminated during the opening and late trading sessions, an investor who is unable to calculate implied values for certain derivative securities products in those sessions may be at a disadvantage to market professionals.

## Payment for Order Flow

Baird selects execution venues based on the size of the order, trading characteristics of the security, speed of execution, likelihood of price improvement, availability of efficient automated transaction processing, guaranteed automatic execution levels, and other qualitative factors. Baird may receive payment on certain options or equities orders routed to some venues, but Baird's routing decision is always based upon obtaining favorable executions for our clients rather than the availability of payment for order flow. The existence

and amount of payments are dependent upon the size and type of the routed order and compensation to the firm is not material to its trading business. The source and amount of any compensation received by the firm in connection with payment for order flow will be disclosed to the non-institutional participants in the transaction upon request.

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## Notice to Canada Residents

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- The jurisdiction of Baird’s head office or principal place of business is Milwaukee, Wisconsin, United States;
- All or substantially all of Baird’s assets may be situated outside of Canada;
- There may be difficulty enforcing legal rights against Baird because of the above; and
- The name and address of the agent for service of process of Baird in the local jurisdictions follows below.

<b>Jurisdiction</b>	<b>Agent</b>	<b>Address</b>
British Columbia	152928 Canada Inc.	c/o Stikeman Elliott LLP 666 Burrard Street, Suite 1700, Park Place Vancouver, British Columbia V6C 2X8 Canada Attention: John Anderson
Alberta	152928 Canada Inc.	c/o Stikeman Elliott LLP 4300 Bankers Hall, 888-3rd Street S.W. Calgary, Alberta T2P 5C5 Canada
Ontario	152928 Canada Inc.	c/o Stikeman Elliott LLP 5300 Commerce Court West 199 Bay Street Toronto, Ontario M5L 1B9 Canada
Quebec	152928 Canada Inc.	c/o Stikeman Elliott LLP 1155 Rene-Levesque Blvd., 40th Floor Montreal, Quebec H3B 3V2 Canada Attention: Alix d'Anglejan-Chatillon
Manitoba	Aikins, MacAulay & Thorvaldson LLP	30th Floor Commodity Exchange Tower, 3000 360 Main Street Winnipeg, Manitoba, R3C 4G1 Canada Attention: Richard L. Yaffe
Saskatchewan	McDougall Gauley LLP	1500-1881 Scarth Street Regina, Saskatchewan S4P 4K9 Attention: Michael W. Milani, Q.C.
Nova Scotia	Stewart McKelvey Stirling Scales	Suite 900 Purdy’s Wharf Tower One 1959 Upper Water Street, PO Box 997 Halifax, Nova Scotia, B3J 2X2 Attention: Gavin Stuttard
New Brunswick	Stewart McKelvey Stirling Scales	Suite 1000, Brunswick House 44 Chipman Hill, PO Box 7289, Postal Station A Saint John, NB 2L 4S6 Attention: C. Paul W. Smith

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