

# Important Information about Brokerage and Investment Advisory Services

## 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.

## Brokerage Services and Brokerage Accounts

The Brokerage Services that Baird offers to its clients are limited to the execution of securities transactions. 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



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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 [rvbaird.com/disclosures](http://rvbaird.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 is 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.



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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, recommendations and investment advice about investment products and services, and discretionary account management.



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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.



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### **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.