

Margin Risk Disclosure Statement

Before trading stocks in a margin account you should carefully review the margin agreement which you signed when you established the margin account. Please consult your Baird Financial Advisor regarding any questions or concerns you may have with your margin accounts.

When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from Baird. If you choose to borrow funds from Baird, you will open a margin account. The securities in the margin account are Baird's collateral for the loan to you. If the securities in your account decline in value, so does the value of the collateral supporting your loan. And, as a result, Baird can take action, such as issue a margin call and/or sell securities in your account in order to maintain the required equity in the account.

It is important that you fully understand the risks involved in trading securities on margin. These risks include the following:

You can lose more funds than you deposit in your margin account.

A decline in the value of securities that are purchased on margin may require you to provide additional funds to Baird to avoid the forced sale of those securities or other securities in your account.

Baird can force the sale of securities in your account.

If the equity in your account falls below the maintenance margin requirements under the law, or Baird's higher "house" requirements, Baird can sell the securities in your account to cover the margin deficiency. You will be responsible for any shortfall in the account after such a sale.

Baird can sell your securities without contacting you.

Some investors mistakenly believe that Baird must contact them for a margin call to be valid, and that Baird cannot liquidate securities in their accounts to meet the call unless Baird has contacted them first. This is not the case. Baird will attempt to notify their customers of margin calls, but is not required to do so. However, even if Baird has contacted you and provided a specific date by which you can meet a margin call, Baird can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to you.



Margin Risk Disclosure Statement, *continued.*

You are not entitled to choose which security in your margin account is liquidated or sold to meet a margin call.

Because the securities are collateral for the margin loan, Baird has the right to decide which security to sell in order to protect its interests.

Baird can increase its “house” maintenance margin requirements at any time and is not required to provide you with advance written notice.

These changes in firm policy often take effect immediately and may result in the issuance of a maintenance margin call. Your failure to satisfy the call may cause Baird to liquidate or sell securities in your account. In addition, Baird may refuse to accept certain securities as collateral in a margin account and may increase margin requirements on certain volatile, illiquid or highly concentrated securities.

You are not entitled to an extension of time on a margin call.

While an extension of time to meet margin requirements may be available to clients under certain conditions, a customer does not have a right to the extension.

You may lose shareholder proxy voting rights if your shares are lent out by the firm during a voting period.

When you maintain a margin account debit balance at Baird, the securities used as collateral for the margin loan may be lent by Baird to other brokerage firms or institutions for various reasons. If your shares are lent out, the right for you to vote on the shares is granted to the borrower of the shares. As a result, you may not be able to vote on shares held as collateral in your margin account.

You may receive payments-in-lieu of dividends (potentially taxed at a higher rate) where your shares are lent out over the dividend record date.

Substitute payments in lieu of dividends may be generated where a security has been used as collateral in your margin account over a dividend record date. If you maintain a margin account debit balance, securities in the account are often eligible to be lent to another brokerage firm or institution. In the event your margined shares are lent over a record date, you may receive a substitute payment equivalent to the amount of the dividend but taxable at ordinary income tax rates, which may be much higher than the tax rate on qualified dividends. In the event fewer shares are lent out from margin accounts than are eligible to be lent by Baird, a random selection process is used to determine which accounts will receive the substitute payments instead of the dividend. You should review the taxability of payments-in-lieu of dividends with your tax advisor.