Baird Advisors

Brochure
March 28, 2013

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This brochure ("Brochure") provides information about the qualifications and business practices of Robert W. Baird & Co. Incorporated ("Baird") and Baird Advisors, an investment management department operating within Baird. Clients should carefully consider this information before becoming a client of Baird Advisors. If you have any questions about the contents of this Brochure, please contact Baird Advisors at the toll-free phone number listed above. The information contained in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Baird is available on the SEC's website at www.adviserinfo.sec.gov.

Material Changes

Baird Advisors, an investment management department operating within Robert W. Baird & Co. Incorporated ("Baird"), updated its Form ADV Part 2A brochure (the "Brochure") on March 28, 2013. The following summary discusses the material changes that Baird Advisors has made to the Brochure since March 30, 2012, the date of the last annual update to the Brochure.

- Baird Advisors has updated the information about Baird's ownership structure and Baird's regulatory assets under management. See the section of the Brochure entitled "Advisory Business" for more information.

- Baird Advisors has added a description of its Liability-Driven Investing (LDI) Portfolio Strategy. See the section of the Brochure entitled "Methods of Analysis, Investment Strategies and Risk of Loss" for more information.

A client should note that the foregoing summary only discusses material changes made to the Brochure since March 30, 2012. The updated Brochure contains changes that are not listed above.

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Advisory Business

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

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

Robert W. Baird & Co.

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

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

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

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

As of December 31, 2012, Baird had approximately $48.3009 billion in regulatory assets under management, approximately $33.2377 billion of which was managed on a discretionary basis and approximately $15.0632 billion of which was managed on a non-discretionary basis.

The Client-Baird Fiduciary Relationship

Baird is registered with the Securities and Exchange Commission ("SEC") as an investment adviser under the Investment Advisers Act of 1940, as amended (the "Advisers Act"). Baird Advisors is deemed to have a fiduciary relationship with a client when providing the investment advisory services that are described in this Brochure.

Baird Advisors generally does not engage in business practices that present a conflict of interest with clients. However, from time to time Baird Advisors and Baird may engage in certain business practices or may receive compensation or other benefits that create a potential for conflict between the interests of clients and the interests of Baird Advisors and Baird. Baird Advisors and Baird generally address potential conflicts of interest by disclosing them to clients through documents provided to clients, including, without limitation, this Brochure, Brochure supplements that contain information about individuals providing investment advice to clients, and the agreements clients enter into with Baird Advisors and Baird. In addition, Baird has adopted internal policies and procedures for Baird Advisors and Baird that require them to: provide investment advice that is appropriate for advisory clients (based upon the information provided by such clients); make full disclosure of all potential, material conflicts of interest; act with utmost care and good faith in dealings with advisory clients; and seek to obtain "best execution" of advisory client transactions. The specific business practices that create potential conflicts of interest with clients and additional measures used by Baird Advisors and Baird to address them are discussed in other sections of this Brochure.

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

Baird Advisors

Baird Advisors offers professional portfolio management to clients desiring investments in fixed income products.

The investment advisory services offered by Baird Advisors generally include portfolio management, investment advice and consulting services, performance reporting, and related account services.

Baird Advisors manages client portfolios with full investment discretion and tailors its advisory services to the individual needs of clients. Baird Advisors analyzes a client's specific needs, investment time horizon, and risk tolerance to develop investment objectives and guidelines for the client's portfolio. As part of its analysis, Baird Advisors works with a client to select a benchmark index that characterizes the risk tolerance and return expectations for the client. Baird Advisors then uses an investment strategy that is intended to generate an annual rate of return that, before the deduction of fees, is greater than the benchmark selected for the client's portfolio.

Subject to the agreement of Baird Advisors, a client may impose reasonable restrictions on the securities or types of securities to be held in the client's account. Please see "Investment Discretion" below for more information. Clients may negotiate with Baird Advisors to provide other investment advisory services. However, Baird Advisors generally limits its services to providing investment advice relating to fixed income investment products.

All of the investment strategies discussed in this Brochure may not be appropriate for every client. Baird Advisors will only select or recommend those strategies believed to be suitable for a particular client.

A client that wishes to retain the services of Baird Advisors will enter into an investment management agreement with Baird Advisors. The investment management agreement will contain the specific terms applicable to the client's advisory relationship with Baird Advisors.

A client is responsible for providing to Baird Advisors information that Baird Advisors reasonably requires in order to provide the services selected by the client including, but not limited to, any investment policy statement and anticipated liquidity needs. Baird Advisors will rely on this information when providing its advisory services. A client is also responsible for informing Baird Advisors in writing of any material change in circumstances that might materially affect the manner in which the client's assets should be invested.

Important Note for Wrap Fee Program Clients. Baird Advisors provides portfolio management services under wrap fee programs sponsored and administered by Baird. As compensation for its services, Baird Advisors receives a portion of the wrap fee the client pays to Baird. If a client is participating in a wrap fee program, the client should review the client's agreement with Baird and Baird's Form ADV Part 2A Wrap Fee Program Brochure for a full description of the services provided and fees charged by Baird.

Fees and Compensation

Advisory Fee

A client's investment management agreement will set forth the actual compensation the client will pay to Baird Advisors. In most instances, a client pays Baird Advisors an ongoing fee based upon the value of assets in the client's account (an "asset-based fee"). The typical asset-based fee varies depending upon the total value of the client's assets in the account, as shown in the fee schedule below.

Baird Advisors Fee Schedule

Value of Assets	Annual Fee Rate
On the first $25,000,000	0.30%
On the next $25,000,000	0.25%
On the next $50,000,000	0.20%
On the remaining assets	0.15%

Baird Advisors typically assesses its fees at the rates set forth above against the client's account in arrears following the end of each calendar quarter based on the market value of the assets in the account, including cash or its equivalent held for investment, on the last business day of the applicable quarter. However, if assets are added to or withdrawn from the client's account during the quarter and the cumulative net addition to or withdrawal from the account during the quarter is 10% or more of the market value of the assets in the account at the beginning of the quarter, then the fee will be determined by multiplying the time weighted average market value of the assets in the account for the quarter by the fee set forth above.

The value of assets in a client's account is determined by the client's custodian. Baird Advisors periodically reviews valuation information provided by custodians. However, Baird Advisors and Baird do not perform an in-depth review and they do not verify or guarantee the accuracy of such information.

Clients may instruct Baird Advisors to deduct the advisory fees from their accounts, but if Baird Advisors agrees, a client may elect to receive an invoice ("direct billing"). Direct billing may not be available for all retirement plan accounts or other accounts subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or an individual retirement account ("IRA") subject to the Internal Revenue Code (collectively, "Retirement Accounts"). If a client's account is subject to direct billing, the client is generally required to pay each bill within fifteen (15) days after receipt of the bill. Baird Advisors may automatically debit a client's account for its fees and other charges in the event that Baird Advisors does not receive payment from the client within thirty (30) days of the invoice.

If a client's investment management agreement is in effect for only a portion of a quarter, the fee is pro-rated for such portion based on the number of days the agreement was in effect in relation to the number of days in the quarter. In the event termination occurs other than at the end of the billing period, the fee is based upon the value of the assets on the date of termination.

Some or all of the assets in a client's account may be invested in an institutional share class of one or more bond mutual funds within the Baird Funds, Inc. ("Baird Funds"), for which Baird Advisors serves as investment adviser. If any assets are held in any of the Baird Funds, Baird Advisors will not charge the fees set forth above on those assets.

Baird may modify a client's existing fees and other charges or add additional fees or charges by providing the client with ninety (90) days' prior written notice.

The minimum asset value to open an account with Baird Advisors is typically $25,000,000.

The advisory fee and minimum account value applicable to a client are negotiable in certain instances and may vary based upon a number of factors, including but not limited to the size and nature of the assets in the client's account, the client's particular investment style or objective, and any particular services requested by the client. The fees paid by a client may differ from the fees paid by other clients based on a number of factors, including but not limited to the factors identified above.

Baird Advisors may enter into other fee arrangements, including performance-based fee arrangements with eligible clients. Performance-based fee arrangements are further described in the section entitled "Performance-Based Fees and Side-By-Side Management" below.

As new fee schedules are put into effect, they are made applicable only to new clients, and fee schedules applicable to existing clients are not affected. Therefore, some clients may pay different fees than those shown above.

Other Fees and Expenses

In addition to Baird Advisors' fee described above, a client of Baird Advisors may incur other fees and expenses. The asset-based fee only covers portfolio management and investment advice provided by Baird Advisors, and a client may pay for other services, such as custody and trade execution, separately in addition to Baird Advisors' fee. Please see the section entitled "Brokerage Practices" below for more information about Baird Advisors' trading practices.

A client is responsible for bearing or paying, in addition to Baird Advisors' fee, the costs of all:

- commissions, markups, markdowns, and spreads charged by broker-dealers that buy securities from, or sell securities to, the client's account (such costs may be inherently reflected in the price the client pays or receives for such securities);

- underwriting discounts, dealer concessions or similar fees related to the public offering of investment products;
- custody fees;
- 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, and similar fees or expenses related to account transfers;
- currency conversions and transactions;
- 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 the client receives for the security; and
- taxes imposed upon or resulting from transactions effected for a client's account, such as income, transfer or transaction taxes, or any other costs or fees mandated by law or regulation.

Certain investment products, such as mutual funds, ETFs, and other similar investment pools (collectively, "investment funds") 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 fund's portfolio ("ongoing operating expenses"). These ongoing operating expenses are separate from, and in addition to, Baird Advisors' fee. As a result of making investments in these types of products, a client should be aware that the client is paying multiple layers of fees and expenses on the amount of the client's assets so invested—the ongoing operating expenses and Baird Advisors' fee. A client is also responsible for any redemption fees or similar fees that the fund or its sponsor may impose on the client. A client should review the prospectus or other applicable offering documents for each investment fund in which the client invests for further information.

Clients who have accounts managed by Baird Advisors may also have other accounts with Baird that are not managed by Baird Advisors. Those accounts may be subject to fees, commissions or other expenses that are entirely separate from the payment of fees and expenses for the services provided by Baird Advisors.

Other Compensation Received by Baird Advisors and Baird

Baird Advisors. Baird Advisors and its associates do not receive compensation based upon the sale of securities or other investment products, and the compensation Baird pays to Baird Advisors' associates remains the same regardless of the type of investment product recommended to clients or purchased for client accounts.

Baird. Baird is registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in such capacity, Baird provides brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, and other securities, and sales of life insurance policies and annuities. Baird receives compensation based upon the sale of such securities and other investment products, including asset-based sales charges and service fees on the sale of mutual funds. This practice presents a conflict of interest because it gives Baird (but not Baird Advisors or its associates) an incentive to recommend investment products based upon the compensation received rather than on a client's needs. For more specific information about Baird's compensation and other benefit arrangements and how Baird addresses the potential conflicts of interest, please see the sections "Other Financial Industry Activities and Affiliations" and "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" below.

Baird Advisors will purchase for client accounts, or will recommend the purchase of, various investment products, including "no load" mutual funds. A client has the option to purchase investment products through other brokers or agents that are not affiliated with Baird.

Performance-Based Fees and Side-By-Side Management

Baird Advisors and Baird advise client accounts that are subject to performance-based fee arrangements. Performance-based fee arrangements involve the payment of fees based upon the capital gains or capital appreciation of a client's account. Any such fee arrangements are made in compliance with applicable provisions of Rule 205-3 under the Advisers Act. A client's agreement to a performance-based fee arrangement may create an incentive for Baird Advisors to recommend or invest a client's account in riskier or more speculative products than would be the case in the absence of a performance-based fee arrangement. Performance-based fee arrangements also present a potential conflict of interest for Baird Advisors and Baird with respect to client accounts they also manage that are not subject to performance-based fee arrangements because such arrangements give Baird Advisors and Baird an incentive to favor client accounts subject to performance-based fees over client accounts that are not subject to performance-based fees.

In addition to complying with their fiduciary duties by disclosing this conflict of interest to clients through this Brochure, Baird Advisors generally addresses potential conflicts of interest posed by performance-based fee arrangements by capping the amount of performance-based fees that may be earned with respect to a client's account. By capping performance-based fees, Baird Advisors attempts to reduce the incentive to invest a client's account in riskier or more speculative products. Baird Advisors also periodically monitors the holdings and performance of performance-based fee accounts and compares them to accounts not subject to a performance fee that are also managed using a similar strategy in an attempt to detect any possible inequitable treatment. Baird Advisors and Baird also attempt to minimize potential conflicts of interest posed by performance-based fee arrangements through internal trade allocation procedures that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and equitable treatment.

Types of Clients

Baird Advisors offers its services to all types of current or prospective clients, including, but not limited to: individuals; banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; colleges; hospitals; endowments and foundations; corporations or other business entities; and registered investment companies. Applicable requirements for opening or maintaining an account with Baird Advisors, such as minimum account size, are discussed in the section entitled "Fees and Compensation—Advisory Fee" above.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

Baird Advisors analyzes a client's specific needs, investment time horizon and risk tolerance to develop investment objectives and guidelines for the client's portfolio. As part of its analysis, Baird Advisors selects for the client's portfolio a benchmark index that characterizes the risk tolerance and return expectations for the client. Baird Advisors then uses an investment strategy that is intended to generate an annual rate of return that, before the deduction of fees, is greater than the benchmark selected for the client's portfolio. Baird Advisors also manages portfolios in a manner designed to limit the dispersion of investment returns in comparison to the client's benchmark index.

Baird Advisors offers the following investment strategies to clients:

Short-Term Bond Portfolio Strategy. The investment objective of the Short-Term Bond Portfolio Strategy is to seek an annual rate of total return, before expenses, greater than the annual rate of total return of the Barclays 1-3 Year U.S. Government/Credit Bond Index. The Barclays 1-3 Year U.S. Government/Credit Bond Index is an unmanaged, market value weighted index of investment grade, fixed-rate debt including government and corporate securities with maturities between one and three years.

Intermediate Bond Portfolio Strategy. The investment objective of the Intermediate Bond Portfolio Strategy is to seek an annual rate of total return, before expenses, greater than the annual rate of total return of the Barclays Intermediate U.S. Government/Credit Bond Index. The Barclays Intermediate U.S. Government/Credit Bond Index is an unmanaged, market value weighted index of investment grade, fixed-rate debt including government and corporate securities with maturities between one and ten years.

Intermediate Municipal Bond Portfolio Strategy. The primary investment objective of the Intermediate Municipal Bond Portfolio Strategy is to seek current income that is substantially exempt from federal income tax. A secondary objective is to seek total return with relatively low volatility of principal. The Intermediate Municipal Bond Portfolio Strategy uses the Barclays 7-Year General Obligation Bond Index as its benchmark. The Barclays 7-Year General Obligation Bond Index is an unmanaged, market value weighted index consisting of investment grade state and local general obligation bonds that have been issued as part of an offering of at least $50 million; have a minimum amount outstanding of at least $5 million; have been issued within the last five years; and have a maturity of six to eight years.

Aggregate Bond Portfolio Strategy. The investment objective of the Aggregate Bond Portfolio Strategy is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays U.S. Aggregate Bond Index. The Barclays U.S. Aggregate Bond Index is an unmanaged, market value weighted index of investment grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year.

Core Plus Bond Portfolio Strategy. The investment objective of the Core Plus Bond Portfolio Strategy is to seek an annual rate of total return, before fund expenses, greater than the annual rate of total return of the Barclays U.S. Universal Bond Index. The Barclays U.S. Universal Bond Index is an unmanaged, market value weighted index of fixed income securities issued in U.S. dollars, including U.S. government and investment grade debt, non-investment grade debt, asset-backed and mortgage-backed securities, Eurobonds, 144A securities and emerging market debt with maturities of at least one year.

Liability-Driven Investing (LDI) Portfolio Strategy. The investment objective of the Liability-Driven Investing Portfolio Strategy is to seek an annual rate of total return, before expenses, greater than the annual rate of total return of a benchmark selected for the client's portfolio. The particular benchmark is selected based on the specific client portfolio's investment objectives and may be either a published benchmark or a custom benchmark.

Other Strategies. Baird Advisors also manages client assets in accordance with other investment strategies specifically designed for clients in light of a client's particular needs.

Although each portfolio strategy targets the annual rate of return of a specific benchmark index, the securities selected by Baird Advisors generally will not mirror the assets in their respective benchmark indices. There can be no assurance that any particular portfolio strategy will be successful in achieving the client's investment goals and objectives.

To achieve a client's investment objectives, Baird Advisors attempts to keep the duration of each client's portfolio substantially equal to that of the client's benchmark index. Baird Advisors seeks to control credit quality risk by purchasing only investment grade, U.S. dollar-denominated securities for client accounts pursuing the Short-Term Bond, Intermediate Bond, Intermediate Municipal Bond or Aggregate Bond Portfolio Strategies. Client accounts pursuing the Core Plus Bond Portfolio Strategy will be invested primarily in investment grade securities, but Baird Advisors may also invest up to 20% of a client's net assets in non-investment grade securities. Client accounts pursuing the Intermediate Municipal Bond Portfolio Strategy may be invested in short-term municipal obligations and tax-exempt commercial paper. Client accounts pursuing the Liability-Driven Investing Portfolio Strategy will primarily be invested in investment grade securities, but Baird Advisors may also invest in non-investment grade securities and in U.S. Treasury Futures if authorized by the client. Baird Advisors attempts to diversify each client's portfolio by holding securities of many different issuers and choosing issuers in a variety of sectors. During normal market conditions, the dollar-weighted average portfolio effective maturity for each portfolio strategy described above will be as follows:

Portfolio Strategy	Dollar-Weighted Average Portfolio Effective Maturity
Short-Term Bond	More than 1 year but less than 3 years
Intermediate Bond	More than 3 years but less than 6 years
Intermediate Municipal Bond	More than 5 years but less than 8 years
Aggregate Bond	More than 5 years but less than 10 years
Core Plus Bond	More than 5 years but less than 10 years
LDI Strategy	More than 7 years but less than 30 years

The stated maturity of a bond is the date when the issuer must repay the bond's entire principal value to an investor. Some types of bonds may also have an "effective maturity" that is shorter than the stated maturity due to prepayment or call provisions. Securities without prepayment or call provisions generally have an effective maturity equal to their stated maturity. Dollar-weighted effective maturity is calculated by averaging the effective maturity of bonds held by a client's portfolio with each effective maturity "weighted" according to the percentage of net assets that it represents.

Baird Advisors attempts to achieve annual rates of total return greater than each client's respective benchmark index over a full market cycle. Client portfolios pursuing the Aggregate Bond and Core Plus Bond Portfolio Strategies will generally hold bonds with longer maturities than clients pursuing the Intermediate Bond, Short-Term Bond and Intermediate Municipal Bond Portfolio Strategies, thus providing a greater potential for return, with an increased level of risk. Client portfolios pursuing the Liability-Driven Investing Portfolio Strategy will generally hold bonds with longer maturities than client portfolios pursuing all other Strategies thus providing a greater potential for return, with an increased level of risk. Each client's portfolio is based on, although does not replicate, the securities composition of the client's applicable benchmark index. Consequently, each client's portfolio composition and risks will differ. For example, clients pursuing the Core Plus Bond Portfolio Strategy may purchase up to 20% of the client's net assets invested in non-investment grade debt securities (high yield or junk bonds).

Methods of Analysis

Baird Advisors uses a combination of quantitative and fundamental analysis when selecting securities for a client's account. In determining which securities to buy for a client, Baird Advisors attempts to achieve returns that exceed a client's benchmark index primarily in the following three ways:

Yield Curve Positioning. The yield curve is a graphic representation of the actual or projected yields of fixed income securities in relation to their maturities and durations. Baird Advisors selects securities with maturities and yields that it believes have the greatest potential for achieving a client's objective, while attempting to match the average duration of the securities in the client's portfolio with the average duration of the securities in the client's benchmark index. The securities held by a client, though, will not be identical to the securities in the client's benchmark index. Because the yield curve is constantly changing, Baird Advisors regularly adjusts a client's portfolio to purchase securities that it believes will best assist a client in achieving the client's objectives.

Sector Allocation. Baird Advisors next evaluates the return potential of each sector. These sectors include: asset-backed securities, mortgage-backed securities, government and governmental agency bonds, and corporate bonds for clients pursuing the Short-Term Bond, Intermediate Bond, Aggregate Bond, Core Plus Bond and Liability-Driven Investing Portfolio Strategies; and tax-exempt general obligation bonds, revenue bonds, pre-refunded bonds, and insured bonds for clients pursuing the Intermediate Municipal Bond Portfolio Strategy. Baird Advisors invests in securities in those sectors which it believes represent the greatest potential for achieving a client's objectives. Baird Advisors regularly adjusts a client's portfolio in order to address changes in yields and underlying risks in various sectors.

Security Selection. Baird Advisors then focuses on selecting individual securities. Baird Advisors determines which issuers it believes offer the best relative value within each sector and then decides which available securities of that issuer to purchase.

Baird Advisors uses research information and related tools provided by various third parties to select portfolio investments and provide investment advice to clients. These sources of information and tools include, among others, regulatory filings and company-issued literature (e.g., annual reports, prospectuses, press releases and other information), analyses by outside investment houses, government and Federal Reserve Bank publications, financial and other newspapers, journals and corporate ratings services (e.g., Moody's, Fitch, Standard and Poor's), electronic data information sources (e.g., Bloomberg, Dow Jones, Reuters). Baird Advisors may also employ the use of computers and software to more readily display this information and to quantify various risk characteristics at both the individual security level and the overall portfolio level. Although Baird Advisors uses information and tools that it deems reliable, Baird Advisors does not independently verify or guarantee the accuracy of the information or tools it uses.

Baird Advisors' portfolio managers continuously monitor client portfolios to evaluate the impact of changing economic and market conditions. The appropriateness of the client's portfolio holdings will also be assessed in terms of the client's overall objectives, such as return expectations, risk tolerance, and liquidity needs. Ongoing trading opportunities are analyzed, reviewed and, when deemed appropriate, executed on a daily basis. Each portfolio manager may advise multiple portfolios for a particular client. Furthermore, each client portfolio may have more than one portfolio manager.

Portfolio Investments

Baird Advisors may invest a client's account from time to time in any combination of fixed income-related instruments, including without limitation, government and government agency debt, corporate bonds (including high yield or junk bonds), municipal obligations, obligations of foreign issuers, mortgage-backed and asset-backed instruments, mutual funds, exchange traded funds ("ETFs"), other registered investment companies, and other investment pools (including such funds affiliated with Baird), money market funds, and money market deposit accounts. Baird Advisors may also use U.S. Treasury Futures for client accounts pursuing the Liability-Driven Investing Portfolio Strategy. From time to time, Baird Advisors may also use common or preferred stocks, warrants, rights, publicly-traded master limited partnerships ("MLPs"), and protective long put options strategies.

Debt Securities. Baird Advisors will generally invest at least 90% of the net assets of client portfolios pursuing the Short-Term Bond, Intermediate Bond, Aggregate Bond, Core Plus Bond, and Liability-Driven Investing Portfolio Strategies in the following types of U.S. dollar-denominated debt securities: U.S. government and other public-sector entities, U.S. government agencies, asset-backed and mortgage-backed obligations of U.S. and foreign issuers, and corporate debt of U.S. and foreign issuers. Such investments primarily include bonds with fixed rates of interest and other fixed terms, but may also include floating or variable rate bonds. Other public-sector entities include, but are not limited to, U.S., state and local (municipal) governments and their agencies and authorities, foreign government entities, and non-governmental organizations. The types of municipal securities in which they may invest include, but are not limited to, taxable and, to some extent, tax-exempt general obligation and revenue bonds, as well as advance refunded and escrowed-to-maturity bonds. Asset-backed obligations are backed with underlying assets such as credit card receivables, auto receivables, student loans, utilities, reimbursement/rate increase allowances and certain residential home loans.

Municipal Obligations. Clients pursuing the Intermediate Municipal Bond Portfolio Strategy will be invested principally in investment grade, intermediate-term municipal obligations issued by state and local authorities exempt from federal income tax. During normal market conditions, clients pursuing the Intermediate Municipal Bond Portfolio Strategy will have at least 90% of their portfolios invested in bonds and debentures, the interest on which is exempt from regular federal income and alternative minimum taxes. Municipal obligations purchased for clients will generally be:

- Investment grade at the time of purchase (*i.e.*, BBB or higher by S&P or Fitch, or Baa or higher by Moody's, or in the highest four categories by another nationally recognized rating agency), or unrated at the time of purchase but determined to be of comparable quality by Baird Advisors;

- Municipal notes and other short-term obligations rated SP-1 by S&P or MIG-1 by Moody's; or

- Tax-exempt commercial paper rated A-1 by S&P or VMIG-1 by Moody's.

It is possible that 25% or more of a client's municipal obligation portfolio could be invested in municipal securities that would tend to respond similarly to particular economic or political developments or the interest on which is based on revenues or otherwise related to similar types of projects. An example would be securities of issuers whose revenues are paid from similar types of projects, such as education, housing or transportation.

Investment Grade Debt Securities. Debt obligations acquired for clients pursuing the Short-Term Bond, Intermediate Bond, Intermediate Municipal Bond and Aggregate Bond Portfolio Strategies will generally be "investment grade" at the time of purchase, as rated by at least one nationally recognized rating agency. Clients pursuing the Core Plus Bond Portfolio Strategy and the Liability-Driven Investing Portfolio Strategy will be invested primarily in investment grade bonds, but may also invest in non-investment grade bonds, as described below. Baird Advisors may purchase unrated obligations for each client that are determined by Baird Advisors to be comparable in quality to the rated obligations. After purchase, a security may cease to be rated or may have its rating reduced. In such cases, Baird Advisors will consider whether to continue to hold the security. Baird Advisors may decide to hold securities with a "D" or similar credit rating indicating payment default.

Non-Investment Grade Debt Securities (High Yield or Junk Bonds). Clients pursuing the Core Plus Bond Portfolio Strategy may purchase up to 20% of their portfolios invested in non-investment grade bonds (sometimes referred to as "high yield" or "junk" bonds), which are debt securities that are not rated in one of the four highest rating categories of S&P, Moody's, Fitch or another nationally recognized rating agency. Baird Advisors will generally purchase non-investment grade bonds that are rated at least B or higher by S&P or Moody's or have an equivalent rating by another nationally recognized rating agency at time of purchase, but may purchase bonds below this rating if Baird Advisors believes the issuer's credit fundamentals or future prospects suggest a higher rating. In addition, in limited circumstances Baird Advisors may invest client assets in bonds in default if the issuer is going through a bankruptcy or restructuring and the new bonds to be issued in replacement are expected to have improved credit fundamentals.

Investments in Investment Companies. Baird Advisors may invest client assets in securities of investment companies, such as money market funds, mutual funds, exchange traded funds, other registered investment companies, hedge funds, private investment partnerships and other investment pools that invest in fixed income securities or track bond-related indices.

Illiquid Investments. Baird Advisors may invest up to 15% of client portfolios in illiquid securities, measured at the time of purchase. In general, illiquid securities are securities that cannot be sold or disposed of within seven days at their approximate market value. Securities that are not registered under the federal securities laws and cannot be sold to the U.S. public because of SEC regulations (known as "restricted securities") generally are regarded as illiquid securities unless Baird Advisors determines otherwise, as in the case of Rule 144A securities and certain commercial paper. Baird Advisors generally determines Rule 144A securities to be liquid.

Foreign Securities. Clients may be invested in U.S. dollar-denominated debt obligations of foreign issuers. Foreign debt obligations are debt obligations issued by a corporation or other issuer domiciled outside the United States that derives more than 50% of its assets or revenues from outside the U.S.; provided, however, debt obligations issued by a foreign entity that are subject to a guarantee of a U.S. corporate parent or other U.S. entity are not regarded as foreign securities.

U.S. Treasury Futures. Clients pursuing the Liability-Driven Investing Portfolio Strategy may be invested in U.S. Treasury Futures. Futures contracts are traded on organized exchanges regulated by the Commodity Futures Trading

Commission (the "CFTC"). Transactions on such exchanges are cleared through a clearing corporation, which guarantees the performance of the parties to each contract. The uses of U.S. Treasury Futures Contracts are to maintain the desired duration of the portfolio without disrupting cash market bond holdings, to expand security selection opportunities because futures can achieve portfolio duration target, and to optimize U.S. Treasury exposure including Futures, STRIPS, and coupon bonds.

Protective Long Put Options. Clients pursuing the Strategies may be invested in protective long put options, as a non-principal investment strategy, for both hedging and speculative purposes. Option purchases will not exceed 5% of the portfolio's net assets. A put option gives the purchaser the right to sell the underlying security or index at the stated exercise price at any time prior to the expiration date of the option, regardless of the market price of the security or index. Such options may relate to particular securities or to various indices and may or may not be listed on a national securities exchange and issued by the Options Clearing Corporation.

Cash or Similar Investments; Temporary Strategies. Under normal market conditions, up to 10% of a client's portfolio may be invested in cash or similar short-term, investment grade securities such as U.S. government securities, repurchase agreements, commercial paper or certificates of deposit. In addition, Baird Advisors may invest all of a client's assets in cash or short-term, investment grade securities as a temporary defensive position during adverse market, economic or political conditions and in other limited circumstances.

Principal Risks

Risk is inherent in any investment in securities and Baird Advisors does not guarantee any level of return on a client's investments. There is no assurance that a client's investment objectives will be achieved. A Baird Advisors client may be subject to certain risks, including, but not limited to, the risks described below. The risks discussed below vary by investment style or strategy, and may or may not apply to a client. A client should also review the prospectuses or other disclosure documents for the securities purchased for the client's account, as they will contain important information about the risks associated with investing in such securities.

The main risks of the portfolio strategies used by Baird Advisors are substantially similar. However, certain risks are enhanced for each portfolio strategy. Specifically, the Aggregate Bond and Core Plus Bond Portfolio Strategies both maintain longer maturities than the Short-Term Bond and Intermediate Bond Portfolio Strategies, and typically maintain longer maturities than the Intermediate Municipal Bond Portfolio Strategy, thus providing a greater potential for return, with an increased level of risk. The Liability-Driven Investing Portfolio Strategy maintains longer maturities than all the other Strategies thus providing a greater potential for return, with an increased level of risk. In addition, although the Aggregate and Core Plus Bond Portfolio Strategies' maturities are similar, the portfolio composition and the resulting risks are different. In particular, because the Core Plus Bond Portfolio Strategy includes securities that are rated below investment grade, the Core Plus Bond Portfolio Strategy exposes clients to greater credit risk, including risk of default, and other risks associated with non-investment grade bonds than the Aggregate Bond Portfolio Strategy.

Management Risks. Baird Advisors may err in its choices of securities or portfolio mixes. Such errors could result in a negative return and a loss to clients. Each client's portfolio may hold fewer securities than the client's benchmark index, material events affecting a client's portfolio (for example, an issuer's decline in credit quality) may influence the performance to a greater degree than such events will influence the client's benchmark index.

Bond Market Risks. The major risks of each strategy are those of investing in the bond market. A bond's market value is affected significantly by changes in interest rates—generally, when interest rates rise, the bond's market value declines and when interest rates decline, its market value rises ("interest rate risk"). Generally, the longer a bond's maturity, the greater the interest rate risk and the higher its yield. Conversely, the shorter a bond's maturity, the lower the interest rate risk, and the lower its yield ("maturity risk"). A bond's value may also be affected by changes in its credit quality rating or the issuer's financial condition ("credit quality risk"). Because bond values may fluctuate, a client's portfolio value may fluctuate.

Credit Quality Risks. Individual issues of fixed income securities may be subject to the credit risk of the issuer. Therefore, the underlying company may experience unanticipated financial problems and may be unable to meet its payment obligations. Bonds receiving the lowest investment grade rating or a high yield ("junk bond") rating may have speculative characteristics and, compared to higher grade securities, may have a weakened capacity to make principal and interest payments due to changes in economic conditions or other adverse circumstances. Ratings agencies such as Moody's, Fitch and S&P provide ratings on bonds based on their analyses of information they deem relevant. Ratings are essentially opinions or judgments of the credit quality of an issuer and may prove to be inaccurate. In addition, there may be a delay between events or circumstances adversely affecting the ability of an issuer to pay interest and/or repay principal and an agency's decision to downgrade a security.

Non-Investment Grade Bond Risks. Non-investment grade bonds, while generally offering higher yields than investment grade securities with similar maturities, involve greater risk, including the possibility of default or bankruptcy. Non-investment grade debt securities tend to be more sensitive to economic conditions than higher-rated debt securities. As a result, they generally are more sensitive to credit risk and are considered more speculative than securities in the higher-rated categories. During an economic downturn or a sustained period of rising interest rates, highly leveraged issuers of non-investment grade debt securities may experience financial stress and may not have sufficient revenues to meet their payment obligations. The risk of loss due to default by an issuer of these securities is significantly greater than issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. Baird Advisors may have difficulty disposing of certain non-investment grade debt securities because there may be a thin trading market for such securities. To the extent a secondary trading market does exist, it is generally not as liquid as the secondary market for higher-rated securities. Periods of economic uncertainty generally result in increased volatility in the market prices of these securities and will also increase the volatility of the client's portfolio value.

Liquidity Risks. Liquidity risk is the risk that certain securities may be difficult or impossible to sell at the time and price that Baird Advisors would like to sell. Baird Advisors may have to lower the price, sell other securities or forego an investment opportunity, any of which may have a negative effect on the management or performance of client portfolios. The liquidity of a particular security depends on the strength of demand for the security, which is generally related to the willingness of broker-dealers to make a market for the security as well as the interest of other investors to buy the security. During significant economic and market downturns and periods in which financial services firms are unable to commit capital to make a market in, or otherwise buy, certain debt securities, Baird Advisors may experience challenges in selling such securities at optimal prices.

Foreign Securities Risks. Foreign investments, even those that are U.S. dollar-denominated, may involve additional risk, including political and economic instability and differences in financial reporting standards, in addition to less regulated securities markets.

Mortgage- and Asset-Backed Securities Risks. Mortgage- and asset-backed securities are more sensitive to interest rate risk than other types of fixed income securities. Modest movements in interest rates (both increases and decreases) may quickly and significantly reduce the value of certain types of these securities. When interest rates fall, mortgage- and asset-backed securities may be subject to prepayment risk. Prepayment risk is the risk that the borrower will prepay some or the entire principal owed to the investor. If that happens, Baird Advisors may have to replace the security by investing the proceeds in a security with a lower yield. When interest rates rise, certain types of mortgage- and asset-backed securities are subject to extension risk. Mortgage- and asset-backed securities can also be subject to the risk of default on the underlying residential or commercial mortgages or other assets. Weakening real estate markets may cause default rates to rise, which would result in a decline in the value of mortgage-backed securities.

Extension Risks. Extension risk is the risk that debt securities, including mortgage- and asset-backed securities, will be paid off more slowly than originally anticipated, increasing the average life of such securities and the sensitivity of the prices of such securities to future interest rate changes. For example, rising interest rates could cause property owners to pay their mortgages more slowly than expected, resulting in slower payments of mortgage-backed securities. This could lengthen the duration of the security, causing its price to decline.

Government Obligations Risks. Baird Advisors may invest client assets in securities issued, sponsored or guaranteed by the U.S. Government, its agencies and instrumentalities. However, no assurance can be given that the U.S. Government will provide financial support to U.S. Government-sponsored agencies or instrumentalities where it is not obligated to do so by law. For instance, securities issued by the Government National Mortgage Association ("Ginnie Mae") are supported by the full faith and credit of the United States. Securities issued by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac") have historically been supported only by the discretionary authority of the U.S. Government. Securities issued by the Student Loan Marketing Association ("Sallie Mae") are supported only by the credit of that agency. While the U.S. Government provides financial support to various U.S. Government-sponsored agencies and instrumentalities, such as those listed above, no assurance can be given that it will always do so.

Tax Risks. Municipal securities may decrease in value during times when tax rates are falling. Since interest income on municipal obligations is normally not subject to regular federal income taxation, the attractiveness of municipal obligations in relation to other investment alternatives is affected by changes in federal income tax rates applicable to, or the continuing federal tax-exempt status of, such interest income. Any proposed or actual changes in such rates or exempt status, therefore, can significantly affect the liquidity, marketability and supply and demand for municipal obligations, which would in turn affect Baird Advisors' ability to acquire and dispose of municipal obligations at desirable yield and price levels. Investment in tax-exempt securities poses additional risks. In many cases, the Internal Revenue Service ("IRS") has not ruled on whether the interest received on a tax-exempt obligation is tax-exempt, and accordingly, purchases of these securities are based on the opinion of bond counsel to the issuers at the time of issuance. Baird Advisors relies on these opinions and will not review the basis for them.

Municipal Obligations Risks. Clients pursuing the Intermediate Municipal Bond Portfolio Strategy may have more than 25% of their portfolios invested in municipal obligations issued by entities located in the same state or the interest on which is paid solely from revenues of similar projects. As a result, changes in economic, business or political conditions relating to a particular state or types of projects may have a disproportionate impact on client's portfolio value. Municipal obligations that Baird Advisors may acquire include municipal lease obligations, which are issued by a state or local government or authority to acquire land and a wide variety of equipment and facilities. If the funds are not appropriated for the following year's lease payments, the lease may terminate, with the possibility of default on the lease obligation and significant loss to clients. The repayment of principal and interest on some of the municipal securities in which clients may invest may be guaranteed or insured by a monoline insurance company. The monoline guarantee or insurance will generally enhance the credit rating and lower the interest rate payable on the security. Certain monoline insurers have suffered losses from insuring structured products and other securities backed by residential mortgages. If a company insuring municipal securities in which a client invests experiences financial difficulties, the credit rating and price of the security may deteriorate.

Money Market Fund Risks. 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.

Treasury Futures Risks. Risks associated with the use of futures contracts include risks outlined elsewhere, such as market risks, liquidity risks, credit risks, and management risks, as well as risks associated with the use of derivatives. Derivatives are financial contracts whose value are derived from the value of an underlying asset, reference rate, or index.

Protective Long Put Options. Options trading is a highly specialized activity that entails greater than ordinary investment risks, including the complete loss of the amount paid as premiums to the writer of the option. Regardless of how much the market price of the underlying security or index increases or decreases, the option buyer's risk is limited to the amount of the original investment for the purchase of the option. Options may be more volatile than the underlying securities or indices, and therefore, on a percentage basis, an investment in options may be subject to greater fluctuation than an investment in the underlying securities. There is no assurance that a liquid secondary trading market exists for closing out an unlisted option position. Furthermore, unlisted options are not subject to the protections afforded purchasers of listed options by the Options Clearing Corporation, which performs the obligations of its members who fail to perform in connection with the purchase or sale of options.

Recent Market Events. U.S. and international markets have experienced extreme price volatility, reduced liquidity, credit downgrades, increased likelihood of default and valuation difficulties in recent years. As a result, many of the above risks may be increased. Continuing market problems may have adverse effects on client portfolios.

Disciplinary Information

There are no legal or disciplinary events that relate to Baird Advisors or its business operations.

In December 2008, Baird, without admitting or denying the allegations, consented to the findings of the Financial Industry Regulatory Authority, Inc. that it violated NASD Rules 2110, 3010(a) and 3010(b) by failing to establish and maintain an adequate supervisory system reasonably designed to review and monitor its fee-based brokerage business and its registered representatives. Baird was found to have failed to: implement fee breakpoint discounts on certain fee-based brokerage accounts; clearly identify the specific fee applicable to each customer; implement a system to automatically credit customers with the fee breakpoint discounts specified in their account agreements; and adequately disclose inclusion of margin activity and short sales in fee calculations for fee-based accounts. Baird was fined $500,000 and paid restitution of $434,510 plus interest to Baird customers.

Additional information about Baird's disciplinary history is available on the SEC's website at www.adviserinfo.sec.gov.

Other Financial Industry Activities and Affiliations

Baird is registered with the SEC as a broker-dealer under the Exchange Act, and as an investment adviser under the Advisers Act. Baird is engaged in a broad range of activities, including: individual and institutional brokerage transactions; origination of, and participation in, underwritings of corporate and municipal securities; market making and trading activities in corporate securities and municipal and governmental bonds; distribution of mutual fund shares; option transactions; and research services.

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

Baird is affiliated with certain investment advisors and investment products that are identified below, including certain mutual funds, ETFs and private equity funds.

Other Departments of Baird

Baird and its Financial Advisors may, from time to time refer clients to Baird Advisors or to Baird Investment Management or Baird Public Investment Advisors, other investment management departments of Baird. Baird Financial Advisors are eligible for special referral compensation to be paid by Baird that is based upon, among other factors, the compensation received by Baird.

Affiliated Mutual Funds

Baird is the investment adviser and principal underwriter for the Baird Funds. Baird Advisors provides investment management, administrative, and other services to certain Baird Funds investing primarily in fixed income securities (the "Baird Bond Funds"). The Baird Bond Funds have investment objectives and strategies substantially similar to the portfolio strategies discussed above. Baird Investment Management provides investment management and other services to certain Baird Funds investing primarily in equity securities. As compensation for those services, Baird receives fees from each Baird Fund, which fees are disclosed in each Fund's prospectus and statement of additional information available at www.bairdfunds.com.

Currently, Baird Advisors serves as sub-adviser to a mutual fund series of CNI Charter Funds, Inc. Additional information about that mutual fund, including information relating to the compensation paid to Baird by that fund for investment management services, is available in the fund's prospectus and statement of additional information.

Affiliated Investment Advisors

Baird is affiliated with, and may be deemed to control, Riverfront Investment Group, LLC ("Riverfront") by virtue of Baird's indirect equity ownership of Riverfront. Riverfront is an investment advisor that is based in Richmond, Virginia. Riverfront offers asset allocation, mutual fund, ETF and foundation strategies. Riverfront acts as investment sub-adviser for certain mutual fund series of the Financial Investors Trust. Baird is not involved in the day-to-day management of Riverfront or the investment decisions made by Riverfront for the accounts of Riverfront's clients.

Affiliated Private Equity Funds

Baird is also engaged in a private equity business through Baird Capital ("Baird Capital"), Baird's global private equity group. Certain departments of Baird, other than Baird Advisors, may refer clients to Baird Capital. Baird Capital makes venture capital, growth equity and buyout investments in the business services, manufactured products and healthcare/life sciences sectors. Baird, in combination with certain executive officers, may be deemed to control Baird Venture Partners Management Company I, LLC ("BVP I"); Baird Venture Partners Management Company III, LLC ("BVP III"); Baird Capital Partners Management Company III, LLC ("BCP III"); Baird Capital Partners Management Company IV, LLC ("BCP IV"); Baird Capital Partners Management Company V, LLC ("BCP V"); Baird Asia Partners Management Company I, LLC ("BAP I"); Baird Capital Partners Asia Management I Limited Partnership ("BCPA I"); and Baird Capital Partners Europe Limited. BVP I and BVP III participate in venture capital opportunities by investing in equity securities of early-to-growth stage companies. BVP I is the general partner of the three limited partnerships and is an investment adviser registered with the SEC. BVP III is the general partner of three limited partnerships and is an investment adviser registered with the SEC. BCP III, BCP IV and BCP V invest in equity securities of growing middle market companies issued in management buyouts, recapitalizations, industry consolidations and growth equity transactions. BCP III is the general partner of three side-by-side limited partnerships and is an investment adviser registered with the SEC. BCP IV is the general partner of three side-by-side limited partnerships and is an investment adviser registered with the SEC. BCP V is the general partner of three side-by-side limited partnerships and is an investment adviser registered with the SEC. BAP I has organized a limited partnership to invest in growth equity and change of control investments in companies that would benefit from accessing manufacturing or distribution capabilities in China. BAP I is the general partner of one limited partnership and is an investment adviser registered with the SEC. BCPA I makes growth equity investments in smaller, high potential companies with substantial operations and growth opportunities in China. BCPA I is the general partner of three limited partnerships and is an investment adviser registered with the SEC. Baird Capital Partners Europe Limited, an English limited company, is regulated and authorized by the Financial Services Authority and is the manager of certain partnerships formed to acquire businesses and make investments across a range of industry sectors.

Other Financial Industry Activities

Baird has business relationships with investment managers separate and apart from Baird Advisors. Other investment management firms may select Baird, in its capacity as a broker-dealer, to execute portfolio trades for their clients, including for mutual funds or money market funds they advise. Investment management firms may also select Baird to provide custody, research or other services. Baird receives compensation for those services. This compensation is not paid to Baird Advisors or its associates.

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

Code of Ethics

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

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

Baird has also implemented certain policies and procedures relating to Baird's and its associates' trading activities that are designed to prevent them from improperly benefiting from the trading activities of Baird's advisory clients. For example, except for principal trades specifically authorized by clients, Baird conducts trading activity for advisory clients through trading personnel that are different from the trading personnel executing trades for Baird's own accounts. In addition, Baird's Compliance Department monitors the personal trading activities of all of Baird's associates providing advisory-related services to clients.

Baird's Participation or Interest in Client Transactions

Baird's Broker-Dealer and Related Activities

In its capacity as broker-dealer, Baird provides brokerage and related services to clients, including the purchase and sale of individual stocks, bonds, mutual funds, private investment funds, options, and other securities, and sales of life insurance policies and annuities. Baird receives compensation based upon the sale of such securities and insurance and other investment products.

Baird, as broker-dealer, continually engages in various securities transactions and trading activities, including market making and corporate stock buyback activities. Baird may buy or sell securities for its own account, or may act as broker or agent for other Baird clients, including other advisory clients. Baird and its affiliates may give advice and take action in the performance of their duties to a client that may differ from advice given, or in the timing and nature of action taken, with respect to its own account or that of another client. These activities could create a conflict of interest with its clients. Baird addresses these potential conflicts through disclosure in this Brochure and by adopting internal policies and procedures for Baird and its associates that require them to provide investment advice that is appropriate for advisory clients (based upon the information provided by such clients) and that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and equitable treatment. In addition, Baird has adopted a Code of Ethics and other internal trading policies and procedures relating to Baird's and its associates' trading activities that are designed to prevent them from improperly benefiting from the trading activities of Baird's advisory clients. See "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Code of Ethics" above.

Investment Banking and Public Finance Activities

Through its Investment Banking and Public Finance departments, Baird provides investment advisory, securities underwriting and related investment banking services to various corporate, municipal, and other issuers of securities. Baird receives compensation and fees from such entities in connection with the services it provides. Baird may, therefore, have an incentive to favor the securities of issuers for which Baird provides such services over the securities of issuers for which Baird does not provide such services. However, Baird Advisors will only recommend such securities to a client when it believes it is in a client's best interest to do so.

Baird, by reason of its investment banking or other activities, may from time to time acquire information deemed confidential, material and non-public, about corporations or other entities and their securities. Baird, Baird Advisors and their associates are not permitted to divulge such information to any client or act upon such information with respect to a client's account or their own accounts.

Other Clients and Services

Baird offers to clients other investment products and services not described in this Brochure. These investment products and services provide different levels of compensation to Baird and its associates. For more information about the other investment products and services offered by Baird, clients should contact Baird or their Baird Advisors representative.

Certain client accounts managed by Baird Advisors and Baird have similar investment objectives and strategies but may be subject to different fee schedules or commission rates. This creates a potential conflict of interest as Baird Advisors and Baird may have an incentive to favor client accounts that generate a higher level of compensation.

Baird Advisors and Baird address these conflicts through disclosure in this Brochure. In addition, Baird has adopted internal policies and procedures for Baird Advisors and Baird that require them to provide investment advice that is appropriate for advisory clients (based upon the information provided by such clients) and that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and equitable treatment.

Other sections of this Brochure also describe instances when Baird Advisors or Baird may recommend to clients, and may buy and sell for client's accounts, securities in which Baird and its affiliates and associates have a material financial interest. For more information, please see "Other Financial Industry Activities and Affiliations" above and "Brokerage Practices" below.

If Baird Advisors or Baird, or an affiliate or associate of them, receives any compensation or benefit described in this Brochure from or related to a client's investment, they will generally retain the compensation or benefit. Except as otherwise described above, Baird Advisors and Baird generally do not rebate these amounts to a client's account or credit the amount against the advisory fees payable by a client unless Baird Advisors or Baird may not keep such compensation under applicable law or regulation.

Brokerage Practices

Broker-Dealer Selection

Baird Advisors will select the broker-dealers that will execute trade orders for a client's accounts, unless the client has provided instructions to Baird Advisors to the contrary. As an investment adviser, Baird Advisors has an obligation to seek "best execution" of client trade orders. "Best execution" means that Baird Advisors must place client trade orders with those broker-dealers that Baird Advisors believes are capable of providing the best qualitative execution of client trade orders under the circumstances, taking into account the full range and quality of the services offered by the broker-dealer. When selecting a broker or dealer, Baird Advisors may consider the following factors: client preferences; research services; execution capability and past execution performance; commission rates; financial standing of executing firm and counterparty risk; timeliness in rendering services; availability, cost and quality of custodial services; and continuity and quality of the overall provision of services. It is important to note that Baird Advisors' best execution obligation does not require Baird Advisors to solicit competitive bids for each transaction or to seek the lowest available cost of trade orders, so long as Baird Advisors reasonably believes that the broker-dealer selected can be reasonably expected to provide clients with the best qualitative execution under the circumstances.

To avoid potential conflicts of interest, Baird Advisors has adopted an internal policy that it will not typically use Baird to provide execution services, unless specifically requested or directed to do so by a client.

Baird Advisors may also purchase or sell debt securities through electronic trading platforms. These electronic trading platforms typically provide access to bids and offers from a greater number of dealers on a timely basis; however, these electronic platforms may impose an execution or transaction fee imbedded in the price paid or received for the security (i.e., a markup or markdown).

Soft Dollar Benefits

Baird Advisors does not receive research in addition to execution services from a broker-dealer in connection with its clients' securities transactions. These research benefits are commonly referred to as "soft dollar benefits". Baird Advisors may from time to time receive generic market commentaries or market research from broker-dealer firms. However, the receipt of those materials is not tied to the execution of client transactions.

Baird Advisors seeks to select broker-dealers based upon the broker's or dealer's ability to provide best execution, and Baird Advisors will not cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers for the purpose of obtaining soft dollar benefits. Furthermore, Baird Advisors does not select broker-dealers to execute transactions for client accounts based upon client referrals received from broker-dealers.

Trade Aggregation, Allocation and Rotation Practices

Baird Advisors may aggregate contemporaneous buy and sell orders for the accounts over which it has discretionary authority (a practice also known as bunching trades or block transactions). This practice may enable Baird Advisors to obtain more favorable execution, including better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated. Using block transactions may also assist Baird Advisors in potentially avoiding an adverse effect on the price of a security that could result from simultaneously placing a number of separate, successive or competing, client orders.

Baird Advisors generally aggregates buy and sell orders when executing trades for client accounts under its discretionary management when it has the opportunity to do so. However, Baird Advisors determines whether or not to utilize block transactions for a client in its sole discretion and Baird Advisors' decision is subject to its duty to seek best execution. Baird Advisors will aggregate a client's trade orders only when Baird Advisors deems it to be appropriate and in the best interests of the client, consistent with a client's investment objectives and risk tolerance, and permitted by regulatory requirements.

All advisory clients participating in a block transaction will receive the same execution price for the security bought or sold. Average prices may be used when allocating purchases and sales to a client's account because such securities may be purchased and sold at different prices in a series of block transactions. As a result, the average price received by a client may be higher or lower than the price the client may have received had the transaction been effected for the client independently from the block transaction. In addition, a client's transaction costs may vary depending upon, among other things, the type of security bought or sold, and the commission or markup or markdown charged by the executing broker-dealer.

The amount of securities available in the marketplace, at a particular price at a particular time, may not satisfy the needs of all clients participating in a block transaction and may be insufficient to provide full allocation across all client accounts. To address this possibility, Baird Advisors has adopted trade allocation policies and procedures that are designed to make securities allocations to discretionary client accounts in a manner such that all such clients receive fair and equitable treatment. If a block transaction cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will generally be allocated pro rata among the clients participating in the block transaction. Adjustments to this pro rata allocation may be made, at the discretion of Baird Advisors, to take into consideration account specific investment restrictions, undesirable position size, account portfolio weightings, client tax status, client cash positions and client preferences. Adjustments may also be made to avoid a nominal allocation to client accounts.

When Baird Advisors is not able to aggregate trades, Baird Advisors generally uses a trade rotation process that is designed to be fair and equitable to its clients.

Directed Brokerage

Baird Advisors will comply with any guidelines and/or limitations reasonably requested by a client relating to brokerage for the client's account. Specific guidelines and/or limitations requested by clients vary from client to client based upon a client's particular objectives and other factors. When possible, Baird Advisors will also observe any non-binding statement of client preferences with respect to brokerage direction.

If a client directs Baird Advisors to use a particular broker-dealer for execution of the client's trade orders (a "directed brokerage arrangement"), and Baird Advisors agrees to the arrangement, a client should understand that Baird Advisors may be unable to achieve best execution for the client's transactions. A client should note that any costs related to the directed brokerage arrangement are not included in Baird Advisors' fee and that the client will be solely responsible for monitoring, evaluating and reviewing the arrangement with the directed broker-dealer and paying any commissions or markups or markdowns or other costs imposed by the directed broker-dealer. A client should also note that Baird Advisors generally will not aggregate the client's directed brokerage trade orders with orders for other Baird Advisors' clients. As a result, a client's transaction costs may be higher because the client will not benefit from any volume discounts or other reduced transaction costs that Baird Advisors may obtain for its other clients. A client should further note that Baird Advisors generally will not include such client trade orders in its trade rotation process and that Baird Advisors will generally place the client's trade orders with the directed broker-dealer after Baird Advisors completes its trading for other Baird Advisors' client accounts. The client's trade orders will significantly bear the market price impact, if any, of those trades executed earlier in Baird Advisors' rotation. As a result, the client may receive a less favorable net price for the trade.

If Baird Advisors aggregates a client's directed brokerage trade orders with trade orders for other Baird Advisors' clients, Baird Advisors may employ the use of "step-outs" to satisfy the client's directed brokerage arrangement. A "step-out" occurs when an executing broker executes the trade and then "steps out" the trade to a clearing broker (which would be the directed broker-dealer in a directed brokerage arrangement) that confirms and settles the trade. In such a case, a client will bear the costs of any commissions, markups or markdowns imposed by the executing broker-dealer in addition to the costs of any commissions, markups or markdowns imposed by the directed broker-dealer. As a result, a directed brokerage arrangement may be more costly to a client, as it may result in the client paying higher commissions, markups, markdowns and greater bid/offer spreads, or receiving a less favorable net price.

If a client directs Baird Advisors to use a particular broker-dealer, and if the particular broker-dealer referred the client to Baird Advisors or if the particular broker-dealer refers other clients to Baird Advisors or Baird in the future, Baird Advisors or Baird may benefit from the client's directed brokerage arrangement. Because of these potential benefits, Baird Advisors and Baird may have an economic interest in having the client continue the directed brokerage arrangement. The benefits that Baird Advisors and Baird receive may conflict with the client's interest in having Baird Advisors recommend that the client utilize another broker-dealer to execute some or all transactions for the client's account.

Before directing Baird Advisors to use a particular broker-dealer, a client should carefully consider the possible costs or disadvantages of directed brokerage arrangements.

Cross Trading Involving Advisory Accounts

From time to time, Baird Advisors may engage in cross transactions involving the sale of securities by a client to a Baird Bond Fund in exchange for shares of such Baird Bond Fund. Baird Advisors will only engage in such a transaction when Baird Advisors believes that the transaction is consistent with the client's best interest. When effecting such transactions, Baird Advisors seeks to comply with the requirements of Rule 17a-7 under the Investment Company Act of 1940, as amended.

Trade Error Correction

It is Baird's policy that if there is a trade error for which Baird is responsible, trades will be adjusted or reversed as needed in order to put the client's account in the position that it would have been in as if the error had not occurred. Errors caused by Baird Advisors or Baird will be corrected at no cost to client's account, with the client's account not recognizing any loss from the error. The client's account will be fully compensated for any losses incurred as a result of any such error. If the trade error results in a gain, the gain may be retained by Baird but such gain is not given to or shared with any Baird Advisors or Baird associate.

Baird Advisors and Baird offer many services and, from time to time, may have other clients in other programs trading in opposition to a client. To avoid favoring one client over another client, Baird attempts to use objective market data in the correction of any trading errors.

Review of Accounts

Baird Advisors' portfolio management team provides continuous review of all Baird Advisors' client accounts. The Baird Advisors' portfolio management team generally performs daily reviews on each client account's duration, yield curve position, sector allocation, overall portfolio exposure to individual securities, compliance with the account's investment strategy and client-imposed guidelines, and deviation from other accounts using the same strategy. The portfolio management team generally reviews reports documenting each account's performance compared to the performance of a relevant benchmark index at least monthly.

Baird Advisors generally provides written performance reports to clients on a quarterly basis. These quarterly performance reports contain the client account's characteristics, performance, attribution and asset quality. Baird Advisors may provide additional information in the performance report to meet the specific reporting needs of a client as the client and Baird Advisors may agree.

A client's account performance may be compared 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 Advisors' selection and use of benchmarks is not a promise or guarantee that the performance of a client's account will meet or exceed the stated benchmark. When the 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 a client's account generally do not exactly mirror the securities included in the index.

When preparing performance reports, Baird Advisors will generally rely on the value of a client's assets provided by the client's custodian. Baird Advisors and Baird do not verify or guarantee the accuracy of such valuation information.

Client Referrals and Other Compensation

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

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

Custody

Each client is responsible for appointing the client's custodian, which will have possession of the assets of the client's account and settle transactions for the account. Clients receiving advisory services from Baird Advisors generally select a third party unaffiliated with Baird to have custody of the client's securities and other assets.

A client who uses a third party custodian authorizes Baird Advisors to give instructions to the client's custodian for all actions necessary or incidental to the purchase, sale, exchange, and delivery of securities held in the client's account. Also, the client will receive account statements directly from their selected custodian. Clients should carefully review those account statements and compare them with any account statements provided by Baird Advisors or Baird.

Investment Discretion

Clients generally give Baird Advisors the discretionary investment authority to determine independently the specific securities purchased or sold and the amount of securities purchased or sold. By executing an investment management agreement with Baird Advisors, a client authorizes Baird Advisors to make investment decisions for the client's account, with the authority to determine the amount, type and timing with respect to buying, holding, exchanging, converting and selling securities and other assets for the client's account, subject to the client's portfolio strategy. The client's investment management agreement also grants to Baird Advisors complete and unlimited trading authorization and appoints Baird Advisors as agent and attorney-in-fact with respect to the client's accounts and all related trading and other decisions. Pursuant to such authorization, Baird Advisors may, in its sole discretion and at the client's risk, purchase, sell, exchange, convert and otherwise trade the securities and other investments in the client's account, as well as arrange for delivery and payment in connection with the above, and act on the client's behalf in all matters necessary or incidental to the handling of the client's account without consulting the client.

Baird Advisors generally accepts reasonable limitations to its discretionary authority with respect to brokerage direction and securities selection, including the designation of particular securities or types of securities that should not be purchased for the client's account, but a client may not require that particular funds or securities (or types) be purchased for the client's account. Any such limitations agreed to by client and Baird Advisors are generally included in the client's investment policy statement, as an addendum to the client's investment management agreement or in a separate letter of understanding. When possible, Baird Advisors will also attempt to observe any non-binding statement of client preferences with respect to factors such as brokerage direction, holding periods, and securities selection.

In the event that a client's account is restricted from investing in certain securities, Baird Advisors will select such other replacement securities, if any, as it deems appropriate. Accounts with investment restrictions may perform differently from accounts without restrictions and performance may be poorer. In addition, in the event there is a change in the classification or credit rating of a security held in the client's account, a client's investment restrictions may force Baird Advisors to sell such security at an inopportune time, possibly negatively impacting account performance and/or causing a taxable event to the client. A client should also be aware that, if the client's account holds any investment vehicle (such as a mutual fund or ETF), any investment restrictions the client places on the client's account may not flow through to the securities owned by that investment vehicle.

Baird Advisors may use the discretionary authority granted to it by a client to invest the client's accounts in mutual funds that pay fees to Baird or to any of its affiliates for investment advisory or other services they provide to the mutual funds.

By signing an investment management agreement with Baird Advisors, a client consents to Baird Advisors investing all or a portion of the client's account in mutual funds that pay advisory or other fees to Baird or its affiliates ("affiliated investment products"). The amount of fees received by Baird and/or its affiliates is described in this Brochure in the section entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Baird's Participation or Interest in Client Transactions" above and/or the prospectus or other offering documents for the investment product. Baird Advisors will use its discretionary authority to invest the client's account in affiliated investment products when Baird Advisors determines it to be in the client's best interest to do so. The criteria used by Baird Advisors in deciding to invest in affiliated investment products are the same as those used in deciding to invest a client's assets in investment products unaffiliated with Baird. A client's consent may be revoked at any time.

Voting Client Securities

Baird Advisors does not typically recommend or select for client accounts securities that have voting rights. However, by signing an investment management agreement, clients authorize and delegate the right to Baird Advisors to vote proxies with respect to the securities held in their accounts.

Baird Advisors has adopted written policies and procedures that are reasonably designed to ensure that it votes client securities in the best interests of clients. Those procedures address material conflicts of interest that may arise between Baird Advisors' or Baird's interests and those of their clients. Although a description of Baird Advisors' proxy voting policies and procedures is provided below, Baird Advisors will furnish a copy of its proxy voting policies and procedures to clients upon their request. Additionally, clients may obtain information on how Baird Advisors actually voted proxies with respect to the securities held in their accounts by contacting Baird Advisors by calling (414) 765-3500.

In situations in which a client has delegated to Baird Advisors voting authority with respect to securities in the client's account, Baird Advisors will monitor corporate events and vote proxies in a manner that Baird Advisors believes is consistent with the client's best interests.

In the normal course of business Baird Advisors does not invest in equity securities on behalf of clients. Only in very rare situations do Baird Advisors clients hold equity securities, at which time Baird Advisors attempts to sell the equity securities as quickly as practical. In the event Baird Advisors clients hold voting securities, Baird Advisors utilizes Institutional Shareholder Services ("ISS"), an independent provider of proxy voting and corporate governance services, to analyze proxy materials and votes and make independent voting recommendations. ISS provides proxy voting guidelines regarding its position on various matters presented by companies to their shareholders for consideration. These guidelines provide an indication as to how Baird Advisors will actually vote securities on particular issues. The portfolio managers for the client's account will generally vote proxies with respect to securities for client accounts based on the recommendations of ISS; however, the managers may suggest voting against ISS' recommendations when the managers determine it to be in the clients' best interests to do so. The manager also may suggest how to vote on a particular matter not addressed by ISS. When a portfolio manager suggests voting against ISS' recommendations on a particular matter or suggests how to vote on a matter not addressed by ISS, the portfolio manager will bring the matter to the attention of Baird's Proxy Voting Committee, which will then be responsible for determining how the vote will be cast.

The proxy voting policies and procedures also address instances in which Baird Advisors' or Baird's interests may appear to conflict with client interests, such as when Baird or an affiliate is managing or administering (or seeking to manage or administer) a corporate retirement, pension or employee benefit plan or providing (or seeking to provide) brokerage, underwriting, insurance, financial advisory or investment banking services to a company whose management is soliciting proxies. In such instances, there may be a concern that Baird Advisors would be inclined to vote in favor of management because of Baird's relationship or pursuit of a relationship with the company. Baird Advisors takes one of the following steps to address these potential conflicts: (1) casts the vote in accordance with the recommendations of ISS or other independent third party; (2) refers the proxy to the client or to a fiduciary of the client for voting purposes; (3) suggests that the client engage another party to determine how the proxy should be voted; or (4) obtain the client's direction to vote the proxy after disclosing the conflict to the client.

In addition to the services described above, Baird has engaged ISS for vote execution and record-keeping services.

Baird Advisors generally does not permit clients to direct particular votes once they have granted Baird Advisors discretionary voting authority. Clients wishing to vote securities may do so by terminating the discretionary authority granted to Baird Advisors.

Baird Advisors may render advice or take action on a client's behalf with respect to securities that are or were held in the client's account, or the issuers thereof, which go into default or become the subject of legal proceedings, such as class action claims, defaults or bankruptcies. At a client's request, Baird Advisors will forward information that Baird Advisors actually receives about such claims to the client.

Financial Information

Baird Advisors does not require or solicit prepayment of more than $1,200 in fees per client six months or more in advance and, thus, has not included a balance sheet of Baird's most recent fiscal year. Neither Baird nor Baird Advisors is aware of any financial condition that is reasonably likely to impair their ability to meet their contractual commitments to clients, nor has either been the subject of a bankruptcy petition at any time during the past ten years.

Special Considerations for Retirement Accounts

If a client's Account is a Retirement Account, each owner, trustee, responsible plan fiduciary, or other fiduciary ("Retirement Account Fiduciary") acting on behalf of the client understands that Baird Advisors or Baird may invest for the client, or recommend that the client invest in, affiliated investment products and that Baird and its affiliates may receive fees or other compensation related to such investments made by the client. Each Retirement Account Fiduciary acting on behalf of the client understands that when Baird Advisors or Baird invests with discretion the assets of a Retirement Account in an affiliated investment product that pays investment advisory fees to Baird or any of its affiliates, including in connection with any cash sweep services, Baird and its affiliates may receive such investment advisory fees in accordance with the terms of Department of Labor ("DOL") Prohibited Transaction Exemption ("PTE") 77-4, and, as required thereby, Baird Advisors will waive its advisory fees on that portion of the assets invested in the affiliated investment product for such period of time so invested or Baird Advisors will offset the investment advisory fees received by Baird or any of its affiliates from the affiliated investment product against the advisory fee that Baird Advisors charges to the client. For the purpose of complying with the terms of DOL PTE 77-4, each such client and Retirement Account Fiduciary acting on behalf of the client acknowledge in the client's investment management agreement that: (i) the investment in affiliated investment products for the client's account is appropriate because of, among other things, the investment goals, redeemability/liquidity, and diversification of those products; (ii) subject to Baird Advisors' investment strategies, all assets of the client's account may be invested in one or more of the affiliated investment products; (iii) the client received prospectuses or other disclosure documents for the affiliated investment products that may be used in connection with the account, each of which include a summary of all fees that may be paid by the affiliated investment products to Baird or its affiliates; and (iv) the client received information concerning the nature and extent of any differential between the rate of such affiliated investment products fees and the advisory fees payable by the client to Baird Advisors. The differential between the fees to be charged by Baird Advisors for the investment advisory services it provides to the client and, if applicable, the investment advisory and other similar fees paid by the affiliated investment products to Baird or its affiliates with respect to the services Baird or any of its affiliates provides to the affiliated investment products is the difference between Baird Advisors' fee disclosed in the client's investment management agreement and the applicable investment management, investment advisory and other similar fees detailed in the section entitled "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading—Baird's Participation or Interest in Client Transactions" above and/or in the relevant prospectus or other offering document for the affiliated investment product.

Each Retirement Account Fiduciary acting on behalf of the client understands that any directed brokerage arrangement must be for the exclusive benefit of participants and beneficiaries of the Retirement Account and that the client must not constitute or cause the account to be engaged in a prohibited transaction as defined by ERISA. If the client is an ERISA plan, each trustee or other fiduciary acting on behalf of the client is responsible for adhering to the fiduciary responsibilities discussed in ERISA Technical Bulletin 86-1 including, without limitation, the duty to determine that the directed brokerage arrangement decision has been made prudently in the interests of the plan participants and beneficiaries and that the specified broker-dealer executing the trades is capable of providing best execution.

Baird Advisors

Brochure Supplement
January 23, 2013

Baird Advisors
777 East Wisconsin Avenue
Milwaukee, WI 53202
1-800-792-2473

Mary Ellen Stanek, CFA
Gary A. Elfe, CFA
Charles B. Groeschell
Warren D. Pierson, CFA
Jay E. Schwister, CFA
Daniel A. Tranchita, CFA
M. Sharon deGuzman
Meghan H. Dean, CFA
Jeffrey L. Schrom, CFA
Julie E. Smallwood, CFA
Ian D. Elfe, CFA
Andrew J. O'Connell, CFA

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Member FINRA & SIPC
SEC File No. 801-7571

This brochure supplement provides information about the persons listed above that supplements the brochure of Baird Advisors, an investment management department operating within Robert W. Baird & Co. Incorporated ("Baird"). You should have received a copy of that brochure. Please contact Baird Advisors at the number listed above if you did not receive Baird Advisors' brochure of if you have any questions about the contents of this supplement.

Additional information about the persons listed above is available on the SEC's website at adviserinfo.sec.gov.

Mary Ellen Stanek, CFA*

Educational Background and Business Experience

Mary Ellen Stanek (Born in 1956)

- B.A., Marquette University
- M.B.A., University of Wisconsin – Milwaukee
- Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer, Baird Advisors, since March 2000

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Ms. Stanek by reviewing the processes and controls in place for the discretionary investment management responsibilities that she executes for clients. Baird also periodically monitors her trading activity in client accounts, and approves presentation and advertising materials she uses as well as client communications. Gary Elfe, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Research Officer of Baird Advisors is responsible for supervising Ms. Stanek's investment management activities. Mr. Elfe's telephone number is 414-298-1060.

Gary A. Elfe, CFA*

Educational Background and Business Experience

Gary A. Elfe (Born in 1955)

- B.A., University of Wisconsin – Milwaukee
- M.B.A., University of Wisconsin – Milwaukee
- Managing Director, Robert W. Baird & Co. Incorporated, and Senior Portfolio Manager, Baird Advisors, since February 2000

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. Elfe by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. Elfe's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Charles B. Groeschell

Educational Background and Business Experience

Charles B. Groeschell (Born in 1953)

- B.A., Texas Christian University
- M.B.A., University of Wisconsin – Milwaukee
- Managing Director, Robert W. Baird & Co. Incorporated, and Senior Portfolio Manager, Baird Advisors, since February 2000

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. Groeschell by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. Groeschell's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Warren D. Pierson, CFA*

Educational Background and Business Experience

Warren D. Pierson (Born in 1962)

- B.A., Lawrence University
- Senior Portfolio Manager, Baird Advisors, since February 2000. Managing Director, Robert W. Baird & Co. Incorporated since January 2009

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. Pierson by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. Pierson's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Jay E. Schwister, CFA*

Educational Background and Business Experience

Jay E. Schwister (Born in 1962)

- B.S., Marquette University
- Senior Portfolio Manager, Baird Advisors, since December 2004. Managing Director, Robert W. Baird & Co. Incorporated since January 2010

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. Schwister by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. Schwister's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Daniel A. Tranchita, CFA*

Educational Background and Business Experience

Daniel A. Tranchita (Born in 1965)

- B.S., Marquette University
- M.B.A., Marquette University
- Senior Portfolio Manager, Baird Advisors, since February 2000. Managing Director, Robert W. Baird & Co. Incorporated since January 2010

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. Tranchita by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. Tranchita's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

M. Sharon deGuzman

Educational Background and Business Experience

M. Sharon deGuzman (Born in 1966)

- B.S., Eastern Illinois University
- Senior Vice President, Robert W. Baird & Co. Incorporated, and Portfolio Manager, Baird Advisors, since March 2000

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Ms. deGuzman by reviewing the processes and controls in place for the discretionary investment management responsibilities that she executes for clients. Baird also periodically monitors her trading activity in client accounts, and approves presentation and advertising materials she uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Ms. deGuzman's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Meghan H. Dean, CFA*

Educational Background and Business Experience

Meghan H. Dean (Born in 1976)

- B.A., Boston College
- First Vice President, Robert W. Baird & Co. Incorporated, and Portfolio Manager, Baird Advisors, since June 2007

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Ms. Dean by reviewing the processes and controls in place for the discretionary investment management responsibilities that she executes for clients. Baird also periodically monitors her trading activity in client accounts, and approves presentation and advertising materials she uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Ms. Dean's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Jeffrey L. Schrom, CFA*

Educational Background and Business Experience

Jeffrey L. Schrom (Born in 1968)

- B.S., Carroll College
- M.S., University of Wisconsin - Madison
- First Vice President, Robert W. Baird & Co. Incorporated, and Portfolio Manager, Baird Advisors, since January 2002

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. Schrom by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. Schrom's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Julie E. Smallwood, CFA*

Educational Background and Business Experience

Julie E. Smallwood (Born in 1968)

- B.S., The Ohio State University
- M.B.A., The Amos Tuck School of Business at Dartmouth College
- Vice President, Robert W. Baird & Co. Incorporated, and Portfolio Manager, Baird Advisors, since December 2011.
- Vice President of Consulting Services, Eubel Brady & Suttman Asset Management, Inc. October 2002 to December 2011. Principal, Eubel Brady & Suttman Asset Management, Inc. February 2009 to September 2011.

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Ms. Smallwood by reviewing the processes and controls in place for the discretionary investment management responsibilities that she executes for clients. Baird also periodically monitors her trading activity in client accounts, and approves presentation and advertising materials she uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Ms. Smallwood's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Ian D. Elfe, CFA*

Educational Background and Business Experience

Ian D. Elfe (Born in 1984)

- B.A. University of Wisconsin-Madison
- M.B.A., Hawk Center for Applied Security Analysis, University of Wisconsin-Madison
- Vice President Robert W. Baird & Co. Incorporated, February 2012 and Portfolio Analyst, Baird Advisors since June 2009.

Disciplinary Information

Not applicable.

Other Business Activities

Not applicable.

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. Elfe by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. Elfe's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

Andrew J. O'Connell, CFA*

Educational Background and Business Experience

Andrew J. O'Connell (Born in 1985)

- B.S., Marquette University
- Vice President, Robert W. Baird & Co. Incorporated and Credit Analyst, Baird Advisors since August 2011
- Associate Analyst, Credit Analyst, Officer, Marshall & Ilsley Corp, M&I Investment Management Co., 2007 to August 2011.

Disciplinary Information

Not applicable.

Other Business Activities

Additional Compensation

Not applicable.

Supervision

Baird supervises Mr. O'Connell by reviewing the processes and controls in place for the discretionary investment management responsibilities that he executes for clients. Baird also periodically monitors his trading activity in client accounts, and approves presentation and advertising materials he uses as well as client communications. Mary Ellen Stanek, Managing Director, Robert W. Baird & Co. Incorporated, and Chief Investment Officer of Baird Advisors is responsible for supervising Mr. O'Connell's investment management activities. Ms. Stanek's telephone number is 414-298-1060.

** The Chartered Financial Analyst (CFA) charter is a professional designation established in 1962 and awarded by CFA Institute. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations described below; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. The CFA Program is organized into three levels, each culminating in a six-hour exam. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning. There is no limit to the number of times a candidate can take each exam, and a candidate can take as long as needed to complete the program.*

PRIVACY POLICY
ROBERT W. BAIRD & CO.

Robert W. Baird & Co. Incorporated ("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.

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.

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 related forms, such as your name, address, e-mail addresses, phone numbers, social security number, assets, income and date of birth; and
- 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, we may collect information 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 to companies that perform administrative or marketing services for Baird, to investment advisors, to a research firm we have hired, or to 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.

At Baird, we have always worked to maintain the highest standards of confidentiality and to respect the privacy of our clients.

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 Representative. You may also visit Baird's website at rwbaird.com. Any changes to the policy will be reflected on the website.

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BAIRD FUNDS, INC.
PROXY VOTING POLICIES AND PROCEDURES

The Board of Directors of Baird Funds, Inc. (the "Baird Funds") recognizes that our right to vote proxies for portfolio holdings in each series of the Baird Funds (each a "Fund") is an important responsibility and a significant Fund asset. We also recognize that the Funds' investment adviser, Robert W. Baird & Co. Incorporated (the "Adviser"), is in a better position to monitor corporate actions, analyze proxy proposals, make voting decisions and ensure that proxies are submitted in a timely fashion. We therefore delegate our authority to vote proxies to the Adviser, subject to our supervision. Moreover, we authorize the Adviser to retain a third party proxy voting service, such as Institutional Shareholder Services ("ISS"), to provide recommendations on proxy votes.

The Board of Directors of the Baird Funds has approved the Adviser's proxy voting policies and procedures attached as Exhibit A. The Board of Directors will monitor the implementation of these policies to ensure that the Adviser's voting decisions:

- are consistent with the Adviser's fiduciary duty to the Funds and their shareholders;
- seek to maximize shareholder return and the value of Fund investments;
- promote sound corporate governance; and
- are consistent with each Fund's investment objective and policies.

In the event of a conflict between the interests of the Adviser and the shareholders of a Fund with regard to a proxy vote, the Adviser's policies provide several methods of resolving the conflict, including disclosing the conflict to the Board or its delegate, who may provide direction to vote the proxies, voting in accordance with the recommendations of a third party proxy voting service or having a proxy voting committee of the Adviser vote proxies in a manner the committee determines to be in the best interests of the Fund shareholders and not a product of the conflict. In the event the Adviser chooses disclosure to the Fund's Board as the method of resolving the conflict, the Board has delegated this authority to the disinterested directors, and the proxy voting direction in such a case shall be determined by a majority of the disinterested directors. A conflict may exist, for example, if Baird Investment Management (BIM), the department of the Adviser that manages the Baird LargeCap, MidCap and SmallCap Funds and is responsible for voting proxies for those Funds, (i) manages or is pursuing management of accounts that are affiliated with the company soliciting proxies, (ii) is aware of investment banking or other relationships that the Adviser has or is pursuing with the company soliciting proxies (or its senior officers) that may give BIM an incentive to vote as recommended by the company, or (iii) has been asked or directed by persons associated with the Adviser or the company soliciting proxies to vote proxies in a certain manner in order to maintain or develop a relationship between the Adviser and the company. The proxy voting committee of the Adviser may also determine if a conflict of interest exists for other reasons.

Each Fund will describe its proxy voting policies and procedures in the Statement of Additional Information ("SAI") in accordance with SEC requirements. Each Fund also will disclose in its annual and semi-annual reports to shareholders that a description (or copy) of the Fund's proxy voting policies and procedures is available without charge, upon request, by calling toll-free, 800-792-4011, by accessing the Adviser's website at *www.rwbaird.com* and by accessing the SEC's website at *http://www.sec.gov*. The Funds will send a description of their proxy voting policies and procedures within three business days of receipt of a request.

Each Fund will file its complete proxy voting record with the SEC on Form N-PX on an annual basis, by no later than August 31 of each year (beginning August 31, 2004). Each Fund also will disclose in the SAI and annual and semi-annual reports to shareholders that its proxy voting record is available without charge, either upon request, by calling toll-free, 800-792-4011, or by accessing the Adviser's website, or both; and by accessing the SEC's website. Each Fund must send the information disclosed in the Fund's most recently filed Form N-PX within three business days of receipt of a request, and must post this information on its website as soon as reasonably practicable after filing the report with the SEC.

Exhibit A

ROBERT W. BAIRD & CO. INCORPORATED PROXY VOTING POLICIES AND PROCEDURES FOR THE BAIRD INVESTMENT MANAGEMENT DEPARTMENT

The Baird Investment Management department ("BIM") of Robert W. Baird & Co. Incorporated (the "Adviser") exercises voting authority with respect to securities held by the series of Baird Funds, Inc. (each a "Fund" and collectively the "Funds") and our private account clients that have delegated proxy voting authority to BIM. We owe these clients duties of care and loyalty. Our duty of care requires us to monitor corporate events and to vote the proxies. Our duty of loyalty requires us to vote the proxies in a manner consistent with the best interest of our clients and Fund shareholders.

I. SUPERVISION OF POLICY

The BIM Compliance Officer is responsible for overseeing the day-to-day operation of these proxy voting policies and procedures. The BIM portfolio managers and research analysts are responsible for monitoring corporate actions, proxy proposals, voting decisions, and the timely submission of proxies. We utilize Institutional Shareholder Services ("ISS") to make recommendations as to how to vote proxies. A proxy voting committee (the "Committee") that includes members from BIM, Baird Advisors, and the Legal and Compliance departments of the Adviser, is responsible for considering challenges made by BIM portfolio managers to the recommendations of ISS and addressing material conflicts between the interests of the Adviser and those of the Funds and other BIM clients.

II. CONFLICTS OF INTEREST

There may be instances where our interests conflict, or appear to conflict, with client interests. For example, we (or our affiliate) may manage a pension plan, administer employee benefit plans, or provide brokerage, underwriting, insurance or banking services to a company whose management is soliciting proxies. There may be a concern that we would vote in favor of management because of our relationship with the company. Or, for example, we (or our senior executive officers) may have business or personal relationships with corporate directors or candidates for directorship. We generally believe a material conflict exists if BIM (i) manages or is pursuing management of accounts that are affiliated with the company soliciting proxies, (ii) is aware of investment banking or other relationships that the Adviser has or is pursuing with the company soliciting proxies (or its senior officers) that may give BIM an incentive to vote as recommended by the company, or (iii) has been asked or directed by persons associated with the Advisor or the company soliciting proxies to vote proxies in a certain manner in order to maintain or develop a relationship between the Adviser and the company. The Committee may also determine if a material conflict of interest exists for other reasons.

Our duty is to vote proxies in the best interests of our clients and Fund shareholders. Therefore, in situations where there is a conflict of interest, we will take one of the following steps to resolve the conflict:

1. Vote the securities in accordance with a pre-determined policy based upon the recommendations of an independent third party, such as ISS;

2. Refer the proxy to the client or to a fiduciary of the client for voting purposes;

3. Suggest that the client engage another party to determine how the proxy should be voted;

4. Ask the Committee to determine the nature and materiality of the conflict and vote the proxy in a manner the Committee believes is in the best interests of the client (or, in the case of a Fund, the Fund's shareholders) without consideration of any benefit to the Adviser or its affiliates; or

5. Disclose the conflict to the client or, with respect to the Funds, the Fund's Board of Directors (or its delegate) and obtain the client's or Board's direction to vote the proxies.

III. RECORDKEEPING

We will maintain the following records with respect to proxy voting:

- a copy of our proxy voting policies and procedures;
- a copy of all proxy statements received (the Adviser may rely on a third party or the SEC's EDGAR system to satisfy this requirement);
- a record of each vote cast on behalf of a client (the Adviser may rely on a third party to satisfy this requirement);
- a copy of any document prepared by the Adviser that was material to making a voting decision or that memorializes the basis for that decision; and
- a copy of each written client request for information on how we voted proxies on the client's behalf, and a copy of any written response to any (written or oral) client request for information on how we voted proxies on behalf of the requesting client.

These books and records shall be made and maintained in accordance with the requirements and time periods provided in Rule 204-2 under the Investment Advisers Act of 1940.

IV. DISCLOSURE TO CLIENTS

We will disclose to clients and to the Board of Directors of the Funds how they can obtain information from us on how client and Fund portfolio securities were voted. This disclosure will be made annually. At the same time, we will provide a summary of these proxy voting policies and procedures to clients and to the Board of Directors of the Funds, and, upon request, will provide them with a copy of the same.

V. PROXY VOTING GUIDELINES

Portfolio managers and research analysts will typically vote shares in accordance with the recommendations made by ISS, as they are modified and amended from time to time. ISS guidelines are not exhaustive, do not address all potential voting issues, and do not necessarily correspond with the opinions of the portfolio managers. ISS often applies its guidelines to companies without an in-depth understanding of the companies and their performance. For that reason, there may be instances where we may not vote the client's shares in strict accordance with these guidelines. All proxies by an issuer will typically be voted in the same manner for all clients, unless there is a conflict of interest or client guidelines dictate otherwise. In the event the manager or analyst believes the ISS recommendation is not in the best interest of the shareholders and on those matters for which ISS does not provide a specific voting recommendation, he/she will bring the issue to the Committee. The decision on the issue will be made by the Committee and communicated to the managers and analysts to cast their votes in accordance with the Committee's recommendation. Any votes cast differently than an ISS recommendation will be noted, with reasons for the change documented.

BAIRD FUNDS, INC./BAIRD INVESTMENT MANAGEMENT

PROXY VOTING COMMITTEE

The Baird Funds (Funds)/Baird Investment Management (BIM) Proxy Voting Committee (Committee) has been established pursuant to the Proxy Voting Policies and Procedures for the Funds and BIM. The purpose of the Committee is to consider challenges from BIM portfolio managers to the voting recommendations of an independent research firm (currently, ISS) and to determine if and how proxies should be handled in the event of a conflict of interest. Decisions of the Committee will be final and binding on the Funds and BIM and proxies shall be voted in the manner determined by the Committee (if different from the independent research firm's recommendations).

If a portfolio manager challenges a recommendation from the independent research firm, the portfolio manager shall notify members of the Committee and the Committee shall meet to consider the challenge. In order for the Committee to have a meeting, at least two persons must be present in person or by telephone, at least one of whom must be from the Legal or Compliance Department. The Committee may take action on the challenge by the vote of a majority of the members present at the meeting, but at least one vote must be that of a member of the Committee from the Legal or Compliance Department. In deciding whether to vote against the independent research firm's recommendation and as the portfolio manager would prefer, the Committee is required to consider what is in the clients' best interest. If a conflict of interest exists with respect to a proxy, e.g., Baird's investment banking department has or is pursuing a relationship with the company soliciting the proxy or a senior officer of the company has a significant account at Baird, the proxy will be voted in accordance with the independent research firms' recommendations. The Committee will maintain a record of its meetings and its decisions.

The Committee will consist of three BIM associates, one Baird Advisors associate, one associate from the Legal Department and one associate from the Investment Advisory Unit of the Compliance Department. Changes to the composition of the Committee may be made with the approval of the members of the Committee from the Legal and Compliance Departments. Currently, the following people are members of the Committee:

BIM:	Bary Morgan Ken Hemauer Jean Kreiser
Baird Advisors:	Jeff Schrom
Compliance:	Todd Nichol
Legal:	Charley Weber