

Safety of Client Assets

Baird believes clients should have confidence in the safety of their securities and cash held at our firm. Our clients are protected in a number of important ways. First and foremost is the long-term success and creditworthiness of Baird, a privately-held, global financial services firm owned by its associates. Baird is highly capitalized and has been consistently profitable, in both good and difficult markets. Baird had total capital* of more than \$600 million as of June 30, 2008, which is well in excess of applicable regulatory requirements.

FDIC, SIPC and Excess SIPC Account Protection

Certain client assets held at Baird are further protected in three ways:

- The Federal Deposit Insurance Corporation (FDIC) covers client funds swept into bank accounts -- up to \$100,000 for individuals and \$200,000 for joint accounts.
- The Securities Investor Protection Corporation (SIPC) covers most types of investments up to a value of \$500,000. SIPC does not protect against losses caused by a decline in the market value of a client's securities.
- Baird client accounts are further protected by excess SIPC account protection covering the net equity of all cash and securities on deposit with Baird beyond the \$500,000 SIPC limit. This is the broadest protection available.

FDIC Protection

FDIC is an independent agency, backed by the full faith and credit of the U.S. Government, that protects against the loss of deposits if an FDIC-insured bank fails. FDIC regularly reviews the operations of the banks it covers to ensure they meet high standards of financial strength and stability. See www.FDIC.gov for more information.

Deposits at banks and CDs held in your Baird account are generally insured by FDIC on principal and accrued interest up to \$100,000 per individual depositor and \$200,000 per joint account. These limits are based on total deposits at a given bank, even if those deposits are in different accounts, including accounts established through Baird's Cash Sweep Program. These banks are indicated on client statements. Client funds deposited into a bank in Baird's name are insured as if deposited in that client's name.

In the unlikely event of a bank failure, Baird will submit proof of the deposit amount to the FDIC on behalf of each client owning certificates of deposit or other deposits through Baird in the defaulted bank. The FDIC will then determine the amount of insurance reimbursement.

Baird also provides certain clients a choice of taxable and tax-exempt money market mutual funds offered by Dreyfus and JPMorgan as an investment option for their cash under the Cash Sweep Program. These funds are not protected by FDIC insurance since they are not bank deposit accounts. Rather, they are mutual funds subject to strict guidelines regarding the underlying investments in order to maintain a stable \$1.00 per share net asset value.

SIPC and Baird's excess SIPC insurance do not cover bank deposits in excess of the FDIC limits.

SIPC Protection

Baird is a member of the Securities Investor Protection Corporation. SIPC was created by Congress to protect clients of securities brokers and dealers. If a SIPC-member firm fails financially, the firm's clients are protected up to \$500,000 held in each account, including up to \$100,000 in cash. SIPC does not protect against losses caused by a decline in the market value of a client's securities.

SIPC covers most types of securities, such as stocks, bonds, mutual fund shares and variable annuities, but does not cover commodities (including commodity futures contracts and options), fixed annuity contracts, currency, or investment contracts (such as limited partnerships) that are not registered with the Securities and Exchange Commission under the Securities Act of 1933. For more information visit www.SIPC.org.

Excess SIPC Protection

Baird also maintains excess SIPC coverage provided through Customer Asset Protection Company (CAPCO), an A+ rated insurance company that protects the net equity of *all* securities and cash in each account at Baird over and above the SIPC limits. No securities firm provides broader SIPC protection. For more information see www.capcoexcess.com.

More Information

For additional information, please talk to your Baird Financial Advisor or visit our Website www.rwbaird.com and enter "Safety of customer assets" in the search box.