Understanding the Security of Client Assets

Overview

We believe clients should have full confidence in the safety of their securities and cash held at Baird. To this end, 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, associate-owned global financial services firm founded in 1919. Baird is well capitalized, with net capital well in excess of the regulatory requirement. We have used debt conservatively and have significant unused bank commitments. Importantly, Baird has been financially sound for almost 100 years.

Certain client assets held at Baird are further protected as summarized here and outlined in more detail below:

- Securities in client cash accounts are segregated from Baird's assets.
- The Securities Investor Protection Corporation (SIPC) covers most types of investments up to a value of $500,000.
- Baird clients are further protected by a policy in excess of SIPC limits that provides additional coverage beyond the $500,000 SIPC limit.
- The Federal Deposit Insurance Corporation (FDIC) covers client funds swept into bank accounts – up to $1.25 million per depositor.[1]

Segregation of Client Accounts

All client securities in cash accounts (that is, all non-margined securities) held by Baird are segregated from Baird's assets, as required by law. As such, they are protected in the unlikely event of Baird's discontinued operations. This segregation is regularly examined by Baird's internal and external auditors.

In addition, Baird's procedures involve daily reconciliations of stock assets in client accounts against third-party repositories. This helps ensure that we are in the strongest position to identify any potential issues before they can escalate into more serious situations.

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 and is unable to meet its obligation to clients, the firm's clients are protected up to $500,000 per customer, including up to $250,000 in cash.[1]

SIPC covers most types of securities, such as stocks, bonds, mutual fund shares and variable annuities, but it 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.

Coverage in Excess of SIPC Limits

Baird offers coverage in excess of SIPC limits through an insurance policy purchased through Lloyd's of London. The Lloyd's policy has an aggregate coverage limit of $250 million for all claims of Baird clients eligible for distributions under the Securities Investor Protection Act. The policy has a sublimit of $1.9 million per customer for cash awaiting reinvestment.

FDIC Protection
Deposits at banks and CDs are generally insured by the FDIC on principal and accrued interest up to $250,000 per individual depositor for all deposits held in the same capacity at a bank. For joint accounts, the insurance limit is $250,000 for each owner of the account. Baird maintains a Cash Sweep Program with a number of FDIC-insured participant banks. By having a number of FDIC-insured banks participating, your cash balances can be spread among these banks, providing the potential for FDIC coverage greater than that which you would have if your cash deposits were held only in a single bank. This feature currently seeks to make available up to $1,250,000 for most account types (or $2,500,000 for joint accounts with two or more owners) of aggregate FDIC insurance protection for the cash balances of clients participating in the Cash Sweep Program. Please note the number of banks participating in the Cash Sweep Program may change from time to time.

FDIC coverage protects against the loss of deposits if an FDIC -insured bank fails. The 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.

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 deposits through Baird in the defaulted bank. The FDIC will then determine the amount of insurance reimbursement. SIPC and Baird's excess SIPC insurance do not provide protection for bank deposits in the event of a bank failure.

More Information
For additional information, please contact your Baird Financial Advisor or visit our Web site www.rwbaird.com and enter "safety of client assets" in the search box.

[1]SIPC and the excess SIPC policy do not protect against losses caused by a decline in the market value of a client's securities.