



Important Information about Callable Security Lotteries at Baird

We have prepared this document to help you understand the process by which callable securities are redeemed or repurchased prior to maturity by issuers. When bonds or preferred stocks held at Robert W. Baird & Co. Incorporated ("Baird") are called or redeemed by the issuer in part, Baird utilizes an impartial lottery process conducted by a third-party service provider by which it allocates among its clients the securities to be called or redeemed. A callable security is a bond or other security with a call provision included that allows the issuer of the security to redeem or repurchase prior to maturity. The impartial lottery process is designed to establish a fair and impartially allocation of partially called or redeemed securities in accordance with FINRA Rule 4340 and other applicable regulations. The impartial lottery process will select eligible accounts and the holdings in those accounts for the partial call or redemption. A description of the process to effect such a lottery follows below.

When an issuer initiates a partial call of securities, the depository holding such securities (typically, the Depository Trust Corporation or "DTC") conducts an impartial computerized lottery using an incremental random number technique to determine the allocation of called securities to its participants (including Baird) for which it holds securities on deposit. Because DTC's lottery is random and impartial, in the case of a partial call, depository participants may or may not receive an allocation of securities selected for redemption.

When Baird receives notification of its allocated portion of a partial call, a determination will be made whether or not the call is favorable to the called parties. The call will be deemed favorable if the market price of the security, exclusive of any accrued interest, is less than the call or redemption price as of the close of business on the measurement date. When a redemption of callable securities is deemed favorable to the called parties, all positions held by Baird, or its employees will be excluded until the call is first satisfied from customer-held position on an impartial allocation basis. Conversely, if a redemption of callable securities is deemed unfavorable to the called parties, all positions held by Baird and its employees will be included in the lottery.

In brief, the impartial allocation or lottery process at Baird involves the following steps:

- Each account gets identified with the number of trading units or lots held, based on the aggregate par value of the securities held in the account divided by the size of a trading unit or lot.
- Each trading unit or lot is assigned a sequential number.
- A random start number and increment or "jump" number are generated through a third-party mathematical technique. The start number will determine which sequential numbered trading unit or lot will be the first to be redeemed. Thereafter, the increment or jump number will be repeatedly applied to determine the subsequent numbered trading units or lots that will be redeemed.
- This process will continue until the number of trading units, or lots allocated to Baird for redemption is exhausted.

The allocation of called securities is not made on a pro rata basis. Therefore, it is possible that a customer may receive a full or partial redemption or may not have any securities selected for redemption at all. The lottery process may leave holders with an odd-lot position in their account. Due to applicable regulations, in the event an issuer initiates a partial call of securities on or prior to a trade settlement date with respect to either a purchase or sale of the subject securities in a customer's account, Baird reserves the right to cancel the customer's trade or reduce the trade by the called quantity.

Customers should review all disclosure documents received and understand the risks of extraordinary calls or early redemptions. Issuers may publish notices of offers to redeem callable securities within certain parameters. Customers are responsible for covering any outstanding short positions, as well as any other resulting costs in their account, that result from the lottery.