Important Information about Securities-Based Lending and Baird Enhanced Credit Access

This document describes important considerations for Baird clients ("client" or "you") considering current or future potential liquidity needs and financing alternatives. Each Securities-Based Lending (SBL) option discussed below has distinct characteristics, potential uses, terms and conditions. Each also carries with them unique risks and potential conflicts of interest you should be aware of and carefully consider before selecting an SBL option. You are encouraged to read and carefully consider this document in addition to the resources it cites in making any decision to engage in an SBL relationship, including those offered by or through Baird.

The final page of this document compares your SBL options and contrasts them with considerations associated with liquidating securities held in a securities account. While an SBL solution may be presented to you as an available option, clients should understand that due to the conflicts of interest noted in more detail below, Baird and its Financial Advisors will not recommend or provide advice with respect to whether a SBL solution is in your best interest and they will not act as investment adviser or a fiduciary to the client with respect to the liquidation of securities held in the client's Account to meet a collateral call.

FINRA and the SEC have published a joint Investor Alert entitled "10 Questions Investors Should Ask About Securities-Backed Lines of Credit." That document is available at https://www.finra.org/media-center/news-releases/2015/finra-sec-10-questions-investors-should-ask-about-securities-backed

Securities Based Lending Generally

Securities Based Lending involves obtaining a loan or line of credit secured by assets in a client's Baird account (each an "Account"). Eligible Baird clients may obtain a loan or line of credit through a third-party lending institution under Baird's Enhanced Credit Access Program (the "ECA Program") or directly from Baird through a margin account. In addition, clients may choose to obtain SBL financing from third party lenders outside of the ECA Program using one or more Baird accounts as collateral. IRA and other qualified plan accounts are not eligible.

SBL arrangements provide a client with access to credit without requiring liquidation of assets. This could be particularly advantageous for clients holding low cost-basis securities or otherwise wishing to maintain financial flexibility and access to cash without selling securities. Clients considering SBL arrangements should also be aware of the following:

1. Loss of Rights in the Account. Clients considering an SBL arrangement should understand that the lender will require a pledge of Account as collateral for extending financing. Lenders may exercise certain rights and powers over the assets in the Account, which may include a prohibition or limitation on your ability to trade or withdraw assets from the Account or, in the case of a margin account, the lender will have the right to lend securities a client pledges as collateral for the client's margin loan. Without prior notice to you, SBL lenders will also have the right to require additional collateral (a "maintenance call") or the disposition and sale of assets in a pledged Account to repay amounts owed to the lender (a "collateral call").

2. Leverage and Risk of Loss. A decrease in the value of an Account, such as in the event of a broad decline in the capital markets, increases the likelihood of the lender making a maintenance call or a collateral call. A collateral call could have adverse tax consequences, disrupt a client's investment strategy, and have an adverse impact on the Account's performance.

3. Additional Fees and Expenses. Lenders under SBL arrangements will charge interest on outstanding amounts and will often charge additional fees and expenses for providing financing. Clients should be aware of these fees and expenses before establishing an SBL relationship and borrowing. These additional fees and charges will be contained in your agreement with the lender.

4. Variable Interest Rate Risk. If your line of credit has a variable interest rate, a rise in interest rates generally will increase your total cost of borrowing under your line of credit.

5. Limited Use of Proceeds. Funds drawn from your SBL line of credit may be subject to restrictions on use. For instance, funds drawn from a line of credit established under Baird's Enhanced Credit Access program may not be used to purchase securities or to pay for educational expenses.

6. Conflict of Interest. Baird and Baird Financial Advisors will continue to receive customary compensation on assets held in your Accounts (without regard to outstanding loan balances), including regular quarterly fees based on the value of the investment assets held in such accounts if those accounts are participating in an investment advisory program. As a result, Baird and Baird Financial Advisors have a financial incentive to make clients aware of the possibility of establishing an SBL arrangement to maintain current asset values versus liquidating assets in an Account.

Baird Enhanced Credit Access

Enhanced Credit Access is an on-demand line of credit issued by a preferred lender not affiliated with Baird (an "ECA Lender") and secured by a pledge of a client's Baird taxable Account. Assets held in the Account remained custodied and managed by Baird and the line of credit is established and maintained on the books of the ECA Lender. The ECA Lender will determine what types of investments held in the Account are eligible for use as collateral for the line of credit. The line of credit cannot be used to purchase securities or to finance education.

Loan Interest. Participating clients will pay interest on the outstanding balance of the loan. The rates of interest charged by the ECA Lender depends on many factors, such as the prevailing interest rate environment, the amount of the loan or line of credit, client creditworthiness, and the aggregate assets in a client's Baird accounts in your household ("relationship size"). The interest rates are based on a benchmark rate, plus an applicable percentage that varies based on the approved loan amount and the relationship size. Rates are generally higher for smaller loans and relationship sizes and lower for larger loans and relationship sizes. The interest rate that will apply to a client's loan will be included in the loan agreement the client enters into with the ECA Lender.

Compensation to Baird and Conflicts of Interest. Baird receives an ongoing administrative fee from the ECA Lender, with annual rates up to 2.50% of outstanding balances under a client's loan, which is paid by the ECA Lender out of the interest a client pays to the ECA Lender. The administrative fee paid to Baird will be set forth in the loan agreement the client enters into with the ECA Lender. Your Baird Financial Advisor receives an ongoing referral fee at the annual rate of up to 0.25% on the outstanding balance of your loan, which is paid out of Baird's administrative fee. As described above, Clients should also be aware that Baird and your Baird Financial Advisor will continue to receive compensation on assets held in your Account without regard to any outstanding loan balance. As a result, and because Baird receives an administrative fee and your Baird Financial Advisor receives a referral fee if you obtain a loan from an ECA Lender under the ECA Program, Baird and Baird Financial Advisors have a financial incentive to present the ECA program to you as a potential SBL option.

This and other important information to read and consider about Baird Enhanced Credit Access can be found at bairdwealth.com/retailinvestor.

Baird Margin

Margin is a variable-rate on-demand line of credit established in a Baird margin Account. Funds drawn on the margin line of credit can be used for a variety of purposes, including to purchase additional securities as part of an investment strategy. The value of the collateral in the margin account must be maintained at a certain level relative to the margin loan for the duration of the loan.

Loan Interest. The rate of interest that a client pays on a margin loan will be calculated using a base rate determined by Baird plus or minus a specified percentage that varies based on the outstanding debit balance of the margin loan and the client's household account value. Interest rates are lower for larger debit balances and those with higher household account balances. As a result, rates will vary. Rates are subject to change at any time without notice. To determine the actual interest rate that may apply to a margin loan, you can visit Baird's website at rwbaird.com/loanrates or contact your Baird Financial Advisor.

Compensation to Baird and Conflicts of Interest. Clients pay interest directly to Baird on the outstanding balance of a margin loan. As described above, Clients should be aware that Baird and your Baird Financial Advisor will continue to receive compensation on assets held in your Account without regard to the margin loan balance. As a result, and because the interest Baird receives and fees Baird earns on a client's Accounts increase as the amount of the client's margin loan increases, Baird and Baird Financial Advisors have an incentive to present margin as a potential SBL alternative.

The terms and conditions of establishing a margin relationship are described in the Margin Supplement to your Client Relationship Agreement with Baird. This and other important information to read and consider about a margin relationship, including current margin loan rates, can be found at bairdwealth.com/retailinvestor.

Other Securities-Based Credit Relationships Involving a Pledge of Baird Accounts

Clients may also seek to obtain SBL financing through an existing relationship with another lending institution. Although Baird may facilitate such a relationship through a pledge of a client Account at a client's request, Baird and Baird Financial Advisors make no representations regarding such an arrangement or the terms associated with them. These terms will be as set forth in any agreement between a client and the SBL lender.

Comparison of Potential Baird Client Liquidity Options

The grid below contains a high-level summary of important considerations, including potential benefits and uses, potential drawbacks, risks and conflicts of interest associated with various potential liquidity or financing options.

Alternative	Characteristics and Possible Benefits	Risks and Possible Drawbacks	Baird/ Baird Financial Advisor Conflicts
Enhanced Credit Access Minimum Line of Credit: $100,000	• So long as there is enough equity in account, no need to liquidate investments to raise funds • Line of credit provides flexibility and access to funds for future cash needs • Lower interest rate when compared with margin	• Longer approval process than margin • Minimum line is $100,000, although draws on available credit can be less than $100,000 • More risk due to leverage • Lender may require a credit check • Limits on what funds can be used for • Trading and withdrawal restrictions on pledged account(s) • Potential for maintenance and collateral calls by ECA Lender • Administrative requirement to retitle account	• Baird continues to collect compensation on assets held in the account • Baird receives an administrative fee from bank partner of up to 2.50% of the interest charged on the outstanding loan balance (of which a Baird Financial Advisor will typically receive 0.25%)
Baird Margin	• Limited required underwriting allows for more expedient access to credit • So long as there's enough equity in account, no need to liquidate investment assets to raise funds • Margin funds can be used for a variety of purposes, including the purchase of securities above and beyond the cash available in the account	• More risk due to leverage • Higher interest rates when compared to Enhanced Credit Access • Baird may require a credit check • Potential for maintenance and collateral calls by Baird • Baird may change margin requirements and interest rates without notice	• Baird continues to collect compensation on assets held in the account • Baird collects margin interest on the amount borrowed and therefore benefits financially from your use of margin • Use of margin to purchase securities could result in commissions and asset-based fees that would not otherwise be generated
Non-partner Bank Securities-Based Lending Relationship	• So long as there is enough equity in account, no need to liquidate investments to raise funds • Likely to be lower interest rates when compared with margin	• Lenders set their own credit terms, which frequently includes underwriting and credit checks • Trading and withdrawal restrictions on pledged accounts • Longer approval process when compared with margin • Potential for maintenance and collateral calls by lender • Administrative requirement to retitle account • No home office relationship with lender may result in a lesser client experience	• Baird continues to collect compensation on assets held in the account
Liquidate Investment Assets in your Baird account(s)	• No interest expenses • No additional risk due to leverage	• Client is subject to taxes on gains from securities sold • Selling securities can disrupt investment plan and removes capital from the markets	• Sales of securities in a brokerage account generate commissions that might otherwise have been avoided