

We have prepared this document to help you understand the common characteristics and risk associated with an investment in certificates of deposit ("CDs"), to assist you in making a more informed decision when buying or selling these securities. This document is compiled for your information and is intended to be a conversation starter between you and your Baird Financial Advisor or other appropriate experts, such as your tax or legal advisors. Your Baird Financial Advisor is available to address your questions and discuss the features, characteristics, costs, and risks of any particular investment. Each CD is a deposit obligation of a depository institution (such as a bank, savings and loan association, credit union or industrial loan company), the deposits and accounts of which are federally insured within the limits described below and are not the obligations of Baird. Your Baird Financial Advisor will inform you of the institutions whose CDs are available. Upon request, you will be provided with the publicly available information that Baird has relating to such depository institutions. Baird does not guarantee in any way the financial condition of any depository institution.

Characteristics of CDs

Both interest-bearing CDs and zero-coupon CDs are available. Interest-bearing CDs are offered in a wide range of maturities and bear interest at a fixed or variable rate. Your Baird Financial Advisor will inform you of the maturities, rates of interest and interest payment terms currently available. Typically, interest earned on fixed interest-bearing CDs with maturities of one year or less will be payable at the maturity of your CD. In addition, structured products that are designed as CDs are available (see "Structured Products" below).

CDs generally contain the following features:

- A rate of interest that may be fixed or variable (such as a rate linked to a market index, the inflation rate or other underlying benchmark) or a stepped rate that either moves upward or downward from the initial rate; some CDs, known as "zero coupon" CDs, are issued at a discount from their stated value and do not pay any interest
- A maturity date, which may be less than a year or longer
- CDs may be callable by the issuing depository institution prior to maturity, or may be non-callable
- Federal insurance protection, up to applicable limits
- Limitations on early withdrawals and transfers, and the absence of a secondary market for the resale of CDs

These features and the risks associated with these characteristics are briefly described below.

Understanding the Risks

Risk is inherent in any investment product or strategy. Certain of the common risks and other important considerations associated with investment in CDs are highlighted below. You are strongly encouraged to review the prospectuses or other disclosure documents associated with any product for a more fulsome discussion of additional risks and other important considerations before making any invest decision. Additional information regarding investment risks generally and other important consideration is also available at

CDs generally involve credit risk, interest rate risk and liquidity risk.

- **Credit Risk.** CDs are subject to the risk that the issuing depository institution may fail or otherwise become insolvent. In that event, federal insurance is available but only up to certain limits, and there may be delays in receiving the covered amounts. CDs and the depository institutions issuing them often carry a credit rating. Some CDs may be of lower or non-investment grade quality, or may not be rated at all, in which case the risk of insolvency of the issuing depository institutions is heightened.
- **Interest Rate Risk.** CDs are subject to the risk that the interest rate you receive may be lower than prevailing interest rates, causing the market value of the CDs to decline. You may also have difficulty withdrawing your funds prior to maturity, thus preventing you from taking advantage of the higher rate environment. Callable CDs that are paying an interest rate that is above prevailing rates may be called by the issuer and you may not be able to reinvest the proceeds at the rate you had been earning on

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your CD. CDs that pay a variable rate of interest are subject to the risk that the benchmark on which the interest is determined may be lower at times and for prolonged periods of time than prevailing interest rates or the rates that you could have earned with a more traditional CD.

- **Liquidity Risk.** CDs have a fixed maturity date, and the issuing depository institutions generally will not permit withdrawals prior to maturity. In addition, there are limitations on the transferability of CDs, and no assurance can be given that a secondary market will exist or be maintained for the resale of CDs. Thus, if you buy a CD you should be prepared to hold it to maturity.

Noncallable vs. Callable CDs

- **Noncallable CDs:** Noncallable CDs have a set maturity date, a fixed interest rate and are not callable prior to maturity.
- **Callable CDs:** Callable CDs are typically redeemable or callable by the issuer prior to maturity and have many different features. Callable CDs may be called at the sole discretion of the issuer. Call provisions typically entitle the issuer to call the full aggregate principal amount of the particular issue of CDs then outstanding. The call price payable is 100% of the principal amount of each such CD plus accrued interest to the call date in the case of interest-bearing CDs, or the purchase price at the date of the issue plus accrued interest to the call date in the case of zero coupon CDs. Notice will be provided to you of any exercise of such right by the depository institution.

CDs of all types are most suitable for purchasing and holding to maturity, and you should intend and be prepared to hold your CDs to maturity, even if the CDs are subject to a call by the issuer. If you anticipate that you may need or desire to dispose of your CD prior to maturity or call, you should read with special care the sections below entitled "Call Risks," "Stepped Rate Risks," "Additions and Withdrawals," and "Secondary Market Risks."

Call Risks

A call by the issuing depository institution is likely to occur at a time when interest rates available on alternative investments are lower than the rate you

were paid on such CD. If called, the CD will be redeemed at the call price, and you may not realize the same return that you would have if the CD had not been called. If you choose to reinvest the proceeds of the call, you might be required to invest in lower yielding investments, based on the current market rates at that time. Conversely, a call by the issuing depository institution is least likely to occur at a time when interest rates available on alternative investments are higher than the rate you are being paid on a CD. Callable CDs may also be called at a price which is less than the price you paid for the CD, if you purchased the CD in the secondary market at a premium over the par amount (or accreted value in the case of zero coupon CDs). The call price of a callable CD may limit the appreciation of the secondary market price for the CD above par value.

Because a depository institution may not exercise its right to call a CD, you should not rely on this event for gaining access to your funds prior to maturity.

Stepped Rate Risks

CDs may contain variable or predetermined "stepped rates." The rate of interest paid by the issuer on stepped rate CDs will vary upward (step-ups) or downward (step-downs) from the initial stated rate of interest on the CD. "Step-down" CDs typically pay an interest rate above the prevailing market rate for a set period. "Step-down" CDs may subsequently "step down" to a lower, predetermined rate that is paid until maturity after the initial period elapses. Similarly, a "step-up" CD routinely pays an interest rate below the prevailing market interest rate for a defined period. After the expiration of the defined period, a "step-up" CD will step up to higher, preset rates that are paid until maturity.

Typically, stepped rate CDs are callable at the issuer's discretion at one or more dates prior to maturity, and therefore, contain the call risks described above. See the section above entitled "Call Risks." If the issuer does not call the CD, the interest rate will step up or step down in accordance with the schedule established by the issuer that is found on the Certificate of Disclosure Document Supplement that is delivered to you. The schedule of stepped interest rates and calls will affect the secondary market value of the CD. See the section entitled "Secondary Market Risks."

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In addition to call risk, stepped rate CDs are subject to reinvestment risk. Reinvestment risk is the risk that interest rates may be lower at the time of maturity or call, assuming no redemption, than interest rates at the time of purchase. As a result, alternative investments at the time of maturity or call may not yield a rate of return similar to the time of the original CD purchase. Reinvestment risk may expose a stepped rate CD owner to a lower yielding investment due to the market rates that follow a call.

With step-up CDs you should not expect to earn the last and highest scheduled rate of interest income because step-up CDs are likely to be called prior to maturity unless general interest rates rise significantly. With step-down CDs you should expect to earn the stepped-down rate of interest income after the first scheduled step-down date. Typically, the rate of interest paid at the first stepped-down rate is lower than non-stepped rate callable CDs with an equivalent time to maturity or call. Step-down CDs are not likely to be called prior to maturity unless general interest rates fall significantly. When determining whether to invest in a stepped rate CD, you should not focus on the highest stated interest rate, which usually is the initial or final stepped rate of interest. You should instead focus on the overall annual percentage rate of interest to maturity or call as compared to other equivalent investment alternatives.

CD Maturities

CDs with a Maturity of One Year or Less: Interest-bearing or discount CDs with a maturity of one year or less from the date of original issue will be considered to have original issue discount equal to the amount payable at maturity over your purchase price. Most institutional investors (but not individuals on the cash method of accounting) will be required to accrue such discount on a straight line basis, unless they elect to use the constant interest method (using their effective annual yield to maturity from the date of purchase, compounded daily). Under the constant interest method, an owner will be required to include smaller amounts of income in earlier periods than in later periods. Individuals and other cash method holders can defer reporting the interest or discount income until maturity (in which case they must defer interest deductions on obligations incurred to purchase or carry the CD to the extent of the discount accrued under one of the foregoing methods), or they may elect to report such interest or discount income as it

accrues, on all obligations they own with maturities of one year or less for that taxable year and thereafter.

CDs with a Maturity of More than One Year: If your interest-bearing CD has a maturity of more than one year, interest will typically be payable semiannually. In some instances, interest may be payable monthly or only at maturity. The rate on floating rate CDs will be set periodically and interest will be paid monthly, quarterly, semiannually or annually as specified on your trade confirmation. If an interest payment date falls on a day that is not a business day, interest will be paid on the next succeeding business day. For specific rate information for any interest period, please contact your Baird Financial Advisor. Interest is not compounded and is calculated on the basis of actual days elapsed over a 365-day year.

Discount CDs with a maturity of more than one year from the issue date will have reportable original issue discount (the interest you receive because of buying the CD at a discount - a portion is taxed every year) equal to the amount by which \$1,000 exceeds your purchase price. To the extent that a discount CD is purchased after the date of original issue for more than the original principal amount plus earned discount to the date of purchase, the amount reportable as original issue discount by the purchaser is reduced. Owners of discount CDs, whether on the cash or accrual method of accounting, must include in income each year the portion of such original issue discount accrued under the constant interest method, using the effective annual yield to maturity as of the date of original issue and semiannual compounding, in advance of the receipt of cash attributable to such income. To the extent that a discount CD is purchased after the date of original issue for less than its original principal amount plus earned discount to the date of purchase, such difference will be reportable as market discount income. Such market discount income, if greater than 0.25% times the number of complete years to maturity, will be reportable as ordinary income at maturity of the CD, or to the extent of gain upon an earlier disposition, in the amount accrued under the constant interest method or pro rata method. However, interest deductions on obligations incurred to purchase or carry the CD must be deferred in an amount not exceeding the accrued discount, unless the owner elects to report such discount income as it accrues

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on all market discount obligations acquired in such taxable year and thereafter.

Interest-bearing CDs with a maturity of more than one year will not be issued with original issue discount. In addition to interest reportable on your method of accounting (cash or accrual, as the case may be), an interest-bearing CD with a maturity of more than one year that is purchased after the date of original issue for less than its principal amount will be subject to the market discount rules described above.

Market Index CDs

Market index CDs are subject to market value fluctuations and are designed to be longer-term investments. Market index CDs are typically priced based upon an average of the value of the linked index on predetermined valuation dates less the value of the linked index on the initial purchase date. You should be aware of the method used to value your investment, and note that the price may not be entirely based upon the actual closing price of the linked index on the final maturity date. Investors who are not bullish about the underlying equity market should not buy market index CDs. Market index CDs bear liquidity risk because there is not a secondary market for this product. A secondary market is a market in which an investor may purchase or sell a security from another investor or broker-dealer rather than the issuing entity. For further discussion of the secondary market, please see the "Secondary Market Risks" section.

Market index CDs are appealing to many investors because they provide investors with exposure to movements in the underlying market index. However, if a market index CD is redeemed prior to maturity, the proceeds from redemption may be more or less than the original investment. At liquidation, gains or losses may be realized, depending on the value of the participating market index at that time. If, on such date, the market index is lower than it was at the pricing date, you will not receive an interest payment in addition to the return of your original investment. Additionally, if you redeem the market index CD prior to maturity, a substantial early liquidation penalty may apply to your principal. The early liquidation penalty may fluctuate during the life of the investment due to market conditions. Some but not all market index

CDs allow investors to liquidate on quarterly redemption dates.

In addition to the return of original investment at maturity, the interest paid on market index CDs is calculated by multiplying a "market participation factor" by the percentage increase of the applicable market index over the term of the CD. For example, a \$10,000 market index CD with a market participation factor of 100% is linked to the S&P 500. Over the term of the CD, the S&P 500 increased 30%. The amount received at maturity would be the original investment plus interest determined by multiplying the \$10,000 original investment times the 30% increase in the index times the 100% market participation factor totaling \$13,000. If the market participation factor was 90%, the amount received at maturity would have been equal to the original investment plus interest calculated by multiplying \$10,000 times the 30% increase in the index times the 90% market participation factor totaling \$12,700. If the market index decreases over the term of the CD, the original investment without any interest would be returned at maturity. Some market index CDs have more complicated features that pay interest only if the market index moves downward or if the movement (either upward or downward) is more than or less than a certain amount.

Interest on market index CDs is only paid at maturity unless the CD specially states a guaranteed rate of return. Such CDs may or may not be available at any given time. Holders of CDs with a guaranteed rate of return will receive periodic (quarterly, semiannual or annual) interest payments at the guaranteed rate based on the actual number of days elapsed in the relevant period. In the event that the market index performs better than the guaranteed rate of return, the interest earned as a result of the exceptional market performance will be paid at maturity. Having a guaranteed rate of return will generally, however, lower the market participation factor reducing the overall rate of return.

Structured Products

Structured products issued as CDs are securities derived from or based on an underlying asset (or basket of assets) such as a security, commodity, foreign currency, index or other financial benchmark. They are a hybrid between two asset classes often issued in the form of a CD but, instead of having a pre-determined rate of interest, the

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return is linked to the performance of an underlying asset class. As this definition suggests, there are multiple types of structured products. These variations include certain products offering full protection of the principal invested while others may offer limited or no protection of principal.

Most structured products issued as CDs offer the potential to pay an interest rate above the prevailing market rate and are used as tools by high net worth investors for portfolio diversification. Structured products provide investors with highly targeted investments that are tied to a specific risk profile, return requirements and market expectations.

Often, no interest payments are made during the life of the security. In most cases, the investor bypasses traditional payments in exchange for participation in the underlying asset class of that particular issue. Any payments earned by the investor, such as through market performance or the return of principal, are determined by the specific terms of each individual deal and are made on the set maturity date.

As an investor, you must be fully aware of the associated risks and whether these securities fit within your investment parameters. Your investment objectives should be carefully considered and discussed with your Financial Advisor. Considerations include credit risk, liquidity risk, income risk, volatility and historical performance of underlying asset(s), costs and fees, and tax considerations. For more information, please read "Important Information About Structured Products" available from your Baird Financial Advisor or at: <https://www.bairdwealth.com/retailinvestor>. You may also obtain a copy of the offering memorandum or prospectus for a structured product from your Baird Financial Advisor.

Additional vulnerabilities may include loss of principal and the possibility that at maturity the investor will own the underlying asset at a depressed price. Interest rates and time remaining until maturity are all factors that may affect the value of the structured product. As with any investment selection, structured products should be purchased as a limited percentage of your portfolio and overall investable assets.

Inflation-Linked CDs

Inflation-linked CDs are new issues offered at par (\$1,000). Unlike traditional CDs that pay a fixed coupon rate over the life of the investment, the coupon on inflation-linked CDs is linked to changes in the Consumer Price Index (CPI). This provides a real rate of return above the rate of inflation to help protect investors from the adverse effects of inflation.

The coupon on inflation-linked CDs is made up of two components: a fixed spread amount, stated at issuance, plus an inflation-adjustment amount, calculated monthly based on the change in CPI. This structure helps minimize the inflation risk, preserving the inflation-linked CDs' real purchasing power. At maturity, principal payment is par.

Below are some of the features of inflation-linked CDs:

- Adjusted for changes in CPI, with interest payments adjusted and paid monthly.
- *FDIC Insurance.* Inflation-linked CDs are backed by the full faith and credit of the U.S. Government through Federal Deposit Insurance Corporation (FDIC) insurance. The limit is currently \$250,000 including principal and interest for all deposits held in the same capacity per depositor, per institution. In addition, deposits for self-directed individual retirement accounts are insured up to \$250,000 in the aggregate, separately from other non-retirement deposits held at the same institution. (Please refer to the section "IRA and Other Self-Directed Retirement Plan Accounts.") However FDIC insurance does not cover principal losses that may occur due to market fluctuations.
- *Survivor's Option.* Inflation-linked CDs contain an estate feature, which may afford heirs the opportunity to redeem at par prior to maturity. For more information regarding Survivor's Options, please read "Important Information About Fixed-Income Securities Featuring a Survivor's Option" at: <https://www.bairdwealth.com/retailinvestor>
- *Range of Maturity Dates.* Inflation-linked CDs may be issued with maturities ranging from three to 10 years.

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Additional Considerations and Risks

- **CPI Expectations.** Should actual changes in CPI fall short of expectations, the inflation-linked CD may underperform traditional CDs. A decrease in the CPI due to deflation will reduce the total amount of interest paid during the holding period.
- **Market Fluctuation.** Inflation-linked CDs are subject to liquidity and interest rate risk. They may be worth more or less than original cost if sold prior to maturity.
- **Call Risk.** As with any type of fixed-income investment, discussion and consideration of call features is required.

Investors seeking to protect their investments from the adverse effects of inflation may find inflation-linked CDs attractive. The future course of inflation is unpredictable; so many individuals saving for long-term goals, such as retirement, can use these investments to help protect their portfolio from increases in the cost of living.

Floating Rate CDs

Interest earned on U.S. Treasury-based floating rate CDs will be calculated on the basis of the yield expressed on a bond equivalent basis, of the most current auction of U.S. Treasury bills having the maturity designated on the applicable trade confirmation. If the applicable rate is not so published by 9 a.m., EST, on the date on which the interest rate is determined ("Interest Determination Date") the rate used will be the auction average rate, expressed as a bond equivalent, as otherwise announced by the United States Department of the Treasury. In the event no rate is published or announced by 3 p.m., EST, on the Interest Determination Date, or if there is no Treasury Bill auction, the rate used to calculate interest on the Treasury based floating rate CD will be the yield on the Treasury Bill for the applicable maturity last published by the Treasury. The interest rate on Treasury based floating rate CDs will be reset weekly, monthly, quarterly or semiannually, as specified on your trade confirmation based on the most recent Treasury auction as defined above.

Zero Coupon CDs

Zero-coupon CDs do not bear interest, but rather are issued at a substantial discount from the face

amount (the "principal"), the minimum amount of which is \$1,000. The principal is paid at maturity. Competitive Rate

You should compare the terms, rate of return and required minimum denominations of the CDs to other available investments before deciding to purchase a CD. The rates paid with respect to the CDs may be higher or lower than the rates available on comparable deposits available at the issuing depository institutions.

Evidence of CDs

The CDs are not evidenced by individual written certificates, but rather by one or more master certificates issued by the depository institution, each representing a number of individual CDs. These master certificates are held by Baird, another brokerage firm, or the Depository Trust Company ("DTC"), a sub-custodian which is in the business of performing such custodial services. No evidence of ownership, such as a passbook or a certificate, will be provided to you. Baird, as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation of your purchase. You will also be provided with an account statement, which will reflect your CD ownership. You should retain the confirmation and the account statement(s) for your records. Because you will not be provided with a certificate evidencing your CD, the purchase of a CD is not recommended for persons who wish to take possession of a physical certificate.

Each CD constitutes a direct obligation of the issuing depository institution and is neither directly nor indirectly an obligation of Baird. You will have the ability to enforce your rights in a CD directly against the issuing depository institution. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by the issuing depository institution.

If you choose to remove Baird as your agent with respect to your CD, you may (i) transfer your CD to another agent (provided that the agent is a member of DTC; most major brokerage firms are members, many bank and savings institutions are not) or (ii) request that your ownership of the CD be evidenced directly on the books of the depository institution, subject to applicable laws and the depository institution's terms and conditions, including those related to the manner of evidencing



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CD ownership. A CD established directly on the books of the depository institution may lose its negotiability.

Special Considerations

It is generally recommended that CDs be held until maturity. If you decide to dispose of your CD prior to maturity, please carefully review the "Additions and Withdrawals" and "Secondary Market Risks" sections.

Restrictions on Transfer

Market Index CDs are nontransferable and non-negotiable. Accordingly, a depositor should be willing and able to commit funds to the CD for its entire term. A few of the Market Index CDs have Special Early Withdrawal provisions; all other Early Withdrawals will be permitted at the sole discretion of the issuing depository institution.

Lower Quality CDs

Certain CDs may not be of lower or investment-grade quality, while certain institutions may have been placed in conservatorship or receivership, or may otherwise be operating under special supervisory programs. In all such instances, there is a greater risk of the institution's insolvency, resulting in either the CDs being paid prior to maturity or being transferred to another institution (in which latter case the interest rate, maturity or both may be affected).

FDIC Insurance Protection

Your CDs are protected by federal deposit insurance and backed by the full faith and credit of the U.S. government to a maximum amount (currently \$250,000) for all deposits held in the same capacity per depository institution, as in the case of CDs purchased directly from a depository institution. In addition, deposits for self-directed individual retirement accounts are insured up to \$250,000 in the aggregate, separately from other non-retirement deposits held at the same institution. (Please refer to the section "IRA and Other Self-Directed Retirement Plan Accounts.") Depending on the ownership title, other accounts or deposits you may maintain directly with a particular depository institution or through another brokerage firm in the same depository institution may be aggregated with the CDs purchased at Baird for purposes of the current applicable FDIC limit.

Interest-bearing CDs are insured for principal and interest, accrued to the date of the issuing depository institution's closure, while zero coupon CDs are insured to the extent of the original offering price plus the amount of accrued earnings calculated by compounding interest annually at the rate necessary to increase the original purchase price to the maturity value over the life of the certificate. Interest is determined for insurance purposes in accordance with federal law and regulations (the original offering price plus the accrued interest is hereafter called "accreted value"). Market index CDs are insured only for the original investment; interest earned as a result of fluctuations in the market index may not be insured by the FDIC. If the market index CD contained a provision for a guaranteed rate of return, interest earned at the guaranteed rate would be insured. Purchasers of CDs who paid a premium (which would generally only be the case with regard to CDs purchased in the secondary market) in excess of (i) the original principal amount plus accrued but unpaid interest to the date of purchase in the case of interest bearing CDs or (ii) the original principal amount plus earned discount to the date of purchase in the case of discount CDs, should be aware that such premium is not covered by deposit insurance. The amount of any such premium may be obtained from your Baird Financial Advisor.

For federal deposit insurance purposes, your CDs may be aggregated with your other deposits, if any, at the same depository institution. As a result, you should monitor the total amount of such deposits in order for you to determine the extent of insurance coverage available to you on your deposits, including the CDs.

In the event that it becomes necessary for federal deposit insurance payments to be made on CDs, there is no specific time period during which the FDIC must make available such insurance payments. Accordingly, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments. In addition, you may be required to provide certain documentation to the FDIC and to Baird before insurance payouts are released to you. For example, if you hold CDs as trustee for the benefit of trust participants, you may also be required to furnish an affidavit to that effect. You also may be required to furnish other affidavits and indemnities regarding the payout. Further, if an issuing depository institution fails, its deposits may

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be taken over by another depository institution at a lower rate or redeemed without penalty prior to maturity.

Baird will not be obligated to you for amounts not covered by insurance, nor will the firm be obligated to make any payments to you in satisfaction of a loss you might incur as a result of (i) a delay in insurance payouts applicable to your CD, or (ii) your receipt of a decreased interest rate on your CD as a result of the payment, through the establishment of an immediately available account of an insured institution or the assumption of all or a portion of its deposit liabilities or, (iii) payment in cash of the principal and accrued interest or the accreted value of your CDs prior to maturity in connection with the liquidation of an insured institution or the assumption of all or a portion of its deposit liabilities. You should factor these possible delays and types of payouts into your financial planning. Also, Baird will not be obligated to credit your account with funds in advance of payments by the FDIC.

In the event that a secondary market is available in CDs, those purchased in such market at a premium over their face value (or accreted value in the case of zero-coupon CDs) are not insured for such premium.

The records maintained by the issuing depository institutions and Baird regarding ownership of CDs would be used to establish your eligibility for federal deposit insurance payments.

In the event that FDIC insurance payments become necessary for your CDs, the FDIC is required to pay the principal plus accrued interest (or the accreted value in the case of zero coupon CDs) to the date of the closing of the relevant depository institution, as prescribed by law, and subject to the current applicable FDIC payment limitation without penalty or reduction of earnings.

No interest or accreted value is earned on deposits from the time a depository institution is closed until insurance payments are received by Baird. If insurance payments are to be made, you will be notified of the time and place at which you will receive your payments.

As explained above, the maximum applicable insurance coverage applies to the aggregate of the

principal and interest for CDs maintained at the issuing depository institution together with, except as set forth below, the aggregate of any other deposits you may maintain in the same capacity at the issuing depository institution.

The Securities Investor Protection Corporation ("SIPC") and Baird's Excess SIPC Insurance do not cover deposits made at the bank in connection with your investment in CDs in the event the depository institution would default.

As specified above, the insurance coverage provided by the FDIC is based upon the ownership rights and capacities in which deposit accounts are maintained at insured depository institutions. All deposits in an insured depository institution which are maintained in the same right and capacity (by or for the benefit of a particular depositor or depositors) shall be added together for purposes of determining insurance except for individual retirement account or other retirement plan assets which are aggregated and insured separately. Deposits maintained in different rights and capacities will be insured separately from each other. The various rights and capacities of ownership and how FDIC deposit insurance applies to each category are generally discussed below.

Single Ownership Accounts

Funds owned by a natural person and deposited in one or more deposit accounts in his or her own name shall be added together and insured up to \$250,000 in the aggregate. In addition, funds owned by a business that is a "sole proprietorship" and which are deposited in one or more deposit accounts in the name of the business shall be treated as the individual account(s) of the person who is the sole proprietor, shall be added to any other individual accounts of that person, and are insured up to \$250,000 in the aggregate. Furthermore, community property funds deposited into one or more deposit accounts in the name of one member of a husband-wife community shall be treated as the individual account(s) of the named member, shall be added to any other individual accounts of that person, and are insured up to \$250,000 in the aggregate.

Joint Accounts

An individual's interest in funds in all accounts held under any form of joint ownership valid under applicable state law may be insured up to \$250,000



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in the aggregate, separately and in addition to the \$250,000 allowed on other deposits individually owned by any of the co-owners of such accounts (hereafter referred to as a "joint account"). For example, a joint account owned by three persons would be eligible for insurance coverage of up to \$750,000 (\$250,000 for each person), subject to aggregation with each owner's interests in other joint accounts at the same depository institution. Joint accounts will be separately insured from individual accounts only if each of the co-owners is an individual person, has signed an account agreement with the firm and has a right of withdrawal on the same basis as the other co-owners.

Employee Benefit Plans (other than IRAs and self-directed retirement accounts)

Each individual's vested interest in the deposits of trust funds under the qualified pension or profit sharing plans of any one employer, which plans are not overfunded, is added together and insured up to \$250,000 in the aggregate per depository institution, separately and in addition to other applicable FDIC insurance limits allowed for other deposits of such individual in the issuing depository institution, subject to the individual's interest being capable of valuation as of the time of the issuing depository institution's default without regard to contingencies other than the present worth tables which permit determination of the market value of the decedent's estate. Please note that in the case of an overfunded plan, a pro rata portion of the deposited funds representing overfunded amounts are not insured on an individual participant basis. Instead, the overfunded amount is insured, in the aggregate, up to \$250,000 as funds owned by the trustee or employer. In addition, no separate insurance coverage is available to participants in health and welfare trust funds, since the trust interest of each participant in the portion of such trust fund attributable to payments for hospital, medical and accidental death benefits is most likely incapable of determination without an evaluation of contingencies such as the likelihood of a participant's hospitalization or accidental death.

IRAs and Other Self-Directed Retirement Plan Accounts

An individual's vested deposits at the same institution in any combination of Individual Retirement Accounts (IRAs - Traditional or Roth), self-directed Keogh Plan accounts, Simplified

Employee Pension Accounts (SEP Accounts), "457 Plan" accounts (a deferred compensation plan established by certain state and local governments and not-for-profit organizations) and self-directed defined contribution plan accounts (as defined in Section 3(34) of ERISA) will be protected by federal insurance up to \$250,000 in the aggregate.

Accounts Held by Agents or Nominees

Funds owned by an individual and held in an account in the name of an agent or nominee of such individual are not treated as owned by the agent or nominee, but are added to other deposits of such individual and insured up to \$250,000 in the aggregate per depository institution.

Custodial Accounts

Funds in accounts held by a custodian (for example, under the Uniform Gifts to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary and insured up to \$250,000 in the aggregate per depository institution and \$250,000 for certain types of retirement accounts, such as traditional and Roth IRAs and 401(k)s.

Additions and Withdrawals

No additions are permitted to be made to any CD. Unless otherwise required by law and set forth below, zero-coupon CDs may not be withdrawn prior to maturity. When you purchase a CD, you agree with the issuing depository institution to keep your funds on deposit for the term of the CD. Accordingly, except as set forth below, no early withdrawals of interest-bearing CDs will be available, unless the issuing depository institution agrees to grant early withdrawals of interest-bearing CDs in whole (but not in part) may be subject to varying interest penalties which could reduce the amount of your original investment unless you have earned sufficient interest from which the penalty would be paid. In general, penalties applicable to early withdrawals are a function of a CD's term, the date of purchase and withdrawal, and the ownership of the CD.

Renewal

Your CDs will not automatically be renewed. Generally, for interest-bearing CDs with original maturities of at least seven days held by natural persons and all other depositors, from which early withdrawals are permitted within the first six days after issuance, the penalty is equal to seven days

Important Information about Certificates of Deposit



(Continued)

simple interest on the amount withdrawn. Generally, for interest-bearing CDs beneficially held by depositors other than natural persons with original minimum maturities of at least 18 months, from which early withdrawals are permitted after six days, but within 18 months after the issuance of the CDs, the penalty is equal to one month's simple interest on the amount withdrawn. However, a particular depository institution may charge a substantially higher penalty.

In the event of death or an adjudication of incompetence of the beneficial owner of a CD, early withdrawals will always be permitted in whole but not in part without penalty. CDs held pursuant to IRA and Basic (Keogh) Plans may be withdrawn without permission of the depository institution within seven days of the establishment of the relevant plan, forfeiting only the actual interest or discount earned on the CD. If the beneficial owner of a CD held pursuant to an IRA or Basic (Keogh) Plan becomes disabled, a CD may be withdrawn prior to maturity without permission or penalty.

The early withdrawal provisions applicable to your CDs may be more or less advantageous than the provisions applicable to comparable deposits available from the issuing depository institution. Should you wish to withdraw your CDs prior to maturity, you should contact your Baird representative who will ascertain whether the issuing depository institution will permit such withdrawal and who will ascertain the amount of early withdrawal penalty applicable to your CDs. Because many depository institutions have declined to permit early withdrawal of CDs, you should not rely on this possibility for funds prior to maturity. In the event that a customer wishes to make an early withdrawal, Baird endeavors to obtain funds for the customer as soon as possible. However, Baird will not advance funds in connection with early withdrawals and can give no assurances that payment pursuant to early withdrawals will be made by a specified date.

Transfer

Market index CDs are nontransferable and non-negotiable. Other CDs will be transferable, but only upon notice to the firm, which must record such transfers on its books and records. The sale or other transfer of a CD will not be subject to any early withdrawal penalty. The account holder may be required to pay a sum sufficient to cover taxes or

governmental charges, if any, payable in connection with a transfer of a CD.

Secondary Market Risks

Baird cannot provide assurance that it will make markets in CDs. Baird may currently make a market in a particular CD but may not do so in the future. Therefore, you should not rely on the possible existence of a secondary market for any benefits, including achieving trading profits, limiting trading or other losses, realizing income prior to maturity or avoiding early withdrawal penalties.

In the event that Baird decides to make a secondary market, the effective yield on a CD you may purchase in such market may differ from the yield at which the CD was originally issued, since the yield is a function of factors such as supply and demand, time remaining until maturity (the yield curve), the issuer's creditworthiness and market conditions. Also, the price you may pay for any such CD might include a markup established by Baird. Similarly, the price at which a CD may be sold if a secondary market is available may reflect a markdown retained by Baird. If the price paid for a CD purchased in the secondary market is greater than the face amount or par value of an interest paying CD (i.e., more than the value at maturity), the difference between the face amount of par value and the price paid is not insured. For example, in the case of a \$1,000 face amount interest bearing CD purchased for \$1,025, the \$25 would not be insured. Similarly, in the case of a zero-coupon CD purchased for a price greater than its accreted value, the amount paid in excess of the accreted value on the date of purchase would not be insured unless the amount is absorbed by increases in the accreted value subsequent to the date of purchase.

Fees

Under the arrangements established by Baird or with the issuing depository institutions, Baird will receive a placement fee or commission from the issuing depository institution in connection with your purchase of a CD. Except for the markup or markdown discussed above in connection with secondary market transactions and transactions in international accounts, you will not be charged any fees or commissions in connection with your purchase of a CD. CD transactions in international accounts will be charged with a transaction fee. Your Baird representative can provide you with more information on this fee.



Important Information about Certificates of Deposit

(Continued)

Federal Income Tax Consequences

The following is a brief summary of a few basic federal income tax rules currently applicable to the purchase of CDs, the rules of which are all subject to change in the future. The discussion below does not purport to deal with all of the federal income tax consequences applicable to the purchase of CDs. Potential purchasers should consult their own tax advisors in determining the federal, state, local and any other tax consequences of the purchase, ownership and disposition of CDs.

For United States persons, a portion of the discount from face value of a zero-coupon CD will be taxable to the beneficial owner of the CD each year as ordinary interest income, even though the cash attributable to this discount is not received by the owner until the maturity of the CD. Although interest on market index CDs is typically only paid at maturity, an estimated amount of interest income must be declared annually and is taxable as ordinary income each year. The amount declared each year is added to the cost-basis of the CD and reduces the amount of taxable gain (or loss) that will be realized at maturity. Interest paid on an interest-bearing CD is generally taxable each year as ordinary income to the beneficial owner in accordance with the owner's method of accounting. Notwithstanding these general rules, the tax liability on interest paid, or discount accrued on CDs held by IRA and Basic (Keogh) Plans is postponed until actual distribution of the interest or discount to the beneficiaries of these plans.

Baird will, if applicable, provide you with an annual statement containing certain information relevant to the determination of the amount of interest or discount income with respect to your CDs upon which you will be taxed for the preceding year. In the case of CDs with a maturity of more than one year, a CD owner will realize gain or loss on the sale, early withdrawal, maturity or other disposition of a CD equal to the difference between (i) the amount received by the CD owner on the disposition of the CDs, and (ii) the amount the owner paid to acquire the CD with such amount paid being increased in the case of a zero-coupon CD by the amount of discount previously taxed to the owner with respect to the CD. In the case of a CD with a maturity of one year or less where interest is paid at maturity, gain realized upon a sale or exchange prior to maturity will be treated as ordinary income to the extent of the holder's ratable share of the interest payable at

maturity (i.e., the original issue discount inherent in such obligation).

A holder should consult his tax advisor with respect to available alternative methods of calculating the amount of interest that would be accrued to the date of sale or exchange prior to maturity.