Important Information about Cash and Cash Equivalents, Money Market Mutual Funds, and Cash Alternatives

We have prepared this document to help you understand the various options, their characteristics, and risks involving cash within your securities accounts. Investors often have cash in their securities accounts. Cash in an account may be the result of a deposit of cash into the account or a sale or liquidation of an investment. Such cash balances may be temporary, to be applied in the short-term to a future investment or to be used for other purposes. Cash positions may also be longer-term, such as part of an investor's investment strategy or asset allocation or as a defensive position during times of market uncertainty. Investors with cash in their accounts seek to earn interest on their cash and, in considering their options, should be aware of the differences between them. Investors should also be mindful that some short-term instruments are not equivalent to cash and cash alternatives.

The terms "cash and cash equivalents," "money market mutual funds" and "cash alternatives" can be confusing. For purposes of this document:

- "cash and cash equivalents" means idle cash in an investor's securities account at Baird or an investor's cash balances that are automatically deposited or swept into an interest-bearing bank deposit account or in a money market mutual fund for accounts that qualify.

- "money market mutual funds" means money market mutual funds that are available for purchase from a mutual fund family in your Baird account.

- "cash alternatives" means other short-term investments that are generally available through Baird including certificates of deposit, ultra-short bond funds, Treasury bills and notes, and variable rate demand obligations.

Cash and Cash Equivalents

Cash and cash equivalents are characterized by having safety of principal and liquidity. Clients generally have the option to hold cash and cash equivalents at Baird or to have these balances automatically swept to participating banks as part of Baird's Cash Sweep Program. It is important to understand the unique differences between these options.

Holding Cash and Cash Equivalents in Your Baird Account

Idle cash in your Baird account will not earn any interest but is liquid and available for immediate needs. Idle cash in your Baird account is not protected by FDIC insurance, although the assets in your account are protected by SIPC insurance which covers up to $500,000, including up to $250,000 for cash in your account.

Baird's Cash Sweep Program

Another option for your cash is an interest-bearing deposit account at a bank. Baird offers a Cash Sweep Program ("Cash Sweet Program" or "CSP") in which the cash in your Baird account is swept or deposited into one or more interest-bearing deposit accounts at participating banks. The program is structured to enable clients to have their cash deposited into multiple banks, which increases the applicable FDIC insurance protection. FDIC insurance covers up to $250,000 per depositor per bank for each account ownership category (or $500,000 for joint accounts). By having multiple participating banks in the Cash Sweep Program, clients will have up to $2,500,000 of FDIC insurance (or $5,000,000 for joint accounts) on their cash in Baird accounts in the same ownership category. A deposit account at a bank, including the cash you have on deposit through Baird at the participating banks in the Cash Sweep Program, thus offers FDIC insurance protection, as well as immediate liquidity. In addition, a bank deposit account will pay interest. The interest rates on bank deposits through Baird's Cash Sweep Program are competitive with the rates that other broker-dealers offer through their sweep programs and are generally higher than the rate that you could obtain by opening a savings account on your own at one of the banks participating in the Cash Sweep Program. The Cash Sweep Program is designed to be used to earn interest and FDIC insurance on cash that is temporarily un-invested or awaiting other use. It is not intended to be used for longer-term allocations to use as part of a client's investment strategy unless FDIC insurance protection is an important consideration. For more information on Baird's Cash Sweep Program, please see https://www.bairdwealth.com/globalassets/pdfs/help/cash-sweep-program-disclosure.pdf. Money market mutual funds or other cash alternative investments that offer more attractive yields should be considered by clients when maintaining elevated levels of cash for longer periods of time, although these do not have an automatic sweep feature and therefore do not offer immediate liquidity.

Although most clients participating in Baird's Cash Sweep Program will have their cash swept into one or more interest-bearing, FDIC-insured bank deposit accounts, some will have different options. ERISA accounts (including retirement and other employee benefit plans, SEPs and SIMPLE IRAs) and donor advised fund accounts will have their cash swept into the Dreyfus Government Cash Management Fund—Institutional Class Shares (DGCXX). In addition, clients with cash balances of more than $2.5 million (or $5 million for joint accounts) in their Baird accounts within the same FDIC ownership category will have their cash in excess of those amounts swept into the Dreyfus Government Cash Management Fund—Institutional Class Shares (DGCXX). Alternatively, clients may elect not to have their cash swept into FDIC-insured bank deposit accounts and instead have all of their cash swept into the Dreyfus Government Cash Management Fund--Institutional Shares (DGCXX) if they (i) have had cash balances in their Baird accounts of $5 million or more for two consecutive month-ends since April 30, 2025 and (ii) have cash balances of $5 million or more in their Baird accounts at the time they request to opt out of the bank deposit sweep feature. . Such clients who do not make this election will have the first $2.5 million of cash in their Baird accounts within the same FDIC ownership category automatically swept into bank deposit accounts and any additional cash will be swept into the Dreyfus Government Cash Management Fund—Institutional Shares (DGCXX). It is important to note that these options involving the money market mutual fund are not FDIC insured.

Baird receives compensation for providing services with respect to the Cash Sweep Program. Such compensation presents a conflict of interest in that it gives Baird a financial incentive to have clients participate in the Cash Sweep Program and to maintain cash balances in the program. However, Baird Financial Advisors do not receive any of the compensation that Baird receives. For more information on Baird's compensation from the Cash Sweep Program, please see "Information on Baird's Compensation" at rwbaird.com/cashsweeps. Clients with accounts that are charged an investment advisory fee will pay a fee on all of the assets in those accounts, including cash balances in the Cash Sweep Program, which means that Baird receives both the asset-based advisory fee on such cash balances and compensation under the Cash Sweep Program on such cash balances. As a result, clients may choose to maintain their cash balances in a brokerage account in which there is not an asset-based fee.

Money Market Mutual Funds

Money market mutual funds offer another option for a cash-alternative investment. A variety of selected money market mutual funds are available for investment through Baird. Money market mutual funds typically offer a yield that is higher than the interest rate that can be earned on a bank deposit account. However, because they are securities, money market mutual funds do not provide FDIC insurance protection (although they, like other investments in an account at a broker-dealer, are subject to SIPC protection in the event of a failure of the broker-dealer). Money market mutual funds are considered to be liquid although an investor will have to sell shares of the fund in order to receive his or her money and that could take up to two days to process. Under applicable law, a money market mutual fund that is made available to individual retail investors must seek to maintain a stable price of $1.00 per share. However, though unlikely, there is no guarantee that a money market mutual fund will actually be able to maintain a $1.00 per share price and a fund's sponsor or adviser is not obligated to financially support the fund. Some money market mutual funds may also reserve the right to impose a liquidity fee (i.e., a fee on the sale of shares) or a redemption gate (a temporary suspension on redemptions). Money market mutual funds can have different investment strategies, while seeking a stable $1.00 per share price. Some money market mutual funds may primarily invest in U.S. Treasury and other government and agency securities. Other money market mutual funds may primarily invest in short-term, high-quality securities such as commercial paper, certificates of deposit, Yankee, or Eurodollar obligations, repurchase agreements and bankers' acceptances. Some money market mutual funds seek income that is exempt from federal income tax and/or state income tax. Yields on money market mutual funds

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will vary from fund to fund based on the types of underlying investments they make. For more information about the characteristics of a particular money market mutual fund, please see the fund's prospectus.

Cash Alternatives (Other Short-Term Investments)

Other short-term investments may be available, but they should not be regarded as cash or cash equivalent investments. These other short-term investments may lack certain characteristics associated with cash and cash equivalents such as safety of principal or immediate liquidity or may have their own unique features.

The types of short-term investments that are generally available through Baird include certificates of deposit, ultra-short bond funds, Treasury bills and notes, and variable rate demand obligations.

Certificates of Deposit

Certificates of deposit, like balances in bank deposit accounts are subject to FDIC insurance protection up to applicable limits. However, amounts generally cannot be withdrawn prior to a stated maturity date. CDs purchased through Baird usually can be withdrawn prior to maturity but the price will be the current market price which may be lower than the principal amount or face amount of the certificate, or there may be penalties for early withdrawal. Fixed rate CDs pay interest at a set rate for the duration of the CD. This rate is usually higher than the interest rate available for a savings or other deposit account that does not a stated term or maturity, but if prevailing interest rates rise, the fixed rate will not change.

Ultra-Short Bond Funds

Some investors may purchase ultra-short bond funds as a short-term investment. Ultra-short bond funds are mutual funds. However, unlike money market mutual funds, ultra-short bond funds are not required to seek a stable price of $1.00 per share, and the types of underlying investments often involve greater risk, and the maturities of such investments are generally longer, than the underlying investments of money market mutual funds. As a result, the price per share can fluctuate and investors are more likely to experience losses on their investments in ultra-short bond funds.

Treasury Bills and Notes

Investors may also consider purchasing Treasury bills and notes. Treasury bills and notes are U.S. Government debt obligations backed by the U.S. Treasury, so they do have very little credit or default risk. They are also regarded as liquid. Treasury bills have maturities of one year or less, and Treasury notes have maturities that range from one to 10 years. Treasury bonds have longer maturities. Treasury bills and notes are subject to interest rate risk, which increases as the maturity lengthens. As prevailing interest rates go up (or down), the value of the Treasury bill or note will decrease (or increase). Treasury bills and notes are purchased and sold in the secondary market, which may be at prices that exceed or are less than the face amount. Therefore, investors can lose money on an investment in Treasury bills or notes.

Variable Rate Demand Obligations (VRDOs)

Variable rate demand obligations (VRDOs) are also offered through Baird, although their availability is limited. VRDOs are sometimes referred to as "put bonds" or "seven-day floaters." VRDOs are unsecured notes or debt obligations issued by corporate borrowers. Although they have long-term maturities, VRDOs pay interest at a short-term rate that is usually set on a weekly basis and can be tendered at their par value by the investor at any time generally on seven days' notice, giving them the characteristics of a short-term instrument. Baird serves as remarketing agent for VRDOs and, in that role, Baird may purchase VRDOs that you want to sell instead of requiring you to tender and wait seven days. A VRDO is subject to the risk of default by the borrower/issuer. However, some VRDOs have a liquidity facility enabling investors to receive the tender price that is provided by a bank through a letter of credit, standby bond purchase agreement, line of credit, loan or similar instrument. In many cases, a letter of credit provided by a bank may also serve as a means of ensuring scheduled payments of principal and interest on VRDOs. Alternatively, some VRDOs may be insured as to the payment of principal and interest by an insurance company. VRDOs also generally have mandatory and optional redemption features, allowing the issuer to repurchase them at par. Investors should carefully consider the risks associated with VRDOs, which generally relate to default risk (the borrower's ability to pay interest and principal at maturity on a timely basis), price risk (market price fluctuation if you sell prior to maturity) and liquidity risk (the lack of marketability of a particular VRDO which may present difficulties for the VRDO to be sold quickly enough to prevent or minimize a loss).

Banker's Acceptances and Commercial Paper

Banker's acceptances and commercial paper are other types of short-term instruments. However, in most cases, these instruments have high minimums and are offered primarily to institutional investors. Banker's acceptances are drafts issued by banks requiring the bank to pay the holder a specified amount on a specified date, which can be up to 180 days from issuance. Banker's acceptances are protected by FDIC insurance. Commercial paper is an unsecured, short-term debt instrument issued by a corporation. Their maturities rarely are longer than 270 days.

More Information

It is important for investors to consider their various options for their cash, keeping in mind liquidity needs, objectives, and risk tolerance, because the options have different return profiles, characteristics, and risks. For more information on your various options for cash within your accounts with us, please consult your Baird Financial Advisor.

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