

ADV Form 008

**Baird Investment
Management
ADV Part II, and Privacy
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As of November 2009**

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ROBERT W. BAIRD & CO. INCORPORATED

Baird Advisors Brochure
(This brochure is in lieu of Part II of Form ADV)

Robert W. Baird & Co. Incorporated
777 East Wisconsin Avenue
Milwaukee, Wisconsin 53202
(414) 765-3500

This brochure provides clients with information about Robert W. Baird & Co. Incorporated and Baird Advisors. Clients should consider this information before becoming a client of Baird Advisors. No governmental authority has approved or verified this information. Please retain this brochure for your records.

TABLE OF CONTENTS

	<u>Page No.</u>
I. Introduction to Robert W. Baird & Co. Incorporated.....	1
II. Baird Advisors	1
A. Methods of Analysis, Sources of Information and Investment Strategies	2
B. Types of Investments	2
C. Account Management	2
D. Investment Company Management	3
III. Fee Information.....	3
IV. Education and Business Experience of Professional Staff	5
V. Baird/Other Financial Industry Activities or Affiliations	7
VI. Client Transactions and Conflicts of Interest.....	8
VII. Other	13

I. Introduction to Robert W. Baird & Co. Incorporated

Robert W. Baird & Co. Incorporated (“Baird”) offers several investment advisory services to clients. These services may include advice regarding the selection of investment managers, asset allocation, and portfolio management. Advice related to the selection of investment managers may include one or more of the following services: asset allocation analysis, investment policy development, portfolio analysis, investment manager research and due diligence, mutual fund selection, portfolio rebalancing, analysis of manager style and account performance monitoring. Clients may negotiate other services with Baird as needed. Furthermore, Baird offers clients execution of brokerage transactions and administrative services, including maintaining custody of account assets. Baird offers its services separately or in combination with other services. Clients may pay separate fees for the services or clients may utilize an annual, asset-based or fixed rate fee for a combination of investment management, brokerage transaction and administrative services. Baird offers each service to current or prospective clients. Subject to certain restrictions, such as account size minimums, clients may include, but are not limited to, individuals; banks or thrift institutions; pension and profit sharing plans; trusts; estates; charitable organizations; corporations or other business entities; and registered investment companies.

This brochure describes one of the many types of investment advisory services Baird offers to its clients. Separate brochures describe other Baird investment advisory services and discuss the agreements, fees and potential conflicts of interest for each service. Please call Baird at (414) 765-3500 to request a different brochure.

II. Baird Advisors

Baird Advisors, an investment department of Baird, offers a variety of investment advisory services to clients. This brochure describes the services provided, the fees charged, and the potential conflicts of interest that may arise. Baird Advisors offers these services to all types of current or prospective clients.

Baird Advisors provides professional portfolio management on an investment supervisory basis; that is, Baird Advisors, acting with full discretion, gives continuous investment advice and management based on the individual needs and objectives of each client. However, these portfolios are managed in a manner designed to produce substantially similar investment returns and to limit the dispersion of such investment returns in comparison to a representative benchmark index.

Baird Advisors provides portfolio advice and management for investors desiring investments in a combination of securities that produce an annual rate of return that is comparable to one of several different objective benchmarks for fixed-income investments. Each separate investment portfolio will seek to achieve those annual rates of return before the deduction of fees. The taxable short-term bond portfolio strategy will seek to provide an annual rate of return comparable to the Lehman Brothers 1-3 year Government/Credit Bond Index. Baird Advisors also offers a taxable intermediate bond portfolio strategy that seeks to provide an annual rate of return that is comparable to the Lehman Brothers Intermediate Government/Credit Bond Index. Additionally, two taxable core bond market portfolio strategies are available which seek to provide an annual rate of return that is comparable to the annual rate of return of either the Lehman Brothers Aggregate Bond Index or the Lehman Brothers Government/Credit Bond Index. Finally, a taxable core plus bond portfolio strategy is available which seeks to provide an annual rate of return that is comparable to the Lehman Brothers U.S. Universal Bond Index. Baird Advisors also offers an intermediate municipal bond market portfolio strategy that seeks to provide an annual rate of return that is comparable to the Lehman Brothers 7-Year General Obligation Bond Index. Although each portfolio strategy targets the annual rate of return of a specific benchmark index, the securities selected by Baird Advisors generally will not mirror the assets in their respective benchmark indices. Baird Advisors also manages to other benchmarks, including client defined benchmarks.

A. *Methods of Analysis, Sources of Information and Investment Strategies*

Baird Advisors' disciplined, fundamental investment process seeks to achieve competitive returns while remaining duration neutral to the portfolio's selected benchmark to control risk. Baird Advisors' investment strategy seeks to achieve total returns that are higher than the benchmark through issue and sector selection and yield curve positioning decisions. The average dollar-weighted effective maturity of the portfolios will vary depending upon the average dollar-weighted effective maturity of the benchmark index. Hence, the short-term portfolio strategy will generally seek to maintain an average dollar-weighted effective maturity of greater than one year, but less than three years while the intermediate portfolio strategy will ordinarily attempt to maintain an average dollar-weighted effective maturity of at least three years but less than 10 years. The core and core plus bond market portfolio strategies emphasize longer maturity bonds and seek to maintain an average dollar-weighted effective maturity of four years or longer in normal market conditions.

Information used to select portfolio investments include, among others, regulatory filings and company-issued literature (*e.g.*, annual reports, prospectuses, press releases and other information), analyses by outside investment houses, government and Federal Reserve Bank publications, financial and other newspapers, journals and corporate ratings services (*e.g.*, Moody's, Fitch, Standard and Poor's), electronic data information sources (*e.g.*, Bloomberg, Dow Jones, Reuters) and analytical application software used in quantifying the various risk characteristics at both the individual security level and the overall portfolio.

B. *Types of Investments*

Portfolio investments may include any combination of government and government agency debt, corporate bonds, mortgage-backed and asset-backed instruments, among others. For all bond portfolio strategies except for taxable core plus, each portfolio security will be "investment grade," which are debt securities that are rated in one of the four highest rating categories by at least one nationally recognized rating organization, at the time of purchase. If a particular debt instrument drops below "investment grade" or ceases to be rated, Baird Advisors may continue to hold the bond in the portfolio. The taxable core plus bond portfolio strategy will invest primarily in investment grade securities, but may invest up to 20% of the portfolio in non-investment grade securities (commonly referred to as high yield or junk bonds).

C. *Account Management*

The portfolio managers continuously monitor client portfolios to evaluate the impact of changing economic and market conditions. The appropriateness of the client's portfolio holdings will also be assessed in terms of the client's overall objectives, such as return expectations, risk tolerance, and liquidity needs. Ongoing trading opportunities are analyzed, reviewed and, when deemed appropriate, executed on a daily basis. Each portfolio manager may advise multiple portfolios for a particular client. Furthermore, each client portfolio may have more than one portfolio manager.

Baird Advisors separate account clients who custody their assets with a third-party unaffiliated custodian will receive account statements directly from their selected custodian. Unless the client requests other arrangements, all Baird Advisors' clients receive a written appraisal on a quarterly basis together with a letter discussing the portfolio and its investment results. Additional information may be provided to meet the reporting needs of each client as negotiated by the client and Baird Advisors. In the unlikely event that Baird is the custodian of client assets, the client will receive monthly or quarterly Baird brokerage account statements if portfolio activity occurred during the period.

D. Investment Company Management

Baird Advisors also provides investment advice to the Baird Aggregate Bond Fund, Baird Core Plus Bond Fund, Baird Intermediate Bond Fund, Baird Intermediate Municipal Bond Fund, and Baird Short-Term Bond Fund of the Baird Funds, Inc. (the “Baird Funds”). A prospectus that provides more information about the Baird Funds is available upon request by calling 1-800-444-9102 or at www.bairdfunds.com.

III. Fee Information

Fees for services rendered are generally based on a percentage of assets under management. The annual rates described below are applied to the market value of client assets, including cash or its equivalent held for investment, as appraised by the custodian, in good faith, generally as of the last business day of a quarter. Fees are determined as they apply to each level and are calculated and payable quarterly at one-fourth of the rates shown below. Fees are payable in arrears. The contractual relationship between Baird Advisors and its clients shall continue until canceled by either party with at least thirty (30) days written notice given before the effective date of termination. Clients, however, may terminate the discretionary authority at any time by delivering written notice to Baird Advisors. Termination will not affect the validity of any action previously taken by Baird Advisors regarding the client’s account or the client’s obligation to complete any transactions initiated on the client’s behalf prior to the effectiveness of the termination. For clients that pay fees in arrears, in the event termination occurs other than at the end of a quarter, the management fee shall be based upon the value of the assets on the date of termination. No fee increase will take effect without at least ninety (90) days prior written notice. Baird Advisors, in its sole discretion, may make fee adjustments in response to asset fluctuations in a client’s account resulting from contributions to, or periodic withdrawals from, the client’s account.

The fee schedules vary depending upon the portfolio assets, as shown in the tables below.

Fixed Income Fee Schedule

<u>Account Size</u>	<u>Annual Fee</u>
On the first \$25,000,000	.30%
On the next \$25,000,000	.25%
On the next \$50,000,000	.20%
On the remaining assets	.15%

The minimum account value is typically \$20,000,000. The annual fee and minimum account size are negotiable in certain instances and may vary depending upon, among other things, the nature of the assets under management and any specialized reporting services requested by the client.

The fee schedule set forth above is the current fee schedule for new clients. Since its inception, Baird Advisors has had other fee schedules in effect, which may provide fees lower or higher, as the case may be, than those shown above. As new fee schedules are put into effect, they are made applicable only to new clients, and fee schedules applicable to existing clients are not affected. Therefore, some clients may pay different fees than those shown above.

Baird Advisors may enter into fee arrangements which may include performance-based fees. Any such arrangement will be made only in compliance with Rule 205-3 under the Investment Advisers Act of 1940. Any type of performance-based fee may create an incentive for Baird Advisors to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee.

Baird Advisors may invest cash balances in shares of unaffiliated money market funds. Baird, or an affiliate of Baird, may receive compensation for distribution and administrative activities provided to these money market funds.

With the client's consent, Baird Advisors may also invest client assets in affiliated mutual funds. The client, like other mutual fund shareholders, will bear a proportionate share of expenses of any such mutual fund. Baird Advisors will invest client assets in one or more mutual funds advised or otherwise affiliated with Baird when Baird Advisors determines it to be in the client's best interest to do so. A client may revoke his or her consent to investing in Baird affiliated mutual funds at any time. The fees paid for any mutual fund are separate from, and not included in, the annual fee paid to Baird Advisors by the client. These mutual fund fees may include, to the extent permitted by applicable law and regulation, management, distribution, marketing support payments, and shareholder service fees, as well as expense reimbursements, certain of which fees and expenses may be payable to Baird or its affiliates.

If Baird, or an affiliate of Baird, receives any payment from a mutual fund, Baird, or its affiliate, will retain the payment. These payments may include, but are not limited to, certain investment management fees, servicing, sub-transfer agency fees, networking fees, marketing support payments and distribution fees, and expense reimbursements. Baird does not deposit these amounts in the client's account or credit the amount against the quarterly fees payable by the client unless Baird or its affiliate may not keep such fees under applicable law or regulation. Payments to Baird or an affiliate of Baird constitute compensation to Baird for services Baird provides for the benefit of a client. Clients agree to the payment of such compensation to Baird to the extent allowed by law and regulation and to the extent Baird does not waive such fees. Please review each mutual fund's prospectus for further explanation.

In some instances, investment advisers of money market mutual funds invested in or recommended by Baird Advisors may place orders for securities transactions with Baird, as broker-dealer, for execution. Baird may receive compensation for these services. Such payment to Baird constitutes compensation for services it provides for the benefit of the client.

Occasionally, Baird Advisors may negotiate a set annual fee, waive the minimum annual fee on a temporary or indefinite basis, negotiate a fee level different from the schedules shown above, or set a different payment schedule.

If permitted pursuant to the investment guidelines, a client's portfolio may be invested, from time to time, in money market funds, bank deposit accounts, mutual funds, exchange traded funds and other registered investment companies, (including such funds and other products affiliated with Baird) that have their own fees and expenses that are borne either directly or indirectly by their shareholders or unit holders, including a client. These fees and expenses are separate from, and in addition to, the other fees payable to Baird by a client. As a result of making such investments in these types of funds, a client should be aware that the client is paying multiple layers of fees on the amount of the client's assets so invested—the fees and expenses charged by the funds and the fees and other compensation that a client pays to Baird.

Baird or Baird Advisors may provide compensation to individuals who refer clients in some instances. When applicable, the compensation paid is a percentage of the client's fee payments or the value of the client's account. The amount of compensation will vary, with the specific level determined based upon consideration of various factors including, but not limited to, the individual's role in developing the relationship and the assets under management. Baird may pay these fees to registered representatives of Baird and its affiliates as well as to other, unaffiliated, individuals. Baird pays fees to such unaffiliated individuals, also known as third-party solicitors, for client referrals provided that each such solicitor has entered into a written agreement with Baird. This agreement requires the solicitor to provide each prospective client with a copy of the appropriate brochure and, when necessary, a disclosure document setting forth the terms of the solicitation agreement. Where

applicable, cash payments for client solicitations will be structured to comply with Rule 206(4)-3 under the Investment Advisers Act of 1940.

IV. Education and Business Experience of Professional Staff

Baird Advisors requires that individuals acting as investment managers have an undergraduate degree. Furthermore, Baird Advisors strongly encourages that all individuals whom act as investment managers pursue and work towards the attainment of the Chartered Financial Analyst (CFA) designation and/or a relevant graduate level degree.

Baird seeks individuals with a substantial record of accomplishment to provide portfolio management services. Baird requires that Baird associates meet all applicable requirements set forth by self-regulatory organizations, such as the FINRA, exchanges and governmental agencies.

Biographical information regarding the portfolio managers of Baird Advisors is as follows:

Mary Ellen Stanek, CFA (born in 1956)
Managing Director
BA, Political Science, Marquette University, 1978
MBA, University of Wisconsin – Milwaukee, 1984
Employed by Baird since 2000
Employed by Firststar Investment Research & Management Company, LLC, 1990-2000

Daniel A. Tranchita, CFA (born in 1965)
Senior Vice President
BA, Finance & MIS, Marquette University, 1987
MBA, Marquette University, 1989
Employed by Baird since 2000
Employed by Firststar Investment Research & Management Company, LLC, 1990-2000

Gary A. Elfe, CFA (born in 1955)
Managing Director
BA, Economics, University of Wisconsin - Milwaukee, 1976
MBA, University of Wisconsin – Milwaukee, 1978
Employed by Baird since 2000
Employed by Firststar Investment Research & Management Company, LLC, 1990-2000

Jay E. Schwister, CFA (born in 1962)
Senior Vice President
BA, Finance, Marquette University, 1984
Employed by Baird since 2004
Employed by Putnam Investments, 1987-2002

Charles B. Groeschell (born in 1953)
Managing Director
BA, Mathematics, Texas Christian University, 1976
MBA, University of Wisconsin - Milwaukee, 1979
Employed by Baird since 2000
Employed by Firststar Investment Research & Management Company, LLC, 1990-2000

M. Sharon deGuzman (born in 1966)
First Vice President
BS, Finance, Eastern Illinois University, 1988
Employed by Baird since 2000
Employed by Firststar Investment Research & Management Company, LLC, 1994-2000

Warren D. Pierson, CFA (born in 1962)
Managing Director
BA, Physics, Lawrence University, 1984
Employed by Baird since 2000
Employed by Firststar Investment Research & Management Company, LLC, 1993-2000

Jeffrey L. Schrom, CFA (born in 1968)
First Vice President
BS, Finance & Accounting, Carroll College, 1990
MS, Finance, University of Wisconsin – Madison 1994
Employed by Baird since 2002
Employed by Clarica Life Insurance, 1994-2002

Patrick-Awuori Mutsone, CFA (born in 1972)
Vice President
BA, Economics, Lawrence University, 1997
Employed by Baird since 2000

Meghan Hegarty, CFA (born in 1976)
First Vice President
BA, Economics, Boston College, 1998
Employed by Baird since 2007
Employed by Deerfield Capital Management,
2003-2007
Employed by Baird, 2000-2003

The Investment Advisory Oversight Committee of Baird oversees Baird's investment advisory programs. The Investment Advisory Oversight Committee may delegate its oversight responsibilities to supervisors to monitor the implementation of Baird's investment advisory standards as well as to oversee compliance with Baird's internal controls and procedures, including Baird's Code of Ethics. Biographical information regarding the members of the Investment Advisory Oversight Committee is as follows:

William B. Nicholson (born in 1945)
Managing Director
BA, Business Administration, Michigan State University,
1968
Employed by Baird since 2001
Employed by Credit Suisse First Boston, 2000-2001
Employed by Capital Resource Advisors, 1977-2000

Timothy P. Byrne, CFA (born in 1966)
Managing Director
BA, Chemistry, College of the Holy Cross, 1988
MBA, Harvard Business School, 1994
Employed by Baird since 2002
Employed by Mercer Management Consulting, Inc.,
1995-2002

Glen F. Hackmann (born in 1941)
General Counsel, Managing Director
BA, Liberal Arts, University of Missouri, 1963
JD, University of Missouri, 1966
Employed by Baird since 1984

Michael J. Schroeder (born in 1957)
Managing Director
BBA, Finance, University of Wisconsin - Madison, 1979
Employed by Baird since 1986

Robert J. Venable, CFA (born in 1963)
Managing Director
BS, Economics, University of Wisconsin – Madison, 1986
MBA, University of Chicago, 1996
Employed by Baird since 1996

Mary Ellen Stanek, CFA (born in 1956)
Managing Director
BA, Political Science, Marquette University, 1978
MBA, University of Wisconsin – Milwaukee, 1984
Employed by Baird since 2000
Employed by Firststar Investment Research & Management
Company, LLC, 1990-2000

J. Bary Morgan, CFA (born in 1965)
Managing Director
BS, Finance, Louisiana Tech University, 1988
MBA, Indiana University, 1992
Employed by Baird since 1992

David A. Hackworthy (born in 1962)
Managing Director
BS, Finance, Iowa State University, 1984
Employed by Baird since 1989

Biographical information regarding the principal executive officers of Baird is as follows:

Paul E. Purcell (born in 1946)
Chairman, President & CEO
BA, Economics, University of Notre Dame, 1969
MBA, University of Chicago, 1971
Employed by Baird since 1994

Leonard M. Rush (born in 1946)
Chief Financial Officer, Managing Director
BBA, Accounting, University of Wisconsin, 1969
MBA, New York University, 1974
Employed by Baird since 2000
Employed by FMR Company, 1994-1999

Glen F. Hackmann (born in 1941)
General Counsel, Managing Director
BA, Liberal Arts, University of Missouri, 1963
JD, University of Missouri, 1966
Employed by Baird since 1984

Continuous review of all Baird Advisors' portfolios is performed by members of the Baird Advisors' portfolio management team, a team comprised of ten (10) individuals. The Baird Advisors' portfolio management team focuses its daily reviews on each portfolio's duration, yield curve position, sector allocation, and overall portfolio exposure to individual securities. Reports documenting each portfolio's performance compared to the performance of a relevant benchmark index are reviewed at least monthly by the portfolio management team.

Mary Ellen Stanek is the Managing Director of Baird Advisors and is responsible for oversight of the Baird Advisors' portfolio management team.

V. Baird/Other Financial Industry Activities or Affiliations

Baird is registered as a broker-dealer under the Securities Exchange Act of 1934 and is registered as an investment adviser under the Investment Advisers Act of 1940. Baird is a full-service brokerage company providing investment banking, brokerage, and investment advisory services to individual and institutional investors. As such, Baird is engaged in a broad range of activities, including: individual and institutional brokerage transactions; origination of, and participation in, underwritings of corporate and municipal securities; market making and trading activities in corporate securities and municipal and governmental bonds; distribution of mutual fund shares; option transactions; and research services.

Baird is the investment manager and principal underwriter for the Baird Funds, Inc. ("Baird Funds"), a registered open-end management investment company. Baird Funds currently offer eight investment portfolios: Baird Aggregate Bond Fund, Baird Core Plus Bond Fund, Baird LargeCap Fund, Baird Intermediate Bond Fund, Baird Intermediate Municipal Bond Fund, Baird MidCap Fund, Baird Short-Term Bond Fund and Riverfront Long-Term Growth Fund. More information about the Baird Funds is available upon request by calling 800-444-9102 or visiting www.bairdfunds.com.

Baird Investment Management, another separate investment department of Baird, and Baird Advisors, may serve, from time to time, as investment sub-advisor to registered investment companies (or portfolios thereof). Currently, Baird Advisors serves as sub-advisor to the (i) New Covenants Funds, which is managed by One Compass Advisors, a separate division of New Covenant Trust Company, N.A.; and (ii) AHA Full Maturity Fixed Income Fund and the AHA Balanced Fund, which are series of CNI Charter Funds, Inc.

Baird is affiliated with Riverfront Investment Group, LLC ("Riverfront") by virtue of Baird's equity ownership of Riverfront and representation on Riverfront's Board of Directors. Riverfront is a federally registered investment advisor and offers asset allocation, ETF and foundation strategies.

Baird, in combination with certain executive officers, may be deemed to control Baird Venture Partners Management Company I, LLC ("BVP I"); Baird Venture Partners Management Company III, LLC ("BVP III"); Baird Capital Partners Management Company, LLC ("BCP I"); Baird Capital Partners Management Company III, LLC ("BCP III"), Baird Capital Partners Management Company IV, LLC ("BCP IV"), Baird Capital Partners Management Company V, LLC ("BCP V"), Baird Asia Partners Management Company I, LLC ("BAP I") and Baird Capital Partners Asia Management I Limited Partnership ("BCPA I"). BVP I and BVP III participate in venture capital opportunities by investing in equity securities of early-to-growth stage companies. BVP I is the general partner of three limited partnerships and is a registered investment adviser. BVP III is the general partner of three limited partnerships and is a registered investment adviser. BCP I, BCP III, BCP IV and BCP V invest in equity securities of growing middle market companies issued in management buyouts, recapitalizations, industry consolidations and growth equity transactions. BCP I is the general partner of a limited partnership and is not a registered investment adviser. BCP III is the general partner of three side-by-side limited partnerships and is a registered investment adviser. BCP IV is the general partner of three side-by-side limited partnerships and is a registered investment adviser. BCP V is the general partner of three side-by-side limited partnerships and is a registered investment adviser. BAP I has organized a limited partnership to invest in growth equity and change of control investments in companies that would benefit from accessing manufacturing or distribution capabilities in China. BAP I is the general partner of one limited partnership and is a registered investment adviser. BCPA I makes growth equity investments in smaller, high potential companies with substantial operations and growth opportunities in China. BCPA I is the general partner of three limited partnerships and intends to register as an investment adviser. Baird affiliates may solicit clients to invest in partnerships controlled by Baird.

VI. Client Transactions and Conflicts of Interest

Baird, as a broker-dealer, investment banker and investment adviser, continually engages in various securities transactions and trading activities. These activities could create a conflict of interest with its clients. Baird and its affiliates may give advice and take action in the performance of its duties to its clients (including those who may also be clients of Baird Advisors) which may differ from advice given, or in the timing and nature of action taken, with respect to a particular client. Baird may buy or sell securities for its own account, or may act as broker or agent for other Baird clients, including other advisory clients. However, Baird has adopted internal procedures designed to secure the fair allocation and priority of execution of orders for all clients. Furthermore, Baird has adopted internal procedures to ensure that Baird will not act in a principal capacity for any transaction in an advisory client's account, absent disclosure of the transaction to the client and the client's prior written approval of the transaction or unless otherwise allowed by applicable law, and that such transaction is not otherwise prohibited by the Employee Retirement Income Security Act of 1974 ("ERISA"). The agreements entered into by clients disclose, where applicable, the possibility of Baird's role in potential transactions and possible conflicts. Each Baird customer confirmation discloses the capacity in which Baird served in the transactions and whether Baird is a market maker in each security bought or sold.

Clients generally give Baird Advisors the authority to determine independently the specific securities purchased or sold, the amount of securities purchased or sold and the broker(s) or dealer(s) used. However, Baird Advisors has adopted an internal policy of not using Baird as a broker-dealer for trade execution. Specific limitations to discretionary authority are generally included as an addendum to the client's contract or in a separate letter of understanding. Baird Advisors requires compliance with the specific guidelines and/or limitations requested by clients and contained in client agreements, which necessarily vary from client to client based upon client objectives and other factors. When possible, Baird Advisors will also observe any non-

binding statement of client preferences with respect to factors such as brokerage direction, holding periods, and securities selection.

If a client directs Baird Advisors to use a designated broker-dealer for trade execution (a “directed brokerage arrangement”), Baird Advisors cannot negotiate better prices and lower commission rates for the client, nor can Baird Advisors aggregate the client’s Baird Advisors account trades with orders for other Baird Advisors clients in order to seek volume discounts. Directed brokerage arrangements may result in the client paying higher commissions and greater bid/offer spreads, or receiving a less favorable net price than the client may experience if Baird Advisors negotiated commission rates and spreads and selected broker-dealers to execute trades for client’s account. Directed brokerage arrangement orders, because they are directed to the specified broker-dealer, may be manually executed by Baird Advisors after the trade execution is completed for other Baird Advisors accounts.

For client accounts subject to ERISA, the client understands that a directed brokerage arrangement must be for the exclusive benefit of participants and beneficiaries of the plan and that the client must not constitute or cause the account to be engaged in a prohibited transaction as defined by ERISA. If the client is an ERISA plan, the client is responsible for adhering to the fiduciary responsibilities discussed in ERISA Technical Bulletin 86-1 including, without limitation, the duty to determine that the directed brokerage arrangement decision has been made prudently in the interests of the plan participants and beneficiaries and that the specified broker-dealer executing the trades is capable of providing best execution.

Any benefit that a client receives, including the receipt of goods and services, as a result of directing brokerage to a broker-dealer, is to be negotiated solely by the client for the client’s benefit.

If a client directs that Baird Advisors use a directed brokerage arrangement, and the designated broker-dealer referred the client to Baird Advisors and may refer additional business in the future, Baird Advisors is likely to receive benefits from the directed brokerage arrangement. Because of these benefits, Baird Advisors may have an economic interest in continuing the directed brokerage arrangement. The benefits Baird Advisors receives from the referrals may conflict with the client’s interest in having Baird Advisors recommend that the client utilize another broker-dealer to execute some or all transactions for the client’s account.

Clients may wish to compare the possible costs or disadvantages of directed brokerage arrangements.

Each client decides where the client’s assets will be custodied. In order to determine if they are receiving the most cost effective custodial services, clients should explore the expense and benefits associated with their custodian relationship.

Baird Advisors may select brokers to effect or execute client transactions based on several factors. These factors may include: research; execution capability; client preferences; the general financial standing of the executing firm; the timeliness in rendering services; and the continuity and quality of the overall relationship. Research services provided by internal and external sources are used in managing client accounts, and in the business judgment of Baird Advisors are important to each client; although, perhaps, in differing degrees at different times. As a general matter, such research services are used to service all of Baird Advisors accounts. However, each and every research service may not be used to service each and every account managed by Baird Advisors. Research information and its application and the interpretation of its worth are matters of professional judgment made by Baird Advisors.

Baird Advisors may purchase or sell debt securities through electronic trading platforms. These electronic trading platforms typically provide access to bids and offers from a greater number of dealers on a timely basis; however, these electronic platforms may impose an execution or transaction fee imbedded in the price paid or received for the security.

From time to time, when Baird Advisors believes that each respective transaction is consistent with the client's best interest, such as when accounts are adjusting their respective durations, when one account is in a liquidation mode while another is in an accumulation mode, or for tax management purposes, Baird Advisors, acting as investment manager, may cause (or in the case of non-discretionary accounts, recommend) the sale of securities from an advisory client's account while at or about the same time causing (or, in the case of non-discretionary accounts, recommending) the purchase of the same securities for the account of another advisory client.

At times, obtaining best execution may result in one advisory client acquiring the same securities sold by another advisory client. In such cases, because Baird Advisors is acting as investment manager for both buyer and seller, Baird Advisors is subject to potentially conflicting interests in causing (or recommending) the transactions. Also, because Baird Advisors is acting as investment manager for both buyer and seller, transaction prices may be determined more by reference to market information or dealer indications for the securities involved, and less through the type of independent arms-length negotiation that might otherwise occur. Independent broker-dealers effecting such transactions generally will earn customary commissions or mark-ups.

In spite of Baird's best efforts, errors occur in the implementation of client transactions. Those errors may be the result of the investment decision-making process, such as a decision to purchase or sell a security or in an amount that is inconsistent with applicable investment restrictions or guidelines. Errors may also be the result of the trading process and include but are not limited to the following situations: the purchase or sale of the wrong security; the purchase (or sale) of a security meant to be a sale (or purchase); the purchase or sale of a security in the wrong amount; the failure to make a purchase or sale as intended, or inappropriate delays; and the purchase or sale of a security in the wrong account.

It is Baird's policy that if there is an error, trades will be adjusted or reversed as needed in order to put the client's account in the position that it would have been in as if the error had not occurred. Errors will be corrected at no cost to client's account, with the client's account not recognizing any loss from the error. The client's account will be fully compensated for any losses incurred as a result of an error. If the trade error results in a gain, the gain may be retained by Baird; however, any gain retained by Baird may not be used to offset previous losses charged to a Baird associate.

Baird's procedure is to correct errors as soon as is reasonable practicable, consistent with the orderly disposition or acquisition of the securities in question. Errors identified prior to settlement of the trade, will be cancelled and the proper trade made. An error may be corrected before a final allocation is made by modifying the initial or preliminary allocation so long as the reallocation is fair and equitable to the affected client(s) and is consistent with Baird's applicable trade allocation and aggregation procedures.

If an error is identified following settlement, it may be corrected by reversal or offsetting trades made by Baird for the client's account (i.e., an erroneous purchase could be corrected by a corresponding sale, or vice versa, subject to the client's right of reimbursement for any losses and related trading costs) at no cost to the client. An error may be corrected by a principal trade with Baird, subject to applicable regulatory restrictions, if made solely for the purpose of correcting the error and not involving any mark-up or mark-down. An error may also be corrected by crossing the trade with another account, but only so long as the cross trade with another account (i) is determined to be consistent with the investment policies, guidelines and restrictions applicable to the account and otherwise appropriate or suitable for, and fair to, the account (e.g., the price paid or received by the account is equal to the then current market price for the security), (ii) is made in accordance with policies and procedures applicable to cross trades, and (iii) is approved by Baird's Chief Compliance Officer. No account may absorb the losses suffered by another account as a result of a trade error.

Baird offers many services and, from time to time, may have other clients in other programs trading in opposition to clients in this program. To avoid favoring one client over another client, Baird attempts to use objective market data in the correction of any trading errors.

In its sole discretion, Baird Advisors may utilize block transactions for a group of clients where Baird deems this to be appropriate, in the best interests of clients, and consistent with regulatory requirements. The clients may not all be participants in the programs described in this brochure. These transactions aggregate the purchase or sale orders for a client's account with purchase or sale orders, as the case may be, of the same security executed on the same day with accounts of other clients. This practice, allowed but not required by the Securities and Exchange Commission, may enable Baird Advisors to obtain more favorable executions, including faster fills, better pricing and enhanced investment opportunities, than would otherwise be available if orders were not aggregated. When aggregating trades for a client, Baird Advisors will determine that the purchase or sale of the particular security is appropriate for the client. In addition, Baird Advisors must believe in good faith that aggregating client orders for that security will benefit the clients involved and is consistent with Baird Advisor's obligation to seek best execution. When allocating trades for clients, allocations may not be made that systematically shows favorable or unfavorable treatment to any client or group of clients and generally must be made so that clients receive fair and equitable treatment. Transaction costs will be shared pro rata based on each client's participation in the block transaction. However, Baird may assess any other charges associated with block transactions, including any applicable negotiated commissions, to each client individually based upon the amount of securities each client individually purchases or sells as part of the block transaction. Furthermore, securities may or may not be recommended for simultaneous purchase or sale for all clients and, even if Baird Advisors recommends simultaneous purchase or sale for certain clients, the amount of securities available in the marketplace, at a particular price, may not satisfy the needs of all those clients. In particular, Baird Advisors may not allocate any securities available in an offering of limited availability, such as a new issue or an underwriting of other newly distributed securities, across all client accounts. Baird has adopted procedures that are designed to help assure that a client's participation in such offerings is consistent with his or her risk tolerance and Baird Advisors, in its exercise of discretion for entering client orders, retains the ability to enter orders that neither favor one client over another nor leave clients with nominal allotments of a particular security.

Baird, by reasons of its investment banking or other activities, may from time to time acquire confidential, non-public information about corporations or other entities and their securities. Neither Baird nor any of its associates will be free to divulge such information to any client or to act upon such information with respect to a client's account.

Clients who have accounts with Baird Advisors may also have other accounts with Baird in which management fees are not charged. These non-managed accounts may charge commissions or fees that are entirely separate from the payment of fees and commissions, if any, in the investment advisory accounts. Clients may also have accounts with other investment management departments of Baird. The other Baird investment advisory units generally manage and separate a client's assets from the assets managed by Baird Advisors. Such clients will often have investment policy statements that specifically delegate responsibility to the adviser for providing investment advice based on the distinct asset class or classes managed by the adviser.

Baird Financial Advisors and Baird associates may receive non-cash compensation and other benefits from mutual fund companies with whom Baird does business. Such non-cash compensation may include invitations to attend conferences or educational seminars sponsored by mutual fund companies or their advisers or distributors, payment of related travel, lodging and meal expenses, and receipt of gifts and entertainment. Acceptance of these benefits is in accordance with industry regulations and Baird's policies.

Baird employees may, subject to certain restrictions, engage in personal securities transactions. Such transactions may include trading in securities in a manner that differs from, or is inconsistent with, the advice

given to Baird clients. All such transactions are subject to Baird's Insider Trading Policy which prohibits employees from trading on the basis of material, non-public information. In addition, personal transactions in securities by Baird advisory representatives (*i.e.*, Baird employees who provide investment advice to Baird clients and individuals who supervise investment advisory activity) are subject to the restrictions and procedures set forth in Baird's Code of Ethics (the "Code"). The Code imposes restricted periods before and after client transactions are executed during which time advisory representatives are prohibited from executing transactions in personal accounts. The Code provides for an exception for trades of less than 1,000 shares in securities with a market capitalization of greater than \$3 billion and for other exceptions when deemed warranted by Baird management or by Baird's Compliance Department. Advisory representatives are prohibited from purchasing equity securities or securities convertible into equity securities offered through an IPO. In addition, advisory representatives must obtain written approval from Baird's Compliance Department when purchasing a security offered in a private placement. A copy of the Code is available to clients upon request.

When Baird invests with discretion for an ERISA client or an IRA client in an open-end registered investment company that is managed, for an advisory fee, by Baird or any of its affiliates, Baird or any of its affiliates may receive a fee in accordance with the terms of Department of Labor ("DOL") Prohibited Transaction Exemption ("PTE") 77-4, and, as required thereby, Baird will waive its investment advisory fees on that portion of the assets invested in the affiliated mutual fund for such period of time so invested or offset the investment advisory or similar fees received by Baird or any of its affiliates from the affiliated mutual fund against its investment advisory fees charged to the client. The differential between the fees to be charged by Baird for its investment management or advisory services under the agreement between the client and Baird, if applicable, and the investment advisory and other similar fees paid by the affiliated mutual fund to Baird with respect to the services it or any of its affiliates provides to the affiliated mutual fund is the difference between any such fee disclosed on the attached fee schedule to the client agreement with Baird and the applicable investment management, investment advisory and other similar fees detailed in the relevant affiliated mutual fund prospectus.

For the purpose of complying with the terms of DOL PTE 77-4, each client must authorize Baird discretionary investment in an affiliated mutual fund in the client's agreement with Baird and must acknowledge that (i) the investment in Baird affiliated mutual funds for the client's portfolio is appropriate because of, among other things, the investment goals, redeemability/liquidity, and diversification; (ii) subject to Baird's investment strategies and the investment guidelines for the portfolio, all portfolio assets may be invested in one or more of the Baird affiliated mutual funds that may be used in connection with client's portfolio; (iii) the client received prospectuses for the Baird affiliated mutual funds that may be used in connection with the portfolio, which each include a summary of all fees that may be paid by the Baird affiliated mutual funds to Baird; and (iv) the client received information concerning the nature and extent of any differential between the rate of such fees and the investment advisory fees charged to the client for the provision of investment advice under the agreement between the client and Baird.

Individual Baird portfolio managers may manage multiple accounts for multiple clients. In addition to managing the Baird Funds mutual fund offerings, Baird, as investment adviser, manages separate accounts, collective trusts, and a portion of a 529 education savings plan portfolio. Baird manages potential conflicts of interest between a Baird Fund and other advisory accounts by establishing and enforcing its trade allocation policies in compliance with applicable law, to ensure that no one client, regardless of type, is intentionally favored at the expense of another. Allocation policies contemplate and are designed to address potential conflicts of interest in situations where two or more Funds or accounts participate in investment decisions involving the same securities.

Oversight of Baird Funds allocation procedures is provided by the adviser to the mutual funds, the mutual fund directors, and independent third parties contracted to provide services to the Baird Funds.

VII. Other

For more information regarding Baird Advisors, please contact Baird Advisors at (414) 298-1060. For information regarding other Baird programs, please call Baird at (414) 765-3500. Please retain this brochure and your client agreement with your permanent records.

PRIVACY POLICY
ROBERT W. BAIRD & CO.

Baird protects your privacy and treats as confidential any personal or financial information we receive in the course of providing our financial services to you. We are providing you with our Privacy Policy in accordance with Title V of the Gramm-Leach-Bliley Act and its implementing regulations.

It is the policy of Robert W. Baird & Co. Incorporated ("Baird") to protect the privacy of our clients who share personal and financial information with us in the course of receiving financial services from Baird. We treat your information as confidential and recognize the importance of protecting access to it.

Categories of Information We Collect

Baird collects and maintains information about our clients so that we can evaluate their financial needs and provide a broad range of financial services. You may provide information to your Baird Representative or others at Baird when communicating with us in writing, electronically, or by phone.

For instance, we may collect the following personal information about you:

- Information we receive from you on account applications, agreements or related forms, such as your name, address, phone number, social security number, assets, income and date of birth.
- Information about your transactions with us, our affiliates, or others, such as your account balance, positions and history

Depending on the products and/or services you require, information may also come from consumer reporting agencies and those providing services to us.

Protecting Your Privacy

We do not disclose any nonpublic information about our clients or former clients to anyone, except as requested or authorized by our clients, as necessary to process a transaction or service an account, as requested by regulatory authorities, or as otherwise permitted by law.

We may disclose information about you or your account with companies that perform administrative or marketing services for Baird, with investment advisors, with a research firm we have hired, or with a business partner (such as a bank, insurance company, or other financial institution) with whom we are developing or offering investment products or services. When we enter into such a relationship, our contracts restrict the companies' use of client information, requiring them to maintain the confidentiality of such information.

We also restrict access to nonpublic personal information about you to your Baird Representative and those Baird employees who need to know that information to provide investment products or services to you. We maintain physical, electronic, and procedural safeguards to protect your nonpublic personal information.

At Baird, we have always worked to maintain the highest standards of confidentiality and to respect the privacy of our clients. While recent regulation requires that we provide this notice, Baird's Privacy Policy reflects the level of confidentiality that has always existed at Baird.

We endeavor to keep our client information complete and accurate, and encourage you to notify us if any of your information should be updated. Should you need to update your records, or have any questions regarding Baird's Privacy Policy, please contact your Baird Representative.



SUMMARY OF PROXY VOTING POLICIES AND PROCEDURES
BAIRD INVESTMENT MANAGEMENT DEPARTMENT OF
ROBERT W. BAIRD & CO. INCORPORATED

The Baird Investment Management department (“BIM”) of Robert W. Baird & Co. Incorporated (“Baird”) exercises voting authority with respect to securities for clients that have delegated proxy voting authority to BIM. The BIM Compliance Officer oversees the day-to-day operation of these policies and procedures. The BIM Proxy Voting Committee (the “Committee”) monitors corporate actions, proxy proposals, voting decisions, and the timely submission of proxies. BIM utilizes Institutional Shareholder Services (“ISS”) to analyze corporate proxy materials and to make independent voting recommendations to the Committee.

In certain circumstances, BIM’s interests may conflict, or appear to conflict, with client interests. For example, Baird may provide brokerage or underwriting services to a company whose management is soliciting proxies. There may be a concern that BIM would vote in favor of management because of Baird’s relationship with the company. BIM’s duty is to vote proxies in the best interests of its clients. Therefore, in situations where there is a conflict of interest, BIM will take one of the following steps: (i) vote the securities in accordance with a pre-determined policy based upon the recommendations of an independent third party, such as ISS; (ii) refer the proxy to the client or to a fiduciary of the client for voting purposes; (iii) suggest that the client engage another party to determine how the proxy should be voted; or (iv) disclose the conflict to the client and obtain the client’s direction to vote the proxies.

BIM will maintain, or rely on a third party to maintain, the following records: (i) a copy of its proxy voting policies and procedures; (ii) a copy of all proxy statements received; (iii) a record of each vote cast on behalf of a client; (iv) a copy of any document prepared by Baird that was material to a voting decision or that memorializes the basis for that decision; (v) a copy of each written client request for information on how BIM voted proxies on the client’s behalf; and (vi) a copy of any written response to a client request for information on how BIM voted proxies on the client’s behalf. These records will be maintained in accordance with the requirements of applicable federal securities laws.

BIM will typically vote in accordance with ISS recommendations. ISS’s guidelines are not exhaustive, do not address all potential voting issues, and do not necessarily correspond with the opinions of BIM. Therefore, there may be instances where BIM may not vote the client’s shares in accordance with ISS’s guidelines. In the event that BIM believes the ISS recommendation is not in the best interest of shareholders and on those matters for which ISS does not provide a specific voting recommendation, the Committee will determine how to vote the proxies. All proxies by an issuer will typically be voted in the same manner for all clients, unless there is a conflict of interest or client guidelines dictate otherwise.

BIM will annually provide to clients a summary of its proxy voting policies and procedures. Upon request, BIM will disclose to clients the manner in which the client’s portfolio securities were voted. BIM will also, upon request, provide clients with a copy of its proxy voting policies and procedures. Such requests should be sent to Baird Investment Management, 777 East Wisconsin Avenue, Milwaukee, WI 53202, Attention: Jean Kreiser.

07/03