

A Message  
from  
Paul Purcell



**Paul Purcell**  
Chairman, President &  
Chief Executive Officer

“One of the truly powerful advantages of Baird’s independence and employee ownership is the discretion we have to make strategic, long-term investments that deepen the expertise and reach we provide to our clients.”

True character is revealed during challenging times. There can be little doubt that the past two years have been the most challenging for our clients and our industry since the Great Depression. Through it all, Baird associates remained focused on the best interests of those we serve and worked tirelessly to protect them. That dedication has strengthened the partnership we enjoy with clients and has become a beacon for attracting many other like-minded professionals to Baird.

The past two years also provide convincing evidence that being a privately held, employee-owned company is a distinct advantage for Baird. We manage conservatively. That approach, together with our independence, gives us the strategic and financial strength to do what we believe is best for our clients over the long run. Operating with our own investment at stake, we believe that working in our clients’ best interests ultimately is also in our own best interest. That is one reason we have come through this very difficult period with an exceptionally strong balance sheet and why, even in the darkest days of early 2009, we were confident of Baird’s stability and strength.

The value of our strategic balance of five complementary businesses – Private Wealth Management, Equity Capital Markets, Private Equity, Fixed Income Capital Markets and Asset Management – was demonstrated once again during 2009. A spectacular year in Fixed Income Capital Markets and solid results in Asset Management helped offset declines in our businesses impacted by the credit crisis, recession and stock market volatility. Net revenues for the year totaled \$718 million, a 5.6% increase from our 2008 results. At \$62 million, operating income decreased 12% from a year ago, as we continued to make investments to broaden our skills and scope for clients. Moreover, we ended the year in excellent financial condition, with a modest amount of debt and a very strong capital base.

One of the liberating advantages of Baird’s independence is the discretion we have to make strategic investments. During the past two years, we have countered industry trends by opening more than 15 new locations that significantly expand Baird’s presence on the east and west coasts of the United States, as well as in Europe and Asia. Baird’s total number of associates has increased 8% in the past two years, compared to a securities industry employment decline of more than 9%. Across the firm, we have added talented, experienced professionals. Private Wealth Management, for example, recruited a record 105 veteran Financial Advisors in 2009, nearly doubling its hiring success of the previous year.

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Among our new associates in the past two years, nearly 120 are senior professionals – senior vice presidents, directors and managing directors – who have found in Baird a culture and strategy that resonate with their own values.

Shared values *are* the foundation of the Baird culture, and it is our culture that distinguishes us. In early 2010, we were recognized for the seventh consecutive year as one of the FORTUNE 100 Best Companies to Work For®, ranking No. 11 on the list. To make the list once is an honor. Seven consecutive years is an extraordinary achievement that is a testament to our associates' deep commitment to caring for clients and each other.

Our dedication to creating great outcomes is a hallmark of Baird's culture and strategy. As we continue to invest in building the breadth and expertise our clients value, it is gratifying to receive independent acknowledgment that the investments we're making are meaningful. Among the 2009 highlights to be found throughout this report:

- For the sixth consecutive year, Baird ranked No. 1 for “most trusted” research in Greenwich Associates' annual survey of U.S. small-cap and mid-cap fund managers.
- *The M&A Advisor* recognized us with two awards in 2009 for our M&A advisory work and equity financing activity. It was the fifth year in a row Baird has earned acknowledgment from this publication.
- Baird Capital Partners was ranked No. 11 among “Consistent Performers” in Private Equity Intelligence Ltd.'s review of 1,600 buyout managers worldwide.
- Baird became the nation's No. 1 municipal bond underwriter in 2009, based on the number of issues led or co-led, according to Ipreo MuniAnalytics.
- An inflow of new assets and market gains increased assets under management at Baird Advisors to a record \$15.2 billion at the end of 2009.
- Across all of our businesses, we managed or oversaw more than \$75 billion in client assets at the end of 2009, a 20% increase over 2008.

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Looking ahead, we will continue to grow Baird thoughtfully and entrepreneurially. In early 2010, for example, we teamed with Fox River Execution, a leading provider of distinctive algorithmic trading technology, to enhance our execution capabilities for our institutional equity clients. In addition to building our five businesses, another focus will be on making strategic minority investments in businesses that are complementary to Baird.

Equally important is our ongoing investment in diversity. We have a comprehensive program in place and, while progress never seems fast enough, our diversity efforts now involve associates at all levels of the organization. During 2009, we inaugurated four associate resource groups, focused on women’s issues, the African-American perspective, community involvement and the environment, all of which report directly to our Business Diversity Council. As we have said before, diversity is an important initiative for Baird to best serve our clients and communities, and it will remain a priority.

The investments we made across the firm during 2008 and 2009 are only beginning to reveal their potential. But they are important steps today toward our goal of becoming the best middle-market investment firm in the world. We are invigorated by the energy and passion of all associates – new and old – for the way we do business. In the end, how we achieve our goal is most important. For Baird, that will always mean with honest communication, shared values and a deep bond of trust with our clients.



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