

Part 2A of Form ADV: Firm Brochure



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This brochure provides information about the qualifications and business practices of Investment Counselors of Maryland, LLC. If you have any questions about the contents of this brochure, please contact us at 410-539-3838 or Michael.Harrington@icomd.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Investment Counselors of Maryland, LLC also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 116379.

Item 2 – Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/31/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information. Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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Item 4 – Advisory Business

Investment Counselors of Maryland, LLC (ICM) is a SEC-registered investment adviser with its only place of business located in Baltimore, Maryland. Originally organized in 1972 and reorganized under the laws of the State of Delaware in 2001.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- ◆ Old ICM, Inc, 100% Class B Owner
- ◆ ICM Management, LLC, 100% Class A Owner

Investment Counselors of Maryland, LLC offers the following advisory services to our clients:

Investment Advisory Services Individual Portfolio Management

ICM's products are organized along product lines and accounts are assigned to the appropriate Portfolio Manager within the product category. There are two basic product lines within the Firm;

1. Small Cap Value Equity portfolios, which also includes the SMID Cap Value Equity product.
2. Large Cap Value portfolios, which includes Individuals, High Net Worth individuals and Institutional Equity accounts.

ICM provides continuous advice to an individual client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history.

We manage these advisory accounts on a discretionary or non discretionary basis as directed by the client. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations where appropriate.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding Exchange listed securities and securities traded over-the-counter.

Once the client's portfolio has been established, ICM provides each client with a report, at least quarterly, on their account. At a minimum, these reports include a list of assets in the account, a summary of the investment results of the account and a letter discussing the market conditions contributing to the performance returns of the account during the quarter. Clients also receive account statements from their custodian/bank at least quarterly. At the client's request, information can be provided in electronic format.

Client portfolios' are reviewed by the Investment Manager and Client Service at least twice a year to ensure that the services being offered continue to meet the Client's stated objectives. Portfolio Managers may, if necessary, rebalance the portfolio or take actions to bring the account in line with the stated objectives. Because of the diverse nature of the Individual Portfolios and the varying objectives and tax considerations, it may not always be possible to manage or review these accounts on a uniform basis.

Mutual Fund Portfolio Management

Investment Counselors of Maryland, LLC provides these services to the ICM Small Company Portfolio (the "Mutual Fund"), a mutual fund registered under the Investment Company Act of 1940.

Investment Counselors of Maryland, LLC serves as the investment manager to the Mutual Fund, and continuously manages the fund assets based on the investment goals and objectives as outlined in the Mutual Fund's prospectus.

Interested investors should refer to the Mutual Fund's prospectus and Statement of Additional Information ("SAI") for

important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. These documents are available on-line at www.icomd.com.

Prior to making any investment in the fund, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Mutual Fund.

Amount of Managed Assets

As of 12/31/2010, we were actively managing \$2,360,600,000 of clients' assets on a discretionary basis.

Item 5 – Fees and Compensation

Advisory fees for new clients are normally charged according to the following annual schedules and billed either quarterly in advance, or quarterly in arrears as directed by the client. These fees and minimum account size implied by the minimum fee are negotiable and the adviser may participate in most favored nation's clauses under certain circumstances. Advisory fees are billed directly to the client or if directed by client, may be deducted from the client's assets.

Limited Negotiability of Advisory Fees: Although Investment Counselors of Maryland, LLC has established the following fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Large Cap Value Equity & Balanced Institutional Portfolios Fee Schedule:

- 0.625% of the first \$10,000,000 of market value
- 0.500% of the next \$15,000,000 of market value
- 0.375% of all over \$25,000,000 of market value
- Minimum annual fee: \$62,500

Large Cap Value Individual & High Net Worth Individual Fee Schedule:

- 0.900% of the first \$5,000,000 of market value
- 0.750% of all over \$5,000,000 of market value
- Minimum annual fee: \$10,000

Small Cap Value Equity Fee Schedule:

This service is offered for separately managed accounts on the following fee schedule:

- 1.000% of the first \$30,000,000
- 0.700% of the next \$20,000,000
- 0.500% of the next \$50,000,000
- 0.450% of the next \$150,000,000
- 0.400% of all over \$250,000,000
- Minimum annual fee: \$100,000

SMID Cap Value Equity Fee Schedule:

- 1.000% of the first \$12,500,000
- 0.800% of the next \$12,500,000
- 0.700% of the next \$25,000,000
- 0.500% of the next \$50,000,000
- 0.400% of all over \$100,000,000
- Minimum annual fee: \$25,000

Advisors Inner Circle – ICM Small Company Portfolio:

The Fund shall pay to the Adviser (Investment Counselors of Maryland, LLC) monthly, an advisory fee calculated by applying the following percentage rate to the Portfolio's average net asset value for the month:

ICM Small Company Portfolio = 0.700%

Minimum investment: \$2.5 million

Mutual Fund Fees: Any portion of a client's assets held in the ICM Small Company Portfolio are excluded from the fee calculation to avoid dual fees on these assets. All fees paid to Investment Counselors of Maryland, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Termination of Investment Advisory Agreement

An Investment Advisory Agreement between the Company and its clients may be terminated by either party at any time upon written notice when received by the other party, provided, however, that termination by either party shall not have the effect of canceling orders to invest cash or to purchase or sell securities or other property placed prior to the receipt of the notice of termination. Advisory fees will be pro-rated to the date of termination. If the client has paid in advance and the account is terminated prior to the end of the period covered by the payments, a refund will be paid to the client for the pro-rated period during which services will not be provided.

Other Services

ICM manages a portfolio for its indirect majority owner in a new ICM SMID Cap Value equity style. The account is not being charged an investment advisory fee. The Portfolio's trades will be aggregated and allocated with the firm's other accounts when securities common to both are being traded. ICM's allocation and aggregation policies, described under Item 12, will apply in these situations. As the Investment Committee deems appropriate, the Portfolio may purchase or sell securities before or after other accounts buy or sell the same securities and at different prices.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

ERISA Accounts: Investment Counselors of Maryland, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Investment Counselors of Maryland, LLC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Item 6 – Performance-Based Fees and Side-By-Side Management

The Company currently has one separately managed Small Cap Value equity account which operates under a performance based fee arrangement. The fee is calculated based on the standard small cap value account fee schedule. Under this performance based fee arrangement, the base fee equals 85% of the normal fee and is the minimum fee which the Company receives for managing this account. The performance bonus is based on the rolling three year performance of the account relative to the Russell 2000 Value Index. The amount of the bonus depends on the degree of outperformance by the account. However, the maximum fee, including the performance bonus, cannot exceed 115% of the normal fee based on

the standard fee schedule. As we also have clients who do not pay performance-based fees, we have an incentive to favor accounts that do pay such fees because compensation we receive from these clients is more directly tied to the performance.

ICM does not participate in performance-based fees associated with side-by-side management related to hedge funds.

Item 7 – Types of Clients

Investment Counselors of Maryland, LLC provides advisory services to the following types of clients:

- ◆ Individuals (other than high net worth individuals)
- ◆ High net worth individuals
- ◆ Investment companies(including mutual funds)
- ◆ Pension and profit sharing plans(other than plan participants)
- ◆ Charitable organizations
- ◆ Corporations or other businesses not listed above
- ◆ State or municipal government entities
- ◆ Other

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the research firm that provide data and analysis on these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investment Strategies

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Small and SMID Cap Value Investment Strategies. In selecting investments for our small cap and SMID cap value strategies, we typically look to invest in companies that we estimate to be undervalued with leading market share positions, shareholder oriented managements and strong balance sheet and cash flow ratios. Usually, the shares of the companies we buy are selling at a price to earnings ratio below the average price to earnings ratio of the stocks in the broad capitalization specific indices (i.e. Russell 2000 and Russell 2500 Indexes). In addition, the companies usually have higher returns on equity and capital than the average company in those same Indexes. Using screening parameters such as price to earnings ratios, relative return on equity, and other financial ratios, we screen the universe of investments to identify potentially undervalued securities. We further narrow the list of potential investments through traditional fundamental security analysis, which may include interviews with company management and a review of the assessments and opinions of outside analysts and consultants. Securities are sold when we believe the shares have become relatively overvalued or we find more attractive alternatives.

Large Cap Value Investment Strategy. We seek to identify strong economic franchises – companies with sustainable competitive advantages. We commit to these investments only when convinced they are significantly undervalued and after we have attempted to discover an inflection point or change in business momentum. We manage these investments in concentrated portfolios. Many different fundamental factors are important in our long-term, bottom-up fundamental approach to investing. Free cash flow (FCF) is the most important financial factor. It is our belief that free cash flow is ultimately what creates wealth and drives a company's stock price higher. We also use FCF to determine the underlying value of the company in our discounted free cash flow model.

Risk of Loss

Risks of investing in smaller companies. The small-capitalization companies in which the Small Cap Value and SMID Cap Value strategies will invest may be more vulnerable to adverse business or economic events than larger, more established companies. In particular, these small-sized companies may pose additional risks, including liquidity risk, because these companies tend to have limited product lines, markets and financial resources, and may depend upon a relatively small management group. Therefore, small-cap stocks may be more volatile than those of larger companies.

Risks for investing in concentrated strategies. The Large Cap Value strategy is relatively concentrated which means that it may own larger positions in a smaller number of securities than other, more diversified strategies. This means that an increase or decrease in the value of a single security likely will have a greater impact on the strategy's investment performance than in a more diversified strategy.

Risks for all forms of investment strategies. Since our investment strategies purchase equity securities, our clients' assets are subject to the risk that stock prices may fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of our equity securities may fluctuate drastically from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in our investment strategies.

Item 9 – Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

Mutual Fund

Investment Counselors of Maryland, LLC previously disclosed in "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) of this brochure that our firm is the investment adviser to the ICM Small Company Portfolio, an investment company registered under an investment advisory agreement with the Advisor's Inner Circle Fund, a Trust registered under the Investment Company Act of 1940, as amended. Please refer to these items for a detailed explanation of this relationship and important conflict of interest disclosures.

For additional information, the Fund Prospectus and Statement of Additional Information are available on-line at: www.icomd.com. Prospective investors should review these documents carefully before making any investment in the ICM Small Company Portfolio.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Investment Counselors of Maryland, LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our

Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Investment Counselors of Maryland, LLC's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to Michael.Harrington@icomd.com, or by calling us at 410-539-3838.

In addition, access persons of our firm are required to report all personal securities transactions conducted in our affiliated mutual fund(s) on an annual basis.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm, such as consultants, may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security simultaneous to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security simultaneous to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or designee.
6. On occasion, ICM may recommend that an Individual or High Net Worth Individual or a Large Cap Value Equity or Balanced Institutional Client consider investment in the ICM Small Company Portfolio, the no-load mutual fund for which ICM acts as investment adviser. ICM's management fee of 0.70% of the Fund's average daily net assets may be higher than the fee that would have been applicable on the same amount of assets invested separately in the client's account. Any portion of a client's separate account invested in the ICM Small Company Portfolio is excluded from the fee calculated on the client's account so as to avoid dual fees on those assets.
7. We have established procedures for the maintenance of all required books and records.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.
12. Employees are prohibited from giving or receiving any gift or other thing, in excess of annual limits, from any person or entity that does business with or on behalf of the Firm. The annual value of gifts cannot exceed \$100

from the same source.

In monitoring and enforcing these rules, the Firm's Compliance Officer has the authority to consider all the factors surrounding an employee's trade and may allow exceptions to these rules, if, and only if, there are reasonable grounds to believe that no client will suffer any disadvantage or that the employee will not profit at the expense of any client if the personal trades are executed.

Item 12 – Brokerage Practices

ICM's assets under management are managed on a fully discretionary basis based on the limited power of attorney per the written agreement entered into between ICM and its clients. In other words, ICM has full discretion to choose what securities are to be bought or sold, in what amounts and to determine the broker dealer to be used and the commissions charged on the transaction.

Brokerage Commissions

ICM will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help ICM in providing investment management services to clients. ICM may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

The only limitations to ICM's authority in discretionary accounts are account specific and defined in the client investment guidelines. These guidelines may specify certain types of securities or certain industries which the client does not want to own in their account or certain securities which the client does not want sold. In addition, some clients may place restrictions on what percentage of their accounts may be held in the securities of any one issuer or in securities of companies in a particular industry or economic sector. Some clients also restrict the percentage of a particular issuer's common shares which may be held in their account. Some client guidelines also specify certain asset allocation restrictions with regard to cash reserves, equities, and fixed income securities (in the case of balanced accounts).

Third Party Soft Dollar Arrangements

Investment Counselors of Maryland does enter into arrangements to purchase research related services to provide assistance in the performance of our investment decision making process and trading enhancement services using its clients' brokerage commissions rather than using the Firm's profits to pay for these services. The Firm believes these services are applicable and useful in the management of all of its clients' accounts including the ICM Small Company Portfolio. When entering into these arrangements ICM will first determine that the fees for these services are fair and reasonable. In determining whether the fees are fair and reasonable, ICM will consider the ability of ICM to replicate the services and the value these products and services provide to the management of the Firm's clients assets. The Firm may enter into soft dollar arrangements that it considers mixed used in nature. In those cases, the Firm defines mixed use as multiple services from the same vendor, not a split of one service between hard and soft dollars, and will use client brokerage commissions to pay for only the research related services and will pay in hard dollars for non-research related services. Trades made to satisfy these obligations are made consistent with the policies and procedures covering best executions.

In addition, during the first quarter of each calendar year a suggested research budget is established by the Chief Investment Officers of the Firm's two product lines in consultation with the research analysts and the trading department. The budget is based primarily on the following criteria:

1. Proprietary research.
2. Third party research.
3. Access to research analysts.
4. Access to managements of companies either at ICM or at conferences.
5. Access to information that aids in trade execution.
6. Software and databases used in ICM's proprietary research.

This budget is used by the trading desk as a suggested guide for brokerage allocation with the provision that best execution is the primary consideration in brokerage firm selection.

All third party soft dollar arrangements are reviewed annually to make sure the service is still relevant and to understand how the service is used and that it is appropriately categorized as a soft dollar expense.

Within our last fiscal year, we have obtained the following products and services on a soft-dollar basis:

1. FactSet - An analyst research tool.
2. Software used in the screening and review of various benchmark processes.
3. Subscriptions to sector/industry specific research materials.

Client Directed Brokerage

Occasionally, a client may request that all or a portion of the commissions generated by transactions in their account be directed to a particular broker or brokers. Often this directed business is used by the client to purchase specific products or services for the client's own use. Sometimes a client will receive a recapture of a portion of the commissions. Some of our clients' assets are custodied at brokerage firms. Transactions in these particular accounts normally must be executed through the brokerage firm holding the securities for the client. In effecting trades for our clients we will almost always complete the non-directed trades in a particular security before we begin to put in the orders for trades in the same security for clients who have directed trades to a particular broker. In addition, the brokerage firm at which the account is custodied may very often charge a per share commission rate which is higher than the rate we can obtain for our non directed clients. Execution prices may also vary with directed accounts buying or selling securities at prices which may not be as favorable as those obtained by our non directed accounts. ICM will periodically notify the accounts that a directed brokerage arrangement may prevent ICM from obtaining best execution and will request written confirmation from those clients who have requested a directed broker or whose accounts are custodied at a brokerage firm through which trades must be placed that the client wishes to continue to have trades executed through the directed broker.

ICM will also inform clients whose accounts are custodied at a brokerage firm that other custodian options are available that would not require the use of a directed broker.

Allocation and Aggregation of Equity Trades

It is the policy of Investment Counselors of Maryland, LLC to treat all of its clients in a fair and equitable manner in the purchase and sale of securities in the accounts managed by ICM on their behalf. The firm's accounts are segregated by type of account with virtually all accounts being included in one of the following categories; 1) Small-SMID Cap Value Equity; 2) Large Cap Equity; 3) Balanced Accounts with Large Cap Equity. The ICM Small Company Portfolio is one of the Small Cap Value Equity Accounts and is considered one of the firm's clients.

As a general rule, a decision to purchase a particular stock or to sell a portion or all of a particular holding is made with the idea that the purchase or sale will be made in all of the appropriate accounts. In order to accomplish this objective, purchase and sale orders are usually aggregated because ICM believes aggregation will result in better execution at lower overall costs to its clients. When orders are aggregated, the price paid or received by each account for the securities purchased or sold will be the average price of the aggregated order. If the entire aggregated order is not executed in one trading day, the price paid or received will be the average price paid or received for that portion of the trade executed on that day. In allocating partial trades, the allocation will usually be made on a pro rata basis. On occasion, when only a small portion of the order is executed, the trade may be allocated based on the "gross exposure" of the security being traded in the various accounts involved. In other words, accounts with the least exposure to a security being purchased or the most exposure to a security being sold would receive a greater than pro rata share of the execution. If a pro rata division of a partial trade would result in a de minimus allocation to a certain account or accounts, those accounts may be excluded from the allocation. An account that is in the process of withdrawing funds may be allocated a greater than pro rata share of a security being sold. If trades are allocated in a manner other than those described above, the Chief Compliance Officer or a designated Principal will review the trades as soon as possible on the next trade day and an explanation is noted on the trade blotter.

If an aggregated order is partially filled and allocated on a basis different from that specified in the trade allocation, no account that is benefited by such different allocation may affect any purchase or sale, for a reasonable period following the execution of the aggregated order, that would result in it receiving or selling more shares than the amount of shares it would have received or sold had the aggregated order been completely filled.

In cases where a client has directed that all or a portion of its trades are to be directed to a particular broker or brokers or the

client's account is custodied at a brokerage firm holding the securities for that client the trades must be made with that broker and the client's trade will not or may not be aggregated with other clients' trades. In most cases, ICM will complete all non-directed trades before executing the directed trade. In some cases where there is sufficient liquidity and best execution will not be compromised, the trader will complete portions of the directed trades intermittently with non-directed trades and try to maintain equal weighting throughout the portfolios.

Historically, Investment Counselors of Maryland, LLC has participated in very few Initial Public Offerings (IPO's) on behalf of its clients. The policy of the firm is to allocate IPO's among its clients in the same manner it allocates normal trades. If ICM does participate in an IPO on behalf of its clients and the allocation of the IPO is made in other than a pro rata basis, the trader and the Compliance Officer will prepare a memorandum explaining the reasons for the allocations and the memorandum will be retained by the Compliance department.

Item 13 – Review of Accounts

As previously stated, ICM is organized along product lines so that management of client accounts can be assigned to the appropriate portfolio manager of each product. There are two basic product categories:

1. Small Cap Value Equity portfolio, which includes the SMID Cap Value Equity product.
2. Large Cap Value portfolios, which includes Individuals, High Net Worth Individuals and Institutional Equity portfolios.

The Small Cap accounts are reviewed at the weekly committee meeting by the small cap team. The object of these reviews is to insure, as best as possible, that weightings of individual holdings and of the industries represented in the accounts are closely aligned. Timing of flows into or out of the accounts and securities inherited at the time of inception of the account can cause modest differences in the account's weightings. The other objective is to make purchase and sale decisions with respect to stocks held in the accounts and to review the price objectives and fundamental progress of the companies held in the accounts. Purchases and sales are generally made on a prorata basis across all five accounts (subject to individual account investment restrictions).

The SMID Cap Value Equity product currently consists of one proprietary account being developed by the small cap team. This strategy is a blend of small cap and mid cap stocks and is managed in virtually the same way as the small cap product using the same investment process and team.

<u>Small Cap Value Team</u>	<u>Title</u>	<u>Function</u>
William V. Heaphy, IV	Principal - CIO	Portfolio Manager
Simeon F. Wooten, III	Principal	Portfolio Manager
Gary J. Merwitz	Principal	Research Analyst
Robert F. Jacapraro	Principal	Research Analyst
Joshua S. Overholt	Vice President	Research Analyst
Matthew E. Fleming	Vice President	Research Analyst
Andrew L. Gilchrist	Principal	Quantitative Analyst

The Large Cap accounts are reviewed at least twice a year by the Client Service and the Large Cap Investment Committee. At each review the Committee is given a summary of each account's investment objectives, asset allocation requirements, specific client restrictions or mandates, income requirements, and directed brokerage constraints if any. If the account is not in line, the Portfolio Manager may justify why the account is not in line and may be asked by the Committee to restructure the portfolio to bring the account into conformity with the client's stated investment objectives.

<u>Large Cap Value Team</u>	<u>Title</u>	<u>Function</u>
Paul L. Borssuck	Principal	Portfolio Manager
Edward W. Brown, Jr.	Vice President	Portfolio Manager
Donald J. Hoelting	Principal	Portfolio Manager
Andrew L. Gilchrist	Principal	Quantitative Analyst

ICM provides each client with a report on their account at least quarterly. At a minimum, these reports include a list of assets in the account, a summary of the investment results of the account relative to the appropriate benchmarks, and a letter discussing the market conditions contributing to the performance of the account during the quarter. Clients also receive account statements from the custodian at least quarterly.

Item 14 – Client Referrals and Other Compensation

It is Investment Counselors of Maryland, LLC's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Investment Counselors of Maryland, LLC's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 – Custody

In addition to the periodic statements that clients receive directly from their custodians, ICM also send account summaries directly to our clients on at least a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

Item 16 – Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our limited discretionary authority includes the ability to do the following without contacting the client:

- ◆ determine broker dealer
- ◆ determine the security to buy or sell; and/or
- ◆ determine the amount of the security to buy or sell
- ◆ determine the amount of broker commissions to be paid

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 – Voting Client Securities

ICM votes proxies for all client accounts; however, you always have the right to vote proxies yourself. You can exercise this right by instructing us in writing to not vote proxies in your account.

ICM has adopted a proxy voting policy reasonably designed to ensure that it votes proxies in the best interest of its clients. The Firm utilizes the services of an unaffiliated proxy service to help manage the proxy voting process and develop guidelines on how individual proxies will be voted. Relying on a proxy service helps ICM vote in the best interest of clients and insulates ICM's voting decisions from any potential conflicts of interest. If ICM determines that a potential conflict of interest exists, ICM will vote the proxy as recommended by the proxy service or take another course of action that, in the opinion of the Firm, fairly addresses the conflict in the best interest of the client. Items voted contrary to the recommendation of the proxy firm will be reviewed and approved by the Compliance Officer. The Firm will not be responsible for voting proxies or maintaining proxy records for those clients who reserve for themselves the voting of proxies for the holdings in their accounts or participate in share lending programs.

ICM's Proxy Voting Policies and Procedures are posted on its website at www.icomd.com. Clients may request a copy of the Proxy Voting Policies and Procedures and/or a report on how their individual securities were voted by calling 410-539-3838 at Investment Counselors of Maryland, LLC. The report will be provided free of charge.

Item 18 – Financial Information

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Investment Counselors of Maryland, LLC has no additional financial circumstances to report. Investment Counselors of Maryland, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.