
Form ADV Part 2A

Brochure Cover Page

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This brochure provides information about the qualifications and business practices of Brown Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at 410-537-5400 and/or compliancegroup@brownadvisory.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 Brown Advisory, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisers) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

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Item 4 Advisory Business

Overview of the Business

Brown Advisory, LLC ("BALLC", "the firm", or "we") provides investment advisory services and financial planning services to individuals and institutions. These include: high net worth individuals and families, endowments, foundations, other charitable organizations, public/government-related clients, pension and profit sharing plans, insurance companies, corporations, individual retirement plans, trusts, estates, and other taxable individual plans. Our services start with and continue with an ongoing determination of a client's needs and goals. After those needs and goals are determined, we assess the client's risk tolerance. At that point we develop an investment plan for the client. This program may consist of investment in equity securities, fixed income securities, money market instruments, real estate, and other alternative strategies.

We are a wholly-owned subsidiary of Brown Investment Advisory and Trust Company ("BIATC"). BIATC is a Maryland State Non-depository Trust Company and as such is regulated by the Maryland Office of the Commissioner of Financial Regulation. BIATC is a wholly-owned subsidiary of Brown Advisory Holdings Incorporated ("BAHI" or "Brown Advisory"). Brown Advisory was launched in 1993 as an investment management division of Alex. Brown & Sons. Alex. Brown & Sons was a Baltimore-based investment bank founded in 1800. From its inception, Brown Advisory has maintained a culture of independence. Even as a part of Alex. Brown & Sons, it maintained an independent board of directors and developed its own research team and independent trading desk. In 1998, Brown Advisory became independently owned through an employee-led buyout. We are registered with the Securities and Exchange Commission ("SEC") as an investment adviser.

Strategies Offered

To meet the needs of our clients, we offer a wide range of investment advisory services. We invest in a variety of security types. Generally, the security types we invest include, but are not limited to:

- ♦ U.S. Equity
- ♦ U.S. Fixed Income
- ♦ Real Estate Investment Trusts ("REITS")
- ♦ Exchange Traded Funds ("ETFs")
- ♦ Mutual funds
- ♦ Alternatives
- ♦ Non-U.S Equity and Fixed Income

While larger clients frequently benefit from separate accounts, smaller clients frequently benefit from investments in mutual funds and ETFs. Different factors, including account type and size, may be used to determine which vehicle is most appropriate for the client.

For those clients that want to be invested in both equities and fixed income, we provide balanced portfolio management. We also offer strategic asset allocation for clients that want to pursue other investment strategies such as alternatives and private equity.

We provide our clients with access to outside managers through a program we call "Open

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Architecture.” This service provides clients greater access to a wider range of investing opportunities and asset classes, including international equities, emerging markets equities, global fixed income, high yield fixed income, private equity, commodities and real estate. By combining our selective open architecture initiative with our extensive in-house resources, we optimize our customized portfolio management capabilities for our clients.

Lastly, in addition to our investment management services, we also offer strategic advisory services. These include, but are not limited to tax planning, generational planning, charitable planning, and wealth building.

Portfolio Customization

We manage assets for clients seeking discretionary portfolio management services. Each client receives personalized investment management services based upon an analysis of the client’s financial circumstances, income requirements, risk tolerance, investment objectives and other pertinent factors.

We work closely with our clients to ensure that their goals and objectives are met. For clients with specific investment guidelines, we provide customized portfolios. Any client-imposed limitations or guideline restrictions are generally defined and outlined upon the accounts inception with the firm. All clients maintain investment advisory agreements with us. The investment advisory agreement is the contract that governs our relationship with the client.

Wrap Program Participation

We do not participate in wrap fee programs.

Assets Under Management

As of December 31, 2010, we had \$1,139,045,487 in assets under management. Of that total \$938,053,673 (or approximately 82%) represent assets managed on a discretionary basis and \$200,991,814 (or approximately 18%) represent assets managed on a non-discretionary basis

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Item 5 Fees and Compensation

Standard Fee Schedules

Fees are charged on a percentage of the value of assets under management. Although fees may be subject to negotiation, the general advisory fee schedule is outlined below:

- 1.25% of the first \$5,000,000 under management
- 0.75% of the next \$5,000,000 under management
- 0.50% of amounts over \$10,000,000 under management

These fees are subject to negotiation. Fees are generally negotiable depending on account size, client service requirements, and certain circumstances. In a few instances, fees of a fixed dollar amount per year are negotiated with the client because of the particular circumstances involved. Fees are usually payable in advance; however, for historic reasons, some clients pay annually in arrears.

The advisory fee does not cover fees for services performed by the client's custodian.

We or the client may terminate arrangements at any time without charge except and unless services are required to effect termination. Services can be terminated at any time by the client or by us. In the event of termination, the client will be refunded any prepaid fees prorated to the date of termination.

Fee Payment Options

There are two options you may select to pay for our services:

1. Direct debiting (preferred): At the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the management fee due and payable to us through our fee schedule and contract. If you choose this method you must provide written authorization to the custodian permitting our management fee to be paid directly from your account held by an independent custodian. The custodian does not validate or check our fee or its calculation on the assets on which the fee is based. They will deduct the fee from your Account(s) or, if you have more than one account, from the account you have designated to pay our advisory fees. Each month, you will receive a statement directly from your custodian showing all transactions, positions and credits/debits into or from your account; the statements after the quarter-end will reflect these transactions, including the advisory fee paid by you to us.

2. Pay-by-check: At the inception of the relationship and each quarter thereafter, we will issue you an invoice for our services and you will pay us by check or wire transfer upon receipt of the invoice date.

Additional Fees and Expenses

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your Account(s). The fee schedule pertains to separate account management and does not include custody fees, brokerage charges, fund expenses, or related transaction costs. Custody fees will vary depending on the custodian. All brokerage charges and related transactions costs are charged to the account as they occur.

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All fees paid to us for portfolio management services are separate from the fees and expenses borne by any mutual funds or limited partnerships, in which client assets may be invested, including funds or partnerships advised by an affiliate of ours. Clients paying a Brown Advisory account-level fee are rebated an amount equal to management fees charged by Brown Advisory Funds. Although clients would not bear any sales load for any affiliated funds, they may be charged a sales load for any unaffiliated funds.

Provided below is a comprehensive list of fees or expenses you may pay directly to third parties for any securities purchased, sold, or held in your Account(s) under our management. They are charged by the broker/custodian. We do not receive, directly or indirectly, any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. These fees may include:

- ♦ Brokerage commissions,
- ♦ Transaction fees;
- ♦ Exchange fees;
- ♦ Regulatory fees;
- ♦ Advisory fees and administrative fees charged by mutual funds, exchange traded funds, private funds or private equity vehicles;
- ♦ Custodial fees;
- ♦ Deferred sales charges on mutual funds or annuities;
- ♦ Odd-lot differentials;
- ♦ Transfer taxes;
- ♦ Wire transfer and electronic fund processing fees;
- ♦ Legal fees;and
- ♦ Commissions or mark-ups/mark-downs on security transactions;

Please refer to Item 12 of this brochure which discusses our brokerage practices in greater detail.

U.S. Bank Custody Fees

In 2010, Brown Advisory selected U.S. Bank, N.A. ("U.S. Bank") as its custodian of choice. Although a Brown Advisory affiliate previously provided custody services, the migration to an outside custodian enables Brown Advisory to focus on its strengths of investment management, strategic advice and administration. Other than reviewing statements from U.S. Bank and accessing accounts online (through Brown Advisory's web site to U.S. Bank), clients do not need to form a relationship or communicate with the bank. We negotiated a favorable custody relationship, which is completely tailored for the needs of Brown Advisory's clients. As a custodian, U.S. Bank provides the following services:

- ♦ Safekeeping of assets,
- ♦ Receiving and disbursing funds,
- ♦ Transaction settlement,
- ♦ Client statements, accounting and reporting,
- ♦ Tax reporting on purchases and sales (1099s), and
- ♦ On-line account access,

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The custody fee schedule is as follows:

- 3.50 basis points on the first \$5 million
- 3.25 basis points on the next \$5 million
- 2.25 basis points on the next \$10 million
- 1.25 basis points on the balance

It is important to note that there is no minimum custody fee . Clients may select their own custodian; they are not required to utilize the services of U.S. Bank.

U.S. Bank and Brown Advisory have entered into an agreement through which U.S. Bank will pay Brown Advisory up to 0.21 basis points based on total assets under custody with U.S. Bank to reimburse certain costs incurred by Brown Advisory discontinuing custody services. Such reimbursement has no effect on the fees paid by clients.

Refund for Terminated Accounts

Fees are generally charged quarterly in advance based upon the market value of the assets under management at the end of the previous calendar quarter. The investment advisory agreement that you enter into with us may be terminated at any time, by either of us by giving the other 30 days written notice of such termination. In the event the agreement is terminated, any fees paid in advance will be refunded to you on a pro rata basis as of the termination date.

Compensation for Sale of Securities or Other Investment Products

We do not have or employ any "employee" that receives, either directly or indirectly, any compensation from the sale of securities or other investment products that are purchased or sold for your account. This includes asset-based sales charges or service fees from the sale of mutual funds. As a result, we are a "fee-only" investment adviser. We do not have any potential conflicts of interest that relate to any additional (and undisclosed) compensation from you or your assets that we manage other than those listed in this document.

Certain Issues Relating to Mutual Funds

Brown Advisory's mutual funds are used in large part with clients who have existing relationships with Brown Advisory and its affiliates.

When clients hold these funds in an account that is charged an investment advisory fee by Brown Advisory or any of its component investment groups, Brown Advisory credits the client's pro rata share of the investment advisory fee paid to Brown Advisory by the fund or funds as an offset against the client's advisory fee. Separately, the Funds may pay a fee of up to 0.05% of the average daily assets of each Fund's Institutional Shares for shareholder services provided to the Funds by financial institutions, including Brown Advisory. The Funds also may pay a fee of up to 0.50% of average daily net assets of A Shares, as applicable, under a Rule 12b-1 plan as compensation for distribution-related and shareholder services provided by intermediaries including Brown Advisory. Please refer to the Funds' prospectus for additional details

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

From time to time we will accept institutional clients who wish to pay performance-based fee schedules. Since most of our clients maintain tiered asset-based fee schedules, this means that some portfolio managers are managing accounts for clients that compensate us according to an asset-based fee schedule at the same time they are managing accounts for clients that compensate us according to a portfolio's investment performance relative to its benchmark. By managing these two types of fee-paying accounts at the same time, a portfolio manager is faced with certain potential conflicts. These include:

- ♦ An incentive for the portfolio manager to favor accounts for which we receive a performance-based fee; and
- ♦ An increased chance that the portfolio manager's strategy will experience style drift or take on excessive risk if his or her compensation is tied to performance.

To mitigate and manage these risks, we employ the following practices:

- ♦ All accounts managed according to a particular strategy are incorporated into the same trade group for trade execution and allocation purposes. This ensures that trading in an investment strategy is aggregated across all related accounts to facilitate best execution.
- ♦ When portfolio managers need to effect a transaction in the same security or securities, they often will aggregate orders for the same security by multiple accounts into a "block trade". We believe that this process provides equal treatment of all clients, provides ease of administration, and ensures that accounts managed in the same strategy are traded as closely as client guidelines will allow.
- ♦ The portfolio managers review each account on a continuous basis. Reviews are undertaken to confirm that the portfolio conforms to client suitability standards as well as to determine if any security changes need to occur. Performance reviews occur quarterly. Portfolio managers continually review investments to confirm that they are consistent with the outlined investment objectives.
- ♦ The Head of Investments reviews the performance of all accounts within a style specific composite on a quarterly basis to ensure that all accounts with similar investment mandates are being managed in a consistent manner. If there are any accounts that fall outside of an acceptable deviation range, the Head of Investments will confer with the portfolio manager(s) to determine the reason for the deviation. The Head of Investments meets semi-annually with each investment team to review the previous six months of performance and portfolio activity to ensure that the teams are managing the portfolios to stated investment philosophies. Sector and stock selection analysis, current portfolio composition, all trading activity during the preceding six months and style based portfolio analysis are all examined during the review.
- ♦ To ensure complete adherence to institutional client contracts, we have established an Institutional Client Review Committee. The committee is comprised of senior officers and includes the firm's Chief Financial Officer, Director of Research, Chief Compliance Officer, Institutional Client Service Manager, and Portfolio Manager. On the front-end, all client documents are thoroughly reviewed and amended when appropriate. On the back-end, every institutional client relationship is reviewed twice a year at which time all aspects of the investment management contract, investment policy statement, and/or legal guidelines are scrutinized.

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Item 7 Types of Clients

We provide investment management services to individuals and institutions. These include:

1. High net worth individuals and families,
2. Endowments,
3. Foundations,
4. Other charitable organizations,
5. Public/government-related clients,
6. Pension and profit sharing plans,
7. Insurance companies,
8. Corporations,
9. Individual retirement plans,
10. Trusts,
11. Estates, and
12. Other taxable individual accounts.

Although we generally target institutional or high net worth clients with a minimum of \$5 million of investable assets, from time to time we will waive the account minimum depending on the client relationship and client service requirements.

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

Methods of Analysis

As we construct customized portfolios for our clients, we leverage the research conducted and produced by Brown Advisory's investment team. We incorporate the themes and strategies of the investment team's proprietary research into our asset allocation plans for our clients. In addition, we leverage the research produced by our external manager group as we invest client assets in external, non-proprietary strategies and investment products. At all times, our portfolio managers are focused on establishing portfolios for our clients that address their investment needs and goals and accommodate their tolerance for risk.

We believe in a highly collaborative, team-oriented investment process that seeks value added internal and external inputs in the investment decision making process. Simply put, we find that the greater the diversity of views and information incorporated in evaluating industries and business models, the greater the odds of investment success. Generally, we believe that risk-adjusted returns can be better achieved by buying and holding securities of companies and issuers over long periods of time.

Our investment strategies generally follow a disciplined investment process that concentrate on the analysis of incremental return relative to incremental risk. The goal of our investment process is to build a portfolio of business models where the total risk-adjusted return of the portfolio is optimized according the client's investment goals and objectives.

Our investment process is based on in-depth fundamental research on individual companies and issuers. We focus on compelling business models and valuations. We seek to invest in companies and issuers we believe are undervalued in the marketplace based on characteristics such as earnings, dividends, cash flow or asset values. Other factors such as competitive position, the balance and outlook for supply and demand, the quality of management and management's focus on creating shareholder value are considered as well. Throughout the research process, our investment team:

- ♦ Utilizes proprietary models to perform financial modeling and analysis,
- ♦ Performs fundamental scenario analysis to determine how our portfolios can maximize upside returns while minimizing downside risk, and
- ♦ Produces proprietary written research reports that document our thought processes and analysis.

The investment team focuses on constant collaboration. It meets several times a week to discuss new ideas, revisit old ones, and challenge each other on the investments currently in our portfolios. We generate most of our new ideas from our screening process and by leveraging our investment network. The best ideas are followed up with extensive due diligence. Our due diligence process includes company visits, market research, SEC filings, and interviews with industry insiders.

With respect to sell discipline, we monitor the holdings in a client's portfolio on a regular basis to determine if there have been any fundamental changes. We may sell a security or reduce our

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position in a security if:

- ♦ The security has reached a price whereby its risk/reward characteristics are not as favorable;
- ♦ A company's or issuer's fundamentals have deteriorated to the point where the original investment thesis for owning the security is no longer intact; or
- ♦ A better opportunity has been identified or funds are needed for another purpose.

Investment Strategies

As an investment adviser, we provide investment management services to individuals and institutions through a variety of investment vehicles. These include: mutual funds, separate accounts, and private funds. Different factors, including account type and size, may be used to determine which vehicle is most appropriate for the client. It is important to note that we are driven primarily by the goals and objectives of our clients and work closely with them to create appropriate investment guidelines to meet their needs. Generally, the security types we invest on behalf of our clients include, but are not limited to:

- ♦ U.S. Equity
 - Common Stock and Preferred Stock
 - Small, Middle, and Large Capitalization Companies
 - Value, Growth, and Core Styles
- ♦ U.S. Fixed Income
 - Taxable and Tax-exempt
 - Investment Grade and High Yield
- ♦ Real Estate Investment Trusts ("REITS")
- ♦ Exchange Traded Funds ("ETFs")
- ♦ Mutual funds
- ♦ Alternatives
 - Private Equity
 - Commodities
 - Real Estate
 - Hedge Funds
 - Fund of Funds
- ♦ Non-U.S Equity and Fixed Income

Through our affiliation with Brown Investment Advisory Incorporated, we provide our clients with access to the following equity investment strategies:

- ♦ Brown Advisory Growth Equity,
- ♦ Brown Advisory Value Equity,
- ♦ Brown Advisory Flexible Value,
- ♦ Brown Advisory Small-Cap Growth,
- ♦ Brown Advisory Small-Cap Fundamental Value,
- ♦ Brown Advisory Opportunity,
- ♦ Winslow Green Growth (Small Cap),
- ♦ Winslow Green Large Cap, and
- ♦ Equity Income.

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Through our affiliation with Brown Investment Advisory Incorporated, we provide our clients with access to the following fixed income investment strategies:

- ♦ Brown Advisory Maryland Bond, and
- ♦ Brown Advisory Intermediate Income.

Through our affiliation with Brown Advisory Cavanaugh, LLC we provide our clients with access to the following fixed income investment strategies:

- ♦ Core Fixed Income,
- ♦ Limited Duration,
- ♦ Intermediate Municipal, and
- ♦ Enhanced Cash.

For those clients that want to be invested in both equities and fixed income, we provide balanced portfolio management. We also provide our clients with access to outside managers through a program we call "Open Architecture". In addition, we offer strategic asset allocation for clients that want to pursue other investment strategies such as alternatives and private equity. Lastly, for those clients in need of strategic advisory services, we combine our asset management expertise with strategic advice to offer each client individualized and performance-oriented investment solutions.

Open Architecture

To augment our in-house capabilities, we offer a brand of selective open architecture investment options. This strategy is designed to bring clients additional asset classes and investment styles that complement our proprietary capabilities. Open architecture capabilities include:

- ♦ Commodities
- ♦ Emerging Markets Equity
- ♦ Hedge Funds and Funds of Funds
- ♦ High Yield Fixed Income
- ♦ Global Fixed Income
- ♦ Real Estate
- ♦ Developed International Equities
- ♦ U.S. Small-Cap Value Equity

Our selective open architecture program provides clients with access to external investment management capabilities. To establish the list of managers we:

- ♦ Follow a disciplined process of research, selecting and monitoring investment managers;
- ♦ Identify strategies and managers that optimize a client's total portfolio;
- ♦ Are proactive in identifying, researching, and executing opportunities around the globe; and
- ♦ Leverage our network to access ideas and investing opportunities. Our network includes, but is not limited to:

- Attorneys and accountants
- Industry connections
- Foundations and endowments
- National and local government officials
- Research universities

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Board directors and members, CEOs, and business owners

- Consultants
- Investment bankers
- Venture capital and private equity firms
- National and local decision makers

Strategic Asset Allocation

As an independent investment advisory firm, we are committed to serving our clients' needs and goals. For those clients that are looking for a balanced approach to their investment portfolios, we offer strategic asset allocation. To determine the appropriate asset allocation for a client, we begin with an analysis of each client's financial situation. We then utilize a three-pronged approach to assess our clients' risk tolerance and unique investment objectives.

Based on the results of these assessments, we develop an investment plan for our clients. Each plan is tailored to a client's individual goals and is adjusted only when the client's circumstance changes or when extreme markets present extraordinary risks or opportunities. For many clients, we oversee a full portfolio of investable assets. In these instances, we evaluate a client's financial situation and approach the management of personal wealth as a business enterprise, working hand-in-hand with the family's other advisers. In other scenarios, we may manage just a single asset class for a client. This may occur because the client maintains a distinct investment philosophy as a value investor or a growth investor or because we complement the client's other managers. Strategic asset allocation includes long-term investments in a mix of financial instruments. These include, but are not limited to:

- ♦ Equity securities,
- ♦ Fixed income securities,
- ♦ Money market instruments,
- ♦ Mutual funds,
- ♦ Funds of funds, and
- ♦ Other alternative investments.

Alternative Investments

Since our Open Architecture and Strategic Asset Allocation capabilities include alternative investments, it is important to note that Brown Advisory has a dedicated team responsible for sourcing and managing the firm's alternative investment and private equity strategies. Our alternative investment program has invested client assets across venture capital, growth equity, leveraged buyout, real estate, hedge fund and other strategies. With respect to administration of these investments, our Private Equity Administration Group oversees the execution of investor subscription documents, collects funds for capital calls, circulates materials provided by fund managers, provides periodic reports on investment performance and tax information and manages distributions.

While we believe that opportunistic investments, which allow for tactical and/or higher risk and illiquidity, are important aspects of balanced portfolios, we also adhere to the belief that alternative investment strategies must be tailored to each client's long-term goals and risk tolerance.

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Accordingly, among the factors we consider in recommending alternative investment options are liquidity needs and concerns, risk tolerance, long-term performance of private equity and venture capital vis-à-vis the major market indices, cyclicity of investment cycles, attractiveness/timeliness of industries and strategies, higher fees that typically accompany alternative investments, tax issues, alignment of interests and the ability to enhance returns through value creation.

As we assess the merits of alternative investments, we apply our knowledge of the sectors in which we participate. We leverage in-house research expertise in industry sectors, as well as experienced partners who participate on endowment, university and private school investment committees with active alternative investment programs, to identify attractive industries and markets. In addition, we will meet with the sponsors and managers of alternative investment opportunities; conduct on-site visits and interviews; and, as applicable, conduct portfolio reviews, financial analysis and legal diligence.

Strategic Advisory Services

We combine our asset management expertise with strategic advice to offer each client individualized and performance-oriented investment solutions. We recognize that our wealthy individual clients bring complex assets such as common stocks and bonds; closely held businesses; private investments and real estate. Strategic asset allocation is designed to meet a client's return, cash flow and risk tolerance criteria. It also takes into account other issues unique to each client. Additional considerations include:

- ♦ Tax considerations,
- ♦ Income/yield requirements,
- ♦ Real estate holdings,
- ♦ Business objectives,
- ♦ Time horizon,
- ♦ Family/generational issues,
- ♦ Single stock risk,
- ♦ Family issues, and
- ♦ Philanthropic intentions.

As a result of these considerations, we provide a full array of investment capabilities that enables us to offer diversified portfolios. As a strategic adviser we will work with our clients' attorneys, accountants, executive and family members, portfolio managers, and account administrators. We will attend regular meetings, provide proactive advice on investment and tax issues, and coordinate activity with a client's legal counsel, accountants and other outside advisors. We communicate regularly with the client and continually review their overall holdings, including any business or estate planning vehicles. As we actively manage a client's portfolio of individual securities, we will evaluate alongside the client whether each investment decision is appropriate for him/her and only execute the decision that are in his/her best interest. At all times we will manage their assets and cash flow needs according to their investment or wealth transfer objectives. In addition, we can provide them with more personalized services including, but not limited to:

- ♦ Tax planning,
- ♦ Generational planning,

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- ♦ Charitable planning, and
- ♦ Wealth building.

A client's strategic asset allocation plan is reviewed and adjusted from time to time and takes into account changes in a client's financial and family circumstances.

Our investment process is based on in-depth fundamental research on individual companies and issuers. To develop the overall plan we use a series of analytics to test proposed portfolios for:

- ♦ Their efficiency or optimal combination of risk and return, and
- ♦ The probability that they will produce the desired investment results over time. This may include appreciation, income, cash flow, liquidity, etc.

Using various simulation models, we estimate the future value of each proposed portfolio over varying periods of time and under various market conditions and assumptions with regard to the client's cash flow requirements and spending patterns. Once the optimal plan is identified for a particular client, we commit the strategic plan to writing and agree on the objective criteria for judging its success in meeting the client's objectives.

Since portfolios are customized according to client investment objectives and guidelines, the principal risks to which clients are subject vary. Depending on the securities held in their portfolios, clients can be exposed to the following risks: equity and general market risk, value company risk, growth company risk, medium capitalization company risk, smaller company risk, foreign securities/emerging market risk, REIT and real estate risk, convertible securities risk, derivatives risk, sector risk, political or legal risk, event risk, management risk, portfolio turnover risk, debt/fixed income securities risk, non-investment grade securities risk, ETF risk, private placement risk, non-diversification risk, mortgage- and asset-backed securities risk, general municipal securities risk, and short selling risk. Please see the Risk of Loss section below for a more thorough explanation.

Risk of Loss

General Risk of Loss

All investments in securities include a risk of loss of the principal invested amount and any profits that have not been realized. There is a risk that you could lose all or a portion of your investment in any of the above mentioned strategies. An investment in a strategy is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Financial markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. Although we do our best to manage and mitigate the risks, there may be some risks that we cannot control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets. Provided below is a description of the various different kinds of risks inherent in the strategies we offer.

Equity and General Market Risk

Each Equity strategy may invest in common stock. Common stock represents an equity (ownership) interest in a company, and usually possesses voting rights and earns dividends. Dividends on

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common stock are not fixed but are declared at the discretion of the issuer. Common stock generally represents the riskiest investment in a company. In addition, common stock generally has the greatest appreciation and depreciation potential because increases and decreases in earnings are usually reflected in a company's stock price. The fundamental risk of investing in common and preferred stock is the risk that the value of the stock might decrease. Stock values fluctuate in response to the activities of an individual company or in response to general market and/or economic conditions. Historically, common stocks have provided greater long-term returns and have entailed greater short-term risks than preferred stocks, fixed-income and money market investments. The market value of all securities, including common and preferred stocks, is based upon the market's perception of value and not necessarily the book value of an issuer or other objective measures of a company's worth. If you invest in an equity strategy, you should be willing to accept the risks of the stock market and should consider an investment in the strategy only as a part of your overall investment portfolio. Other general risks include:

- ♦ The market value of securities in which a strategy invests is based upon the market's perception of value and is not necessarily an objective measure of the securities' value.
- ♦ The market may not recognize what we believe to be the true value or growth potential of the stocks held by a strategy.
- ♦ The earnings of the companies in which a strategy invests will not continue to grow at expected rates, thus causing the price of the underlying stocks to decline.
- ♦ The smaller a company's market capitalization, the greater the potential for price fluctuations and volatility of its stock due to lower trading volume for the stock, less publicly available information about the company and less liquidity in the market for the stock. The potential for price fluctuations in the stock of a medium capitalization company may be greater than that of a large capitalization company.
- ♦ Our judgment as to the growth potential or value of a stock may prove to be wrong.
- ♦ A decline in investor demand for the stocks held by a strategy also may adversely affect the value of the securities.

Value Company Risk

Value investing carries the risk that the market will not recognize a security's intrinsic value for a long time or that a stock judged to be undervalued may actually be appropriately priced. The determination that a stock is undervalued is subjective; the market may not agree, and a stock's price may not rise to what we believe is its full value. If the market does not consider the stock to be undervalued then the value of a strategy's holdings may decline, even if stock prices generally are rising. The value of a strategy may also decrease in response to the activities and financial prospects of an individual company.

Growth Company Risk

An investment in growth stocks may be susceptible to rapid price swings, especially during periods of economic uncertainty. Growth stocks typically have little or no dividend income to cushion the effect of adverse market conditions and may be particularly volatile in the event of earnings disappointments or other financial difficulties experienced by the issuer. Securities of growth companies can be more sensitive to the company's earnings and more volatile than the market in general.

Brown Advisory, LLC (SEC No. 801--38826)*Medium Capitalization Company Risk*

Medium Capitalization company stocks may have greater fluctuations in price than the stocks of large companies. Further, stocks of mid-sized companies could be more difficult to liquidate during market downturns compared to larger, more widely traded companies. Medium Capitalization companies may have limited product lines or resources and may be dependent upon a particular market niche.

Smaller Company Risk

If a strategy invests in smaller companies, an investment in that strategy may have the following additional risks:

- ♦ Analysts and other investors typically follow these companies less actively and therefore information about these companies is not always readily available;
- ♦ Securities of many smaller companies are traded in the over-the-counter markets or on a regional securities exchange potentially making them thinly traded, less liquid and their prices more volatile than the prices of the securities of larger companies;
- ♦ Changes in the value of smaller company stocks may not mirror the fluctuation of the general market; and
- ♦ More limited product lines, markets and financial resources make these companies more susceptible to economic or market setbacks.

For these and other reasons, the prices of smaller capitalization securities can fluctuate more significantly than the securities of larger companies. The smaller the company, the greater effect these risks may have on that company's operations and performance. As a result, an investment in a strategy that invests in smaller capitalization securities may exhibit a higher degree of volatility than the general domestic securities market.

Foreign Securities/Emerging Market Risk

If a strategy invests in foreign securities and ADRs, an investment in that strategy may have the following additional risks:

- ♦ Foreign securities may be subject to greater fluctuations in price than securities of U.S. companies because foreign markets may be smaller and less liquid than U.S. markets;
- ♦ Changes in foreign tax laws, exchange controls, investment regulations and policies on nationalization and expropriation as well as political instability may affect the operations of foreign companies and the value of their securities;
- ♦ Fluctuations in currency exchange rates and currency transfer restitution may adversely affect the value of the strategy's investments in foreign securities, which are denominated or quoted in currencies other than the U.S. dollar;
- ♦ Foreign securities and their issuers are not subject to the same degree of regulation as U.S. issuers regarding information disclosure, insider trading and market manipulation. There may be less publicly available information on foreign companies and foreign companies may not be subject to uniform accounting, auditing, and financial standards as are U.S. companies;
- ♦ Foreign securities registration, custody and settlements may be subject to delays or other operational and administrative problems;
- ♦ Certain foreign brokerage commissions and custody fees may be higher than those in the United

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States;

- ♦ Dividends payable on the foreign securities contained in the strategy's portfolio may be subject to foreign withholding taxes, thus reducing the income available for distribution to the strategy's shareholders; and
- ♦ Prices for stock or ADRs may fall over short or extended periods of time.

If a strategy invests in emerging markets, an investment in that strategy may have the following additional risks:

- ♦ Information about the companies in emerging markets is not always readily available;
- ♦ Stocks of companies traded in emerging markets may be less liquid and the prices of these stocks may be more volatile than the prices of the stocks in more established markets;
- ♦ Greater political and economic uncertainties exist in emerging markets than in developed foreign markets;
- ♦ The securities markets and legal systems in emerging markets may not be well developed and may not provide the protections and advantages of the markets and systems available in more developed countries;
- ♦ Very high inflation rates may exist in emerging markets and could negatively impact a country's economy and securities markets;
- ♦ Emerging markets may impose restrictions on the strategy's ability to repatriate investment income or capital and thus, may adversely affect the operations of the strategy;
- ♦ Certain emerging markets impose constraints on currency exchange and some currencies in emerging markets may have been devalued significantly against the U.S. dollar;
- ♦ Governments of some emerging markets exercise substantial influence over the private sector and may own or control many companies. As such, governmental actions could have a significant effect on economic conditions in emerging markets, which, in turn, could affect the value of the strategy's investments; and
- ♦ Emerging markets may be subject to less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies.

ADR investments may subject a strategy to the same risks as direct investments in foreign companies. For these and other reasons, the prices of securities in emerging markets can fluctuate more significantly than the prices of securities of companies in developed countries. The less developed the country, the greater affect these risks may have on your investment in a strategy that invests in these securities, and as a result, an investment in that strategy may exhibit a higher degree of volatility than either the general domestic securities market or the securities markets of developed foreign countries.

REIT and Real Estate Risk

The value of a strategy's investments in REITs may change in response to changes in the real estate market. A strategy's investments in REITs may subject it to the following additional risks:

- ♦ Declines in the value of real estate;
- ♦ Changes in interest rates;
- ♦ Lack of available mortgage funds or other limits on obtaining capital and financing;
- ♦ Overbuilding;

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- ♦ Extended vacancies of properties;
- ♦ Increases in property taxes and operating expenses;
- ♦ Changes in zoning laws and regulations;
- ♦ Casualty or condemnation losses; and
- ♦ Tax consequences of the failure of a REIT to comply with tax law requirements.

A strategy will bear a proportionate share of the REIT's on-going operating fees and expenses, which may include management, operating and administrative expenses.

Convertible Securities Risk

A convertible security is a bond, debenture, note, preferred stock, right, warrant or other security that may be converted into or exchanged for a prescribed amount of common stock or other security of the same or a different issuer or cash within a particular period of time at a specified price or formula. A convertible security generally entitles the holder to receive interest paid or accrued on debt securities or the dividend paid on preferred stock until the convertible security matures or is redeemed, converted or exchanged. Before conversion, convertible securities generally have characteristics similar to both debt and equity securities. Convertible securities ordinarily provide a stream of income with generally higher yields than those of common stock of the same or similar issuers. Convertible securities generally rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible proportionate securities.

Convertible securities generally do not participate directly in any dividend increases or decreases of the underlying securities although the market prices of convertible securities may be affected by any dividend changes or other changes in the underlying securities. A strategy's investments in convertible securities may subject it to the risks that prevailing interest rates, issuer credit quality and any call provisions may affect the value of the strategy's convertible securities. Rights and warrants entitle the holder to buy equity securities at a specific price for a specific period of time. Rights typically have a substantially shorter term than do warrants. Rights and warrants may be considered more speculative and less liquid than certain other types of investments in that they do not entitle a holder to dividends or voting rights with respect to the underlying securities nor do they represent any rights in the assets of the issuing company. Rights and warrants may lack a secondary market.

The value of convertible securities tends to decline as interest rates rise and, because of the conversion feature, tends to vary with fluctuations in the market value of the underlying securities. A strategy's investments in equity may subject the strategy to volatility and the following risks:

- ♦ Prices for the stock may fall over short or extended periods of time;
- ♦ Cyclical movements of the equity market may cause the value of the strategy's securities to fluctuate drastically from day to day; and
- ♦ Individual companies may report poor results or be negatively affected by industry and or economic trends and developments.

Derivatives Risk

Derivatives are financial instruments that have a value which depends upon, or is derived from, a reference asset, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Derivatives may result in investment exposures that are greater than their cost

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would suggest; in other words, a small investment in a derivative may have a large impact on a strategy's performance. The successful use of derivatives generally depends on the manager's ability to predict market movements.

A strategy may use derivatives in various ways. It may use derivatives as a substitute for taking a position in the reference asset or to gain exposure to certain asset classes; under such circumstances, the derivatives may have economic characteristics similar to those of the reference asset, and the strategy's investment in the derivatives may be applied toward meeting a requirement to invest a certain percentage of its assets in instruments with such characteristics. A strategy may use derivatives to hedge (or reduce) its exposure to a portfolio asset or risk. A strategy may use derivatives for leverage. A strategy may also use derivatives to manage cash.

Derivatives are subject to a number of risks described elsewhere in this section, such as liquidity risk, interest rate risk, credit risk and general market risks. A strategy's use of derivatives may entail risks greater than, or possibly different from, such risks and other principal risks to which the strategy is exposed, as described below. Certain of the different risks to which a strategy might be exposed due to its use of derivatives include the following:

- ♦ Risk of default by the other party to the derivative transactions;
- ♦ Risk that the transactions may result in losses that partially or completely offset gains in portfolio positions;
- ♦ Risk that the derivative transactions may not be liquid; and
- ♦ Risk that derivative instruments may be mispriced or improperly valued and that changes in the value of the derivatives may not correlate perfectly with the underlying asset or security.

Sector Risk

Sector risk is the risk that an entire sector of securities declines in price or yields because of a common cause.

Political or Legal Risk

Political or legal risk is the risk that a political or legal action could adversely affect the value of a security. Examples include:

- ♦ Changes in withholding taxes or the imposition of additional taxes on a bond,
- ♦ Changes with respect to the taxable status of a bond,
- ♦ Changes in tax rates,
- ♦ Changes in regulatory authority,
- ♦ Changes with respect to policies on nationalization, and
- ♦ Political instability.

Event Risk

Event risks concern major incidents that can initiate the downgrade of the credit rating of a particular issuer. The ability of an issuer to make interest and principal payments on a fixed income security can be unpredictably altered by a significant corporate action event such as a takeover, merger or corporate restructuring or a natural disaster or major accident.

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Management Risk

Our strategies are actively managed and our performance in these strategies may reflect our ability to make decisions which are suited to achieving a strategy's investment objective. As a result, a strategy may not meet its investment objective based on the success or failure of the portfolio managers to implement investment strategies and could underperform other similar strategies with comparable investment objectives managed by other advisers.

Portfolio Turnover Risk

High portfolio turnover involves correspondingly greater expenses to a strategy, including brokerage commissions or dealer mark-ups and other transaction costs on the sale of securities and reinvestments in other securities.

Debt/Fixed Income Securities Risk

The value of your investment in a fixed income strategy may change in response to changes in interest rates. An increase in interest rates typically causes a fall in the value of the debt securities in which the strategy invests. The longer the duration of a debt security, the more its value typically falls in response to an increase in interest rates. The value of your investment in a fixed income strategy may change in response to the credit ratings of the strategy's portfolio of debt securities. The degree of risk for a particular security may be reflected in its credit rating. Generally, investment risk and price volatility increase as a security's credit rating declines. The financial condition of an issuer of a debt security held by a strategy may cause it to default or become unable to pay interest or principal due on the security. A strategy cannot collect interest and principal payments on a debt security if the issuer defaults.

Prepayment risks may occur when interest rates decline and issuers of debt securities experience acceleration in prepayments. The acceleration can shorten the maturity of the debt security and force the strategy to invest in securities with lower interest rates, reducing the strategy's return. With respect to extension risk, issuers may decrease prepayments of principal when interest rates increase, extending the maturity of the debt security and causing the value of the security to decline. Distressed debt securities involve greater risk of default or downgrade and are more volatile than investment grade securities. Distressed debt securities may also be less liquid than higher quality debt securities.

Non-Investment Grade Securities Risk

Securities rated below investment grade, i.e., BA or BB and lower ("junk bonds"), are subject to greater risks of loss of your money than higher rated securities. Compared with issuers of investment grade fixed-income securities, junk bonds are more likely to encounter financial difficulties and to be materially affected by these difficulties.

ETF Risk

Investments in ETFs (which may, in turn, invest in equities, bonds, and other financial vehicles) may involve duplication of certain fees and expenses. By investing in an ETF, a strategy becomes a shareholder of that ETF. As a result, investors in a strategy that invests in ETFs are indirectly subject to the fees and expenses of the individual ETFs. These fees and expenses are in addition to the fees

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and expenses that investors in the strategy directly bear in connection with the strategy's own operations. If the ETF fails to achieve its investment objective, the strategy's investment in the ETF may adversely affect its performance. In addition, because ETFs are listed on national stock exchanges and are traded like stocks listed on an exchange, the following may occur:

- ♦ The strategy may acquire ETF shares at a discount or premium to their NAV, and
- ♦ The strategy may incur greater expenses since ETFs are subject to brokerage and other trading costs.

Finally, because the value of ETF shares depends on the demand in the market, we may not be able to liquidate the ETF holdings at the most optimal time, adversely affecting the strategy's performance.

Private Placement Risk

The strategy may invest in privately issued securities of domestic common and preferred stock, convertible debt securities, ADRs, REITs and ETFs, including those which may be resold only in accordance with Rule 144A under the 1933 Act. Privately issued securities are restricted securities that are not publicly traded. Accordingly, the market liquidity for specific privately issued securities may vary. Delay or difficulty in selling such securities may result in a loss to the strategy.

Non-Diversification Risk

If a strategy is "non-diversified," its investments are not required to meet certain diversification requirements under Federal law. A "non-diversified" strategy is permitted to invest a greater percentage of its assets in the securities of a single issuer than a diversified strategy. Thus, the strategy may have fewer holdings than other strategies. As a result, a decline in the value of those investments would cause the strategy's overall value to decline to a greater degree than if the strategy held a more diversified portfolio.

Mortgage- and Asset-Backed Securities Risk

The strategy may invest in mortgage- and asset-backed securities, which represent "pools" of mortgages or other assets, including consumer loans or receivables held in trust. In a period of rising interest rates, these securities may exhibit additional volatility.

General Municipal Securities Risk

Our strategies may invest in municipal securities. Municipal securities are issued by the states, territories and possessions of the United States, their political subdivisions (such as cities, counties and towns), various authorities (such as public housing or redevelopment authorities) and special districts (such as water, sewer or sanitary districts) of the states, territories, and possessions of the United States or their political subdivisions. In addition, municipal securities include securities issued by or on behalf of public authorities to finance various privately operated facilities, such as industrial development bonds, that are backed only by the assets and revenues of the non-governmental user (such as hospitals and airports).

Municipal securities are issued to obtain funds for a variety of public purposes, including general financing for state and local governments, or financing for specific projects or public facilities.

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Municipal securities are classified as general obligation or revenue bonds or notes. General obligation securities are secured by the issuer's pledge of its full faith, credit and taxing power for the payment of principal and interest. Revenue securities are payable from revenue derived from a particular facility, class of facilities, or the proceeds of a special excise tax or other specific revenue source, but not from the issuer's general taxing power.

Investments in municipal fixed income securities are subject to the economic or political factors of the municipality. These factors can adversely affect the value of the municipal fixed income security and may cause wide fluctuations. In addition to state general obligation bonds, we will also invest in bonds of local governments and public authorities. While local governments may depend principally on their own revenue sources, they could experience budget shortfalls due to cutbacks in state aid. Certain municipal holdings may not rely on any government for money to service their debt. Bonds issued by governmental authorities may depend wholly on revenues generated by the project they financed or on other dedicated revenue streams. The credit quality of these "revenue" bonds may vary from that of the state's general obligations. There can be no assurance that state general obligation bonds or the securities of any municipal political subdivisions, authorities or corporations will be rated in any category or will not be downgraded by an NRSRO.

Short Selling

Short selling involves selling securities that are not owned by the seller and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows a portfolio to profit from declines in market prices to the extent such decline exceeds the transaction costs and the costs of borrowing the securities. However, since the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities would result in a loss upon such repurchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. Short-selling exposes a portfolio to unlimited risk with respect to that security due to the lack of an upper limit on the price to which an instrument can rise

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Item 9 Disciplinary Information

We do not have any legal, financial or other "disciplinary" items to report to you. We are obligated to disclose any disciplinary events that would be material to you when evaluating us to initiate a Client/Adviser relationship or to continue a Client/Adviser relationship with us.

This statement applies to our firm and every employee.

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Item 10 Other Financial Industry Activities and Affiliations

Our principal business and principal executive officers focus on providing investment advice to individuals and institutions.

Other Financial Industry Activities

We are not registered as a broker-dealer; however, certain employees and members of management may serve as registered representatives or in other capacities for our broker-dealer affiliate, Brown Advisory Securities, LLC.

We do not have an application pending to register as a broker-dealer.

Neither we nor any of our management persons have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Neither we nor any of our management persons are registered as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

Neither we nor any of our management persons have an application pending to register with a futures commission merchant, commodity pool operator or commodity trading advisor.

Neither we nor any of our management persons are associated with a futures commission merchant, commodity pool operator or commodity trading advisor.

Other Financial Industry Affiliations

Affiliations with Broker/dealers, Municipal Securities Dealers, or Government Securities Dealers or Brokers

As a wholly-owned subsidiary of Brown Investment Advisory & Trust Company, we are affiliated with Brown Advisory Securities, LLC ("BAS"). BAS is a broker-dealer registered with FINRA. It is also registered as an investment adviser with the SEC. They may recommend or affect transactions for shared clients, but we do not transact with BAS unless a client has directed us to do so.

We are not affiliated with any municipal securities dealers or government securities dealers or brokers.

Affiliations with Investment Companies or Other Pooled Investment Vehicles

As a wholly-owned limited liability company of Brown Investment Advisory & Trust Company, we are affiliated with U.S. registered investment companies. These include:

1. Brown Advisory Growth Equity Fund,
2. Brown Advisory Value Equity Fund,
3. Brown Advisory Flexible Value Fund,
4. Brown Advisory Small-Cap Growth Fund,

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5. Brown Cardinal Small Companies Fund,
6. Brown Advisory Small-Cap Fundamental Value Fund,
7. Brown Advisory Opportunity Fund,
8. Brown Advisory Maryland Bond Fund,
9. Brown Advisory Intermediate Income Fund, and
10. Winslow Green Growth Fund.

Brown Investment Advisory Incorporated, another wholly-owned subsidiary of BIATC, serves as the investment adviser for the above-mentioned U.S. registered investment companies.

Through our relationship with Brown Investment Advisory Incorporated, we are also affiliated with Brown Advisory Funds plc, an Ireland-domiciled UCITS umbrella fund that is comprised of four distinct sub-funds. (UCITS is an acronym that stands for Undertakings for Collective Investments in Transferable Securities.) Brown Investment Advisory Incorporated serves as the investment manager for the Brown Advisory Funds plc. Through the UCITS fund, investors in the European Union and elsewhere are able to invest in the strategies. The four distinct sub-funds include:

1. Brown Advisory US Equity Value Fund,
2. Brown Advisory US Equity Growth Fund,
3. Brown Advisory US Smaller Companies Fund, and
4. Brown Advisory American Fund.

It is important to note that Brown Investment Advisory Incorporated serves as sub-adviser to pooled vehicles sponsored by the Principal Financial Group ("Principal") and SEI. Both Principal and SEI provide asset management services to their clients. As a sub-adviser for these two asset management firms, Brown Investment Advisory Incorporated serves as an investment manager for mutual funds and UCITS that Principal and SEI market to their clients. Although Brown Investment Advisory Incorporated manages portions of the funds, the names of the funds reflect the Principal name and SEI name. While Principal and SEI are clients of Brown Investment Advisory Incorporated, the underlying clients in the funds are clients of Principal or SEI. Brown Investment Advisory Incorporated serves as sub-adviser to the following pooled vehicles:

1. Principal Funds, Inc. – Large Cap Growth Fund I
2. Principal Variable Contracts Funds, Inc. – Large Cap Growth Account I
3. Principal Funds, Inc. – Small Cap Growth Fund I
4. SEI Institutional Managed Trust – Large Cap Growth Fund
5. SEI Institutional Managed Trust – Large Cap Fund
6. SEI Institutional Managed Trust – Tax-Managed Large Cap Fund
7. SEI Institutional Investments Trust – Large Cap Fund
8. SEI Adviser Managed Trust Tactical Offensive Equity Fund
9. SEI Investments Canada – U.S. Large Company Equity Fund
10. SEI Global Master Fund plc – The SEI U.S. Large Companies Fund
11. SEI Global Master Fund plc – The SEI Global Growth Fund
12. SEI Global Master Fund plc – The SEI Global Aggressive Fund
13. SEI GAF – The SEI Aggressive Fund

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Affiliations with Other Investment Advisers or Financial Planners

As a wholly-owned limited liability company of BIATC, we are affiliated with several SEC registered investment advisers. These include:

1. Brown Advisory Cavanaugh, LLC ("BAC")
2. Brown Investment Advisory Incorporated ("BIAI")
3. Alex. Brown Investment Management, LLC ("ABIM") d/b/a Winslow Management Company, LLC ("Winslow")
4. Brown Advisory Securities, LLC ("BAS")

Brown Investment Advisory Incorporated and us are wholly-owned subsidiaries of Brown Investment Advisory & Trust Company. Alex. Brown Investment Management, LLC d/b/a Winslow Management Company, LLC is a wholly-owned subsidiary of Brown Advisory Management, LLC. Brown Advisory Cavanaugh, LLC, Brown Investment Advisory & Trust Company, Brown Advisory Management, LLC, Brown Advisory Securities, LLC, and Brown Advisory Ltd. are wholly-owned subsidiaries of Brown Advisory Holdings Incorporated.

Affiliations with Banking or Thrift Institutions

We are wholly-owned by Brown Investment Advisory & Trust Company, a Maryland State Non-Depository Trust Company. Brown Investment Advisory & Trust Company bears all administrative and operating expenses. Certain directors, officers and investment personnel may also serve in a similar capacity to other affiliated firms.

Affiliations with Insurance Companies or Agencies

We are an affiliate of Brown Advisory Insurance Agency. Brown Advisory Insurance Agency is a wholly-owned subsidiary of Brown Advisory Holdings Incorporated and is a licensed insurance agency.

Affiliations with Sponsors or Syndicators Limited Partnerships

Through Brown Investment Advisory & Trust Company, we are affiliated with BAT Commingled Fund Manager, Inc. and Brown Advisory Investors GP, LLC. Both companies may create or serve as the general partner of private partnerships. These partnerships invest in both public and private equity securities. Brown Investment Advisory & Trust Company may solicit their clients to invest in the private partnerships. In addition, Brown Investment Advisory & Trust Company, BAT Commingled Fund Manager, Inc. and Brown Advisory Investors GP, LLC may receive management fees for investments made in the private partnerships. BAT Commingled Fund Manager, Inc. or Brown Advisory Investors GP, LLC serve as general partner for the following partnerships.

- ♦ Brown Advisory Investors 2010 - Black Oak III, LLLP invests in real estate.
- ♦ Brown Advisory Investors 2010 - GCMP, LLLP invests in mezzanine financing.
- ♦ Brown Advisory Investors 2009 - EEIF, LLLP invests in energy/infrastructure.
- ♦ Brown Advisory Investors 2009 - EEIF (TE), LLLP invests in energy/infrastructure.
- ♦ Brown Advisory Investors 2009 - BlackRock PPIF, LLLP invests in credit financing.
- ♦ Brown Advisory Investors 2009 - BlackRock PPIF (TE), LLLP invests in credit financing.
- ♦ Brown Advisory Inv 2009 - CEF VII LLLP invests in private equity.

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- ♦ Brown Advisory Inv 2008 - NEA 13 invests in venture capital.
- ♦ Brown Advisory Investors 2008 - ABS VI, LLLP invests in venture capital.
- ♦ Brown Advisory Investors 2008 - JBG Investment Fund VII, LLLP invests in real estate.
- ♦ Brown Advisory Investors 2008 - JBG Investment Fund VII, (A) LLLP invests in real estate.
- ♦ Brown Advisory Investors 2008 - Credit Dislocation Fund, LLLP invests in credit financing.
- ♦ Brown Advisory Investors 2008 - Credit Dislocation Fund (TE), LLLP invests in credit financing.
- ♦ Brown Advisory Investors 2008 - PE SCDF IV, LLLP invests in real estate.
- ♦ Brown Advisory Investors 2008 - Riverstone IV, LLLP invests in energy/infrastructure.
- ♦ Brown Advisory Investors 2008 - Bain Europe III, LLLP invests in European private equity.
- ♦ Brown Advisory Investors SI International, LLLP invests in international equities.
- ♦ Brown Advisory Investors 2007- Bain X, LLLP invests in private equity.
- ♦ Brown Advisory Investors 2007- PEDF, LLLP invests in real estate.
- ♦ Brown Advisory Investors 2007 - QMP III, LLLP invests in venture capital.
- ♦ Brown Advisory Investors 2006 - SLP III, LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors 2006 - SLP III (TE), LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors 2007 - SUMERU, LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors 2007 - SUMERU (TE), LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors 2007 - Point 406, LLLP invests in venture capital.
- ♦ Brown Advisory Investors - 2006 ABS V LLLP invests in venture capital.
- ♦ Brown Advisory Venture Growth Partners 2006, LLLP invests in private equity.
- ♦ Brown Advisory Investors - 2006 HLM LLLP invests in venture capital.
- ♦ Brown Advisory Investors - 2005 LIN LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors - 2005 ADV LLLP invests in European private equity.
- ♦ Brown Advisory Investors - 2005 CEF LLLP invests in private equity.
- ♦ Brown Advisory Investors - Symphony Capital Partners 2004, LLLP invests in private equity.
- ♦ Brown Advisory Investors - Red Abbey Venture Partners 2004 LLLP invests in venture capital.
- ♦ Brown Advisory Investors - Elevation Partners 2004, LLLP invests in private equity.
- ♦ Brown Advisory Investors - 2003-SLP, LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors SLP-TE LLLP invests in buy-out financing.
- ♦ BrownIA Investors 2002-1, LLLP invests in real estate.
- ♦ BrownIA Netplex Venture Fund, LLLP invests in venture capital.
- ♦ BrownIA Investors 2001-2, LLLP invests in European private equity.
- ♦ BrownIA Investors 2001-1, LLLP invests in private equity.
- ♦ BrownIA Investors 2000 -5, LLLP invests in venture capital.
- ♦ BrownIA Investors 2000 -4, LLLP invests in European private equity.
- ♦ BrownIA Investors 2000 -3, LLLP invests in venture capital.
- ♦ BrownIA Investors 2000 -2, LLLP invests in venture capital.
- ♦ BrownIA Investors 2000 -1, LLLP invests in venture capital.
- ♦ Brown Venture Investors LP / Series 2000 – A invests in venture capital.
- ♦ Brown Venture Partners, LLLP invests in venture capital.
- ♦ Brown Venture Investors LP / Series 2000 – SCP invests in mezzanine financing.
- ♦ Brown Venture Investors LP / Series 1999 – P invests in venture capital.
- ♦ Brown Venture Investors LP / Series 1999 – ACM invests in venture capital.
- ♦ Brown Venture Investors LP / Series 1999 – B invests in venture capital.

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- ♦ Brown Venture Investors LP / Series 1999 – CI invests in real estate.
- ♦ Brown Venture Investors LP / Series 1999 – J invests in venture capital.
- ♦ Brown Venture Investors LP / Series 1999 – Q invests in venture capital.
- ♦ BIA Silverlake Investors, LLLP invests in buy-out financing.
- ♦ ABCAT / JMI Investors, LP invests in venture capital.
- ♦ Brown Advisory Global Select, LLLP invests in hedge funds.
- ♦ Brown Advisory Emerging Markets, LLLP invests in hedge funds.
- ♦ Brown Advisory Investors 2010 - SLCF, LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors 2010 - SLCF (TE), LLLP invests in buy-out financing.
- ♦ Brown Advisory Investors 2010 – EIG XV, LLLP invests in energy-related mezzanine financing.
- ♦ Brown Advisory Investors 2010 – EIG XV Exempt, LLLP invests in energy-related mezzanine financing.

Through Brown Investment Advisory Incorporated, we are affiliated with FINCAP LLC and Brown Advisory Counterbalance Equity Fund, LLC. Brown Investment Advisory Incorporated serves as the investment adviser for the two funds. FINCAP LLC provides long and short investing primarily in financial services companies. Brown Investment Advisory Incorporated is the Managing Member of the Fund and is primarily responsible for the general management of the Fund. Brown Advisory Counterbalance Equity Fund, LLC provides market-neutral long-term capital appreciation. It is hedged against broad equity market downturns. While Brown Investment Advisory Incorporated serves as the Managing Member of the fund, NSB Advisers, LLC serves as a sub-adviser to the Counterbalance fund. These are both private investment funds that are exempt from registration as an investment company under the Investment Company Act of 1940, as amended (“1940 Act”).

Through Alex. Brown Investment Management, LLC d/b/a Winslow Management Company, LLC, we are affiliated with ABIM Partners Equity Fund I, LLC and Winslow General Partners, LLC. Winslow General Partners, LLC serves as the general partner, and Alex. Brown Investment Management, LLC serves as the investment adviser to the Winslow Hedge Fund, L.P. This is a private investment fund that is exempt from registration as an investment company under the 1940 Act. The Winslow Hedge Fund provides long and short investments in companies that focus on green solutions. These companies recognize the environmental challenges and provide solutions to these challenges through environment sustainability. Alex. Brown Investment Management, LLC serves as general partner and investment adviser to ABIM Partners Equity Fund I, LLC, a private investment fund that is exempt from registration as an investment company under the 1940 Act. This fund focuses on long only investments in equity securities including common stocks and convertible securities.

Conflicts of Interest

Since our inception, it has been our policy to avoid any practice that is adverse in any respect to our clients’ interests or is the result of a conflict of interest. This policy is evident in our strict code of ethics which applies to investments by our employees for their own accounts. While we strive to avoid conflicts, we are cognizant that conflicts will nevertheless arise, and it is our policy to fully and fairly disclose known material conflicts to you.

Personal interests, both inside and outside of Brown Advisory that could be placed ahead of our

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obligations to clients could be the source of actual or potential conflicts of interest. Employees must remain aware that just the opportunity to act improperly may create the appearance of conflict and that conflicts may exist even in the absence of wrongdoing.

Employees are required to make a full and timely disclosure of any situation that could result in a potential conflict or the appearance of a conflict of interest. Employees may not take advantage of any opportunity or otherwise personally benefit from information obtained as an employee that would not have been available otherwise.

To identify potential sources of conflicts of interest and to assess how those conflicts are addressed by our compliance program, we perform regular reviews. This process has been developed and improved, since our inception, with the input from and oversight by our Board of Directors and Audit Committee. The three primary categories of potential conflicts of interest evaluated are:

1. Potential conflicts between the firm and our clients,
2. Potential conflicts between our employees and our clients, and
3. Potential conflicts between different clients.

Primary potential conflicts between the firm and our clients include:

- ♦ Misuse of brokerage commissions,
- ♦ Transactions benefiting affiliates, including 10f-3 and 17e-1 transactions,
- ♦ Misleading or deceptive marketing,
- ♦ Misleading or deceptive trading practices,
- ♦ Improper valuation, and
- ♦ Errors and corrections.

To manage and mitigate these potential conflicts, we employ the following practices:

- ♦ Soft dollar policies and procedures,
- ♦ Policy Banning Reciprocal Arrangements (directed brokerage),
- ♦ Policy on Best Execution and oversight by Best Execution Committee,
- ♦ Avoidance of participation by affiliated broker-dealer in participating in underwriting or selling syndicates, adoption of policies on 10f-3 and 17e-1 transactions,
- ♦ Policy on Marketing,
- ♦ GIPS procedures,
- ♦ Policies on Window Dressing and Portfolio Pumping,
- ♦ Operation of Pricing Committee and adoption of pricing guidelines,
- ♦ Adherence to a Trading Policy, including bunching, fair allocation and rotation procedures, and
- ♦ Policy on Errors and Corrections, disclosures to clients.

Primary potential conflicts between our employees and our clients include:

- ♦ Misuse of non-public information including front-running,
- ♦ Misdirection of investment opportunities, and
- ♦ Participation in investment opportunities by employees.

To manage and mitigate these potential conflicts, we employ the following practices:

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- ♦ Code of Ethics, including personal trading restrictions,
- ♦ Policy on Gifts, Entertainment and Political Contributions,
- ♦ Supervisory Policy and business-line procedures, and
- ♦ Conflicts Committee of the Board of Directors.

Primary potential conflicts between our clients include:

- ♦ Allocation of investment opportunities
- ♦ Trading between client accounts
- ♦ Errors and corrections

To manage and mitigate these potential conflicts, we employ the following practices:

- ♦ Cross trading policy,
- ♦ Adherence to Trading Policy, including bunching, fair allocation and rotation procedures,
- ♦ Oversight by Best Execution Committee,
- ♦ Supervisory review of client accounts, and
- ♦ Error and Correction Policy.

Please see Item 11 *Code of Ethics, Participation or Interest in Client Transactions and Personal Trading* and Item 12 *Brokerage Practices* for a more detailed description of these policies.

Our compliance program is designed to identify, monitor and address such risks by utilizing a 3-step compliance risk assessment process, consisting of:

1. An inherent risk assessment,
2. Control environment assessment and
3. Residual risk assessment.

The resulting risk scores assist with prioritizing areas for improvement and compliance focus.

Relationships with Other Investment Advisers

Neither we nor any of our executives have any undisclosed arrangements, either oral or in writing, where we are paid cash or receive some economic benefit to anyone other than a client in connection with giving advice to clients.

Although we will recommend or select other investment advisers for our clients, it is important to note that we do not receive compensation, either directly or indirectly from those advisers that would create a material conflict of interest.

With respect to business relationships with other investment advisers, we maintain a relationship with NSB Advisors LLC. NSB Advisors LLC is a Sub-Adviser to the Brown Advisory Counterbalance Equity Fund, LLC. Although NSB Advisors LLC was previously an affiliate of ours, as of December 17, 2010, the Sub-Adviser is no longer an affiliate. Brown Advisory Management, LLC, an affiliate of the Managing Member, maintains a revenue sharing agreement with the Sub-Adviser and a 10 percent, non-voting interest in NSB Holdings Group LLC, the parent of the Sub-Adviser.

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

Overview of Our Code of Ethics

We are committed to maintaining the highest standards of professional conduct and ethics in order to discharge our legal obligations to our clients, to protect our business reputation, and to avoid even the appearance of impropriety in our investment activities on behalf of clients. As a registered investment adviser, we are obligated to render to our clients on a professional basis unbiased and continuous advice regarding their investments. Our fiduciary relationship with our clients requires that we act with undivided loyalty, fairness, and good faith and without any regard to personal interest or profit.

Since our inception, it has been our policy to avoid any practice that is adverse in any respect to our clients' interests or is the result of a conflict of interest. This policy is evident in our strict code of ethics which applies to investments by our employees for their own accounts. While we strive to avoid conflicts, we are cognizant that conflicts will nevertheless arise, and it is our policy to fully and fairly disclose known material conflicts to you.

A personal conflict of interest occurs when an employee's private interest improperly interferes with the interests of clients and/or the firm. It is incumbent upon all personnel to take every precaution possible to prevent their personal interests from conflicting or appearing to conflict with the interest of the firm. In particular, an employee must never use or attempt to use his or her position at the firm to obtain any improper personal benefit for himself or herself, for his or her family members, or for any other person. Conflicts of interest should, to all extent possible, be avoided. When faced with a situation involving a potential conflict, employees should ask themselves whether public disclosure of the matter could embarrass the firm or lead an outside party to believe that a conflict exists. Employees must disclose to the Compliance Department all potential conflicts of interest, including those in which they may have been placed inadvertently due to business or personal relationships with clients, prospects, vendors, other employees, or other third parties. In addition, any employee who is aware of a material transaction or relationship that could reasonably be expected to give rise to a conflict of interest or perceived conflict of interest should discuss the matter promptly with our Compliance Department.

Outside activities of an employee must not reflect negatively on us or initiate an actual conflict of interest with respect to his or her responsibilities to the firm. Employees must be cognizant of potential conflicts of interest and be aware that he or she may be asked to discontinue any outside activity if a potential conflict arises. Under no circumstance may an employee take a business opportunity belonging to the firm for themselves, engage in a business transaction that competes with the firm, or accept a business opportunity for the firm because of an expected personal gain.

Our Policy Manual, which includes our Code of Ethics, details certain minimum expectations that we have for our employees. All personnel, regardless of role, are expected to conduct the firm's business in full compliance with both the letter and the spirit of the law, and any other policies and procedures that may be applicable. On an annual basis, we require that each employee certify in writing that he or she has read, understands, and complies with the policies and procedures of the

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Policy Manual and Code of Ethics.

Since we recognize that our employees should have an opportunity to develop investment programs for themselves and their families, our Code of Ethics does not prohibit personal trading by employees. Our Code of Ethics sets forth standards of conduct expected of employees and in part addresses conflicts that arise from personal trading by employees. It provides policies and procedures to ensure that employees conduct their personal securities transactions in a manner that complies with the securities laws, rules and regulations and that does not raise the appearance of impropriety. In addition, it sets forth controls designed to avoid actual or potential conflicts of interest between clients and our employees. Controls in place include blackout periods for certain employees, pre-clearance of employee trades, holdings disclosure and other trading restrictions.

Our Code of Ethics includes the following major restrictions:

- ♦ Within 10 days of commencing employment, each employee must submit an Initial Holdings Report to the Chief Compliance Officer or designee with information current as of a date no more than 45 days prior to the date the employee becomes an employee.
- ♦ Every year, each employee must submit an Annual Holdings Report to the CCO or designee. The information in the Annual Holdings Report must be current as of a date no more than 45 days before the report is submitted.
- ♦ All employee security transactions require pre-approval, except for accounts over which the employee has vested investment discretion to a third party or transactions that are exempt, including, but not limited to, unaffiliated mutual fund (open-end) shares, dividend reinvestment plans and U.S. Government obligations.
- ♦ Employees must report securities transactions in employee-related accounts. To ensure compliance with this requirement, employees must complete a form requesting outside brokerage accounts and submit it to the Compliance Department for approval prior to opening an account. In addition, Employees must instruct the outside institution that maintains the account to send duplicate copies of all transaction confirmations of account activity promptly for review.
- ♦ Unless exempted by provisions of the Code of Ethics, employees must pre-clear transactions in employee-related accounts.
- ♦ All employees are prohibited from acquiring securities in an initial public offering.
- ♦ Employees may not acquire securities in an outside private placement without prior written approval of the CCO or designee.
- ♦ Subject to certain exceptions, employees may not purchase or sell a security during which any client has a pending order.
- ♦ Employees may not purchase or sell a security if a transaction in the same (or an equivalent) security is being considered for any client or that a decision has been made to effect such a transaction. These securities are placed on a Gray List that is maintained by the equity trading desk.
- ♦ All employees may not purchase or sell a security for a period of one business day after a proprietary research rating change with respect to the same security.
- ♦ All employees may not profit from the purchase and sale or sale and purchase within 30 days of any security on Brown's proprietary research list.
- ♦ With respect to the handling and use of material inside information, employees are prohibited from purchasing, selling, or recommending the purchase or sale, of a security for any account while

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they are in possession of material inside information.

- ♦ In addition to any other sanction provided for under the Code of Ethics, profits realized from short-term trading must be disgorged to a charity selected by the Firm unless the trade was approved pursuant an exception in the Code of Ethics.
- ♦ Any questions about the Code of Ethics and any violations regarding the Code of Ethics must be brought to the attention of the Chief Compliance Officer.

We will provide you with a copy of our complete Code of Ethics upon request. You may request a complete copy of our Code of Ethics by contacting us at the address, telephone number, or email on the cover page of this Part 2 section of our Form ADV.

Participation or Interest in Client Transactions

We, our affiliates or related personnel may recommend to you, or purchase or sell for your accounts or our other client accounts, securities in which we, our affiliates or related personnel have a material financial interest. These include situations in which we, our affiliates or related personnel act as general partner in a partnership in which we solicit client investments and /or we, our affiliates or related personnel act as an investment adviser to an investment company that we recommend to clients.

A financial interest occurs when we, directly or indirectly, have knowledge of:

- ♦ An ownership or investment interest in the general partner or similar entity for an investment limited partnership in which we have or are contemplating making an investment for ourselves or our clients;
- ♦ An ownership or investment interest in a “promoted” or “carried” interest in an investment vehicle in which we have or are contemplating making an investment for ourselves or our clients;
- ♦ An intention to invest side-by-side in an investment vehicle being considered for an investment by us for ourselves or our clients;
- ♦ A pre-existing ownership or investment interest in a vehicle being considered for an investment by us for ourselves or our clients;
- ♦ An ownership or investment interest in an entity being considered for an investment by us for ourselves or our clients; and
- ♦ An ownership or investment interest in a broker, management firm, financial advisory firm, consulting firm or other service provider with respect to a transaction involving us or a entity in which we, directly or indirectly, has made or is contemplating making an investment for ourselves or our clients.

For the above-mentioned examples, ownership and investment interest include values \$10,000 or more or ownerships of 1% or more.

Potential conflicts that could arise include, but are not limited to:

- ♦ Officer and Director Conflicts - Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which one of our officers or directors has a financial interest,
- ♦ Shareholder Conflicts - Conflicts that involve a transaction to be entered into by us for ourselves,

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or by us on behalf of our clients, in which a shareholder has a financial interest,

- ♦ Client Conflicts - Conflicts that involve a transaction to be entered into by us for ourselves, or by us on behalf of our clients, in which a client has a financial interest, and
- ♦ Employees engage in unethical behavior and misuse material nonpublic information.

To address these potential conflicts and protect and promote the interests of clients, we employ the following policies and procedures:

- ♦ We have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation. To further protect and promote the interests of clients, we have a Conflicts Committee that is charged with reviewing certain transactions or arrangements that may represent a conflict of interest. The members of the Conflicts Committee are chosen by our independent Board of Directors.
- ♦ Transactions to be entered into by us for ourselves or on behalf of our clients that present a material conflict of interest should be authorized, approved, or ratified by the affirmative vote of a majority of Directors on the Conflicts Committee. In the case of Director Conflicts, a majority of disinterested Directors must authorize, approve, or ratify the transaction (even if the disinterested directors constitute less than a quorum of the Conflicts Committee).
- ♦ Transactions to be entered into by us for ourselves or on behalf of our clients that present a non-material conflict of interest should be approved or ratified by our Chief Executive Officer.
- ♦ If we enter into a transaction on behalf of our clients that presents either a material or non-material conflict of interest, the conflict should be prominently disclosed to the client in plain English prior to the consummation of such transaction.
- ♦ Employees must comply with our policy on the handling and use of material inside information. Employees are reminded that they may not purchase or sell, or recommend the purchase or sale, of a security for any account while they are in possession of material inside information. In addition, employees may not disclose confidential information (including, but not limited to, information about pending or contemplated transactions for client accounts and client holdings) except to other employees who “need to know” that information to carry out their duties to clients.
- ♦ Employees must report securities transactions (except Exempt Transactions) in any Employee-Related Account. To ensure compliance with this requirement, employees must complete the Request for Outside Brokerage Account Form and submit to the CCO for approval prior to opening the account, and, for new employees, an Outside Brokerage Account Form must be completed and submitted to the CCO within 10 days of employment. In addition, employees must instruct the outside institution that maintains the Employee-Related Account to send duplicate copies of all transaction confirmations of account activity promptly.
- ♦ Employees may not serve on the Board of Directors of any public or private company other than a Brown Advisory entity without prior written approval of the CEO or designee. The CEO may not serve on the Board of Directors of any public or private company other than a Brown Advisory entity without prior written approval of the Chairman of the Audit Committee. An employee who is a director of a company may not participate in investment decisions involving that issuer’s securities. On an annual basis the CCO will report all directorships in public companies held by employees to the Audit Committee.
- ♦ Employees are required to report to our Compliance Department all outside business activities. These include: board/committee memberships and obligations, employment commitments, non-

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profit commitments, government commitments, and other outside business commitments. In addition to the description of the business activity, any compensation received must be disclosed.

- ♦ To ensure that there is not intentional or unintentional front-running of purchasing securities in client accounts, we will restrict stocks of companies in which we are actively performing due diligence as potential candidates for purchase in our portfolios. This is called the “Gray List.” Accordingly, gray listed securities will be restricted from employee purchases.
- ♦ If it is determined that an employee has violated the Code of Ethics, we will take such remedial action as is deemed appropriate. Sanctions will vary but may include censure, limitation or prohibition of personal trading, suspension, or termination of employment.

Personal Trading

As a professional investment adviser, we follow our own advice. As a result, we, our affiliates or related personnel may purchase or sell the same or similar securities for our own accounts that we purchase or sell (or recommend that you purchase or sell) for your accounts or for accounts of our other clients. While our advisory personnel are permitted to trade within their own brokerage accounts, we have several policies and procedures in place to ensure that the personal trading of our advisory personnel does not violate our fiduciary obligations to clients, including any related mutual fund clients.

Potential conflicts that could arise include, but are not limited to:

- ♦ Employees engage in unethical behavior,
- ♦ Personal trading of employees misuses material nonpublic information,
- ♦ Personal trading of employees is not supervised,
- ♦ Clients receive less favorable trading terms than our advisory employees.
- ♦ Abusive trading on the part of our advisory employees, including market timing.

To address these potential conflicts and protect and promote the interests of clients, we employ the following policies and procedures:

- ♦ Employees may not purchase or sell a security in an Employee-Related Account on a day during which any client or Fund has a pending order in the same (or an equivalent) security. This restriction applies until the client or Fund order has been executed or cancelled.
- ♦ Employees who, in connection with his or her regular functions, makes or participates in making recommendations regarding the purchase or sale of securities, may not purchase or sell a security in an Employee-Related Account on the same day as a client or Brown Advisory Fund trades the same (or an equivalent) security unless the trade is entered to be executed at the close.
- ♦ Employees may not purchase or sell a security in an Employee-Related Account if a transaction in the same (or an equivalent) security is being considered for any client or that a decision has been made to effect such a transaction. These securities are placed on a Gray List that is maintained by the equity trading desk.
- ♦ Employees who, in connection with his or her regular functions, makes or participates in making recommendations regarding the purchase or sale of securities by a fund, may not purchase or sell a security in an Employee- Related Account for a period of four business days before and after a Fund trades the same (or an equivalent) security.
- ♦ Employees who, in connection with his or her regular functions, makes or participates in making

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recommendations regarding the purchase or sale of securities by an investment strategy or fund, should not acquire a security that would be suitable for a client without first considering whether to recommend or purchase that security to or for the client's account.

- ♦ Employees may not purchase or sell a security in an Employee-Related Account for a period of one business day after a Rating Change with respect to the same (or an equivalent) security. In addition, employees may not purchase or sell a security in an Employee-Related Account if the employee knows that a Rating Change with respect to the same (or an equivalent) security is being considered.

- ♦ With respect to the handling and use of material inside information, employees are prohibited from purchasing, selling, or recommending the purchase or sale, of a security for any account while they are in possession of material inside information. Any firm employee who comes into possession of inside (non-public) information is obligated to bring such information to the attention of the CEO, Chief Compliance Officer, or Head of Investment Strategies. The CEO, Chief Compliance Officer and Head of Investment Strategies will subsequently determine whether to direct investment personnel to refrain from trading in, or recommending, the securities concerned while such information remains undisclosed to the investing public. If there is any question of whether or not particular information may be deemed "insider", the matter should be brought to the immediate attention of the CEO, Chief Compliance Officer, or Head of Investment Strategies.

- ♦ Although subject to pre-clearance, transactions involving securities in certain large companies, within the parameters set by the firm, will be approved under normal circumstances, as follows: Transactions involving no more than \$100,000 per security per day in companies with market capitalization of \$2.5 billion or greater, unless the Rating Change for that security has changed in the last business day.

- ♦ Employees may not profit from the purchase and sale, or sale and purchase, of the same (or an equivalent) security on the Guide List (those securities covered by our research analysts) or a Fund within 30 calendar days. In addition to any other sanction provided for under the Code of Ethics, profits realized from short-term trading must be disgorged to a charity selected by the firm unless the trade was approved pursuant an exception in the Code of Ethics.

- ♦ To ensure that there is not intentional or unintentional front-running of purchasing securities in client accounts, we will restrict stocks of companies in which we are actively performing due diligence as potential candidates for purchase in our portfolios. This is called the "Gray List." Accordingly, gray listed securities will be restricted from employee purchases.

- ♦ Unless the trading is to occur in an exempt account or involve a transaction that is exempt from pre-clearance, employees must pre-clear all securities transactions in Employee-Related Accounts. The pre-clearance process is as follows:

- To obtain pre-clearance for all orders other than a Fund, an employee must complete an Employee Transaction Approval Form and submit it to the Head Trader (or his designee) electronically. To obtain pre-clearance for all orders for shares of a Fund, an employee must complete an Employee Mutual Fund Transaction Approval Form and submit it to the Head Trader electronically. Personal security transactions by the Head Trader (or his designee) must be reviewed and approved by the CCO.

- As soon as possible after receipt of the request, the reviewer should examine the form and determine whether to approve the transaction.

- Before granting approval, the reviewer must be satisfied that the transaction complies with

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the Code of Ethics, including the trading restrictions and presents no conflict of interest.

-The reviewer will approve or disapprove electronically the Employee Transaction Approval Form.

- Pre-clearance requests are maintained in a database that is updated by the Head Trader.
- Employees are notified by email when their request is approved.
- No order subject to pre-clearance may be entered prior to receipt of such approval. Verbal authorization is not sufficient. In addition, the approval is valid only until the close of business on the day it is granted. If the order is not placed during that period or is placed but not executed, a new approval must be obtained.

- ♦ The Equity Trading Director and CCO are responsible for monitoring personal securities trading for compliance with the Code of Ethics. On a periodic basis (but at least monthly), the Head Trader and/or CCO review the statements and reports submitted. Any unusual trading activity or patterns of transactions and any indications of violations of our Code of Ethics or our Insider Trading Policy should be brought to the attention of the CEO and the Head of Investment Strategies.

- ♦ If it is determined that an employee has violated the Code of Ethics, we will take such remedial action as is deemed appropriate. Sanctions will vary but may include censure, limitation or prohibition of personal trading, suspension, or termination of employment.

Exceptions

Transactions in the following types of Employee-Related Accounts are exempt from the pre-clearance requirements:

- ♦ Employee-Related Trust Accounts where the firm serves as corporate trustee pursuant to a written agreement and is compensated for its services, and the account is managed on a fully discretionary basis, or
- ♦ Fully Discretionary Accounts.

The following transactions (purchase or sale) do not require pre-clearance prior to execution:

- ♦ Mutual fund (open end) shares, other than shares of a Fund;
- ♦ Transactions in units of a unit investment trust if the unit investment trust is invested exclusively in unaffiliated mutual funds;
- ♦ Direct obligations of the U.S. Government (i.e., Treasury securities);
- ♦ Dividend reinvestment plans, shares of money market funds and money market instruments (i.e., bankers' acceptances, bank certificates of deposits, commercial paper, repurchase agreements, floating rate notes (floaters) and high quality short-term debt instruments);
- ♦ Automatic transactions (e.g., purchases under dividend reinvestment plans, activity in employee salary deferral accounts and non-Employee directed sales and related purchases associated with an Employee 401(k) Plan loan(s) and repayment);
- ♦ Sales pursuant to standing instructions on public charity gift accounts where an employee controls an account but has no beneficial interest; and
- ♦ Transactions that are not voluntary on the part of the employee (e.g., stock dividends or splits; mergers; other corporate reorganizations; or margin calls).

Timing of Personal Trading

According to firm policy, if an employee or a related person recommends securities to clients or buys

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or sells securities for client accounts, they are not allowed to buy or sell the same securities for their own accounts at or about the same time

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Item 12 Brokerage Practices

Brokerage Practices

We believe that fair treatment of all clients is paramount in the implementation of the portfolio manager's objectives. Thus, our primary focus in broker-dealer selection is achieving the best price in the marketplace based on the information available at the time of the trade, without systematically disadvantaging one client over another.

Unless otherwise noted, all orders to buy or sell securities are considered not-held orders, and are to be executed at the discretion of authorized trading personnel. Where multiple orders of the same equity security on the same side of the market are received prior to the 9:30 a.m. open, it is our procedure to block these orders together. The trading desk will use its discretion to determine whether to block multiple orders of the same equity security on the same side of the market received after the 9:30 a.m. open. If an aggregated order is executed in multiple transactions at varying prices, each client receives the average price for such transactions. Partially filled orders are allocated pro rata or in another matter that we conclude is fair and equitable to each client. This may include use of the random fill function of our trading system.

Unless clients specifically direct the broker-dealer, we allocate transactions to unaffiliated broker/dealers for execution on markets at prices and commission rates that we determine will be in the best interests of the client. We will select the broker-dealer to be used for best execution based on a number of factors. Obtaining best execution is the top priority. The equity or fixed income desk take into account the following considerations:

- ♦ The procurement of the lowest possible net cost, comprised of the level of execution and brokerage commission;
- ♦ A decision by the trader as to the broker-dealer most qualified to provide superior execution capabilities;
- ♦ That all broker-dealer business allocated for research services will be provided at a commission rate comparable to rates that are for execution only; and
- ♦ The ability to settle trades in a timely manner.

We have adopted formal policies and procedures governing Trading and Best Execution. The Trading and Best Execution Policy is included in our firm-wide Policy Manual read by each of our employees on an annual basis. We must use our best efforts to obtain for all client accounts the most favorable price and execution available, except as otherwise directed by a client. To the extent relevant under the circumstances, the following specific factors may apply to our best execution determination:

- ♦ Price;
- ♦ Commission;
- ♦ Size of the order;
- ♦ Difficulty of execution;
- ♦ Degree of skill required by the broker-dealer; and
- ♦ Trading and execution, clearing and settlement capabilities.

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We may also take into account factors that are relevant to the specific broker-dealer such as:

- ♦ Trading and execution;
- ♦ Clearing and settlement capabilities;
- ♦ Financial stability;
- ♦ Reputation;
- ♦ Past history of prompt and reliable execution of client trades;
- ♦ Operational efficiency with which transactions are effected;
- ♦ Access to markets;
- ♦ Access to capital to accommodate trades;
- ♦ Ability to maintain confidentiality;
- ♦ Market knowledge;
- ♦ Willingness and ability to make a market in a particular security;
- ♦ Brokerage and research services provided or the ability to accommodate third-party research arrangements;
- ♦ Overall responsiveness to our needs/willingness to work with us; and
- ♦ Depth of services provided (including research and coverage).

All client trades are allocated to a broker-dealer on the "Approved Broker List". In selecting broker/dealers, we do not adhere to any rigid formulas but, rather, make a subjective determination after weighing a combination of the factors listed above. The ultimate determination as to the broker-dealer to select from the Approved Broker List on any given trade is made by the trader(s) responsible for executing the transaction.

We maintain an Approved Broker List to facilitate the orderly and consistent use of suitable broker/dealers for client transactions. The Approved Broker List is a list of broker/dealers that we have approved for use as executing brokers for client securities transactions. The Approved Broker List is an integral part of our process for seeking best execution for client transactions. Our Head of Trading or his designee maintains the Approved Broker List and makes the Approved Broker List accessible to our traders and the investment professionals. The Best Execution Committee ("the Committee") determines whether a broker-dealer should be added to or removed from the Approved Broker List. The Committee reviews requests for the addition or deletion of a broker-dealer. Typically, requests will be considered by the Committee at its next regularly scheduled meeting; provided, however, if a request is urgent, the Head of Trading may approve a broker-dealer temporarily and convene a special meeting or may otherwise seek approval of the Committee or its designees when practicable.

Our Best Execution Committee oversees the implementation of our best execution obligation. The Committee was formed with the purpose of developing, implementing and evaluating our trade management policies and procedures in order to satisfy our duty to seek best execution. The Committee meets at least quarterly. It is comprised of the Head Trader, members of the portfolio management team, and the Chief Compliance Officer. In addition, from time to time, legal, operations, investment management and other personnel, as necessary or appropriate may attend Committee meetings. Minutes of each meeting of the Committee are recorded and maintained.

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All trade execution for our accounts is governed by our firm-wide Trading and Best Execution Policy. This Policy sets forth the operation of our Best Execution Committee, which evaluates brokerage execution quality. Among other duties, the Committee meets quarterly to:

- ♦ Review and approve policies and procedures that address, monitor and oversee client-directed brokerage arrangements;
- ♦ Evaluate and monitor the broker/dealers on the Approved Broker List and develop and oversee procedures for changes to the Approved Broker List;
- ♦ Explore alternative trading options, taking into consideration technology developments and market changes that may assist in achieving higher quality executions;
- ♦ Review and approve controls to monitor and evaluate broker-dealer performance and execution quality. This may include the retention of a third party service to analyze executions and the evaluation of the information provided by such service provider;
- ♦ Review and approve policies and procedures to help ensure that all clients are treated fairly in the execution of orders and allocation of trades;
- ♦ Establish a forum for traders to present, discuss and formally escalate, trading/soft dollar/best execution and related issues to management;
- ♦ Oversee maintenance of trading records documenting the firm's efforts to achieve best execution;
- ♦ Oversee and monitor soft dollar transactions and arrangements; and
- ♦ Maintain minutes of all meetings evidencing compliance with this policy.

Since fixed income securities trade over-the-counter and do not trade on a centralized exchange, we use the brokerage services from a variety of Wall Street and regional firms. We will use those firms that are direct issuers, underwriters or market-makers in specific fixed income sectors. The broker/dealers with whom we trade fixed income securities are also on the Approved Broker List. In order to obtain best execution, our fixed income traders place dealers in competitive situations, utilizing offerings and bids from numerous local and national broker/dealers. The fixed income traders review the market environment, the new issue calendar, secondary offerings and historical relationships to help determine a competitive price for the bonds they are trading. Generally, at least three broker/dealers are contacted when buying or selling securities. By hitting the highest bid when selling securities, or selecting the dealer with the lowest-priced offering, our clients are ensured of getting the best execution on their trades. The quality of execution is ascertained by reviewing the bids and offerings received relative to recent pricing data.

As a complement to our periodic review of broker/dealers on the "Approved Broker List," we employ a third party service provider ("ITG") to provide an independent source of quantitative evaluations of equity trade execution information for the Committee. ITG reports typically examine aggregate trading performance on a quarterly basis. ITG personnel are available from time to time, either in person or by telephone, to discuss ITG's reports with the Committee.

Although we employ quantitative testing through ITG, we believe that best execution:

1. Is intrinsically tied to portfolio-decision value and cannot be evaluated independently;
2. Is a prospective, statistical and qualitative concept that cannot be known with certainty before hand;
3. Has aspects that may be measured and analyzed over time on an after the fact basis, even though

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such measurement on a trade-by-trade basis may not be meaningful in isolation; and
4. Is interwoven into complicated, repetitive and continuing best practices.

In reviewing quantitative data about a broker/dealer's performance, we focus our best execution evaluation efforts on how the broker/dealer performed over time. This takes into consideration such qualitative factors as:

- ♦ Research provided,
- ♦ Promptness of execution,
- ♦ Ability of the broker to execute and clear,
- ♦ Confidentiality provided by broker,
- ♦ Market coverage provided by broker, and
- ♦ Consistent quality of service from broker.

In addition, we perform a quantitative analysis on how a broker/dealer performed on specific orders.

We also perform regular and formal reviews of the performance and service of broker/dealers with whom we execute fixed income trades. Best execution reviews are held quarterly by the portfolio management team. A scoring system of each broker/dealer has been implemented. Criteria evaluated include:

- ♦ Broker proprietary research,
- ♦ Broker provided research (e.g., access to traders, ratings agency reports, etc.),
- ♦ Market data,
- ♦ Quality of offerings,
- ♦ Trade settlement accuracy,
- ♦ Willingness to do low-cost trades, and
- ♦ Bid-wanted performance.

To ensure consistency, the overall ranking of broker/dealer execution is compared relative to the commissions earned by the firm. If our due diligence reveals that certain broker/dealers have underperformed, a discussion is carried out and coverage may be terminated if issues cannot be resolved.

Research and Other Soft Dollar Benefits Overview

We regularly receive research and other products and services other than execution from broker/dealers and third parties in connection with client securities transactions. This practice is commonly known as soft dollar benefits. In the selection of broker/dealers for trade execution, we take into consideration not only the available prices of securities and rates of brokerage commissions, but also other relevant factors such as execution capabilities, research and other services provided by such broker/dealers which are expected to enhance our general portfolio management capabilities. In accordance with the safe harbor provisions of Section 28(e) of the Securities Exchange Act of 1934, we are allowed to receive research services. However, if research services are a factor in selecting a broker-dealer, we must determine that the amount of commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker-dealer.

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In using research and related services from broker/dealers on a soft dollar basis, we are confronted with several inherent risks. These include:

- ♦ The risk that the product or service does not fall within the statutory limits of Section 28(e) of the Securities Exchange Act of 1934 as eligible “research” under Section 28(e)(3)(A) or (B), or eligible “brokerage” under Section 28(e)(3)(C);
- ♦ The risk that the eligible product or service does not provide “lawful and appropriate assistance” to us as an investment adviser in the performance of our investment decision-making responsibilities; and
- ♦ The risk that the amount of client commissions paid is not reasonable in light of the value of the products received or services rendered.

To manage and mitigate these risks, we have developed soft dollar policies and procedures to comply with Section 28(e) of the Securities Exchange Act of 1934. It is our policy that all soft dollar transactions/arrangements will:

- ♦ Comply with our best execution obligations, applicable law and individual client guidelines;
- ♦ Be approved in writing by our Best Execution Committee following a good faith determination that the amount of commissions to be paid to the broker/dealer is reasonable in relation to the value of services to be provided;
- ♦ Be an appropriate use of clients’ commissions considering available alternatives;
- ♦ Be reasonable in relation to the value of the services provided, viewed in terms of either a particular transaction or our overall responsibilities to the accounts over which we exercise investment discretion, as determined, in good faith by the Committee; and
- ♦ Be reviewed, including with respect to any “mixed-use” allocation, at least annually by the Committee.

From a payment perspective, it is important to note that all soft dollar payments are made through the equity trading desk in a competitive execution process. Fixed income portfolios are not used to pay for soft-dollar services. Our use of soft dollars is carried out in accordance with the standards established by the CFA Institute and federal securities laws. We owe our clients a fiduciary duty to obtain best execution at all times. As such, we execute transactions for clients in such a manner that the client’s execution is the most favorable over time under the circumstances.

Types of Research Products and Services Acquired through Client Brokerage Commissions

The types of research products and services received from third party research and consulting firms and/or broker/dealers include:

- ♦ Advice as to the value of securities, the advisability of investing in, purchasing or selling securities;
- ♦ Financial publications;
- ♦ Services providing information regarding the availability of securities and potential buyers or sellers of securities;
- ♦ Meetings with management representatives of issuers and other analysts;
- ♦ Exchange and news feeds;
- ♦ Quantitative analytical software and other research-oriented software;
- ♦ Communications services related to the execution, clearing and settlement of securities

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transactions;

- ♦ Macro-economic research and information, including weekly reports and quarterly conference calls;
- ♦ Platforms for accessing company information and financials such as earnings estimates, and ownership data;
- ♦ Bond analytics on fixed income portfolios, including duration, yield to maturity, and convexity;
- ♦ Fundamental analysis of particular companies or securities;
- ♦ Equity research on individual companies and/or sectors;
- ♦ Credit ratings, research, and risk analysis on municipals;
- ♦ Technical research;
- ♦ Global market news services;
- ♦ Securities quotation and data systems for capital markets;
- ♦ Expert network provider services that assist us in locating hard-to-find industry experts; and
- ♦ Other relevant materials affecting investment decisions.

When we use client brokerage commissions (also referred to as soft dollars) to obtain research or other products or services, we receive a benefit since we do not have to pay for the research, products or services via hard dollars (or check). In exchange for the allocation of commissions to certain broker/dealers, we may be credited for payment of expenses which might otherwise be charged directly to us.

We can then use these soft dollar credits to pay for the research products and services provided by or paid for by such broker/dealers. This may result in our allocating more commission business to broker/dealers who also provide research products and services than to broker/dealers who only effect securities transactions. Soft dollar credits may be:

- ♦ Used to obtain research products and services that are proprietary to, and prepared by, the broker-dealer selected to effect a particular transaction
- ♦ Used to obtain third party research products and services prepared or developed by an independent research provider or
- ♦ Allocated to a pool of “credits” as part of a commission sharing arrangement.

In recognition of the value and benefit of the research and product services provided to us by a particular broker/dealer, we may, consistent with our duty to seek best execution, effect securities transactions through a broker/dealer that may cause a client to pay commissions higher than those charged by another broker/dealer

Proprietary Research Products and Services

Certain broker/dealers on our Approved Broker List provide proprietary research products and services. These broker/dealers may be selected to effect transactions as a result of such services. For those broker/dealers, we periodically determine the fair value of the proprietary research products and services that we expect to receive and may set a target amount of commissions to be directed to those brokers that is reasonable in relation to the value of the brokerage services and research products and services to be provided.

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Third Party Research Products and Services

We may generate soft dollar credits by trading with a particular broker/dealer and use the soft dollar credits to pay for research products and services that are prepared or developed by independent research providers (including other broker/dealers). We periodically determine the fair value of the third party research products and services that we expect to receive and may set a minimum target amount of commissions to be directed the broker/dealer that is reasonable in relation to the value of the brokerage services and third party research products and services to be provided.

Commission Sharing Arrangements

From time to time, we may request that broker/dealers that effect transactions for our clients allocate a portion of their commissions to a pool of soft dollar credits maintained by the introducing or executing broker/dealer. At our direction, the introducing or executing broker/dealer will pay independent research providers (including other broker/dealers) for research products and services from this pool of soft dollar credits. This type of arrangement is called a commission sharing arrangement because the introducing or executing broker-dealer will share its commission with an independent research provider to pay for research products and services. Commission sharing arrangements may be used to pay for proprietary and third party research products and services. For example, an introducing broker/dealer may offer access to a network of many executing broker/dealers through which we can trade. In this case, rather than paying the individual broker/dealer for research and services by placing trades, we may direct the trade to the introducing broker/dealer and request that the introducing broker/dealer pay the research provider from the pool of “credits” accumulated. Because commission sharing arrangements help separate the execution decision from the research decision, we believe that commission sharing arrangements can help us achieve best execution for clients.

Allocation of Soft Dollar Benefits

Research provided by broker/dealers is used for a broad range of accounts for which we have investment management responsibility. We do not require that the use of soft dollar research be limited to the accounts that generated the commissions. Research provided by broker/dealers is commonly used to service accounts other than those paying for it directly. Although, not all research from broker/dealers will be useful to, or benefit, every account, we do not restrict soft dollar benefits to service only those accounts that paid for the benefits.

With respect to trading, we are always focused on best execution first. Any soft dollar benefits received as a result of trade execution are secondary. Since soft dollar research may be used to service accounts other than those paying for it directly, we do not allocate soft dollar benefits to client accounts according to the soft dollar credits the accounts generate.

Soft Dollar Oversight

We have policies and procedures in place for dealing with information received from third party firms.

All research products and services, including any “mixed use” research products and services between hard and soft dollars, must be approved by the Best Execution Committee. Requests for approval of new research products and services are submitted on the “Soft Dollar Request Form.”

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Every Soft Dollar Request Form must include the following information:

- ♦ Product(s) or service(s) to be obtained with soft dollars;
- ♦ The name of the broker-dealer;
- ♦ The name of the third-party provider;
- ♦ Termination date/renewal term (if any); and
- ♦ The soft dollar-hard dollar allocation with the basis for the allocation.

With respect to macro-level oversight of our soft dollar arrangements, we have a Best Execution Committee that is responsible for overseeing the implementation of our soft dollar policies and procedures. The Committee consists of the Head Trader, Chief Compliance Officer and members of the portfolio management team. On an annual basis, the Committee conducts a review of our soft dollar commitments, including the allocation of any mixed-use research products and services between “hard” and “soft” dollars. Our Soft Dollar Administrator plays an instrumental role in facilitating the annual review. The Soft Dollar Administrator is responsible for day-to-day oversight of our soft dollar policies and procedures and also provides the Committee with the Soft Dollar Request Forms for the research products and services obtained from the broker/dealers on our Approved Broker List.

In addition to the Committee’s annual review, the Committee meets on a quarterly basis. At these meetings, the Committee reviews the soft dollar payments vs. the budget and determines if any adjustments need to be made. Trading practices, including broker selection and best execution, are reviewed regularly by the Best Execution Committee to ensure adherence to firm policy.

In reviewing a request for approval of new research products and services, the Committee generally will:

- ♦ Inquire into the type of the soft dollar service to be received (e.g., report or database) and the intended use of such service (e.g., research, execution);
- ♦ Verify the legitimate use of soft dollars for the service; and
- ♦ Designate a mixed-use split, if necessary.

A Soft Dollar Request Form must be signed by at least two members of the Committee to indicate approval of the soft dollar request. A new Soft Dollar Request Form is required for each new research product and service and any change to an existing research product and service that requires an amendment to the contract for the service or reflects a fee increase that is not specifically contemplated by the contract. A written agreement is required for each new soft dollar arrangement.

The Committee is responsible for determining whether the product or service falls within the safe harbor requirements of Section 28(e). The Soft Dollar Administrator will maintain a list of all third-party services provided by broker/dealers under soft dollar arrangements and the Committee will confirm annually if such arrangements continue to fall within the “safe harbor” of Section 28(e). If the Committee determines that a soft dollar arrangement does not comply with Section 28(e) or these procedures, the soft dollar arrangement will be terminated.

If a service or product has a non-research or execution function, such as administration or marketing,

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as well as a research or execution component (i.e., the service or product is for a “mixed use”), the Committee will assign an allocation percentage to the research and the non-research component. Only the research or execution portion may be paid by soft dollars. The non-research component will be paid in hard dollars. The Committee will notify the Soft Dollar Administrator of a mixed use determination by providing a copy of the approved Soft Dollar Request Form. The Soft Dollar Administrator is responsible for contacting the broker and arranging for the appropriate soft/hard dollars allocation.

Soft Dollar Tracking and Review

Soft Dollar credits/payments are tracked by obtaining statements from soft dollar brokers on at least a quarterly basis. The Soft Dollar Administrator is responsible for conducting a reasonable reconciliation of such statements to Brown Advisory commission payment records. The Soft Dollar Administrator is also responsible for:

- ♦ Maintaining a list of all third-party services provided by broker/dealers under soft dollar arrangements;
- ♦ Maintaining records of soft dollar agreements;
- ♦ Monitoring Brown Advisory’s payment for research products and services;
- ♦ Conducting soft dollar reconciliations and developing “desktop” procedures as necessary therefore;
- ♦ Monitoring Brown Advisory’s billing arrangements to ensure that Brown Advisory is not billed directly for any of the services it receives pursuant to soft dollar arrangements;
- ♦ Preparing quarterly reports to the Committee regarding soft dollar activity to date for the calendar;
- ♦ Closing-out Brown Advisory’s soft dollar records at the end of Brown Advisory’s fiscal year; and
- ♦ Maintaining records summarizing commissions and payments made for prior years.

On an annual basis, our Chief Compliance Officer will review and document our ‘mixed-use’ research products and services. The review will address whether:

- ♦ The research product and service falls within the Section 28(e) safe harbor;
- ♦ The mixed use ratios that were used for the current year are applicable for the coming year or ought to be reallocated;
- ♦ If any research product and service that was identified as “mixed use” in the current year ought to be re-characterized as not being “mixed use;” and
- ♦ If any research product and service that was not identified as “mixed use” in the current year ought to be identified as “mixed use” going forward.

Client Referrals

It is our long-standing practice not to allocate commissions to any person or company on the basis of business they might direct to us. We will select broker/dealers to execute client orders that are able to procure the lowest possible net cost, who provide superior order execution, research services - provided that the commission rates charged are comparable to rates charged for execution services only, and that present low counter-party risk. It is against firm policy for any employee to suggest to any third party that in return for referring business to us, we will direct brokerage commissions to that third party or its affiliates. We will honor written directed brokerage instructions from a client provided such instructions are consistent with applicable law.

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Under no circumstances may any of our employees enter into an arrangement with any financial institution, broker/dealer, prime broker, investment adviser or investment vehicle for the purpose of directing brokerage commissions in exchange for either the sale of our products or investing assets with us, including situations that give rise to indirect compensation such as “step outs” or similar arrangements.

This policy does not prohibit directing portfolio transactions of any managed account or fund to broker/dealers that also sell shares of our funds, provided that the broker/dealer fully meets best execution criteria and the selection of that broker/dealer is not influenced by any arrangement to sell shares of any of our investment products or any of our affiliates’ investment products or funds.

This policy also does not prohibit directed brokerage arrangements whereby a client of ours has directed us to use a specific broker/dealer for a portion or all of that client’s transactions. Directed brokerage agreements must be in writing and approved by Compliance.

Interactions between trading personnel and sales or marketing personnel should be limited. Under no circumstances may an employee engaged in sales or marketing seek to influence an employee engaged in trading functions to direct brokerage transactions to broker/dealers with whom we currently have or previously have had arrangements to sell or promote any of our or our affiliates’ products.

Directed Brokerage

In certain cases, clients choose to retain discretion over the broker/dealer used to execute transactions and/or the commission rate that the client will pay with respect to all or a portion of the transactions to be effected by us. If a client specifically directs the use of a specific broker/dealer for execution of securities transactions, we will direct such transactions to the specified broker/dealer including our affiliate.

When a client instructs us to direct a portion of the transactions for its account to a designated broker/dealer, the client has made a decision to retain some control over broker/dealer selection and services. We will treat the direction as a decision by the client to retain, to the extent of the direction, the discretion that otherwise would be given by the client to us to select broker/dealers to effect transactions and the other terms of the trade for the client’s account. In some cases, the client may have negotiated the commissions to be charged by the designated broker/dealer.

When clients direct us to use a specific broker/dealer for the execution of securities transactions, the commissions charged may not be the lowest available rates and may not be as low as the rate that we would have obtained for the client had we been authorized to select the broker/dealers for the transactions. The client may not receive the potential benefits that other clients may derive from aggregation of orders. In these situations, we may be unable to obtain most favorable execution of client transactions. In addition, directed brokerage may cost clients more money. Since directed brokerage accounts may not be able to aggregate orders to reduce transaction costs, the client may receive less favorable prices and pay higher brokerage commissions.

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For clients that provide trading instructions whereby the client retains full trading authority that we would otherwise have to select broker/dealers, we will follow the client's direction to use the designated broker/dealer even when we might be able to obtain a more favorable price and execution from another broker/dealer for a transaction on behalf of such client's account.

The broker/dealer designated by a client must be either:

1. A broker-dealer on the Approved Broker List or
 2. Added to the Approved Broker List in accordance with the procedures set forth in our Policy Manual.
- Broker/dealers selected by clients for use in fully directed brokerage arrangements that are not otherwise on the Approved Broker List are added to the Client Directed Only category of the Approved Broker List, and are not reviewed by the Committee.

Unless clients specifically direct the broker/dealer, we will select the broker/dealer to be used for best execution based on the factors discussed above. Obtaining best execution is the top priority.

Trade Aggregation

In many instances, groups of accounts will need to effect a transaction in the same security or securities. In these instances, we typically will aggregate orders for the same security by multiple accounts into a "block trade". We believe that this process provides equal treatment of all clients, provides ease of administration, and facilitates the avoidance of information leakage that may be detrimental client trades. The average price per share of a block trade will be allocated to each account that participates in the block trade. Discretionary advisory accounts of our employees, affiliates and associated persons may participate in block trades. Such persons will receive the same average price as any other participant in the block trade.

If a block order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, partial fills generally are allocated pro rata among participating accounts. The trading desk may allocate a partial fill using a random fill function of the trading system in such cases where it is deemed to be fair and equitable.

When limited offering amounts are available for particular securities, our portfolio managers determine which accounts could best utilize the security based upon duration/maturity and sector targets. Once this is determined the security is allocated on a pro-rata basis among these particular accounts.

Policy on Cross Trading

With respect to cross trading, we generally will allow cross trading where the transaction would comply with our policy, client specific guidelines, and be fair and equitable to both accounts. When one account is subject to ERISA, no crossed trades shall be permitted.

A cross trade is generally defined as the matching of buy and sell orders for the same security between different accounts. Cross trades are also deemed to include any pre-arranged or

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orchestrated transactions between two accounts which are executed through external brokers.

Cross trading can significantly reduce the transaction costs for both the buying and selling accounts and may allow for other beneficial efficiencies to clients. However, where an investment adviser has discretion on each side of a transaction, cross trading also presents potential fiduciary conflict of interest issues. We do not generally permit cross trading, but cross trading may be appropriate if we meet our fiduciary obligations to clients on both sides of the transaction and where best execution requirements are met.

Permission must be obtained from the Chief Executive Officer and Chief Compliance Officer or their designees before executing cross trades.

Permissible Cross Trades

Cross trades are permissible in the following circumstances if best execution requirements and fiduciary duties are met and:

1. Regulatory and client guidelines permit crossing;
2. The cross is advantageous for all parties;
3. The price used is reasonable within the context of the market;
4. Chosen price reference and source as well as any required approvals must be documented appropriately;
5. All aspects of the crossing must be agreed to by all portfolio managers involved. If a single manager is responsible for involved funds or portfolios on both sides, the cross needs to be approved by the Head of Investments;
6. Must be appropriate for both accounts participating in the transaction. In addition, all trades must adhere to the accounts' investment guidelines and restrictions, and where applicable, to the policies of each registered investment company participating in the transaction.

Extraordinary Situations

In circumstances where crossing may cause situations of enhanced potential conflicts of interest, the Head of Investments, Chief Compliance Officer and Chief Executive Officer must grant prior approval.

Extraordinary situations in that respect may be – but not exclusively:

- ♦ Large redemptions, which could not be cleared in the market easily;
- ♦ Accounts being considered to be closed for redemptions;
- ♦ Guideline breaches;
- ♦ Trading errors;
- ♦ Defaulted securities; and
- ♦ If the valuation of a security is handled through the pricing committee (e.g., fair valued securities).

These situations require proper documentation for each crossing to demonstrate that best execution requirements and fiduciary duties are met

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Item 13 Review of Accounts

Frequency and Nature of Periodic Reviews of Client Accounts

The portfolio managers review each account on a continuous basis. Reviews are undertaken to confirm that the portfolio conforms with client suitability standards as well as to determine if any security changes need to occur. Performance reviews occur quarterly. We have several portfolio managers who provide advisory services. Each portfolio manager is responsible for the periodic review of their advisory accounts. The review may be triggered by market fluctuations, changes in a client's investment objectives, significant news about companies whose securities are in a client portfolio, and significant economic, political and other newsworthy events. In reviewing each advisory account, portfolio managers focus not only on the individual securities and industry groups but also on appropriate diversification relative to the client's stated investment objectives.

Although the portfolio manager of an account makes the investment decisions, the Head of Investments for Brown Advisory, is responsible for overseeing portfolio managers, research analysts and all related functions. In this role, the Head of Investments is charged with investment and risk oversight for the group, independent of the portfolio managers and other policy decision makers. He is a member of the firm's Risk Management Committee. The Head of Investments reviews the performance of all accounts within a style specific composite on a quarterly basis to ensure that all accounts with similar investment mandates are being managed in a consistent manner. If there are any accounts that fall outside of an acceptable deviation range, the Head of Investments will confer with the portfolio manager(s) to determine the reason for the deviation. The Head of Investments meets semi-annually with each investment team to review the previous six months of performance and portfolio activity to ensure that the teams are managing the portfolios to stated investment philosophies. Sector and stock selection analysis, current portfolio composition, all trading activity during the preceding six months and style based portfolio analysis are all examined during the review. Additionally, Compliance reviews a selection of portfolios to monitor for window dressing and portfolio pumping. To enhance the portfolio review process, Compliance selected a vendor that provides automated tools to monitor for manipulative trading practices. We hope to implement the software in 2011.

The Risk Management Committee ("RMC"), which meets monthly, includes our Head of Investments, Chief Compliance Officer, Chief Executive Officer, Chief Administrative Officer, and Chief Financial Officer. The RMC meets monthly to identify and assess the management of key risks to the enterprise, including operational, regulatory, IT and physical security, and financial risks.

Factors that Trigger a More Frequent Review of Client Accounts

On a regular basis we internally review our client's accounts to ensure compliance with client investment guidelines and policies. Additional reviews are triggered by changes in market conditions, by changes in client needs, and by maturity of client investments. We provide clients with personalized service in the management of their securities portfolios. Because the size, structure and investment objectives of accounts vary widely, the attention which must be given to accounts also vary.

Brown Advisory, LLC (SEC No. 801--38826)**Frequency and Content of Regular Reporting to Clients**

We provide formal written reporting to all clients on a quarterly basis unless specified otherwise by the client. The reports reveal account characteristics and the performance of their account versus major indices. The standard sample reporting package that we prepare for all clients includes the following documents: relationship asset summary; asset allocation; performance summary; performance detail; change in portfolio; fixed income analysis (if relevant); common stock analysis (if relevant); and portfolio appraisal. We also include an economic and market overview section in the reporting package.

The investment accounting and reporting system we use is Advent's Portfolio Exchange (APX). APX allows us to monitor cash positions, portfolio holdings, account activity, and yield calculations; review portfolio structure/distribution; identify issuer/sector concentration; and maintain a record of client contact information and communication. It is also used to monitor book value and realized gains/losses, project portfolio income and cash flow, and calculate total returns. This software provides us with a flexible and efficient means to monitor the portfolios of our clients.

Clients' reporting needs vary in frequency and content. As a result, we work with our clients to develop customized reports that provide the information they have determined to be most relevant. Customized reports may also include more specialized reports such as attribution analysis, sector- and security-level contribution to return, and portfolio turnover (additions and deletions).

We generally meet with our institutional and high net worth clients at least once a year. The portfolio manager for the account will typically attend client meetings. Other members of the investment team, client service team or marketing team who are involved with the account may also attend. In addition, clients are provided quarterly portfolio evaluations and performance results and year-end capital gain and loss information. At a minimum, the reports show assets held, current market value and original cost. More frequent and customized reporting is available upon request. Portfolio managers also communicate with customers by letter, e-mail, and telephone as needed.

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Item 14 Client Referrals and Other Compensation

In general, we do not receive an economic benefit from anyone who is not a client for providing investment advice or other advisory services to our clients.

However, since the giving of business gifts is a customary way to strengthen business relationships, from time to time we or our employees will receive gifts from other parties. Since federal laws, state laws, and often our client agreements contain numerous restrictions on the giving and receiving of gifts, particularly with respect to governmental officials, we closely monitor instances of gift giving or receiving. Apart from these legal restrictions, the giving and receiving of gifts can create the appearance of potential conflicts of interest. We are committed to maintaining the highest standards of professional conduct and ethics in order to discharge our legal obligations to our clients, to protect our business reputation, and to avoid even the appearance of impropriety in our investment activities on behalf of clients. Our Policy Manual, which includes our Code of Ethics, sets forth certain minimum expectations that we have for our employees. Within the Code of Ethics is a section devoted entirely to Gifts, Entertainment, Political and Charitable Contributions Policy. All personnel, regardless of role, are expected to conduct the firm's business in full compliance with both the letter and the spirit of the law, and any other policies and procedures that may be applicable.

Employees are generally discouraged from accepting gifts from Other Parties; however, under no circumstances are employees to accept gifts from Other Parties exceeding \$100, in the aggregate, per calendar year per Other Party. Gifts exceeding \$100 in value must be returned, given to charity or shared with a group of associates or team so long as the value per employee (based on number of shared employees) falls below the aggregate annual limit maximum for each employee, when combined with other gifts received by the associate from that Other Party.

As detailed in our Code of Ethics, employees are not permitted to accept entertainment from other parties that is any of the following:

- ♦ Lavish,
- ♦ Excessive or inappropriate as to raise questions of propriety;
- ♦ Not a customary type of amenity in light of the facts and circumstances;
- ♦ Too extensive or frequent as to raise questions of propriety; and
- ♦ An expense reimbursed by an Other Party for entertainment that is not permitted under this Policy.

Within thirty days of giving or receiving a gift, all employees are required to complete a report disclosing all such gifts given and/or received by that employee. This report must be provided to the Chief Compliance Officer, who will maintain records of the same. Gifts to the Chief Executive Officer also must be reported to the Chairman of the Audit Committee. In addition, each year each employee will be required to certify as to whether he or she has given or received any gift during the prior year that must be reported to the Chief Compliance Officer. Travel and expense reports may be subject to Compliance review to test for unreported gifts and/or entertainment.

Personal interests, both inside and outside of Brown Advisory that could be placed ahead of our obligations to clients could be the source of actual or potential conflicts of interest. Employees must

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remain aware that just the opportunity to act improperly may create the appearance of conflict and that conflicts may exist even in the absence of wrongdoing. Employees are required to make a full and timely disclosure of any situation that could result in a potential conflict or the appearance of a conflict of interest. Employees may not take advantage of any opportunity or otherwise personally benefit from information obtained as an employee that would not have been available if he or she were not a Brown Advisory employee.

Client Referrals and Other Compensation

Brown compensates certain persons for client referrals in the form of a portion of the investment management fee.

From time to time, brokers employed by other firms will refer clients to us. If these referrals materialize into new clients, we will compensate the broker for making the introduction. Historically, we have compensated the broker based on a percentage of the client's annual management fee. The range of compensation has included a recurring payment of 25 – 33% of the client's annual management fee. The payment is made quarterly based on our billing cycle.

From time to time, brokers employed by our affiliated firm, Brown Advisory Securities, will refer clients to us. If these referrals materialize into new clients, we will compensate the broker for making the introduction. Historically, we have compensated the broker based on a percentage of the client's annual management fee. The compensation has included a recurring payment of 25% of the client's annual management fee. The payment is made quarterly based on our billing cycle.

Deutsche Asset Management

In addition to Brown Advisory mutual funds, we use money market funds managed by Deutsche Asset Management for short-term cash investments for some of the clients. Currently, Brown Advisory receives a shareholder services fee from Deutsche Asset Management as compensation for sub-accounting responsibilities that it has assumed on behalf of Deutsche Asset Management. Other mutual funds may be held by our clients in their Brown Advisory accounts; however, Brown Advisory does not have any direct relationship with these other funds or fund managers.

U.S. Bank

In 2010, we selected U.S. Bank as our recommended third party custodian. In the process of migrating custody services of our client accounts to U.S. Bank, we incurred certain costs. As part of a reimbursement plan for such costs, U.S. Bank agreed to pay us a reimbursement amount (0.21 basis points) based upon total assets under custody. This amount will be paid to us until such time that we notify U.S. Bank that we have recovered our costs. Such reimbursement to us has no effect on the amount of the annual market value fee (or any other fee) paid by the client. Notwithstanding the previous sentence, this reimbursement payment by U.S. Bank will reduce the total custody fees received by U.S. Bank for such period as such reimbursement payments are made

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Item 15 Custody

Custody

Although we do not maintain actual custody of any of our client's assets, in many cases we have the authority to debit our client's custodial accounts for management fees. Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct your custodian to deduct our advisory fees directly from your account or if you grant us authority to move your money to another person's account. The custodial bank maintains actual custody of your assets.

Management Fee Direct-Debiting Process

During the account set-up process, clients identify in their custodial account agreement if they want to pay their management fee directly from their custodial account or if they prefer to mail us a personal check. If they authorize us to initiate the withdrawal from their custodial account, they also indicate the form of payment - either check from the custodian or wire from the custodian. If we are given the authority by the client, we generally initiate the management fee withdrawal process during the third week following a quarter-end period. This process is initiated in one of two ways.

- ♦ In many cases, a spreadsheet is uploaded to the custodian's website. The spreadsheet includes the list of accounts that have authorized us to debit the management fee from their account and the amount of the management fee that is due.
- ♦ In other cases, management fee invoices are either e-mailed or faxed to custodians.

Statements Sent to Clients

At the end of each quarter, we send account statements and appraisals to you. These account statements and appraisals include the following information:

- ♦ Account name and number,
- ♦ Cash balances,
- ♦ Name of each security held,
- ♦ Quantity of each security held, and
- ♦ Market Value of each security held.

Additional reports are provided to you upon request.

In addition to our statements and appraisals, you will receive account statements directly from your custodian at least quarterly. They will be sent to the email or postal mailing address you provided to them. You should carefully review those statements promptly when you receive them. As a reminder, our statements and appraisals include a legend. This legend urges you to compare your custodial account statements to the periodic account statements and portfolio reports you will receive from us.

Differences Between Our Statements and Custodial Statements

It is important to note that the statements clients receive from us can differ from the statements clients receive from their custodian. Every month, we reconcile client accounts according to the security holdings and transactions provided by their month-end custodial statement. Although security holdings and transactions are reconciled, market values are not reconciled and can be

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different. This is primarily a result of the method by which our portfolio accounting system associates prices to securities. While the prices of fixed income securities tend to differ more across custodians, the price of equity securities can differ across custodians as well. Since the same security can be priced differently at different custodians, a standardized pricing hierarchy must be imposed on the portfolio accounting system to ensure accurate, consistent, and transparent reporting across clients. Our portfolio accounting system has a pricing hierarchy whereby custodians are ranked by priority. If a security is valued by multiple custodians, the ultimate price assigned to the security in the portfolio accounting system reflects the price used by the custodian with the highest ranking. This means that if two accounts hold the same security and have different custodians, our portfolio accounting system will value the security based on the price used by the custodian that is higher up in the pricing hierarchy. The price will then be applied to all accounts that hold the security

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Item 16 Investment Discretion

We accept discretionary authority to manage securities accounts on behalf of our clients.

Generally, there are no limitations on:

- ♦ The securities we will purchase or sell,
- ♦ The amount of the securities we will purchase or sell,
- ♦ The broker or dealer we will use to execute a transaction, and
- ♦ Commission rates paid.

Limitations on Discretionary Authority

Any limitations on our discretionary authority to manage securities accounts on behalf of clients would be initiated and imposed by the client. Examples of common guideline restrictions include, but are not limited to:

- ♦ Limitations prohibiting the purchase of certain securities or industry groups,
- ♦ Limitations on the purchase or sale of a particular type of security, (taxable/tax-exempt)
- ♦ Limitations on the purchase or sale of securities within a particular sector,
- ♦ Limitations prohibiting the purchase of fixed income securities below a designated credit quality rating,
- ♦ Limitations with respect to the weighted average maturity or duration for a portfolio, and
- ♦ Limitations with respect to asset allocation for balanced portfolios.

Specific client investment restrictions may limit our ability to manage those assets like other similarly-managed portfolios. This may impact the performance of the account relative to other accounts and the benchmark index. These clients are informed that their restrictions may impact performance.

Procedures to Ensure Guideline Compliance

The review of client investment limitations is coordinated through our client take-on process, which is coordinated by the Institutional Client Service Team. Internal groups, including Compliance, Systems Administration and the portfolio management team review guidelines for consistency with automation capabilities, determine which restrictions will be monitored manually and establish necessary processes and controls. The Head of Investments is charged with overseeing all investment-related activities for the Firm. In this role, the Head of Investments works with designated investment teams, members of compliance, and the client service group to determine investment policies.

Any client-imposed limitations or guideline restrictions would be defined and outlined their initial documentation with the firm. All clients maintain investment advisory agreements with us. The investment advisory agreement is the contract that governs our relationship with the client. Terms and conditions addressed in these agreements include, but are not limited to: authority; investment objectives and restrictions; custodian selection; trade execution with broker/dealers; valuation; compensation; account information; confidentiality; proxy voting; termination; legal domicile; and representations and warranties.

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In addition to the investment advisory agreements that we maintain with all clients, we also typically maintain investment policy statements for our institutional clients. These documents address a client's guidelines and objectives with greater detail. It is important to note that many of our institutional clients have their own investment policy statements. When clients provide us with their own investment policy statements, we make sure that the language is reflective of our investment management responsibility. When necessary, the language is adjusted and approved by both the client and us before management of the account begins.

Any interpretive issues requiring clarification between us and the client are raised and clarified. Pre-trade restrictions are coded on the MOXY trade order entry/compliance system to the extent possible. As aggregated orders are entered into MOXY, the portfolio manager will be alerted to any potential guideline violations. The portfolio manager is responsible for the oversight of this process.

Additionally, the firm has invested in the Advent Rules Manager Pre- and Post- Trade Compliance module, which is available to manage and monitor client guidelines. This system provides automated, guideline monitoring, which allows efficient and effective implementation of client and regulatory requirements while reducing risk and increasing transparency. Post-trade compliance testing is conducted daily through the Advent Rules Manager system, which generates and distributes daily reports on compliance status to the client service, portfolio management and compliance teams

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Item 17 Voting Client Securities

General Guidelines

As an investment manager, we receive proxy ballots on behalf of our clients. In keeping with our fiduciary obligations to our clients, we review all proxy voting proposals. In general, our proxy voting policy is designed to ensure that we vote in the best interest of our clients, if they delegate voting authority to us. Although management recommendations are given substantial weight, we will not blindly vote in favor of management. We will not support proxy proposals that compromise a client's best interest or that we believe may be detrimental to the underlying value of client positions. Each proxy proposal is considered on its own merits, and an independent determination is made whether to support or oppose management's position. Proxy proposals include a wide range of matters. Examples of routine matters include: election of directors, appointment of auditors, changes in state of incorporation, and changes in capital structure. Examples of non-routine matters include: executive compensation, corporate restructurings, corporate mergers and acquisitions, anti-takeover issues, and social and political issues. While we generally vote with management on routine matters, we generally take a more case-by-case approach with non-routine matters. In all cases, we vote proxies to promote the long-term economic value of the underlying securities. To facilitate the proxy voting process, our research analysts utilize a proxy voting service, both to obtain research and to vote the proxy.

It is important to note that clients may change their proxy voting authorization at any time. If a client revokes our authority to vote the proxy, we will forward any relevant research we obtain to the party that will assume proxy voting authority.

Conflicts of Interest

Above all else, we respect the investment interests, objectives and preferences of our clients. Although we take every effort to avoid conflicts of interest, from time to time unavoidable conflicts of interest arise with respect to proxy voting. When voting a proxy for a particular issuer, a conflict of interest can occur when we, our employees, our officers, our directors, our affiliates, or our mutual funds engage in the following:

- Does business with an issuer or a company closely affiliated to the issuer,
- Receives compensation from the issuer or a company closely affiliated to the issuer, or
- Sits on the board of the issuer or a company closely affiliated to the issuer.

For routine proxy voting matters, we will continue to vote according to our normal procedures. This applies for situations where the conflicts are deemed material or immaterial.

For non-routine matters, we will evaluate the situation and the facts to determine the materiality of the conflict. If the conflict is deemed immaterial, then the proxy will be voted consistent with the policy. If the conflict is deemed material or by definition has the potential to influence the proxy voting decision, then we will:

- Contact the Proxy Voting Service Provider for a review and determination when voting for a fund, or
- Confer with counsel to ensure that the proxy is being voted in our client's best interest when voting for all other clients.

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Abstention

There are times when we may be unable to vote a proxy or may choose not to vote a proxy. Examples of these times include, but are not limited to:

- A proxy ballot was never received from the custodian,
- A meeting notice was received too late,
- The fees imposed to exercise the vote are high and outweigh the benefit of voting, or
- A proxy voting service is not offered by the custodian.

Recordkeeping

We will maintain files relating to our proxy voting procedures in an easily accessible place. Records will be maintained and preserved for at least five years, with records of the first two years kept on-site.

We will retain the following:

- Copies of the proxy voting procedures and policies, including any amendments,
- A copy of each proxy statement received,
- A record of each vote cast,
- A copy of any material documentation supporting our decision,
- A copy of each written client request for information on how we voted, and
- A copy of any written response to any written or oral client request for information on how we voted a proxy.

Clients can obtain a copy of our proxy voting policies and information on how we have voted proxies by calling 1-800-645-3923. If a client requests this information, the Chief Compliance Officer or designee will prepare a written response to the client that lists for each specific request

- The name of the issuer,
- The proxy proposal voted upon, and
- How the client's proxy was voted

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Item 18 Financial Information

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

We have not been the subject of a bankruptcy petition at any time during the past ten years.

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Item 19 Requirements for State-Registered Advisers

We are not a State-Registered Adviser. We are an SEC-registered adviser. Due to the clients we maintain in California, District of Columbia, Florida, Maryland, Massachusetts, New York, Texas, Vermont, and Virginia; we direct notice filings of our registration to these states.