

Form ADV Part 2A

Firm Brochure

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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 U.S. Securities and Exchange Commission. The use of the terms "registered investment adviser" or "registered" by us does not imply by itself any level of skill or training. The oral and written communications we provide to you, including this brochure, is information you can 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.

ITEM 2 MATERIAL CHANGES

The firm brochure for Brown Advisory, LLC has been adjusted to reflect more detailed explanations of some of the investment strategies offered by the firm, explanations of new services offered by the firm and any changes to the corresponding fee schedules of these strategies.

In addition, the financial industry activities and affiliations section has been updated to reflect an investment Brown Advisory Management, LLC made in 2012 in another investment adviser registered with the SEC: CDK Investment Management, LLC.

While the material changes to this brochure have been highlighted above, clients may request a copy of Form ADV Part 2A at any time without charge by sending a written request to our Chief Compliance Officer at our Baltimore address or by e-mail to compliancegroup@brownadvisory.com.

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ITEM 4 ADVISORY BUSINESS

OVERVIEW OF THE FIRM

Brown Advisory, LLC ("Brown", "the firm", or "we") provides investment management 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. We provide active equity, active fixed income and balanced portfolio investment strategies. We also provide strategic advisory services to our high net worth clients. We are registered with the Securities and Exchange Commission ("SEC") as an investment adviser. As of December 31, 2012, Brown Advisory, LLC had \$23,142.4 million in regulatory assets under management. Of that total, approximately \$21,460.4 million represents assets managed on a discretionary basis and \$1,682.0 million represents assets managed on a non-discretionary basis. These values do not include client assets under management or advisement by any of our affiliated firms, including Brown Investment Advisory & Trust Company, Brown Advisory Securities, LLC and CDK Investment Management, LLC.

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. In 1998, Brown Advisory became independently owned through an employee-led buyout.

We are a wholly owned subsidiary of Brown Advisory Management, LLC ("BAM"). Brown Advisory's controlling entity is Brown Advisory Incorporated ("BAI"), which is organized as a Maryland C corporation and serves as the firm's parent company. BAI is the managing member of BAM.

Typically, our investment management services are provided on a discretionary basis. However, from time to time clients may impose reasonable restrictions, limitations or other requirements with respect to their individual accounts. Any limitations on our discretionary authority to manage securities accounts on behalf of clients would be initiated and imposed by the client. Generally, we will work with a client to accommodate investment guidelines and restrictions so long as they do not interfere materially with a portfolio manager's ability to implement the investment and portfolio construction process.

Our equity investment strategies seek to provide clients with long-term capital appreciation by actively selecting securities for investment in concentrated portfolios. For each of our equity strategies, we employ the same investment process and methods of analysis. What differentiates our equity strategies from each other are (1) the market capitalization range of each strategy's portfolio holdings, (2) the geographic focus of each strategy, and (3) the underlying style of each strategy (i.e. growth, value, opportunistic, income or environmentally focused growth). Our fixed income process seeks bonds with capital appreciation potential that is not related to the general movement of interest rates. This philosophy is applied to our long-only fixed income strategies within the context of maintaining a core stability of principal value. What differentiates each of our long-only strategies is the maturity or duration band in which each strategy operates, the allowance of below investment-grade bonds, and the focus on taxable or tax-exempt bonds. Our Tactical Bond Strategy is a long/short strategy that uses quantitative inputs to make allocations to various fixed income sectors. This strategy aims to earn return without reliance on either income generation or the direction of interest rates.

Both our equity and fixed income investment strategies employ a bottom-up, fundamental research approach in their security selection process. Our strategies strive to outperform their respective benchmarks over the long term.

We offer the following equity investment strategies:

- U.S. Large-Cap Growth Equity—invests primarily in the common stock of domestic, medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that we believe have prospects for above-average, sustainable earnings growth.
- U.S. Large-Cap Value Equity—invests primarily in the common stock of domestic, medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that we believe are undervalued but maintain sound long-term fundamentals.

- Flexible Value—invests primarily in the common stock of medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that we believe are value-creating businesses trading at discounts to their intrinsic worth. This strategy may invest up to 20% in fixed income.
- Equity Income—invests primarily in high-quality companies with medium and large market capitalizations (generally greater than \$2 billion at the time of purchase) with above-average dividend yields and the potential for dividend growth. This strategy may invest up to 20% in fixed income.
- U.S. Small-Cap Growth Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time of purchase) that have prospects for above-average sustainable earnings growth.
- U.S. Small-Cap Value Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time of purchase) focusing on companies that we believe are mispriced by the market relative to a fundamental assessment of their underlying value.
- U.S. Mid-Cap Growth Equity—invests primarily in the common stock of mid-cap companies that we believe have prospects for above-average, sustainable earnings growth. The strategy defines mid-cap companies as those whose market capitalization falls within the range of either the S&P MidCap 400 Index or the Russell Midcap Growth Index.
- Large-Cap Sustainability—invests primarily in the common stock of medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that we believe have prospects for above-average, sustainable earnings growth. The strategy focuses on companies with clear environmental strategies or characteristics that drive financial performance and stock valuation.
- U.S. Opportunity—invests primarily in a diversified portfolio of equity securities selected based on company-specific opportunities. The strategy is not bound by a specific investment style or market capitalization range.
- Emerging Markets—invests primarily in equity securities issued principally by companies that are established or operating in emerging market countries in Latin America, Asia, Eastern Europe, Africa and the Middle East. The strategy is not bound by a specific market capitalization range.
- All Cap Tax Sensitive - invests in the common stock of large and medium market capitalization companies. This strategy seeks to hold companies over a long-term investment horizon and targets a lower portfolio turnover. This investment approach is offered to our private clients and as a separately managed account only.

We offer the following fixed income strategies:

- Intermediate Income—invests primarily in high-credit-quality taxable fixed income securities in portfolios of an intermediate maturity, between one and 10 years or an average duration between two and five years.
- Core Fixed Income—invests primarily in high-credit-quality taxable fixed income securities in portfolios with target durations between four and seven years. The strategy may include high yield.
- Limited Duration—invests primarily in high-credit-quality taxable fixed income securities in portfolios with target durations between one and four years.
- Intermediate Municipal—invests primarily in high-credit-quality tax-exempt securities in portfolios with target durations between two and five years.
- Enhanced Cash—invests primarily in high-credit-quality taxable fixed income securities in portfolios with target durations between zero and two years.
- Tactical Bond—makes long and short tactical investments in fixed income instruments based on quantitative inputs, seeking to produce positive total return in various market environments, including rising interest rates. This strategy utilizes quantitative modeling in making tactical purchase and sale decisions. This strategy may include high yield.

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

We also provide our clients with access to outside managers through an Open Architecture Program. 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, hedge funds and real estate. By combining our selective Open Architecture Program with our extensive in-house resources, we seek to optimize our customized portfolio management capabilities for clients.

To institutional clients who want both consultative advice and discretionary investment management, we offer CIO Services, an integrated solution that seeks to develop and refine appropriate investment policies given each client's goals, liabilities and constraints, and then create actively managed portfolios tailored to those policies through a combination of in-house investment strategies and external managers on our open architecture platform.

In addition to our investment management services, we offer strategic advisory services for clients with complex financial, investment, and fiduciary circumstances. These services include but are not limited to tax planning, intergenerational wealth transfer (including trust and estate planning), philanthropic planning, family business advisory and wealth structuring.

In addition to our traditional investment management activities, we also serve as the general partner, managing member, and/or investment manager of various private and limited partnerships. These partnerships generally invest in public and private securities, private equity vehicles and hedge funds.

Brown Advisory may also provide investment advisory services for select model-based separately managed account programs of unaffiliated managers and financial advisors. In these programs, we typically provide a model portfolio to the program manager, who is then responsible for executing transactions and coordinating account guidelines and restrictions with the underlying separate account client. In exchange for these services, we receive a fee from the unaffiliated manager or financial advisor.

CUSTOMIZATION OF ADVISORY SERVICES

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 defined and outlined in the client's initial documentation with the firm.

We may also maintain investment policy statements or written investment guidelines for institutional clients. These documents address a client's guidelines and objectives in greater detail. 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 Brown Advisory before management of the account begins.

MANAGED ACCOUNT PROGRAM PARTICIPATION

We serve as an investment manager for the Brown Advisory Pathway Program. This program offers clients access to a range of investing opportunities, including domestic and international equities, fixed income, commodities and real estate. Under the program, our affiliate, Brown Advisory Securities, LLC, offers their clients the opportunity to have us manage a separately managed account in the Large-Cap Value, Large-Cap Growth, Small-Cap Growth, Small-Cap Fundamental Value, Equity Income, Large-Cap Sustainability or Flexible Value investment style.

Under this program, we provide discretionary investment management services to clients in different asset classes and strategies. These services are based on an asset allocation model that incorporates the client's investment objectives, as determined by the client with the advice of the client's Brown Advisory Securities representative. The Program offers the flexibility to invest client assets across several different asset classes and strategies within a single account. If clients select a multi-asset class account, they may be invested in affiliated and unaffiliated mutual funds, instead of separately managed accounts, for certain asset classes. These funds include proprietary Brown Advisory mutual funds as well as

externally managed funds offered through our Open Architecture Program. The funds selected for investment by the client generally depend on the asset class and the total amount invested.

Affiliated mutual funds include any Brown Advisory Fund. We serve as the investment adviser to affiliated mutual funds and are paid an investment advisory and shareholder servicing fee by the funds.

The program is designed to enable Brown Advisory Securities, LLC clients to pursue their investment objectives and strategies by utilizing the various investment styles listed above. Investors with at least one separately managed account may also choose to invest in a menu of Brown Advisory Funds for a minimum investment of \$25,000 per Brown Advisory Fund. We receive a portion of the fee as compensation for the investment management services we provide in the Brown Advisory Pathway Program.

ITEM 5 FEES AND COMPENSATION

STANDARD FEE SCHEDULES FOR PRIVATE CLIENTS

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

Clients generally pay advisory fees based on a percentage of assets in their account(s). Fees are not typically negotiated. However, fees may be negotiated depending on the particular circumstances of the client, scope of services provided, size of account(s), service levels, reporting and other arrangements as agreed with specific clients. In those instances, a client may pay more or less than the fees on our standard fee schedules, and more or less than similar clients.

We receive management fees from our clients on a quarterly basis. Although most of our clients pay in arrears, several of our clients pay in advance. We will accept both. Fees do not include fees for services performed by the clients' custodian.

We have an experienced team of Institutional Portfolio Managers and Research Analysts dedicated to the various investment disciplines offered by the firm. These investment teams also work cooperatively with our Private Client Strategic Advisors and Portfolio Managers to provide balanced account management services.

Although we generally target 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, client service requirements and certain circumstances.

Provided below are the standard annual fee schedules for the investment management services we currently offer for Private Clients:

PRIVATE CLIENT PORTFOLIOS GREATER THAN \$5 MILLION

1.00% on the first \$5 million under management
0.75% on the next \$5 million under management
0.50% on the next \$15 million under management
0.35% on the next \$75 million under management
0.30% on amounts over \$100 million under management

In circumstances where a minimum is waived the following schedule applies:

PRIVATE CLIENT PORTFOLIOS LESS THAN \$5 MILLION

1.25% on the first \$3 million under management
1.00% on the next \$2 million under management

LARGE-CAP GROWTH EQUITY, LARGE-CAP VALUE EQUITY, FLEXIBLE VALUE, EQUITY INCOME AND LARGE-CAP SUSTAINABILITY SEPARATE ACCOUNTS

0.80% on the first \$10 million under management
0.65% on the next \$15 million under management
0.50% on the next \$25 million under management
0.40% on amounts over \$50 million under management

MID-CAP GROWTH EQUITY

0.90% on the first \$25 million under management
0.80% on the next \$25 million under management
0.70% on the next \$50 million under management
0.60% on amounts over \$100 million under management

SMALL-CAP GROWTH EQUITY AND SMALL-CAP VALUE EQUITY SEPARATE ACCOUNTS

1.00% on the first \$25 million under management
0.90% on the next \$25 million under management
0.80% on the next \$50 million under management
0.70% on amounts over \$100 million under management

PRIVATE CLIENT FIXED INCOME SEPARATE ACCOUNT STRATEGIES

0.65% on the first \$5 million under management
0.375% on the next \$5 million under management
0.25% on the next \$15 million under management
0.20% on amounts over \$25 million under management

PRIVATE EQUITY /ALTERNATIVES PORTFOLIOS

0.40% administrative fee on capital committed to Brown Advisory-sponsored private equity/alternatives strategies, unless otherwise noted in the vehicle's private placement memorandum or other offering documents. All private equity/alternatives strategies, including Brown Advisory-sponsored and non-Brown Advisory-sponsored, are subject to the firm's standard account-level fees, which typically are based on net invested capital except as otherwise specified for a particular product.

There is no formal minimum level of investment imposed on accounts participating in private equity/alternatives strategies. However, all investors in this area must meet specific suitability requirements in order to invest.

This Private Equity/Alternatives administration fee is in addition to fees charged by the underlying funds, details of which are set forth in the funds' private placement memoranda or offering documents.

PARTICIPATION IN MANAGED ACCOUNT PROGRAM

For the investment management services we provide in the Brown Advisory Pathway Program, we receive a portion of the fee as compensation. The Program fee schedule is as follows:

<u>ACCOUNT ASSET VALUE</u>	<u>ANNUAL FEE</u>
Less Than \$5,000,000	1.25%

The asset value of the account is calculated on the last business day of the previous calendar quarter. If the advisory agreement is terminated during a quarter, a pro-rata fee will be assessed based on the number of days in the quarter that the client was in the Program. We receive 50 basis points (or 0.50%) out of the applicable fee. The remainder of the fee is remitted to Brown Advisory Securities for its services to the client and any Brown Advisory Securities representative receiving a referral fee. All fees are subject to negotiation and could vary depending on the client's specific circumstances. Fees typically are billed quarterly in arrears based on one-fourth of the annual rate. The advisory fee does not cover fees for services performed by the client's custodian.

STANDARD FEE SCHEDULES FOR INSTITUTIONAL CLIENTS

We manage assets for Institutional clients seeking discretionary portfolio management services. Each client receives investment management services based on agreed upon investment objectives and policies.

Clients generally pay advisory fees based on a percentage of assets in their account(s). Generally speaking, fees are not typically negotiated. However, fees may be negotiated depending on the particular circumstances of the client, scope of services provided, size of account(s), service levels, reporting and other arrangements as agreed with specific clients. In those instances, a client may pay more or less than the fees on our standard fee schedules, and more or less than similar clients.

We receive management fees from our clients on a quarterly basis. Although most of our clients pay in arrears, several of our clients pay in advance. We will accept both. Fees do not include fees for services performed by the clients' custodian.

We have an experienced team of portfolio managers and research analysts dedicated to the various investment disciplines offered by the firm. These investment teams also work cooperatively with our balanced institutional/OCIO portfolio managers to provide balanced account management services.

Although we generally target balance institutional/OCIO clients with a minimum of \$5 million of investable assets (unless a higher minimum is indicated), from time to time we will waive the account minimum depending on the client relationship, client service requirements and certain circumstances.

Provided below are the standard annual fee schedules for the investment management services we currently offer for Institutional Clients:

OUTSOURCED OCIO PORTFOLIOS GREATER THAN \$5 MILLION

1.00% on the first \$5 million under management
0.75% on the next \$5 million under management
0.50% on the next \$15 million under management
0.35% on the next \$75 million under management
0.30% on amounts over \$100 million under management

LARGE-CAP GROWTH EQUITY, LARGE-CAP VALUE EQUITY, FLEXIBLE VALUE, EQUITY INCOME AND LARGE-CAP SUSTAINABILITY SEPARATE ACCOUNTS

0.80% on the first \$10 million under management
0.65% on the next \$15 million under management
0.50% on the next \$25 million under management
0.40% on amounts over \$50 million under management

MID-CAP GROWTH EQUITY

0.90% on the first \$25 million under management
0.80% on the next \$25 million under management
0.70% on the next \$50 million under management
0.60% on amounts over \$100 million under management

SMALL-CAP GROWTH EQUITY AND SMALL-CAP VALUE EQUITY SEPARATE ACCOUNTS

1.00% on the first \$25 million under management
0.90% on the next \$25 million under management
0.80% on the next \$50 million under management
0.70% on amounts over \$100 million under management

FIXED INCOME SEPARATE ACCOUNT STRATEGIES (MINIMUM OF \$10 MILLION)

0.375% on the first \$10 million under management
0.25% on the next \$15 million under management
0.20% on amounts over \$25 million under management

PRIVATE EQUITY /ALTERNATIVES PORTFOLIOS

0.40% administrative fee on capital committed to Brown Advisory-sponsored private equity/alternatives strategies unless otherwise noted in the vehicle's private placement memorandum or other offering documents. All private equity/alternatives strategies, including Brown Advisory-sponsored and non-Brown Advisory-sponsored, are subject to the firm's standard account-level fees, which typically are based on net invested capital except as otherwise specified for a particular product.

There is no formal minimum level of investment imposed on accounts participating in private equity/alternatives strategies. However, all investors in this area must meet specific suitability requirements in order to invest.

This Private Equity/Alternatives administration fee is in addition to fees charged by the underlying funds, details of which are set forth in the funds' private placement memoranda or offering documents.

ADVISORY SERVICES TO UNAFFILIATED FINANCIAL SERVICES FIRMS

We have several proprietary equity and fixed income investment strategies that are managed by our team of portfolio managers and analysts. In addition to offering these strategies directly to our clients through the mutual fund and separate account products that we manage, we distribute separate account and mutual fund investment products domestically and internationally to a variety of unaffiliated financial services firms. These include but are not limited to:

- Insurance companies
- Banks
- Unaffiliated broker-dealers
- Unaffiliated registered investment advisers

Since our clients could simultaneously be clients of the unaffiliated financial services firms with which we have relationships, they could have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

We currently maintain contractual agreements with a number of unaffiliated financial services firms. For these firms, we do one or more of the following:

- Serve as a sub-adviser and provide investment management services in connection with the management of a mutual fund by another registered investment adviser;
- Provide investment management and advisory services in connection with an unaffiliated registered investment adviser's use of our investment strategies for their separately managed account program;
- Provide investment advisory services in the form of model portfolios for investment strategies to other unaffiliated managers and financial advisers; and
- Allow investors from fee-based mutual fund programs of other registered investment advisers to access and invest in our proprietary mutual funds through specially designated share classes.

When we provide investment management and/or advisory services to unaffiliated financial firms, we are generally compensated through a contractually agreed-upon fee schedule. The fee schedules and arrangements with these firms may vary depending on several factors. These factors include but are not limited to the amount of assets under management, client servicing requirements, the client type and the investment strategy for which investment management or advisory services are provided.

When we allow investors from unaffiliated firm mutual fund programs to access our proprietary mutual funds through specially designated share classes, we will generally compensate the unaffiliated financial firm based on a contractually agreed-upon fee schedule. The fee schedules and arrangements with these firms may vary depending on several factors. These factors include but are not limited to the amount of assets under management, client servicing requirements and the investment strategy for which investment management or advisory services are provided.

FEE PAYMENT OPTIONS

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

- **Direct debiting (preferred):** At the inception of the relationship and each quarter thereafter, we will notify the client's custodian of the amount of the management fee due and payable to us through our fee schedule and contract. If clients choose this method, they must provide written authorization to the custodian permitting our management fee to be paid directly from the account(s) 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. The custodian will deduct the fee from the account(s) or, if the client has more than one account, from the account designated to pay our advisory fees. Each month, clients will receive a statement directly from their custodian showing all transactions, positions and credits/debits into or from their account(s); the statements after the quarter-end will reflect these transactions, including the advisory fee paid by the client to us.

- Pay-by-check or wire: At the inception of the relationship and each quarter thereafter, we will issue clients an invoice for our services. Clients 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 the client will pay when we purchase or sell securities for the client's 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 transaction costs are charged to the account(s) as they occur.

All fees paid to us for portfolio management services are separate from the fees and expenses borne by any mutual funds, limited partnerships or private funds in which client assets may be invested, including funds or partnerships advised by an affiliate of ours. Fees associated with these vehicles are detailed in the corresponding prospectus and fund documents. It is common for different share classes to maintain different fees. Certain share classes may receive more favorable fee structures. In addition, depending on the circumstance from time to time share class or fund minimums (either for private or mutual funds) are waived or lowered. Examples of these circumstances may include clients that maintain additional accounts or have a long-standing relationship with the firm or employees who are also clients of the firm. Clients paying a Brown Advisory account-level management fee are rebated an amount equal to investment 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.

There are many fees and/or expenses that clients may pay directly to third parties for any securities purchased, sold or held in their account(s) under our management. We do not receive, directly or indirectly, any of these fees charged to the client. They are paid to the client's broker, custodian or the mutual fund(s) or other investment(s) the client holds. 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.

U.S. BANK CUSTODY FEES

In 2010, Brown Advisory negotiated a favorable custody relationship with U.S. Bank. We believe this relationship is 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 online account access.

There is no minimum custody fee.

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.

Clients select their own custodian and are not required to utilize the services of U.S. Bank. We are indifferent to a client's choice of custodian, assuming such custodian is able to work with us operationally.

TERMINATED ACCOUNTS

In the event a client's investment advisory agreement is terminated, any fees paid in advance will be refunded on a pro rata basis as of the termination date. Similarly, any accounts that contractually pay management fees in arrears will be billed the pro-rata portion for the time the assets were under management.

COMPENSATION FOR SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS

We do not have or employ any employee who receives, either directly or indirectly, any compensation from the sale of securities or other investment products that are purchased or sold for a client's account. This includes asset-based sales charges from the sale of mutual funds. As a result, we are a "fee-only" investment adviser. We may compensate employees for business development activity, including the attraction or retention of client assets.

FEES FROM FUNDS

If Brown Advisory manages a balanced account for a client, proprietary registered funds, non-proprietary registered funds and proprietary unregistered pooled funds may be used. Fees associated with these vehicles are detailed in the corresponding prospectus and fund offering documents. 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, unless otherwise noted in the fund's prospectus or offering document.

Within the mutual funds, other fees, including business management or shareholder servicing fees may be charged. An affiliate may receive fees in the form of a shareholder servicing fee (typically ranging from 0.05% - 0.15%) and a business management fee (typically ranging 0% - 0.05%) for proprietary registered funds. Shareholder servicing fees are utilized to cover expenses related to on-going management and servicing of existing shareholders. The business management fees are utilized to cover business related expenses incurred by the Funds; some examples of these expenses include but are not limited to Board of Trustee relations, technology expenses, and overhead.

The Brown Advisory Funds Institutional share class charges 0.05% of the average daily net assets for a shareholder services fee, while the Advisor share class charges 0.25% of the average daily net assets for a 12b-1 fee as applicable under a Rule 12b-1 plan as compensation for distribution-related and shareholder services provided by intermediaries including Brown Advisory.

The Brown Advisory Winslow Sustainability Fund Institutional share class does not charge a shareholder servicing fee while the Investor class charges 0.15% of the average daily net assets for a shareholder services fee and 0.05% of the average daily net assets for a business management fee. The Advisor share class charges 0.15% of the average daily net assets for a shareholder services fee, 0.25% of the average daily net assets for 12b-1 eligible expenses, and 0.05% of the average daily net assets for a business management fee.

The expenses that are incurred by the Advisor that could properly be categorized as Rule 12b-1 expenses are: (1) prospectus fulfillment, (2) some platform/distribution expenses, (3) marketing materials and advertising, (4) website maintenance, (5) broker, (6) compensation and related expenses, (7) conferences and memberships expenses, and (7) distributor fees. (Institutional Shares do not charge 12b-1 fees and are not considered eligible for 12b-1 plan distribution expenses reimbursement.)

The Brown Advisory Tax Exempt Bond Fund Investor Class charges 0.05% of the average daily net assets of the Fund for a shareholder services fee and 0.05% of the average daily net assets of the Fund for a business management fee. The difference in these fee models is based on differences in distribution strategies and target shareholders.

Please refer to the Funds' prospectus for additional details.

ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

From time to time we will accept institutional clients that wish to pay performance-based fee schedules. In addition, private funds advised by us may charge a carry or performance fee. The Private Placement Memoranda or other offering documents for each private vehicle should be consulted for additional information.

Since most of our clients maintain tiered asset-based fee schedules, this means some portfolio managers are managing accounts for clients that compensate the firm according to an asset-based fee schedule at the same time they are managing accounts for clients that compensate the firm 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.

Brown Advisory maintains and enforces written policies and procedures designed to ensure that all accounts are treated equitably regardless of the fee arrangement. In addition, 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 mitigate and manage these risks, we employ the following practices:

- Subject to client guidelines and restrictions, 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. For equity strategies, we typically will aggregate orders for the same security across multiple accounts into a "block trade." We believe this process provides equal treatment of all clients, provides ease of administration and facilitates the avoidance of information leakage that may be detrimental to client trades. The average price per share of a block trade will be allocated to each account that participates 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 on a number of factors. Once this is determined, the security is allocated on a pro-rata basis among these particular accounts.
- 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. Fund portfolio managers continually review investments to confirm that they are consistent with the Fund's 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 regularly with each investment team to review performance and portfolio activity to ensure that the team is managing the portfolios to stated investment philosophies. Sector and security selection analysis, current portfolio composition, trading activity and style-based portfolio analysis are all examined during the review.
- With respect to fixed income, the fixed income team has a formal investment committee that meets twice a week to discuss market- and sector-specific events and strategies. All team members are active participants in the review and strategy formulation process. Meetings usually

include a macro-level market review as well as sector-specific valuation comments with performance detail and anticipated market reactions. Strategies are reviewed weekly during these investment committee meetings. Allocation of fixed income securities across accounts can vary. All accounts are informally reviewed weekly.

- Aggregation and allocation procedures across fixed income portfolios have been designed to ensure fair and equitable treatment across all accounts. Portfolio Managers attempt to block multiple orders for the same security on the same side of the market prior to releasing an order. In the event orders eligible for aggregation are not aggregated, the Fixed Income Desk will use its best efforts to block these orders together. Orders received after the full execution of an order (a done trade) are not blocked. Block orders that are executed in their entirety will be allocated to each account that participated at the trade execution price. If a block order cannot be executed in full at the time, the securities actually purchased or sold 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 accounts. For example, partial fills generally are allocated pro rata among participating accounts. The Fixed Income 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.

ITEM 7 TYPES OF CLIENTS

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

1. High net worth individuals and families
2. Pooled vehicles, including registered investment companies and UCITS
3. Endowments
4. Foundations
5. Charitable organizations
6. Public/government-related clients
7. Pension and profit-sharing plans
8. Insurance companies
9. Corporations
10. Individual retirement plans
11. Trusts
12. Estates
13. Eleemosynary institutions
14. Religious institutions
15. 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, client service requirements and other circumstances.

ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

METHODS OF ANALYSIS AND 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.

EQUITIES

Our equity investment strategies seek to provide clients with long-term capital appreciation by actively selecting securities for investment in a concentrated portfolio. For each of our equity strategies, we employ the same investment process and methods of analysis. What differentiates our equity strategies from each other are (1) the market capitalization and (2) the underlying style (growth, value, opportunistic, income or in the case of our Large-Cap Sustainability strategy, the opportunity to benefit financially from environmentally driven strategies). Our equity investment strategies employ a bottom-up, fundamental research approach to our security selection process. With respect to portfolio construction, we manage position sizes according to our assessment of a security's long-term potential value. In determining individual security weightings, securities with the greatest upside price potential, relative to their respective downside risk, tend to be the largest positions in the portfolio. We trim holdings that we deem to be overvalued to deploy that capital into more attractive opportunities. This active position size management is designed to ensure that the overall portfolio is constantly being managed from a risk/reward perspective. Our equity strategies strive to outperform their respective benchmarks over the long term.

We offer the following equity investment strategies:

U.S. Large-Cap Growth Equity—invests primarily in the common stock of domestic, medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) and is designed for investors seeking capital appreciation through a concentrated portfolio of fundamentally sound companies that have prospects for above-average, sustainable earnings growth. Stock selection is driven by bottom-up, fundamental research that focuses on adding companies to the portfolio based on the merits of their business models and position within their respective industries as well as the macro environment. Typically, stocks are purchased with the intent of owning them for a multiyear period. The strategy is benchmarked to the Russell 1000 Growth Index.

U.S. Large-Cap Value Equity—invests primarily in the common stock of domestic, medium to large market capitalization companies (generally greater than \$2 billion at the time of purchase) and is designed for investors seeking capital appreciation through a portfolio of undervalued stocks of well-established, often global, business franchises with sound long-term fundamentals. Stock selection is driven by bottom-up fundamental research that focuses on the merits of their business models and position within their respective industries as well as the macro environment. Typically, stocks are purchased with the intent of owning them for a multiyear period. The strategy is benchmarked to the Russell 1000 Value Index.

Flexible Value—invests primarily in the common stock of domestic medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) with good long-term economics and a capable management team on a bargain basis. This strategy expands the bargain-hunting concept of traditional value investing to a broader range of investment opportunities and is designed for investors seeking long-term growth of capital through a moderately concentrated portfolio. With value defined as the present value of estimated future cash flows, the strategy seeks bargains in “value” as well as “growth” stocks. The strategy seeks to buy businesses on a bargain basis by: (1) taking advantage of temporary adversity or market disfavor, (2) identifying an underappreciated change that may improve business prospects, (3) seeking overlooked or undiscovered opportunities the market is not focused on and (4) finding scenarios offering compressed valuations for premium businesses. The strategy is benchmarked to the S&P 500 Index.

Equity Income—invests primarily in high-quality companies with medium and large market capitalizations (generally greater than \$2 billion at the time of purchase) with above-average dividend yields and the potential for dividend growth. It is designed for investors seeking to own a concentrated portfolio that is focused on providing current dividend yield and dividend growth. For these purposes, a “high-quality” company is defined as one with above-average and consistent return on equity, manageable debt levels and relatively stable profitability. Stock selection involves screening for yield, fundamental research and an assessment of a company's dividend policy. This strategy may invest up to 20% in fixed income. This strategy is benchmarked to the S&P 500 Index.

U.S. Small-Cap Growth Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time of purchase) possessing above-average growth potential. It is designed for investors seeking long-term capital appreciation through a concentrated portfolio of diversified, high-quality business models with above-average growth, sound management and favorable competitive positioning. The managers employ a disciplined, long-term investment philosophy based on a careful analysis of business fundamentals relative to the price of the security. The goal is to exploit inefficiencies in the small capitalization universe and identify companies operating in large and growing addressable markets with dominant and/or increasing market share. The strategy is benchmarked to the Russell 2000 Growth Index.

U.S. Small-Cap Value Equity—invests primarily in the common stock of domestic, small market capitalization companies (generally less than \$4 billion at the time of purchase) focusing on companies that are mispriced in the market relative to a fundamental assessment of their underlying value and strives to exploit those situations where we believe the market is inefficiently valuing the long-term enterprise value of the company. It is designed for investors seeking long-term capital appreciation through a concentrated portfolio of companies that generate high levels of sustainable free cash flow and that have management teams that effectively allocate capital. Fundamental analysis and valuation discipline are used to select undervalued investments for the portfolio. This strategy is benchmarked to the Russell 2000 Value Index.

U.S. Mid-Cap Growth Equity—invests primarily in the common stock of mid-cap companies that have the potential to grow their earnings at a rate faster than the average company. The strategy defines mid-cap companies as those whose market capitalization falls within the range of either the S&P MidCap 400 Index or the Russell Midcap Growth Index. The market capitalization of the companies in the strategy's portfolio and the indices will change over time; the strategy will not automatically sell or cease to purchase the common stock of a company it holds just because the company's market capitalization grows or falls outside these ranges. As “growth” investors, we typically look for companies with one or more of the following attributes: large and/or growing addressable market opportunity; market leader or market share gainer; a differentiated product, service or business model; high and/or rising profit margins; high and/or rising return on invested capital; capital efficiency; management strength; sustainable above-average growth dynamics; and stock prices that undervalue a company's growth prospects. While the strategy will consistently employ its normal investment criteria, it has the discretion to deviate from the course previously described in order to purchase securities that the portfolio manager believes have the potential to provide an opportunity for substantial appreciation. Examples may include an extraordinary corporate event, a new product introduction or innovation, a favorable competitive development or a change in management. This strategy is benchmarked to the S&P MidCap 400 Index and the Russell Midcap Growth Index.

Large-Cap Sustainability—invests primarily in the common stock of medium and large market capitalization companies (generally greater than \$2 billion at the time of purchase) that demonstrate sustainable business models, long-term competitive advantages, strong environmental performance and opportunities to benefit financially from environmentally driven strategies. It is designed for investors seeking long-term capital appreciation by investing in companies that have the ability to capitalize on unique opportunities afforded by the green economy and appear most willing and capable of adapting to these trends. The strategy adheres to a valuation discipline that is based on a risk/reward analysis. It integrates fundamental research with environmental research and focuses on identifying the key

fundamental and environmental drivers of a company's business model. This strategy is benchmarked to the Russell 1000 Growth Index.

U.S. Opportunity—invests primarily in a diversified portfolio of equity securities, incorporating either a growth or value investment approach to security selection, and investing in companies regardless of market capitalization. It is designed for investors seeking long-term capital appreciation through a concentrated portfolio of high-quality companies that we believe have significant market opportunities where the companies are leaders or potential leaders in their respective markets, leaders or potential leaders with their proprietary products and services, or are engaged in new product development and product cycle leadership that sustains a strong brand franchise. This strategy is benchmarked to the Russell 3000 Index.

Emerging Markets – invests primarily in equity securities issued by companies that are established or operating in emerging market countries. These include companies in emerging market countries in Latin America, Asia, Eastern Europe, Africa and the Middle East. The strategy considers a company to be established or operating in emerging market countries if: (i) it is organized under the laws of or maintains a principal office in an emerging market country; (ii) its securities are traded on trading markets in emerging markets countries; (iii) it derives at least 50% of its total revenue or profits from either goods or services produced or sales made in emerging markets countries; or (iv) it has at least 50% of its assets in emerging market countries. The strategy may invest up to 20% of its net assets in securities of companies that are established or operating in countries that are considered to be outside of emerging markets, which may include other less developed countries as well as developed market countries. The strategy may purchase equity securities of companies of any size capitalization. Equities in which the strategy may invest include common stock, preferred stock, equity-equivalent securities such as stock futures contracts, equity options, other investment companies, American Depositary Receipts (“ADRs”), Global Depositary Receipts (“GDRs”) and exchange traded funds (“ETFs”). The strategy may utilize options, futures contracts and options on futures. These investments will typically be made for investment purposes consistent with the strategy's investment objective and may also be used to mitigate or hedge risks within the portfolio or for the temporary investment of cash balances. The strategy is benchmarked to the MSCI Emerging Markets Index.

All Cap Tax Sensitive - invests in the common stock of large and medium market capitalization companies. This strategy seeks to hold companies over a long-term investment horizon and targets a lower portfolio turnover. This tax sensitive investment approach is offered exclusively as a separately managed account for our private clients.

FIXED INCOME

Our fixed income process is to seek bonds with capital appreciation potential that is not related to the general movement of interest rates. This philosophy is applied to our long-only fixed income strategies within the context of maintaining a core stability of principal value. What differentiates each of our long-only strategies is the maturity or duration band in which each strategy operates, the allowance of below investment-grade bonds, and the focus on taxable or tax-exempt bonds. Our process begins by examining various potential macroeconomic scenarios. We do this because we believe that the complexity of the real world macro economy defies singular predictions about its directions. Hence, rather than focusing on what will happen, we find it more fruitful to consider why certain macro events might happen. We then look across scenarios and consider how various types of bonds may perform in the different potential outcomes. We then look for bonds that can perform well in various scenarios, or at least find bonds where the upside in one set of scenarios is much more favorable than the downside in another scenario. In this process, we are much more focused on specific bonds or bond structures rather than broad sector weightings. We seek to concentrate portfolio positions in a few high conviction ideas.

Intermediate Income

Invests primarily in taxable investment-grade bonds maturing between 0 and 10-years. The strategy aims to produce risk-adjusted returns in excess of the Barclays Intermediate Aggregate Bond Index. Allocations are identified through fundamental and quantitative analysis and concentrated on our best ideas. Sector weightings relative to the benchmark are a secondary concern. Primary sectors utilized

include government bonds, mortgage-backed securities, corporate bonds, asset-backed securities, and taxable municipal bonds.

Core Fixed Income

Invests primarily in taxable investment-grade bonds maturing between 0 and 30-years. The strategy may invest up to 20% in high-yield bonds. The strategy aims to produce risk-adjusted returns in excess of the Barclays Aggregate Bond Index. Allocations are identified through fundamental and quantitative analysis and concentrated on our best ideas. Sector weightings relative to the benchmark are a secondary concern. Primary sectors utilized include government bonds, mortgage-backed securities, corporate bonds, asset-backed securities, and taxable municipal bonds.

Intermediate Municipal Bond

Invests primarily in tax-exempt, investment-grade bonds maturing between 0 and 12-years. The strategy may invest in non-rated bonds. The strategy aims to produce risk-adjusted returns in excess of the Barclays Municipal Bond 1-10 year Index. Allocations are identified through fundamental and quantitative analysis and concentrated on our best ideas. Sector weightings relative to the benchmark are a secondary concern.

Limited Duration

Invests primarily in taxable investment-grade bonds maturing between 0 and 5-years. The strategy aims to produce risk-adjusted returns in excess of the Barclays 1-5 Year Government/Credit Index. This strategy is designed for clients who wish to enjoy higher return potential than money market while still maintaining a high level of principal stability. Allocations are identified through fundamental and quantitative analysis and concentrated on our best ideas. Sector weightings relative to the benchmark are a secondary concern. Primary sectors utilized include government bonds, mortgage-backed securities, corporate bonds, asset-backed securities, and taxable municipal bonds.

Enhanced Cash

Invests primarily in taxable investment-grade bonds maturing between 0 and 2-years and/or which have features that greatly mitigate interest rate risk. The strategy aims to produce risk-adjusted returns in excess of the Merrill Lynch 0-3 Month T-Bill Index. This strategy is designed for clients who wish to enjoy mildly higher return potential than money market avoiding any material principal fluctuation. Primary sectors utilized include money market instruments, government bonds, mortgage-backed securities, corporate bonds, asset-backed securities, and taxable municipal bonds.

Tactical Bond Fund

Makes long and short tactical investments in fixed income instruments based on quantitative inputs, seeking to produce positive total return in various market environments including rising interest rates. This strategy makes use of quantitative modeling in making tactical purchase and sale decisions. These models are designed to capture macro-movements in bond sectors, and thus securities selected for purchase will be expected to perform similarly to the sector as a whole. The strategy will take long positions in high-yield corporate bonds, tax-exempt municipal bonds, Treasury bonds and/or Treasury Inflation Protected Securities (TIPS). It may also take a short position in high-yield corporate bonds. It does not seek to track any particular benchmark or index.

BALANCED PORTFOLIO MANAGEMENT

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

We also provide our clients with access to outside managers through an Open Architecture program. 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, hedge funds and real estate. By combining our selective Open Architecture initiative with our extensive in-house resources, we enhance our customized portfolio management capabilities for clients.

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 we believe have the potential to add value to 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, board directors and members, CEOs and business owners, consultants, investment bankers, venture capital and private equity firms, and national and local decision makers.

For clients with complex financial, investment and fiduciary circumstances, we offer strategic advisory services whereby we supplement our asset management expertise with guidance on tax planning, intergenerational wealth transfer (including trust and estate planning), philanthropic planning, family business advisory, wealth structuring and more.

Brown Advisory as Chief Investment Officer

Our Balanced Portfolio Management business encompasses individual clients, families, and institutions. For these institutions, we offer "Brown Advisory as Chief Investment Officer" as we serve the clients' Board of Directors, and often Investment Committees, as an extension of their internal investment capabilities. Brown Advisory as CIO is characterized by our ability to contribute value at each stage of the investment process—from developing and refining investment policy statements to strategic asset allocation, portfolio construction and ongoing analysis and interaction with the organization, its investment committee members and stakeholders.

STRATEGIC ASSET ALLOCATION

As an independent investment advisory firm, we are committed to serving our clients' needs and goals. For those clients who 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 apply the client's risk tolerance and investment objectives to our proprietary "Three Bucket" approach and allocate the client's assets into an Operating Account, a Core Portfolio and Opportunistic Investments.

Based on the results of these assessments, we develop an investment plan for our clients. Each plan is tailored to a client's goals and is adjusted accordingly 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 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

Our Open Architecture and Strategic Asset Allocation capabilities include alternative investments, therefore 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, private equity, leveraged buyout, real estate, hedge funds and other strategies. Our Private Equity Administration Group oversees the administration of many of these investments..

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. Accordingly, among the factors we consider in recommending alternative investment options are liquidity needs and concerns,

risk tolerance, long-term performance of private equity, hedge funds 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 investment managers, we apply our knowledge of the sectors in which we participate. We leverage our in-house research expertise, as well as the insight of partner firms in industry sectors, and 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.

FUNDAMENTAL LONG/SHORT FUND LLC

Fundamental Long/Short Fund LLC, a private investment fund, provides long and short investing and concentrates on under-followed and inefficient areas of the market, which include companies with market capitalizations generally less than \$4 billion at the time of purchase. It will also invest opportunistically in corporate actions, debt investments and special investments. Special investments include those that have limited liquidity, no public market and/or an investment horizon requiring a multiyear holding period. The portfolio may not be broadly diversified among issuers and security types.

WINSLOW HEDGE FUND

Winslow Hedge Fund, L.P., a private investment fund, provides long and short investments in companies that focus on green solutions and environmental sustainability. Its assets are invested in securities, other financial instruments, and rights and options relating to such securities.

STRATEGIC ADVISORY SERVICES

We recognize that for many clients with complex financial circumstances, simply trying to maximize return for a given level of risk is not enough. For such wealthy individuals and families, we offer strategic advisory services whereby we supplement our asset management expertise with guidance on tax planning, intergenerational wealth transfer, philanthropic planning, family business advisory, wealth structuring and more. Most strategic advisors are attorneys who previously specialized in trust and estates and in tax law, and we will work with our clients' attorneys, accountants, executive and family members, portfolio managers and account administrators. We will attend regular meetings, provide proactive anticipatory advice on investment and tax issues, and coordinate activity with a client's legal counsel, accountants and other outside advisors. We communicate regularly with clients and continually review their overall situations, 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 investment decisions are appropriate and in their best interest. At all times we will manage clients' assets and cash flow needs according to their investment, risk and wealth-transfer objectives. Brown Advisory charges no additional fee for these services.

Strategic asset allocation is designed to meet a client's return, cash flow and risk tolerance criteria. It also takes into account other issues including: tax liability; income/yield requirements; real estate holdings; business objectives; time horizon; family/generational issues; single-stock risk; family issues; and philanthropic intentions. 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. 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.

As part of our strategic advisory services, from time to time we may assist clients with various types of family advisory or family office services. Such services may include, but are not limited to, guidance with charitable and/or gift planning and philanthropic activities, as well as assistance with budgeting and/or administration issues or tasks related to a family office or family foundation.

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 clients could lose all or a portion of their 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. 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 cannot guarantee any level of performance or that clients will not experience a loss in their account assets. Provided below is a description of the different risks to which an investor may be exposed. Depending on the investment strategies employed, different risks will be more applicable. Please note that the below risks do not purport to be a complete explanation of all risks involved. Potential investors should read the mutual fund prospectus or private placement memorandum in its entirety before investing in any of our mutual funds or private funds.

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 common stock are not fixed but are declared at the discretion of the issuer. 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. The market value of all securities, including common and preferred stocks, is based on 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 clients invest in an equity strategy, they should be willing to accept the risks of the stock market and should consider an investment in the strategy only as a part of their overall investment portfolio.

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.

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 on a particular market niche. Additionally, securities of many medium capitalization companies are traded in the over-the-counter markets or on a regional securities exchange, potentially making them thinly traded and less liquid and their prices more volatile than the prices of the securities of larger companies.

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 and 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.

MICRO-CAP RISK

The prices of micro-cap securities are generally more volatile and their markets are less liquid relative to larger market capitalization securities. Therefore, strategies investing in micro-cap securities may involve considerably more risk of loss, and their returns may differ significantly from strategies investing in larger capitalization companies or other asset classes.

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 U.S.;
- Dividends payable on foreign securities contained in a strategy's portfolio may be subject to foreign withholding taxes, reducing the income available for distribution; 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 a strategy's ability to repatriate investment income or capital;
- 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; and
- Emerging markets may be subject to less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies.

CURRENCY RISK

The value of investments in securities denominated in foreign currencies increases or decreases as the rates of exchange between those currencies and the U.S. dollar change. Currency exchange rates can be volatile and are affected by factors such as general economic conditions, the actions of the U.S. and foreign governments or central banks, the imposition of currency controls and speculation.

REIT AND REAL ESTATE RISK

The value of a strategy's investments in real estate investment trusts ("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, 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 ongoing 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 and generally rank senior to common stock in a corporation's capital structure but are usually subordinated to comparable nonconvertible 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.

DERIVATIVES RISK

Derivatives are financial instruments that have a value which depends on, 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 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 a strategy's investment in the derivatives may be applied toward meeting a requirement to invest a certain percentage of its net 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 or 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 a 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:

Counterparty risk is the risk that the other party to the derivative contract will fail to make required payments or otherwise to comply with the terms of the contract. In the event that the counterparty to such a derivative instrument becomes insolvent, a strategy potentially could lose all or a large portion of its investment in the derivative instrument.

Hedging risk is the risk that derivative instruments used to hedge against an opposite position may offset losses, but they also may offset gains.

Correlation risk is the 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.

Volatility risk is the risk that because a strategy may use some derivatives that involve economic leverage, this economic leverage will increase the volatility of the derivative instruments, as they may increase or decrease in value more quickly than the underlying currency, security, interest rate or other economic variable.

Credit derivatives risk is the risk associated with the use of derivatives, which is a highly specialized activity that involves strategies and risks different from those with ordinary portfolio security transactions. If the portfolio manager is incorrect in its forecast of default risks, market spreads or other applicable factors, a strategy's investment performance would diminish compared with what it would have been if these techniques were not used. Moreover, even if the portfolio manager is correct in its forecast, there is a risk that a credit derivative position may correlate imperfectly with the price of the asset or liability being hedged. A strategy's risk of loss in a credit derivative transaction varies with the form of the transaction.

Segregation risk is the risk associated with any requirement, which may be imposed on a strategy, to segregate assets or enter into offsetting positions in connection with investments in derivatives. Such segregation will not limit a strategy's exposure to loss, and the strategy may incur investment risk with respect to the segregated assets to the extent that, aside from the applicable segregation requirement, the strategy would sell the segregated assets.

DEBT/FIXED INCOME SECURITIES RISK

The value of an 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 an 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.

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 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.

CREDIT RISK

If a strategy invests in fixed income securities, the value of the client's investment in the strategy may change in response to the credit ratings of that strategy's portfolio 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 fixed income

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 fixed income security if the issuer defaults. Investments in fixed income securities that are issued by U.S. government-sponsored entities such as the Federal National Mortgage Association, the Federal Home Loan Mortgage Association and the Federal Home Loan Banks involve credit risk, as they are not backed by the full faith and credit of the U.S. government.

INTEREST RATE RISK

If a strategy invests in fixed income securities, the value of the client's investment in that strategy may change in response to changes in interest rates. An increase in interest rates typically causes a fall in the value of the securities in which a strategy invests. The longer the duration of a fixed income security, the more its value typically falls in response to an increase in interest rates.

LIQUIDITY RISK

Certain fixed income securities held by a strategy may be difficult (or impossible) to sell at the time and at the price the portfolio manager would like. As a result, a strategy may have to hold these securities longer than it would like and may forego other investment opportunities. There is the possibility that a strategy may lose money or be prevented from realizing capital gains if it cannot sell a security at a particular time and price.

INVESTMENT COMPANY AND ETF RISK

Investments in open-end and closed-end investment companies, including exchange traded funds ("ETFs") (which may, in turn, invest in bonds and other financial vehicles), involve substantially the same risks as investing directly in the instruments held by these entities. However, the investment may involve duplication of certain fees and expenses. By investing in an investment company or ETF, the strategy becomes a shareholder of that fund. As a result, investors in a strategy that invests in ETFs or an open-end or closed-end investment company are indirectly subject to the fees and expenses of the individual ETFs or funds. These fees and expenses are in addition to the fees and expenses that investors in the strategy directly bear in connection with the strategy's own operations. If the investment company or ETF fails to achieve its investment objective, the strategy's investment in the fund may adversely affect its performance. In addition, because ETFs and many closed-end funds are listed on national stock exchanges and are traded like stocks listed on an exchange, (1) the strategy may acquire ETF or closed-end fund shares at a discount or premium to their NAV, and (2) the strategy may incur greater expenses since ETFs are subject to brokerage and other trading costs. Since the value of ETF shares depends on the demand in the market, we may not be able to liquidate the holdings at the most optimal time, adversely affecting performance.

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.

MANAGEMENT RISK

Our strategies are actively managed, and our performance in these strategies may reflect our ability to make decisions that 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.

ENVIRONMENTAL POLICY RISK

Environmental policy risk is the risk that the strategy could underperform compared to similar strategies that do not have such a policy. The strategy may forego opportunities to buy certain securities when it might otherwise be advantageous to do so or may sell securities for environmental reasons when it might be otherwise disadvantageous for it to do so. The strategy also focuses on particular environmental

investment themes, which presents increased risk over a more diversified portfolio by focusing investment choices within specific sectors that may or may not perform as well as other industry sectors.

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.

PRIVATE PLACEMENT RISK

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.

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 that such declines exceed 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.

PRIVATE FUND RISK

Private investment companies are not registered with the Securities and Exchange Commission and may not be registered with any other regulatory authority. Accordingly, they are not subject to certain regulatory restrictions and oversight to which other issuers are subject. There may be little public information available about their investments and performance. Moreover, as sales of shares of private investment companies are generally restricted to certain qualified purchasers, it could be difficult for a client to sell its shares of a private investment company at an advantageous price and time. Since shares of private investment companies are not publicly traded, from time to time it may be difficult to establish a fair value for the client's investment in these companies.

ITEM 9 DISCIPLINARY INFORMATION

Neither Brown Advisory nor any of our supervised persons have been involved in any legal or disciplinary events (i.e., criminal or civil action in a domestic, foreign or military court, administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency or self-regulatory organization) that are material to evaluating our advisory business or the integrity of the our management.

ITEM 10 OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Brown Advisory's controlling entity is Brown Advisory Incorporated ("BAI"), which is organized as a Maryland C corporation and serves as the firm's parent company. Prior to January 1, 2012, BAI was previously named Brown Advisory Holdings Incorporated.

Brown Advisory, LLC ("BALLC") is a registered investment adviser with the SEC and is a wholly owned subsidiary of Brown Advisory Management, LLC ("BAM"). BAI is the managing member of BAM.

We are also registered as a Municipal Adviser with the SEC and the Municipal Securities Rulemaking Board ("MSRB"). As such, we may provide advice concerning the issuance of municipal securities, the investment of the proceeds of municipal securities, guaranteed investment contracts, the use of municipal derivatives and municipal escrow investments. The extent to which we may engage in municipal adviser activity is minimal.

AFFILIATIONS WITH BROKER-DEALERS AND/OR OTHER INVESTMENT ADVISERS OR FINANCIAL PLANNERS

We are affiliated with Brown Advisory Securities, LLC ("BAS"). BAS is a wholly owned subsidiary of BAM and an SEC-registered investment adviser and broker-dealer. It is also a member firm of the Financial Industry Regulatory Authority ("FINRA"). While we are not registered as a broker-dealer, certain employees and members of management may serve as registered representatives or in other capacities for BAS. Although BAS may recommend or effect transactions for shared clients, we do not transact with BAS unless a client has specifically directed us to do so.

We are also affiliated with Brown Advisory Ltd., a UK-based investment adviser that is regulated by the UK Financial Services Authority ("FSA"). It is a wholly owned subsidiary of BAI.

In February 2012, Brown Advisory acquired a 49% investment in CDK Investment Management, LLC ("CDK"). In December 2012, Brown Advisory acquired the remaining 51% in the firm after which CDK became a wholly owned subsidiary of BAM. CDK is a New York-based investment adviser specializing in alternative investments and offers both discretionary and non-discretionary investment advice primarily to private investment funds, individuals and institutional separate accounts.

CDK owns CDK Investments Ltd., CDK Capital Ltd., and CDK Capital LLC, each of which serves as GP to private funds.

AFFILIATIONS WITH INVESTMENT COMPANIES OR OTHER POOLED INVESTMENT VEHICLES

Brown Advisory, LLC has arrangements that are material to its advisory business with affiliated investment companies. We serve as the investment adviser to affiliated mutual funds and Ireland-domiciled UCITS funds.

We also have arrangements to serve as sub-adviser to investment companies and pooled investment vehicles sponsored by other unaffiliated financial services firms. As a sub-adviser for these firms, we serve as an investment manager for vehicles that are subsequently marketed to the clients of other firms. Although we manage portions of the funds, the names of the funds generally reflect the brand name of the unaffiliated firm. While other investment companies and pooled investment vehicles are clients of ours, the underlying clients in the funds are clients of the unaffiliated firm.

AFFILIATIONS WITH BANKING OR THRIFT INSTITUTIONS

We are affiliated with Brown Investment Advisory & Trust Company ("BIATC") and Brown Advisory Trust Company of Delaware, LLC ("BATCODE").

BIATC is a Maryland non-depository trust company that is subject to regulatory oversight by the Office of the Commissioner of Financial Regulation of the State of Maryland. BIATC is a wholly owned subsidiary of BAI and bears certain administrative and operating expenses on behalf of its affiliates.

BATCODE is a Delaware limited-purpose trust company that is subject to regulatory oversight by the Office of the State Bank Commissioner of the State of Delaware. BATCODE is a wholly owned subsidiary of BAM. BALLC provides investment management services to trust clients of BATCODE.

AFFILIATIONS WITH INSURANCE COMPANIES OR AGENCIES

We are affiliated with Brown Advisory Insurance Agency (“BAIA”), a state-licensed insurance agency and a wholly owned subsidiary of BAM that provides services to a limited number of BAS clients.

AFFILIATIONS WITH SPONSORS OR SYNDICATORS OF LIMITED PARTNERSHIPS

Brown Advisory, LLC serves as the general partner, managing member, and/or investment manager of private vehicles and limited partnerships formed on behalf of our clients to invest in both public and private equity securities. We and our affiliates may solicit clients to invest in these vehicles. In addition, we, or an affiliate may receive management and/or administrative fees for investments made in the private partnerships.

OTHER RELATIONSHIPS OR AFFILIATIONS

We may recommend or select other investment advisers and their products for our clients. We do not receive compensation, either directly or indirectly, from those advisers that would create a material conflict of interest, other than arrangements previously disclosed, such as the receipt of administrative services fees.

We also maintain a relationship with Savano Direct Capital Partners, LLC, through BAI’s 50% ownership interest in Brown Savano JV, LLC (“BrownSavano”). BrownSavano was founded for the sole purpose of providing partial liquidity and asset diversification to individual shareholders in market-leading, later-stage private companies. BrownSavano Direct GP, LLC, which is owned by BrownSavano, serves as the General Partner for the BrownSavano Direct Capital Partners, L.P. private fund, a Delaware limited partnership. It focuses on providing partial liquidity to company founders, angels, active or departed employees, and corporate strategic investors. Certain employees of BALLC provide services to BrownSavano under an agreement between BrownSavano and BAI.

BAM maintains a minority, non-voting ownership interest in, and a revenue sharing agreement with, NSB Advisors LLC (“NSB”), an investment advisory firm. Although previously an affiliate, as of December 17, 2010, NSB is no longer an affiliate.

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. 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 our clients.

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 Code of Ethics. Any violations regarding the Code of Ethics must be brought to the attention of the Chief Compliance Officer. 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

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. 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, sell or recommend for client accounts.

Potential conflicts that could arise as a result 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.

While advisory personnel are permitted to trade within their own brokerage accounts, we have several policies and procedures in place designed to ensure that their personal trading does not violate our fiduciary obligations to clients, including any related mutual fund clients. Our Code of Ethics sets forth standards of conduct expected of employees and addresses conflicts that arise from personal trading by employees. It provides policies and procedures designed 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 general tenets:

- 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 must be current as of a date no more than 45 days before the report is submitted.
- All employee security transactions require pre-approval or pre-clearance, 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 open-end mutual fund shares, dividend reinvestment plans and U.S. government obligations.
- Employees must report securities transactions in employee-related accounts. This requirement may be satisfied by the Compliance Department receiving duplicate copies of confirmations of

account activity for review. Outside brokerage accounts must be approved by the Compliance Department before opening.

- The Head Trader and CCO are responsible for monitoring personal securities trading for compliance with the Code of Ethics and any indications of violations or unusual trading activity or patterns of transactions. Pending Trades—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.
- Securities under Consideration—Employees may not purchase or sell a security in an employee-related account if such employee is aware that 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.
- Fund Trades—Employees 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.
- Gray or Restricted Lists—Employees may not purchase or sell a security in an employee-related account if such security is restricted from employee trading on the firm's Gray or Restricted Lists.
- With respect to the handling and use of material non-public 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 employee who comes into possession of inside information is obligated to bring such information to the attention of the CEO, Chief Compliance Officer or Head of Investments.
- Employees may not profit from the purchase and sale, or sale and purchase, of the same (or an equivalent) security on Brown Advisory's proprietary research list within 30 calendar days.
- 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.

We will provide clients with a copy of our complete Code of Ethics upon request. Clients may request a copy by contacting us at the address, telephone number or email on the cover page of this document.

PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

We, our affiliates or related personnel may recommend to clients, or purchase or sell for 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 act as an investment adviser to an investment company that we recommend to clients.

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, 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
- Situations where employees engage in unethical behavior and misuse material inside 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 the independent members of the 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 must 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.
- Transactions to be entered into by us for ourselves or on behalf of our clients that present a non-material conflict of interest must 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 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 except to other employees who “need to know” that information to carry out their duties to clients.
- Employees must report securities transactions in any employee-related account.
- 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. An employee who is a director of a company may not participate in investment decisions involving that issuer’s securities.
- Employees are required to report to our Compliance Department all outside business activities. These include board/committee memberships and obligations, employment commitments, non-profit commitments, government commitments and other outside business commitments.
- To ensure that there is not intentional or unintentional front-running of purchasing securities in client accounts, we may restrict trading stocks of companies in which we are actively performing due diligence as potential candidates for purchase in our portfolios.

CONFLICTS OF INTEREST

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 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.

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
- Errors and corrections

Ameliorative 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, and 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
- Participation in investment opportunities by employees

Ameliorative practices:

Code of Ethics, including personal trading restrictions, Policies 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

Ameliorative 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.

In addition, as a registered Municipal Adviser with the SEC and the Municipal Securities Rulemaking Board ("MSRB"), Brown Advisory may provide advice to state and local governments and other entities concerning the issuance of municipal securities, the investment of the proceeds of municipal securities, guaranteed investment contracts, the use of municipal derivatives and municipal escrow investments. To avoid any related conflicts of interest, the firm will not invest in any new issues of municipal securities where the firm provides public finance advisory services to the issuer of the securities. The firm may purchase such securities in the secondary market when such new issues are free to trade.

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 is achieving the best price and quality in the marketplace based on the information available at the time of the trade, without systematically disadvantaging one client over another.

Unless clients direct us otherwise or choose to use a custodian that requires all trades to be directed to its platform, such as Charles Schwab or Fidelity, 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 trading desk takes into account the following considerations:

- The procurement of the lowest possible net cost, comprising 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. 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 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/execution/clearing/settlement capabilities.

We may also take into account factors that are relevant to the specific broker-dealer, such as 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, and overall responsiveness to our needs/willingness to work with us.

All client trades are allocated to a broker-dealer on our "Approved Broker List," which is a list of broker-dealers that the Best Execution Committee has approved for use as executing brokers for client securities transactions. The Approved Broker List is maintained to facilitate the orderly and consistent use of suitable broker-dealers for client transactions. 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.

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.

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 an Approved Broker List. In order to obtain best execution, our fixed income traders place orders 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. The quality of execution is ascertained by reviewing the bids and offerings received relative to recent pricing data.

On a quarterly basis we review broker-dealer 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, market coverage provided by the broker and consistent quality of service from the broker. 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.

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 that 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.

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; and
- Be reviewed, including with respect to any "mixed-use" allocation, at least annually by the Committee.

From a payment perspective, 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.

TYPES OF RESEARCH PRODUCTS AND SERVICES

The types of research products and services received from third-party research and consulting firms and/or broker-dealers include but are not limited to:

- Information services that report on the availability and potential buyers or sellers of securities
- Meetings with management representatives of issuers and other analysts
- Quantitative analytical software and other research-oriented software
- Communications services pertaining to the execution, clearing and settlement of transactions

- Platforms for accessing company information and financials
- Research or fundamental analysis on individual companies, securities and/or sectors
- Bond analytics on fixed income portfolios, including duration, yield to maturity and convexity
- Credit ratings, research and risk analysis on municipals
- Macro-economic research, including weekly reports and quarterly conference calls
- Global market news services and financial publications
- Securities quotation and data systems for capital markets
- Expert network provider services that assist us in locating hard-to-find industry experts

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 that 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. For those broker-dealers with whom we maintain a soft dollar relationship, we periodically determine the fair value of the research products and services (proprietary or independent third party) that we expect to receive and may set a target amount of commissions to be directed to the broker-dealers that is reasonable in relation to the value of the brokerage services and 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, which is responsible for determining whether the product or service falls within the safe harbor requirements of Section 28(e), reviewing soft dollar payments versus budget and determining 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. 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.. If a service or product has a non-research or execution function, such as administration or marketing, 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.

CLIENT REFERRALS

We do not 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, that provide superior order execution and 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.

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

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 directs the use of a specific broker-dealer for execution of securities transactions, or selects a custodian that requires the direction of trades, we will direct such transactions to the specified broker-dealer including our affiliate 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.

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 or selects a custodian that requires the direction of trades, 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. 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. With respect to execution, trades for accounts with directed brokerage arrangements are often executed after block trades for accounts not having directed brokerage arrangements have been aggregated and executed.

TRADE AGGREGATION

In many instances, groups of accounts will need to effect a transaction in the same security or securities. Subject to client guidelines and restrictions, 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. For equity strategies, 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 clients, provides ease of administration and facilitates the avoidance of information leakage that may be detrimental to 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.

With respect to accounts having socially responsible guidelines or other restrictions, it is possible that these accounts will not be included in the block trade. Often times, the initial purchase of a security in an account with socially responsible guidelines will occur after similar trading has been executed for the accounts participating in the block trade. Depending on the circumstance, additional research may be required to determine if the security is congruent with client guidelines. Every effort is made to ensure that securities are not purchased in accounts with socially responsible guidelines until it has been determined their purchase would not violate existing client investment guidelines.

Aggregation and allocation procedures across fixed income portfolios have been designed to ensure fair and equitable treatment across all accounts. Portfolio Managers attempt to block multiple orders for the same security on the same side of the market prior to releasing an order. In the event orders eligible for aggregation are not aggregated, the Fixed Income Desk will use its best efforts to block these orders together. Orders received after the full execution of an order (a done trade) are not blocked. Block orders that are executed in their entirety will be allocated to each account that participated at the trade execution price. If a block order cannot be executed in full at the time, the securities actually purchased or sold 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 accounts. For example, partial fills generally are allocated pro rata among participating accounts. The Fixed Income 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 on duration/maturity and sector targets. Once this is determined, the security is allocated on a pro-rata basis among these particular accounts.

TRADING PRACTICES OF MODEL PORTFOLIO RELATIONSHIPS

In addition to providing investment advisory services via separate accounts, private funds, pooled investment vehicles and investment companies, Brown Advisory also provides investment advisory services to select model-based separately managed account programs of unaffiliated managers and financial advisors. In these relationships, Brown Advisory provides a model portfolio on a daily basis to the manager or financial advisor responsible for the separately managed account program. Although Brown Advisory is responsible for providing the model portfolio and any relevant trading activity, the firm is not responsible for the unaffiliated manager's or financial adviser's portfolio implementation with its clients. Given the nature of the relationship, trades executed by Brown Advisory's trading desk for a given strategy are not aggregated with the trades executed by the trading desk of the unaffiliated manager or financial adviser. Thus, client orders placed by Brown Advisory's trading desk for a given security could compete with client orders placed by the trading desk of the unaffiliated manager or financial adviser. It is possible that Brown Advisory's client orders could be executed at the same time, before, or after the client orders of the unaffiliated manager or financial adviser. There is the potential that Brown Advisory clients could be negatively impacted by the trading activity from the model portfolio arrangements.

CROSS TRADING

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 prearranged or orchestrated transactions between two accounts that are executed through external brokers. With respect to cross trading, we generally will allow cross trading where the transaction would comply with our policy and client-specific guidelines, and be fair and equitable to both accounts. When one account is subject to ERISA, no cross trades shall be permitted unless allowed by applicable regulations.

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 presents a potential fiduciary conflict of interest. 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.

ITEM 13 REVIEW OF ACCOUNTS

FREQUENCY AND NATURE OF PERIODIC REVIEWS OF CLIENT ACCOUNTS

The portfolio managers review their accounts on a regular 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.

Although the portfolio manager of an account makes the investment decisions, our Head of Investments 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. 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 regularly with each investment team to review 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, trading activity 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.

On a quarterly basis, fixed income client accounts are formally reviewed and monitored for performance and deviation/variance from the relevant composite. At this time, the portfolio team meets to review performance in detail in each portfolio. The portfolios are reviewed for performance variation as compared to the composite and benchmarks. Accounts that deviate from similarly managed accounts are investigated for sources of deviations. Variance reconciliation is required for every portfolio with an agreed course of action. If necessary, steps are taken to eliminate deviations.

FACTORS THAT TRIGGER A MORE FREQUENT REVIEW OF CLIENT ACCOUNTS

On a regular basis, we internally review our clients' accounts to ensure compliance with client investment guidelines and policies.

Additional reviews may be 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. Since the size, structure and investment objectives of accounts vary widely, the attention that must be given to accounts also varies.

With respect to fixed income, the fixed income team has a formal investment committee that meets twice a week to discuss market- and sector-specific events and strategies. All team members are active participants in the review and strategy formulation process. Meetings usually include a macro-level market review as well as sector-specific valuation comments with performance detail and anticipated market reactions. Strategies are reviewed weekly during these investment committee meetings. All accounts are informally reviewed weekly.

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 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, portfolio summary, fixed income analysis and distribution (if relevant and may include distribution by maturity, distribution by coupon, distribution by duration, distribution by Moody's rating and distribution by Standard and Poor's rating), common stock analysis (if relevant), realized gains and losses statement, income and expenses statement, purchase and sale statement, and portfolio appraisal. At a minimum, the reports show assets held, current market value and original cost. We also include an economic and market overview section in the reporting package.

Clients' reporting needs often vary in frequency and content. More frequent and customized reporting is available upon request. 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 or product specialist 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. Portfolio managers also communicate with clients by letter, email and telephone as needed.

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.

We may enter into written solicitation arrangements with third parties. From time to time, brokers employed by other firms will refer clients to us, in which case 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% to 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, in which case, we will generally 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 generally included a recurring payment of up to 40% of the client's annual management fee. The payment is made quarterly based on our billing cycle.

We may compensate our employees for business development activity, including the attraction or retention of client assets.

DEUTSCHE BANK

We use money market funds managed by asset management affiliates of Deutsche Bank for short-term cash investments for some of our clients. An affiliate, Brown Investment Advisory & Trust Company, receives an asset-based administrative services fee from Deutsche Bank for services provided to clients invested in such money market funds. This arrangement is disclosed to clients in account agreements and annually thereafter.

U.S. BANK

In 2010, Brown Advisory negotiated a favorable custody relationship with U.S. Bank for those clients that wish to select them as custodian. 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 in the process of exiting the qualified custodian business in 2010. Such reimbursement has no effect on the fees paid by clients.

SOFT DOLLARS

We receive compensation from other parties that are not related to our clients ("indirect compensation") in the form of research paid with "soft dollars" generated through a client account's trading commissions. In accordance with the investment management agreements we maintain with our clients, we exert all reasonable efforts to see to it that a client account's overall cost for securities trades is as low as possible and that we do not pay a trading commission that is higher than the fair-market cost for a particular trade in order to receive "soft dollar" credit. On a historical basis, approximately 15-25% of our commissions paid have been towards soft dollars.

ITEM 15 CUSTODY

CUSTODY

Although we do not maintain direct custody of client assets, we act as the general partner or managing member of certain private investment vehicles and therefore are deemed by the SEC to have custody of those assets, because we serve in a capacity that provides us with access to the assets.

In order to avoid any potential conflict of interest that indirect custody of client assets may cause, private vehicles as described above are either maintained with a “qualified custodian” or audited annually by an independent auditor who is a member of and subject to inspection by the Public Company Accounting Oversight Board (“PCAOB”), with such audits delivered to investors in compliance with the SEC’s Custody Rule.

Where assets are held by a qualified custodian, we will notify clients in writing of the qualified custodian’s name, address and the manner in which the assets are maintained at the time of investment and promptly following any changes to this information. Additionally, we undergo an annual surprise examination for that vehicle conducted by an independent auditor. The surprise auditors’ procedures for the examination may include confirmation of the vehicle’s assets as well as confirmation of contributions and withdrawals.

Other situations where the firm is deemed to have custody of client assets include employees serving as trustee or co-trustee of client accounts, where the firm operates under a standing letter of authorization or instructs custodians on a client’s instruction to move assets to third parties, or where the firm or its employees otherwise may have access to client assets. In such cases, we undergo an annual surprise examination of client assets by an independent auditor.

In addition, in many cases we have the authority to debit our clients’ custodial accounts for management fees. We are deemed to have custody of those assets if, for example, we are authorized and instructed by a client’s custodian to deduct our advisory fees directly from the account or if we are granted authority to move money from a client’s account to another person’s account. At all times, the custodial bank maintains actual custody of those 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 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 emailed or faxed to custodians.

STATEMENTS SENT TO CLIENTS

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

- Account name and number
- Cash balances
- Name of each security held
- Quantity of each security held
- Market value of each security held

Additional reports are provided upon request.

In addition to our statements and appraisals, clients receive account statements directly from their custodian at least quarterly. These are sent to the email or postal mailing address provided to them.

These statements should be carefully reviewed when received. All of our statements and appraisals include a legend urging clients to compare custodial account statements to the periodic account statements and portfolio reports received from us.

DIFFERENCES BETWEEN OUR STATEMENTS AND CUSTODIAL STATEMENTS

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 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.

ITEM 16 INVESTMENT DISCRETION

We accept discretionary authority to manage securities accounts on behalf of our clients. Generally, we manage client assets on a discretionary basis with the authority to determine for each client what investments are made, as well as when and how they are made. For certain clients, their assets may be invested in one or more model portfolios. 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

Clients may impose reasonable restrictions, limitations or other requirements with respect to their individual accounts. 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:

- 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 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

Any client-imposed limitations or guideline restrictions are defined and outlined in their initial documentation with the firm. We also may maintain investment policy statements for our institutional clients, which address a client's guidelines and objectives in greater detail. 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. Pre-trade restrictions are coded in our trade order entry/compliance system to the extent possible. As aggregated orders are entered, the portfolio manager is alerted to any potential guideline violations. The portfolio manager is responsible for the oversight of this process. Additionally, the firm has invested in software that works with our trade order management system to help 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.

ITEM 17 VOTING CLIENT SECURITIES

GENERAL GUIDELINES

Brown Advisory receives proxy ballots on behalf of clients and votes such proxies consistent with the Policy, which sets forth the firm's standard approach to voting on common proxy questions. In general, this Policy is designed to ensure that we vote proxies in the best interest of our clients, so as to promote the long-term economic value of the underlying securities. Clients may, at any time, opt to change their proxy voting authorization. Upon notice that a client has revoked Brown Advisory's authority to vote proxies, we will forward any relevant research obtained to the party that will assume proxy voting authority, as identified by the client.

To facilitate the proxy voting process, Brown Advisory has engaged Glass, Lewis & Co., LLC ("Glass Lewis"), an unbiased, unaffiliated, third-party proxy voting service, to provide proxy research and voting recommendations. In addition, Brown Advisory subscribes to Glass Lewis's proxy vote management system, which provides a means to receive and vote proxies, as well as services for recordkeeping, auditing, reporting and disclosure regarding votes. On a regular basis, our portfolio managers are supplied with a list of upcoming proxies issued for companies that are actively recommended by the firm. Except in situations identified as presenting material conflicts of interest, the portfolio manager who follows an issuer may make the final voting decision based on a variety of considerations, including their review of relevant materials, their knowledge of the company, and Glass Lewis recommendations. In circumstances where the firm's managers do not provide a vote recommendation, proxies will be voted according to Glass Lewis recommendations, unless specific guidelines provided to Glass Lewis by the firm specify otherwise. Proxies are generally voted in accordance with Glass Lewis recommendations for all client types, as described further herein.

In keeping with its fiduciary obligations to clients, Brown Advisory considers each proxy voting proposal on its own merits and an independent determination is made based on the relevant facts and circumstances. Proxy proposals include a wide range of matters. The firm generally votes with management on routine matters and takes a more case-by-case approach regarding non-routine matters. Examples of routine matters include election of directors, appointment and rotation of auditors, changes in state of incorporation and changes in capital structure. Examples of non-routine matters include executive compensation, shareholder action, proposals affecting shareholder rights, corporate restructurings, corporate mergers and acquisitions, anti-takeover issues, and social, environmental and governance issues. For socially responsible investing ("SRI" or "green") clients, Brown Advisory follows Glass Lewis guidelines that focus on enhanced environmental, social and governance practices ("ESG Guidelines"). For Taft-Hartley clients, Brown Advisory follows the Glass Lewis Taft-Hartley Guidelines. Although Glass Lewis guidelines are generally followed, we may depart from these guidelines when it deems such departure necessary in the best interest of the client.

MANAGEMENT RECOMMENDATIONS

Since the quality and depth of management is a primary factor considered when investing in an issuer, the recommendation of the issuer's management on any issue will be given substantial weight. Although proxies with respect to most issues are voted in line with the recommendation of the issuer's management, Brown Advisory will not blindly vote in favor of management. We will not support proxy proposals or positions that compromise clients' best interests or that we determine may be detrimental to the underlying value of client positions.

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:

- Conduct business with an issuer or a company closely affiliated to the issuer;
- Receive compensation from the issuer or a company closely affiliated to the issuer or
- Sit on the board of the issuer or a company closely affiliated to the issuer.

Conflicts of interest will be resolved in the best interest of the client.

Brown Advisory votes proxies relating to such issuers in accordance with the following procedures:

ROUTINE MATTERS AND IMMATERIAL CONFLICTS

The firm may vote proxies for routine matters, and for non-routine matters that are considered immaterial conflicts of interest, consistent with this Policy. A conflict of interest will be considered material to the extent that it is determined that such conflict has the potential to influence the firm's decision-making in voting a proxy. Materiality determinations will be made by the Chief Compliance Officer, in consultation with counsel, based upon an assessment of the particular facts and circumstances.

MATERIAL CONFLICTS AND NON-ROUTINE MATTERS

If the firm believes that (a) it has a material conflict and (b) that the issue to be voted upon is non-routine or is not covered by this Policy, then to avoid any potential conflict of interest:

- in the case of a Fund, the firm shall contact the Fund board for a review and determination;
- in the case of all other conflicts or potential conflicts, the firm may "echo vote" such shares, if possible, which means the firm will vote the shares in the same proportion as the vote of all other holders of the issuer's shares; or
- in cases when echo voting is not possible, the firm may defer to Glass Lewis recommendations or confer with counsel to ensure that the proxy is voted in the best interest of the client.

If the aforementioned options would not ameliorate the conflict or potential conflict, then Brown Advisory may abstain from voting, as described below.

ABSTENTION

In recognition of its fiduciary obligations, Brown Advisory generally endeavors to vote all proxies it receives. However, the firm may abstain from voting proxies in certain circumstances. For example, we may determine that abstaining from voting is appropriate if voting may be unduly burdensome or expensive, or otherwise not in the best economic interest of the clients, such as (by example and without limitation) when foreign proxy issuers impose unreasonable or expensive voting or holding requirements or when the costs to effect a vote would be uneconomic relative to the value of the client's investment in the issuer.

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 on, and
- How the client's proxy was voted.

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 10 years.