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## **FORM ADV PART 2A APPENDIX 1 WRAP FEE PROGRAM BROCHURE**

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

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

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## **ITEM 4 SERVICES, FEES AND COMPENSATION**

### **OVERVIEW**

Brown Advisory Securities, LLC (“Brown Securities”, “BAS”, “the firm”, “us” or “we”) is a Maryland limited liability company that was formed in April 2002. We are registered as a securities broker-dealer with the Securities and Exchange Commission (“SEC”) and are a member firm of the Financial Industry Regulatory Authority (“FINRA”). We are also registered as an investment adviser with the SEC. As of December 31, 2010, Brown Securities had \$472.5 million in assets under management in wrap programs. We are an affiliate of Brown Investment Advisory Incorporated, a SEC registered investment adviser and Brown Investment Advisory and Trust Company, a Maryland state-chartered trust company.

Among the services we offer to clients, we provide analysis, research and recommendations with respect to various money managers in specified investment strategies on a fee basis. We may suggest to clients that their assets be managed by an affiliated or non-affiliated money manager as part of a wrap fee program. Through these programs clients may receive research and analysis from us, portfolio management services from various unaffiliated money managers, and execution of transactions for a single specified fee. The wrap fee programs in which we participate are described in this brochure. It is important to note that our investment advisory revenues are from these wrap fee programs.

Those clients electing to have their assets managed by an affiliated investment manager of Brown Securities may participate in the Pathway Program. For this wrap program, Brown Investment Advisory and Trust Company serves as the investment manager for accounts opened before October 15, 2008 and for retirement accounts opened at any point. Brown Investment Advisory Incorporated serves as the investment manager for non-retirement accounts opened on or after that date. As part of the Pathway Program, we will not provide any research, analysis or suggestions on any matter other than with respect to our affiliated investment manager and a client’s investment strategy. For the Pathway Program, our affiliated investment manager will provide discretionary investment management services to clients. U.S. Bank, N.A. (“US Bank”) will serve as the custodian for a Pathway Program client account. Neither Brown Securities nor any Brown Securities representative will exercise any discretionary authority relative to our affiliated investment manager’s services under the Program.

Those clients electing to have their assets managed by an unaffiliated investment manager of Brown Securities may participate in a variety of wrap fee programs offered by Wells Fargo Advisors, LLC. We have entered into an agreement with Wells Fargo Advisors, LLC (“WFALLC”), pursuant to which WFALLC provides advisory services with respect to certain of the unaffiliated wrap fee programs. In addition, we have entered into an agreement with First Clearing, LLC (the “Clearing Agent”) for the execution, clearance, settlement and custody of client assets. We are not related to or affiliated with WFALLC or the Clearing Agent. We, WFALLC and Clearing Agent each reserves the right to reject and not provide services to any client or any client account for any reason. The agreement between us and WFALLC provides, among other things, the following:

- In the case of Masters, Network, and DMA, WFALLC will provide to Brown Securities a universe of investment advisors that are evaluated by WFALLC's Consulting Services Group (“CSG”) and meet CSG's minimum quantitative and qualitative research criteria as defined by WFALLC. Brown Securities, in consultation with the client, will then choose investment advisors from that list to suit the needs of the individual client. In DMA, WFALLC will provide to Brown Securities a universe of optimal blends of said DMA investment advisors that are designed as optimal combinations of different styles and investment classes based on the client’s investment objectives and the amount the client will invest.
- In the case of Compass, WFALLC will provide to Brown Securities model investment portfolios that can be offered to clients according to their investment needs.

- In the case of FundSource, WFALLC will provide to Brown Securities a universe of optimal blends of model investment portfolios or accept instructions from the client with respect to a Custom Blend in various FundSource Funds. These are based on an evaluation of a client's financial goals, circumstances and risk tolerances. The portfolios are designed for a specific investor. The FundSource Funds include only open-end mutual funds that offer shares at net asset value through advisory services such as FundSource. Some of the FundSource Funds may be advised by, or otherwise affiliated with, Brown Securities, WFALLC or Clearing Agent.
- In the case of CustomChoice, clients are allowed to construct their own asset allocations from a broad universe of institutional share class, no-load and load-waived mutual funds. It is a non discretionary mutual fund program where the client- with the assistance of the financial adviser- will choose an asset allocation and a selection of mutual funds consistent with the client's goals and objectives. There are no predetermined model portfolios in CustomChoice.
- In the case of Private Investment Management ("PIM"), asset allocation and securities selection are determined by the financial advisor in conjunction with client objectives. This is a discretionary program where the financial adviser is the portfolio manager. It is offered to financial advisers with prior portfolio management experience and allows them to manage portfolios based on their own personal investment styles.
- In the case of Asset Adviser, the client ultimately makes the investment decisions regarding what to buy, sell and hold within their account. Asset Adviser is a non-discretionary investment advisory program that includes advisory services and custodial/transaction costs in a single asset-based fee.

Investment professionals of Brown Investment Advisory Incorporated and Brown Investment Advisory and Trust Company who determine asset allocations for portfolio accounts and security selections for specific investment strategies within those accounts may perform similar services for other clients of Brown Investment Advisory Incorporated, of Brown Investment Advisory and Trust Company, or of other affiliates. They may recommend or establish different asset allocations, may buy or sell different securities or different amounts of the same securities, and may use different investment approaches (including alternative investment funds) for client accounts that do not participate in Pathway.

Similarly, WFALLC and their affiliates may recommend or establish different asset allocations and model portfolios, may buy or sell different securities or different amounts of the same securities, and may use different investment approaches for other client accounts. This includes advice given by Masters, Network, or DMA advisors; model portfolios provided by Compass; optimal blends of model portfolios provided by FundSource; asset allocation and security selection ideas provided by PIM; a broad universe of institutional share class, no-load and load-waived mutual funds provided by CustomChoice; and full service investment advisory services provided by Asset Advisor. Additionally, WFALLC and their affiliates may, from time to time, not be free to divulge or act upon certain information in their possession in connection with investment banking or other confidential sources.

The Clearing Agent provides Brown Securities with certain administrative, computer software and documentation services. These services enable Brown Securities to provide the Program services described below. Clearing Agent does not provide any of the consulting, advisory or evaluation services to Brown Securities' clients with respect to any program described herein. Brown Securities compensates the Clearing Agent pursuant to a brokerage clearance fee schedule.

Under Network, PIM and Asset Advisor clients generally appoint Brown Securities as sole and exclusive broker for the execution of transactions. In connection with these transactions, Brown Securities may act as agent or principal. It is disclosed and clients acknowledge that Brown Securities will perform no

discretionary acts, and has no day-to-day investment management responsibility with respect to a client's Network and Asset Advisor account (except as may be otherwise permitted under any other agreement between the client and Network regarding the account). Under Masters and DMA, Brown Securities is not responsible for the day-to-day investment management of client accounts. Under Masters, Network, and DMA; Brown Securities will effect only transactions as instructed by the investment advisors and clients who are solely responsible for the management of a client's portfolios. Brown Securities is not obligated to effect any transaction for a client account that it believes to be improper under applicable law, rule or regulation. In the CustomChoice and Asset Advisor programs, Brown Securities only will effect transactions as instructed by the client. Brown Securities will not perform any discretionary acts with respect to Asset Advisor accounts. Clients may trade in their account, but neither Brown Securities, WFALLC, and Clearing Agent, nor its affiliates, will be responsible for any losses resulting from such trading or for any transactions that have not been recommended to the client.

Clients authorize Brown Securities as their agent, to effect and execute brokerage transactions, including on a national exchange, as permitted by current provisions of Section 11(a) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and rules promulgated thereunder and any future amendments or changes to such statutes and rules. It is Brown Securities' practice, when feasible, to aggregate for execution as a single transaction orders for the purchase or sale of a particular security for the accounts of several PIM clients in order to seek a lower commission or more advantageous net price. The benefit, if any, obtained as a result of such aggregation generally is allocated pro-rata among clients' accounts that participated in the aggregated transaction.

If aggregated orders for Compass accounts are not completely filled on the day on which they are placed, Brown Securities will record the securities overnight in an "average price account" for the benefit of previously designated Compass clients and complete the allocation of these securities on the next business day, when the order is filled, at the average share price for trades on both days.

For the Masters, Network, and DMA programs described in this brochure, Brown Securities provides clients with consulting services in connection with the selection and retention of investment advisors.

Each client under Masters, DMA, Compass, and PIM has the ability to impose reasonable restrictions on the management of the client's account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account. If a client's instructions are unreasonable and Brown Securities, or, if applicable, an advisor believes that the instructions are inappropriate for the client, Brown Securities will notify the client that unless the instructions are modified it may cancel the client's account. A client will not be able to provide instructions that prohibit or restrict the investment adviser of a mutual fund with respect to the purchase or sale of specific securities or types of securities within the mutual fund. In addition, Brown Securities reserves the right to cancel a client's account for, among other things, excessive transactions.

Brown Securities does not guarantee the future performance of a client's Program account or any specified level of performance or the success of the overall management of the client's Program account. Brown Securities also does not guarantee that a client's Program investment objectives will be met. A client's Program account is subject to various market, currency, economic, political and business risk, and there is a risk that an account may lose money.

Clients may withdraw securities or cash from their Program account subject to any applicable provisions in their agreement or any agreement with the custodian for such securities or cash. Clients have the right to proceed directly as a security holder against the issuer of any security in a client's account and not be obligated to join any person involved in the operation of the Program, or any other client of the Program, as a condition precedent to initiating such proceeding.

## **SERVICES, FEES AND COMPENSATION**

### **PATHWAY PROGRAM**

Under the Pathway program, we offer clients the opportunity to have an affiliated investment manager manage a portfolio in the Large-Cap Value, Large-Cap Growth, Small-Cap Growth, Equity Income, Winslow Green Large Cap, or Flexible Value style through a separate account vehicle. In addition, clients with at least one separate account may choose to have the affiliated investment manager manage other asset classes. These services would be based upon an asset allocation model determined by the client with the advice of the client's Brown Securities' representative and would incorporate the client's investment objectives. The Program offers the flexibility to invest client accounts 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. This is generally dependent upon the asset class and the total amount invested by a client. Affiliated mutual funds include any Brown Advisory Funds or the Winslow Green Growth Fund. Brown Investment Advisory Incorporated serves as the investment advisor to affiliated mutual funds and is paid an investment advisory and shareholder servicing fee by the funds.

Prior to engaging us to provide services related to the Pathway Program, clients are required to enter into a formal Agreement with Brown Securities setting forth the terms and conditions under which Brown Securities will provide such services. Program accounts may be terminated upon 30 days' written notice and a *pro rata* refund of any Program fees will be given. Upon termination, Brown Securities will have no obligation to take any action with respect to the client's assets.

### **PATHWAY FEES**

The Pathway Program fee schedule is as follows:

<b><u>Account Asset Value*</u></b>	<b><u>Annual Fee</u></b>
Less Than \$5,000,000	1.25%

\*Calculated as of the value of the account 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. The affiliated investment manager will receive 50 basis points (or 0.50%) out of the applicable fee. The remainder of the fee will be remitted to Brown Securities for its consulting and related services to the client and to any solicitor receiving a referral fee.

U.S. Bank will serve as the custodian of the client's assets. The custodian will assess the fee on the client's accounts. 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 fees charged with respect to this Program do not cover any brokerage or transaction-related commissions and related charges and expenses, including charges that may be imposed by third parties (such as exchange fees, and transfer taxes mandated by law, electronic fund and wire transfer fees, custody fees or certificate delivery fees).

Any management fees earned by Brown Investment Advisory Incorporated as advisor to a Brown Advisory Fund will be credited to the client's account. Brown Investment Advisory and Trust Company receives from each Brown Advisory Fund a fee of 0.05% of the Brown Advisory Fund's average daily net assets for shareholder services provided to the Fund. All other fees for the Brown Advisory Funds are detailed in the mutual fund prospectuses.

The Program fee represents the total compensation to be received by: (1) Brown Securities for non-discretionary investment advisory services, and (2) its affiliates, Brown Investment Advisory and Trust Company and Brown Investment Advisory Incorporated, for active discretionary management of client accounts. The Program fee does not include fees and charges associated with the execution of brokerage transactions.

#### ***MASTERS INVESTMENT CONSULTING PROGRAM***

In the Masters Program, Brown Securities assists each client in reviewing investment objectives, risk tolerances, and any investment restrictions designated by the client. In addition, Brown Securities assists clients in selecting one or more compatible investment advisors from a universe of investment advisors provided to Brown Securities by WFALLC (each a “Masters Advisor” and together the “Masters Advisors”). Brown Securities or its agent notifies each Masters Advisor of the client's selection and is provided with information regarding the client. The Masters Advisors are responsible for the day-to-day management of the client's account(s).

The factors influencing CSG's inclusion of a Masters Advisor in the Masters Program may include the following with respect to the Masters Advisor:

- Past record,
- Management style,
- Location,
- Number and continuity of investment professionals, and
- Client servicing capabilities.

CSG reviews candidates for the list of Masters Advisors based on a number of criteria, which may include:

- A completed questionnaire,
- Database information on the firm,
- Statistical analysis of the firm's track record, and
- An interview with a member of the investment manager.

Members of CSG's Research Committee are set forth in WFALLC's disclosure document.

A Masters Advisor may be removed from an account at the client's election. WFALLC reserves the right to remove a Masters Advisor from the Masters Program with prior notice to Brown Securities. Factors involved in the removal of a Masters Advisor may include:

- A failure to adhere to management style or client's objectives,
- A material change in the professional staff of the Masters Advisor,
- Unexplained poor performance,
- Dispersions of client account performance, or
- WFALLC's decision to no longer include the advisor on its list of Masters Advisors.

Any such factors may not be determinative or material under the circumstances.

Brown Securities also reserves the right to remove a Masters Advisor from an account without prior notice to the applicable client. Factors involved in the removal of a Masters Advisor by Brown Securities may also include:

- A failure to adhere to management style or client's objectives,
- A change in the professional staff of the advisor,
- Unexplained poor performance, or
- Dispersions of client account performance.

Any such factors may not be determinative or material under the circumstances.

Masters Advisors manage all Masters accounts and Brown Securities has no discretionary trading authority with respect to such accounts. Brown Securities does not assume responsibility for the conduct of Masters Advisors selected by clients, including their performance or compliance with laws or regulations. Information collected by WFALLC regarding Masters Advisors is believed to be reliable and accurate but WFALLC does not necessarily independently review or verify it on all occasions. While performance results are generally reported to WFALLC through consultants or managers on a standard gross of fees or commission basis, WFALLC does not audit or verify that these results are calculated on a uniform or consistent basis as provided by an advisor directly to WFALLC or through the consulting service utilized by WFALLC.

#### **MASTERS FEES**

Fees for Masters accounts are only offered on a wrap fee basis covering all of Brown Securities' execution, consulting and custodial services as well as each Masters Advisor's management fee for the advisor's services. WFALLC negotiates each Masters Advisor's management portion of the client fee with the Masters Advisor based on a variety of factors including the amount of data processing facilities, software, marketing and other overhead interface believed necessary. Currently, WFALLC compensates advisors from .15% to .80% annually based on total aggregate client dollars in Masters for each objective. Breakpoints will lower the advisory fees as aggregate assets increase. Therefore, WFALLC has a potential conflict of interest to recommend selections of management styles and advisors that would result in a lower percentage of advisory fees being paid to the Masters Advisor. WFALLC intends, however, to make all recommendations independent of such fee consideration and based solely on its obligations to consider a client's objectives and needs. Certain of WFALLC's affiliates are currently included as advisors under Masters. Thus, WFALLC or its affiliates receive the entire Masters fee when such affiliates are selected as advisor for a client account.

The following standard fees, which are negotiable, are charged for the Masters accounts:

<b><u>Total Account Value*</u></b>	<b><u>Equity and Balanced Accounts</u></b>	<b><u>Fixed Income Accounts</u></b>
	<b><u>Annualized Fee</u></b>	<b><u>Annualized Fee</u></b>
First \$500,000	2.75%	1.50%
Next \$500,000	2.50%	1.25%
Next \$1,000,000	2.0%	1.00%
Over \$2,000,000	Negotiable	Negotiable

\* Calculated as the value of the account on the last business day of the previous calendar quarter..

The client authorizes Brown Securities and Clearing Agent to deduct quarterly, in advance, from each client's account(s) the Masters fees at the rate indicated in the fee schedule. The initial fee under the Masters fee schedule is calculated as of the date that the client executes the Masters agreement and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the basis of the market value of the securities and cash held for the particular account of the client on the last business day of the prior calendar quarter. Should cash and/or securities be added between billing periods, a proportionate fee will be charged on the value added as of the date of the addition.

There will be no refund of fees previously paid with respect to withdrawals of cash and/or securities. In the event of cancellation of client agreements, fees previously paid pursuant to the fee schedule will be refunded on a pro-rata basis, as of the date notice of such cancellation is received by the non-canceling party.



Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. Established fees may not be increased unless the applicable client executes a new agreement.

#### ***PRIVATE ADVISOR NETWORK PROGRAM***

Through Network, Brown Securities will assist clients in identifying an investment advisor to advise and counsel a client regarding the investment of assets (the “Network Advisor”). In the Network Program, Network Advisors are solely responsible for managing the Network accounts and Brown Securities has no discretionary trading authority with respect to such accounts. Brown Securities’ services may include:

- Assisting clients in preparing an investment policy statement in connection with anticipated advisory needs,
- Matching personal and financial data provided by a client with Network Advisors,
- Conducting periodic evaluation and comparison of account performance, and
- Evaluating investment performance and objectives.

Within the Network Program, clients will have access to a universe of managers appearing on WFALLC’s “Cleared List”. Each manager on the “Cleared List” must meet minimum standards established and maintained by WFALLC. These include:

- Minimum assets under management,
- A verifiable track record,
- A defined investment style, and
- Discipline.

When the client selects a manager from the “Cleared List”, a contract is signed with WFALLC and the client. This documents that the client has knowledge of, and responsibility for, the manager chosen. Brown Securities will provide information to clients on Network Advisors that appear to meet the client’s needs. Screening criteria may include the Network Advisor’s past record, management style, location, and the size of account. The client, possibly with the assistance of a Brown Securities’ financial advisor, will then choose one or more Network Advisor(s). Brown Securities may recommend, if appropriate, the services of its affiliate, Brown Investment Advisory Incorporated, which if chosen, would receive a portion of the wrap fee.

Clients will also be provided with a quarterly portfolio monitoring service. Brown Securities will furnish each client, and/or the Network Advisor selected by the client, with a statistical presentation of the performance of the client’s Network account, and ongoing comparison of such performance with selected industry indices. The client will select the comparative indices, after a discussion with Brown Securities, to determine their appropriateness in light of the client’s investment objectives and Network Advisors’ investment styles. Information collected by Brown Securities regarding Network Advisors is believed to be reliable and accurate but Brown Securities will not independently verify such information. Brown Securities does not assume responsibility for the conduct of Network Advisors selected by clients, including their performance or compliance with laws or regulations. While performance results are generally reported to us through advisors or managers on a standard gross of fees or commission basis, we do not audit or verify that these results are calculated on a uniform or consistent basis as provided by the advisor directly to us or through the consulting service utilized by us.

#### ***NETWORK FEES***

Clients have a choice of selecting between two payment schedules for Brown Securities’ services:

##### **Option #1 – Fee Schedule**

The standard fee schedule for option #1 is as follows:

<b><u>Total Account Value*</u></b>	<b><u>Annualized Fee</u></b>
First \$250,000	2.50%
Next \$750,000	2.00%
Excess over \$1,000,000	1.75%

\* Calculated as the value of the account on the last business day of the previous calendar quarter.

For this option there will be a separate charge for the investment management services provided by the Network Advisor, but no separate charge for execution services when transactions are effected through Brown Securities and the Clearing Agent except investment company, money market or BDA purchases, if any. The client will receive management fee information from the Network Adviser once a selection has been made. Such fees will be charged separately and billed to the client.

### **Option #2 – Execution Schedule**

For this option, commissions are charged on trades, including mark-ups and mark-downs on principal transactions. There will be a separate charge for the investment management services provided by the Network Adviser. The client will receive management fee information from the Network Adviser once a selection has been made. Such fees will be charged separately and billed to the client.

### **Payment of Network Fees**

If a client selects the Network Fee Schedule, the client authorizes Brown Securities and the Clearing Agent to deduct quarterly, in advance, from the account of the client the fee at the rate indicated in the fee schedule. If the client selects the Execution Schedule, payment for execution services is due at the time of each transaction and will be deducted from the account. In addition, the client may authorize Brown Securities or the Clearing Agent to pay the Network Advisor's fee by debiting the client's account(s) accordingly. In this case, Brown Securities or the Clearing Agent has no responsibility to determine if any such invoice is proper or the amount of fee charges is accurate.

The initial fee under the Network Fee Schedule is calculated as of the date that the Network agreement is accepted and covers the period to the end of the full calendar quarter occurring thereafter. This initial fee is deducted in two installments: the first on the date of acceptance based on the initial value of the account; the second installment and subsequent fees will be determined for calendar quarter periods and shall be calculated on the basis of the market value of the securities and cash held for the account of the applicable client on the last business day of the prior calendar quarter. Should cash and/or securities be added between billing periods, a proportionate fee will be charged on the value added as of the date of the addition.

There will be no refund of fees previously paid with respect to withdrawals of cash and/or securities. In the event of cancellation of client agreements, fees previously paid pursuant to the fee schedule will be refunded on a pro-rata basis.

Whenever there are changes to the fee schedule, the schedule of charges previously in effect shall continue until the next quarterly billing cycle. Established fees may not be increased unless the client executes a new agreement.

### **DIVERSIFIED MANAGED ALLOCATIONS**

Under DMA, Brown Securities assists each client in reviewing the client's investment objectives, including any investment restrictions designated by the client. In addition, Brown Securities assists the client in selecting two or more investment advisors from a roster of investment advisors, based on the client's financial situation, investment objectives and risk tolerance. All DMA accounts are managed by

the independent advisor. DMA also provides monitoring and reporting of portfolio performance to clients on a periodic basis.

The intent of the Program is to offer a competitive roster of high-quality investment advisors representing a broad array of investment classes and styles. WFALLC formulates this roster of investment advisors by evaluating a broad range of asset classes and investment styles and identifying classes or styles that perform differently under varying market conditions and that are complementary to one another. From these various classes and styles, WFALLC uses quantitative and qualitative measures to identify several investment advisors in each of these various classes and styles. The factors influencing the inclusion of an advisor on WFALLC's roster of DMA investment advisors may include the following with respect to the advisor:

- Past record,
- Management style,
- Location,
- Number and continuity of investment professionals, and
- Client servicing capabilities.

WFALLC reviews candidates for the roster of DMA investment advisors based on a number of criteria, which may include:

- A completed questionnaire,
- Database information on the firm,
- Statistical analysis of the firm's track record, and
- An interview with a member of the investment advisor.

From this roster of investment advisors, WFALLC has created a number of Optimal Blends, which represent certain investment advisors and target allocations recommended by WFALLC for a number of investment strategies based on the client's investment objectives and the amount the client will invest in the account. WFALLC believes these combinations represent an optimal blend of investment classes and styles using the roster of DMA investment advisors.

The client's investment advisory needs, as well as other objectives and risk tolerances, are first reviewed with our financial advisors. Based on the client's financial situation, investment objectives and risk tolerance, WFALLC will recommend either an Optimal Blend, or another target allocation of investment advisors, known as a Customized Blend, that is appropriate for the client. Based on WFALLC's recommendations, the client will select a target allocation of two or more investment advisors to handle the day-to-day management of the client's account. Brown Securities notifies each selected advisor of a client's selection and provides the advisor with appropriate Client Profile information. Each selected advisor will manage a "sub-account" of the client's account.

For both Optimal Blends and Customized Blends, WFALLC reserves the right to remove and replace an investment advisor with another investment advisor with a similar management style and to, in such a case, amend the investment advisors selected by the client without the client's consent. Any securities repositioning affected by the client's new advisor may cause the client to incur tax consequences. Factors involved in the removal of an advisor may include:

- A failure to adhere to management style or client's objectives,
- A material change in the professional staff of the advisor,
- Unexplained poor performance, and
- Dispersions of client account performance, or
- WFALLC's decision to no longer include the advisor on its roster of DMA investment advisors.

WFALLC will determine whether any or all of these factors are material when deciding whether to make this recommendation. In addition to replacing an investment advisor within an Optimal Blend, WFALLC may also adjust the target allocation within an Optimal Blend from time to time without client's consent. An advisor may also be removed from an account at the client's election.

Other than in connection with its consulting responsibilities, neither WFALLC nor Brown Securities assumes responsibility for the conduct of investment advisors selected by client, including their performance or compliance with laws or regulations. Clients are advised and should understand the following:

- An advisor's past performance is no guarantee of future results;
- Market and/or interest rate risk may adversely affect any advisor's objectives and strategies, and could cause a loss in client's account;
- Initially an advisor's past performance does not reflect management of any DMA account, the performance of which may vary according to a number of factors, including the size, timing of account investment, individual client investment limitations and the process whereby Brown Securities effects trades based on the advisors' instructions; and
- A client's risk parameters or comparative index selections provided to Brown Securities are guidelines only; there is no guarantee that they will be met or exceeded.

All DMA accounts are managed by the selected investment advisors and Brown Securities has no discretionary trading authority with respect to such accounts, except that transactions may be directed in the following circumstances:

- Rebalancing the account as directed by the client to maintain compliance with the client's target allocation when the actual allocation within sub-accounts varies by more than certain established percentages from the target allocation, whether as a result of market changes or additions to, or withdrawals from, the account;
- Any gain or loss selling that may be requested by the client;
- Selling securities being added to the account, initially or during the term of the service, that are not compatible with an investment advisor's investment model for any sub-account; and
- Liquidating the account as requested by the client upon termination of the account in the DMA Program.

Information collected by WFALLC regarding DMA advisors is believed to be reliable and accurate, but WFALLC does not necessarily independently review or verify it on all occasions. While performance results are generally reported to WFALLC through consultants or advisors on a standard gross of fees or commission basis, WFALLC does not audit or verify that these results are calculated on a uniform or consistent basis as provided by an advisor directly to Brown Securities or through the consulting service utilized by Brown Securities.

The target allocation among the selected investment advisors applies at the time the account is established in the DMA Program. Additions to and withdrawals from the account will generally be allocated based on the target allocation. Fluctuations in the market value of assets, as well as other factors, however, will affect the actual allocation in the sub-accounts at any given time. In order to maintain a client's overall account with Brown Securities in compliance with the client's target allocation among sub-accounts, WFALLC will automatically rebalance, or direct the rebalancing of, the account periodically if the levels of the sub-accounts vary by more than certain established percentages from the target allocation. If the account is managed pursuant to a Customized Blend, the client may opt out of rebalancing. Brown Securities may rebalance or direct the rebalancing of a client's account when requested by the client.

After a DMA account has been established, WFALLC's policy is generally to immediately liquidate a client's preexisting securities portfolio and bring the account into compliance with the advisors' current models or guide accounts. Brown Securities will comply with any reasonable restrictions given by the client concerning the management of the account. Clients who desire to hold positions for tax or investment purposes should consider holding these positions in a separate account. The DMA advisors chosen by that client will, subject to best execution obligations, execute that client's securities transactions through Brown Securities.

#### ***DMA FEES***

Fees for DMA accounts are only offered on a wrap fee basis covering execution, consulting and custodial services as well as each advisor's management fee for the advisor's services. WFALLC negotiates each advisor's management portion of the client fee with the advisor based on a variety of factors including the amount of data processing facilities, software and other overhead interface believed necessary. WFALLC compensates advisors from .20% to .60% annually based on total aggregate client dollars with each advisor. Breakpoints will lower the advisory fee as aggregate assets increase. Therefore, WFALLC has a potential conflict of interest to recommend selections of management styles and advisors that would result in a lower percentage of advisory fees. WFALLC intends, however to make all recommendations independent of such fee consideration and based solely on our obligation to consider the clients' objectives and needs. There is a minimum quarterly fee requirement of \$500.

The following standard fees, which are negotiable, are charged for the DMA Accounts:

<b><u>Total Account Value*</u></b>	<b><u>Annualized Fee</u></b>
First \$250,000	2.75%
Next \$750,000	2.50%
Excess over \$1,000,000	2.00%

\*Calculated as the value of the account at the beginning of the calendar quarter.

#### ***WELLS FARGO COMPASS ADVISORY PROGRAM***

Through the Compass Program, Brown Securities provides investment advisory and brokerage services to client accounts. Brown Securities has entered into an agreement with WFALLC, pursuant to which WFALLC furnishes to Brown Securities its model portfolios of investments, each designed for a specific type of investor. Brown Securities will generally use the model portfolios furnished directly by WFALLC to assist it in making recommendations on investments to a client, but from time to time may add and subtract securities to or from the model portfolios consistent with the portfolios' objectives before making recommendations to the client. Brown Securities does not provide independent analysis on individual securities comprising the portfolios. The Compass Program also provides monitoring and reporting of portfolio performance to clients on a periodic basis. With respect to the model portfolio, the WFALLC Advisory Services Group generally relies on fundamental securities analysis with some emphasis on utilizing charting or cyclical analysis as well. Each Advisory Services Group portfolio manager follows a specific investment philosophy that will detail the mix of these analysis methods. Program quality and concentration requirements are established to provide an overall discipline and structure to the Program. Such strategies ordinarily include long and short-term purchase of equity and fixed income securities, exchange-traded funds ("ETFs") and closed-end funds. However, in special circumstances the strategies may also include option strategies. The performance is monitored and calculated by WFALLC personnel.

Investment decisions for Compass clients are derived from disciplined model portfolios provided to Brown Securities by WFALLC that are based on established guidelines as modified to satisfy the individual investment objectives and needs of each client.

Asset Allocation – Growth & Income Portfolios provide the client with three strategies from which to choose. Assets are allocated into one of the model portfolios according to the client’s Investment Policy Statement, as provided by the account opening questionnaire. Once invested, portfolios are managed on a discretionary basis with automatic re-balancing done by the portfolio manager.

Fixed Income Portfolio strategies are designed to serve as part of the fixed income component within the client’s overall asset allocation mix. Three fixed income portfolio models are currently offered – Taxable, Intermediate Taxable and Tax-Exempt. When constructing a bond portfolio, the portfolio manager looks for quality bonds with maturities consistent with the specific portfolio objectives.

ETF Portfolios are constructed primarily of Exchange Traded Funds (ETFs) which are baskets of securities that are traded like individual stocks on an exchange. The portfolios are actively managed and include asset allocation strategies that strive to provide not only strategic asset allocation, but also tactical adjustments in an attempt to exploit market opportunities.

### ***COMPASS FEES***

Compass accounts are charged a wrap fee for investment advice and commissions. The fee is based on account size and an assumed active equity portfolio. The standard Compass fee schedule, which is negotiable, is as follows:

<b><u>Total Account Value*</u></b>	<b><u>Individual, Asset Allocation &amp; ETF Strategies Annualized Fee</u></b>	<b><u>Fixed Income Strategies Annualized Fee</u></b>
First \$500,000	2.50%	1.50%
Next \$750,000	2.00%	1.25%
Over \$1,000,000	1.50%	1.00%

\* Calculated as the value of the account on the last business day of the previous calendar quarter.

The initial fee under the Compass fee schedule is calculated as of the date that the agreement is accepted by Brown Securities, based on the initial value of the account, and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and shall be calculated on the basis of the market value of the securities and cash held for the account of the client on the last business day of the prior calendar quarter. No fee adjustment will be made during any fee period for appreciation or depreciation in account asset value during that period, nor shall any adjustment or refund be made with respect to partial withdrawals by a client during such period. Should cash and/or securities be added between billing periods, a proportionate fee will be charged on the value added as of the date of the addition.

Whenever there are changes to the fee schedule, the schedule of charges previously in effect shall continue until the next quarterly billing cycle. Established fees may not be increased unless the client executes a new agreement. If the Compass agreement is terminated during a quarter, upon written notice from the client, a pro-rata refund will be made to the client less reasonable start-up costs, if applicable. The Compass agreement may be terminated by either the client or Brown Securities at any time upon written notice. Currently, Brown Securities compensates Financial Advisors from 40% - 51% of the agreed upon fee.

### ***FUNDSOURCE PROGRAM***

FundSource is a discretionary mutual fund advisory program. FundSource is intended to offer a competitive roster of mutual funds representing a broad array of investment classes and styles that are complementary to one another. From this Recommended Fund Roster, WFALLC has created a number of Optimal Blends. The Optimal Blends represent certain mutual funds and target allocations

recommended by WFALLC for a number of investment strategies based on the client's investment objectives. Brown Securities believes these combinations represent an optimal blend of investment classes and styles.

The service begins with a consultation by our financial advisor with the client to review the client's investment objectives, financial circumstances, and risk tolerance. The client is asked to complete a client objectives questionnaire ("Client Profile") to document the results of this assessment. WFALLC will then recommend either an Optimal Blend or another target allocation of Recommended Funds, known as a Customized Blend, which is appropriate for the client. Based on WFALLC's recommendations, the client will select the mutual funds for the Customized Blend target allocation.

For both Optimal Blends and Customized Blends, WFALLC reserves the right to remove and replace a mutual fund with another fund with a similar management style and, in such a case, amend the mutual funds selected by the client without the client's consent. Any fund replacements effected by WFALLC may cause the client to incur tax consequences. Factors involved in the removal of a mutual fund may include:

- A failure to adhere to management style or client's objectives,
- A material change in the professional staff of the mutual fund,
- Unexplained poor performance, and/or
- WFALLC's decision to no longer include the mutual fund on its Recommended Fund Roster.

WFALLC will determine whether any or all of these factors are material when deciding whether to make this replacement. In addition to replacing a mutual fund within an Optimal Blend, WFALLC may also adjust the target allocation within an Optimal Blend from time to time without client consent. A mutual fund may also be removed from an account at the client's election.

The target allocation among the selected mutual funds applies at the time the account is established in the FundSource Program. Additions to and withdrawals from the account will generally be allocated based on the target allocation. Fluctuations in the market value of assets, as well as other factors, however, will affect the actual allocation at any given time. In order to maintain a client's overall account with Brown Securities in compliance with the client's target allocation, Brown Securities will automatically rebalance the account periodically (generally annually, unless market conditions or client otherwise directs) if actual allocations vary by more than certain established percentages from the target allocation. If the account is managed pursuant to a Customized Blend, the client may opt out of auto-rebalancing. Brown Securities may also rebalance the client's account when requested by the client.

Brown Securities also will comply with any reasonable restrictions given by the client concerning the management of the account. Reasonable instructions generally will include prohibitions on the recommendation of particular mutual funds or funds in a sector. The policy of Brown Securities generally is to immediately liquidate a client's preexisting securities portfolio and bring the account into compliance with the target allocations. Clients who desire to hold positions for tax or investment purposes should consider holding these positions in a separate account.

WFALLC's FundSource Research Committee, and in some instances the financial advisor, will make the investment recommendations in the FundSource Program. The committee meets at least quarterly, and more frequently if necessary, to review the current FundSource recommendations and make appropriate changes to the current asset allocation models and/or the list of research recommended mutual funds.

### ***CUSTOMCHOICE CONSULTING PROGRAM***

The CustomChoice Consulting Program (“CustomChoice”) is a non-discretionary investment advisory service designed to provide recommendations that will assist clients in allocating their assets among open-ended mutual funds in accordance with each client’s individual investment goals, objectives and expectations.

The service begins with a consultation by our financial advisor with the client to review the client’s investment objectives, financial circumstances, and risk tolerance. The client is asked to complete a client objectives questionnaire (“Client Profile”) to document the results of this assessment. WFALLC will then recommend an appropriate mix of various open-end mutual funds and money market funds that include both the Recommended and Allowable Funds mentioned below (collectively referred to as “CustomChoice Funds”). A client may authorize Brown Securities to rebalance an account using our automated rebalance trading system (“Rebalance Trading System”) in order to maintain the client’s portfolio in compliance with the client’s target asset allocation. The client may select a quarterly, semi-annual or annual rebalance option.

Brown Securities will comply with any reasonable instructions given by the client when making recommendations for the account. Reasonable instructions generally will include prohibitions on the recommendation of particular mutual funds or funds in a sector. The client has the option of accepting any recommendations given, or selecting an alternative combination of investments. Brown Securities will implement the client's investment decisions, but will not have investment discretion over a client's account. Over time, as changes occur in the financial markets and in the client's investment objectives or circumstances, Brown Securities may recommend changes in the client's portfolio. In making such investment recommendations, Brown Securities will take into account the information contained in the Client Profile.

Clients are advised that investment decisions relating to such mutual fund transactions may have tax consequences that should be discussed with client's tax advisor.

### ***FUNDSOURCE AND CUSTOMCHOICE FEES***

The standard fee schedule, which may be negotiable, is as follows:

<b><u>Total Account Value*</u></b>	<b><u>Annualized Fee</u></b>
First \$250,000	1.75%
Next \$750,000	1.50%
Excess over \$1,000,000	1.15%

\* Calculated as the value of the account at the beginning of the calendar quarter.

Unless agreed upon otherwise, Program clients authorize Brown Securities to deduct from their account(s) a quarterly fee, in advance, calculated at the rate indicated in the fee schedule for that Program. For the purposes of calculating the Program fees, “value of the account” shall mean the sum of the long market value of all Program eligible mutual funds. Margin debit balances do not reduce the value of the account. In valuing the account, WFALLC will use the fund’s most current net asset value, as computed by the fund company. In so doing, WFALLC will utilize information provided by quotation services believed to be reliable. If any such prices are unavailable or believed to be unreliable, WFALLC will determine prices in good faith so as to reflect our understanding of fair market value.

The initial fee is calculated as of the date that the account is accepted into the Program and covers the remainder of the calendar quarter. Subsequent fees will be determined for calendar quarter periods and



shall be calculated on the basis of the market value of the securities and eligible cash held for the particular account of the client on the last business day of the prior calendar quarter.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of assets in client's account during that period. The account will be charged or refunded a pro-rated quarterly fee on any net additions or net withdrawals in the account during a month. Fees will be charged or refunded if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Fees will be assessed in the month following the net addition or net withdrawal. Fees are based on the value of the assets in client's account and neither WFALLC nor Brown Securities shall be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of client (i.e., performance fee).

Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. Brown Securities may modify or change any provision of the agreement after 15 days written notice to the client.

If a non-Program fund is transferred into the account and becomes a Program Fund, Program fees will apply to that Fund and it may become subject to the Rebalance Trading System.

***RECOMMENDED AND ALLOWABLE FUNDS IN THE FUNDSOURCE & CUSTOMCHOICE PROGRAMS***

Mutual Funds utilized in the Programs are classified by WFALLC as either Recommended Funds or Allowable Funds. Recommended Funds are those funds used by WFALLC in the discretionary investment advisory service, the FundSource Program. WFALLC research analysts use both quantitative and qualitative criteria when evaluating funds for inclusion on the Recommended Fund Roster ("Roster"). Clients are offered a larger fund selection through the non-discretionary investment advisory service, the CustomChoice Program, where clients may select from both the Recommended Funds and Allowable Funds. WFALLC research analysts do not provide quantitative and qualitative analysis on the Allowable Funds. Certain mutual funds may not be available to some clients because of account types, fee schedules, geographic availability, or other factors.

WFALLC reviews candidates for the Roster based on a number of criteria. WFALLC research analysts typically will arrange meetings with the portfolio managers or representatives of these candidate Recommended Funds to discuss the underlying investment philosophy of the fund manager and how that philosophy is manifested in security buy and sell decisions. The WFALLC research analysts will seek to understand the capabilities of the portfolio manager and to assess how the investment philosophy will perform in different market environments. Additional factors influencing the inclusion of a mutual fund on our Recommended Fund Roster may include the following with respect to the fund:

- Past record,
- Management style,
- Location,
- Number and continuity of investment professionals,
- Client servicing capabilities,
- Results of a completed questionnaire,
- Database information on the firm,
- Statistical analysis of the firm's track record, and
- Interviews with members of the mutual fund firm.

Funds that survive this process are considered suitable for inclusion on the Roster. This process is a continuing one, and funds may be added or removed from the Roster based on many factors, either internal or external to the fund's management.

Recommended funds for the strategic allocation portfolios are generally classified into five broad asset classes:

- Large-capitalization equities,
- Mid-capitalization equities,
- Small- capitalization equities,
- International equities, and
- Fixed income.

Funds whose holdings have a price-to-book ratio less than the median within the large-, mid-, and small-capitalization equity universes are considered "value" funds; funds above the median are considered "growth" funds. International funds must be primarily invested in foreign securities and broadly diversified by country. For the strategic asset allocation portfolios, fixed income funds must be primarily invested in high-quality, domestic-fixed income securities and have short- to intermediate-term average maturities. Manager due diligence and monitoring for the Roster for FundSource is a multi-step research process conducted by Advisory Services Group (ASG). This group focuses on the quantitative and qualitative aspects of a given manager for the initial fund selection as well as ongoing review. Funds that pass both the qualitative and quantitative screens may be considered for inclusion on the Roster.

In addition to the strategic asset allocation approach described above, WFALLC also offers alternative investment strategies that utilize mutual funds whose portfolio managers, as permitted in the individual fund's prospectus, have the flexibility to diversify beyond the asset class, capitalization and style categories, duration and quality as described above. These portfolio managers are under the same research scrutiny as the portfolio managers selected for the asset allocation strategies.

Other than in connection with our consulting responsibilities, Brown Securities does not assume responsibility for the conduct of mutual funds selected by clients, including their performance or compliance with laws or regulations. Clients are advised and should understand that

- A mutual fund's past performance is no guarantee of future results;
- There is a certain market and/or interest rate risk which may adversely affect any mutual fund's objectives and strategies, and could cause a loss in a client's account; and
- Client risk parameters or comparative index selections provided to Brown Securities are guidelines only and there is no guarantee that they will be met or exceeded.

Clients should be aware that shares of any particular fund may fluctuate in value and when redeemed may be worth less than their original cost; and that there is no guarantee that the client's target allocation or FundSource fund research recommendations will protect against such loss of investment.

WFALLC utilizes information from a variety of sources to provide data on mutual funds and other financial data and investment research. Information collected by WFALLC regarding Recommended Funds is believed to be reliable and accurate, but Brown Securities does not necessarily independently review or verify it on all occasions.

#### ***PRIVATE INVESTMENT MANAGEMENT ("PIM") PROGRAM***

In PIM, certain Brown Securities' financial advisors provide investment advisory and brokerage services to client accounts on a discretionary basis. The PIM financial advisors develop portfolios based upon the client's investment objectives and individual needs. Through the oversight of Brown Securities, PIM also provides monitoring and reporting of portfolio performance to clients on a periodic basis. PIM financial advisors' generally rely on fundamental securities analysis and may also utilize charting or cyclical analysis.

Clients are responsible for voting proxies for securities held in their accounts. Brown Securities' sole obligation with respect to any such proxy solicitation is to forward to client, or the person designated by client, within a reasonable period of time, any materials or other information with respect to any such proxy solicitation received from the issuer or third parties.

### ***PIM FEES***

Fees for PIM accounts are offered only on a wrap fee basis covering all of Brown Securities' execution, consulting, and Clearing Agent's custodial, services. The following standard fees, which are negotiable, are charged for PIM accounts:

<b>Total Account Value*</b>	<b>Annualized Fee</b>
First \$250,000	3.00%
Next \$750,000	2.50%
Next \$1,000,000	Negotiable

\* Calculated as the value of the account on the last business day of the previous calendar quarter.

Fees are charged quarterly in advance. If the PIM agreement is terminated during a quarter, which may be done at any time upon written notice from the applicable client, a pro-rata refund will be made to the client less reasonable start-up costs, if applicable. Whenever there are changes to the fee schedule, the schedule charges previously in effect shall continue until the next billing cycle. Established fees may not be increased unless the applicable client executes a new agreement. Currently, Brown Securities compensates financial advisors from 40% - 51% of the agreed upon fee.

### ***ASSET ADVISOR***

In the Asset Advisor program, Brown Securities' financial advisors provide client accounts with non-discretionary investment recommendations. The client must accept and approve the recommendation before Brown Securities will enter the order. Clients may accept Brown Securities' recommendations or select alternative investments for their accounts. A client's acceptance of any non-discretionary recommendation is not presumed by the client's silence. Clients may purchase and sell securities that have not been recommended by Brown Securities in their account, but Brown Securities will not be responsible for any losses resulting from such purchases or sales that it has not recommended to the client. Brown Securities offers periodic rebalancing of the mutual funds in the client's account, at the client's request. Rebalancing is available at predetermined intervals (e.g., annually) or upon the client's direction. Brown Securities also provides monitoring and reporting of portfolio performance to clients on a periodic basis.

Brown Securities, through its agents, may recommend stocks, bonds or other assets of any kind, consistent with the client's investment objectives and restrictions set forth in the Client Profile that clients complete with assistance from their financial advisor. Financial advisors provide non-discretionary recommendations on the basis of research and analysis that Brown Securities reasonably deems to be reliable. Clients are asked to promptly notify Brown Securities in writing of any changes in their Client Profile or other information relevant to their account.

Most types of securities are eligible for purchase in an Asset Advisor account including, but not limited to:

- Common and preferred stocks,
- Exchange traded funds,
- Closed end funds,

- Fee-based unit investment trusts,
- Corporate and government bonds,
- Certificates of deposit,
- Options, and
- Certain mutual funds whose shares can be purchased at net asset value (collectively, "Program Assets").

Program Assets do not include:

- Annuities,
- Limited partnership interests, and
- Mutual funds that cannot be purchased at net asset value (collectively, "Excluded Assets").

Clients may purchase or sell Excluded Assets in their account, but will incur commissions or charges on these transactions.

WFALLC has initiated a new Alternative Strategies ("AS") Platform for the Asset Advisor Program. The catalyst for the new platform was an extensive asset allocation analysis performed by Wells Fargo's Chief Investment Officer, which demonstrated the diversification and performance enhancing characteristics of alternative investments. In order to present this expanded asset class in the simplest format, Wachovia developed a multi-manager, multi-strategy offering within a single offering document. The Alternative Investment Platform consists of five basic strategies:

- Hedge Funds,
- Managed Futures,
- Private Equity,
- Commodities; and
- Real Estate.

Any or all of the strategies can be accessed through a single private placement offering memorandum.

The managers within each discipline will oversee a "fund of funds" structure, which will allow for a high level of diversification. The minimum investment into the program is \$250,000; the minimum for each "fund of funds" manager is \$100,000. In order to participate in the AS platform, the client must be a "qualified investor". For individuals, a qualified investor must have at least \$5 million in investable assets.

An Asset Advisor account may not be used for market timing strategies or activities for mutual funds or any extreme trading activity that Brown Securities or Clearing Agent, in its sole discretion, deems detrimental to the interest of average fund shareholders or contrary to the policies or interest of mutual fund companies with whom Brown Securities, or Clearing Agent maintains relationships. Brown Securities or Clearing Agent reserves the right to reject any transactions or to assess a redemption fee on certain liquidations.

#### ***ASSET ADVISOR FEES***

Asset Advisor accounts are charged an all-inclusive "wrap fee" on Program Assets that covers advisory, execution, custodial, and reporting services on eligible assets. Clients pay all of Brown Securities' usual and customary commissions, transaction fees and other charges for transactions in excluded assets. Commissions and fees on excluded assets and other charges will be assessed against a client's account on or about the transaction date or such other date as assessed by Brown Securities or Clearing Agent.

The following standard fees are for Program Assets. This rate will be used to determine each quarterly fee and will be recalculated each quarter based on the current quarter-end market values attributed to Program Assets. Fees are calculated and charged in arrears. Currently, Brown Securities compensates financial

advisors from 40% - 51% of the agreed upon fee.

<u>Eligible Assets Value*</u>	<u>Annualized Fee</u>
First \$250,000	3.00%
Next \$750,000	2.50%
Excess over \$1,000,000	2.00%

\* Calculated as the value of the account on the last business day of the prior calendar quarter.

#### **COST OF THE PROGRAM IF PURCHASED SEPARATELY**

Clients acknowledge that the wrap fee charged to client's account(s) under the Programs may be higher than those otherwise available if the services were provided separately for a discrete fee or if an investment advisor were to select brokerage and negotiate commissions in the absence of the extra consulting service provided. All Brown Securities investment consulting standard fee schedules and commissions described herein may be subject to negotiation depending on a range of factors including, but not limited to, account size and overall range of services requested. Clients should consider the value of the additional consulting services when making such comparisons. The combination of custodial, consulting and brokerage services may not be available separately or may require multiple accounts, documentation and fees. In addition, certain advisors may not be available to certain clients outside the consulting relationship because of minimum account sizes, fee schedules, geographic availability or other factors.

The Program may cost the client more or less than purchasing such services separately. A client may invest in many of the various Recommended or Allowable Funds directly with the applicable fund without incurring the Program fee. In addition, certain institutional investors may directly purchase a class of shares of certain Recommended or Allowable Funds that do not charge shareholder services, sub-accounting or other related fees. Certain funds are also available for purchase through Brown Securities' broker-dealer services. A client may also invest in a single fund family and obtain "breakpoints" that may lower the cost of the funds. However, when an investor purchases fund shares through Brown Securities' broker-dealer services, or directly with the applicable fund, the investor will not receive the asset allocation and portfolio monitoring services provided by WFALLC and Brown Securities under the Programs and some mutual funds may impose a sales load on direct investments.

To the extent that cash used for investment in the Program comes from redemption proceeds of client's mutual fund investments, clients should consider the cost, if any, of sales charges previously paid on such mutual funds, which are in addition to the Program fee on the same assets.

From time to time, one or more of the Recommended Funds or other mutual funds held in a Program account may experience relatively large investments or redemptions due to the WFALLC's Research Committee's decisions to purchase, sell or exchange these mutual funds. These transactions may adversely affect these mutual funds, since the mutual funds that experience redemptions may have to sell portfolio securities. Additionally, mutual funds that receive additional cash may have to invest such cash. WFALLC, representing the interests of its clients, may, but is not required to, take measures to minimize the impact of these transactions to the extent consistent with the investment objectives of clients participating in the Programs.

#### **FEES INCURRED BY CLIENT IN ADDITION TO WRAP FEE**

As a general matter, Brown Securities considers it appropriate to use its own or its agent's execution services for the purchase and sale of securities involved in the Masters, DMA, Network, PIM, Compass and Asset Advisor services. On occasion, clients or a Masters, DMA or Network advisor may designate other broker-dealers or other legal requirements may dictate the use of other broker-dealers. Costs and

transaction fees arising out of transactions effected by entities other than Brown Securities or its agent or attributable to dealer mark-ups, mark-downs or "spreads" (in transactions where an entity acts as principal for its own account) will be separately borne by clients. The Clearing Agent will not assess or collect from Brown Securities or clients any transaction fees for its services upon the purchase or sale of any securities for a client's account in a Program.

The Clearing Agent or its agent shall generally maintain custody of all client assets with respect to Brown Securities' client accounts invested in unaffiliated wrap programs. Each client expressly authorizes the Clearing Agent or its agent to debit fees of Brown Securities, WFALLC, Clearing Agent and any applicable investment advisors from client's account(s).

Brown Securities utilizes unaffiliated money market funds or a Bank Deposit Account ("BDA") as temporary investment vehicles for the cash balances in all Program accounts depending on the type of client account. A BDA is available only to individuals, certain non-profit organizations and certain fiduciary and trusts, provided that the beneficiaries are individuals or otherwise eligible. Accordingly, accounts in the name of business entities, including corporations, limited liability corporations and partnerships, and certain non-profit corporations, are not eligible for a BDA. Clients are advised and understand that overall fees charged on account values will include these money market or BDA balances. Where permitted by law, in order to provide concise reporting and administration of such money market or BDA balances for its clients, Brown Securities or the Clearing Agent or its affiliate has arrangements with the money market funds or BDA to provide advisory, administrative, distribution and/or other services subject to applicable restriction. Where permitted by law, Brown Securities or the Clearing Agent or its affiliate receives a fee for these specialized services from the money market fund or BDA or its service providers that is in addition to the fees paid by clients under the described programs. For clients that are subject to ERISA or the prohibited transaction provisions of the Internal Revenue Code, applicable law may limit the extent to which such fees may be retained, and may require a fee offset. As a shareholder of a money market fund, the client will bear a proportionate share of the fund's expenses, including the investment management fees that are paid to the fund's investment advisor and will bear any other charges levied by a fund (e.g., redemption fees). These are in addition to the fees paid by a client to Brown Securities under a Program. For more information about such a money market fund, see its prospectus. For more information about a BDA, refer to its disclosure statement.

Asset Advisor or PIM advisors may recommend closed and open-end funds as well as certain money market mutual funds for a client's portfolios for which there are similar fund expenses in addition to fees paid to Brown Securities or Asset Advisor or PIM advisors.

FundSource and CustomChoice clients should be aware that, in addition to the wrap fee, as shareholders of mutual funds, they would bear proportionate shares of the funds' expenses including advisory fees paid to the FundSource or CustomChoice Funds' investment advisors, which may be Brown Securities or one of its affiliates, or WFALLC or an affiliate, and will bear any other charges levied by a FundSource or CustomChoice Fund (e.g., redemption fees). For more information about these funds, refer to the applicable funds' prospectuses or ask a Brown Securities' financial advisor. Clients should consult a fund's prospectuses for a complete description of the fund and its expenses and fees.

The fees charged in connection with the Pathway program do not include custody fees and those fees and charges associated with the execution of brokerage transactions. Unless arrangements are made to the contrary, U.S. Bank, N.A. will serve as the custodian of the client's assets. Clients should carefully read and consider U.S. Bank's account documentation before participation in the Program. For the Pathway Program, the affiliated investment manager will execute trades through various broker-dealers. In selecting broker-dealers, it will seek to obtain best execution on behalf of its clients. In seeking best execution, it gives consideration to the full range and quality of a broker-dealer's services, including,

among other things, the price of the security, the rate of the commission, the size and difficulty of the order and the reliability, integrity, financial condition, general execution and operational capabilities of competing brokers. Clients may pay commissions higher than those obtainable from other broker-dealers, provided that the affiliated investment manager believes, in good faith, that the commissions are reasonable in terms of the research or other products or services provided by the broker-dealer. If research services are a factor in selecting a brokerage firm, the affiliated investment manager must make a good faith determination that the amount of commission paid is reasonable in relation to the value of the brokerage and research services provided by the broker/dealer. The types of research services received from brokerage firms include fundamental analysis of particular companies or securities, technical research, economic information, market news services, securities quotation and data systems, and other relevant materials affecting investment decisions. To the extent that research and related services of value are provided by broker-dealers that execute portfolio transactions, the affiliated investment manager may be relieved of expenses that might otherwise be charged directly to it. Therefore, the use of soft dollar broker-dealers presents a conflict of interest. Research provided by such broker-dealers is used for a broad range of accounts for which the firm has investment management responsibility; the firm does not require that such research be limited to or used by the accounts which generated the commissions that were allocated to such broker/dealers.

Other expenses that clients could incur include, but are not limited to:

- Regulatory fees,
- Transfer taxes,
- Exchange fees,
- Deferred sales charges on mutual funds or annuities,
- Odd-lot differentials,
- Wire transfer and electronic fund processing fees, and
- Legal fees.

#### **COMPENSATION RECEIVED BY PERSON RECOMMENDING THE WRAP FEE PROGRAM**

We may pay compensation to financial advisors in connection with the introduction of accounts and/or the provision of client-related services for the Programs as described. This compensation may be more than Brown Securities' financial advisors would receive if clients participated in any of our other programs or paid separately for investment advice, brokerage and other services. Therefore, Brown Securities financial advisors may have a financial incentive to recommend the Compass, PIM, or Asset Advisor Programs over other programs or services. More specifically, with respect to Compass, PIM and Asset Advisor Programs, Brown Securities compensates its financial advisors from 40% - 51% of the agreed upon fee.

## **ITEM 5 ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

To participate in the Pathway Program, clients must have a minimum initial investment for each separate account of \$100,000 per investment style. Investors with at least one separate account may also choose to invest in a Brown Advisory Fund for a minimum investment of \$25,000 per fund.

To participate in the Masters or Network Programs, clients must have a minimum initial investment of \$100,000.

To participate in the DMA Program, clients must have a minimum initial investment of \$150,000.

To participate in the Compass Program, clients must have a minimum initial investment of \$50,000 to \$250,000 depending on the strategy selected.

To participate in the FundSource or CustomChoice Programs, clients must have a minimum initial investment of at least \$25,000. The minimum account size may be different for IRA accounts. Under certain circumstances the minimum may be waived.

To participate in the Asset Adviser or PIM Program, clients must have a minimum initial investment of \$50,000.

Under certain circumstances the minimum initial investment required to participate in a Program may be waived.

We will generally make the Programs available to our individual and institutional clients. We provide advisory services to high net worth individuals; pension and profit sharing plans; individuals including trusts, estates, 401(k) plans and IRAs; charitable organizations; corporations or other business entities. The Programs are also available to clients referred by third-party firms.



## **ITEM 6 PORTFOLIO MANAGER SELECTION AND EVALUATION**

We have selected WFALLC to provide advisory services with respect to certain of the unaffiliated wrap fee programs. WFALLC is a non-bank affiliate of Wells Fargo & Company that provides advisory services, asset management, brokerage services, estate planning strategies, retirement planning, portfolio analysis and monitoring, and other financial services. We also maintain an agreement with First Clearing, LLC, for execution, clearance, settlement and custody of client assets. First Clearing, LLC is an affiliate of Wells Fargo & Company.

We selected WFALLC to provide these services to our clients since the suite of wrap programs they offer are best suited to meet our clients' needs. Through the various advisor fee-based programs and other third party money manager programs offered by WFALLC, we are able to offer our clients a range of investment options. As part of our agreement with WFALLC, we outsource the due diligence of the outside managers participating in the unaffiliated wrap program to their investment professionals. While the wrap fee programs under WFALLC are responsible for providing performance reporting to any of our clients invested in the plans they offer, we perform semi-annual reviews of our client accounts to make sure the portfolios are in alignment with outlined investment objectives. During these reviews we evaluate a portfolio's performance relative to its benchmark.

While performance results are generally reported to WFALLC through consultants or managers on a standard gross of fees or commission basis, neither we nor WFALLC audit or verify that these results are calculated on a uniform or consistent basis.

Through the PIM Program and Pathway Program, related persons of BAS can serve as a client's portfolio manager. Through PIM, BAS financial advisers with previous portfolio management experience are able to provide discretionary asset management services to our clients. Through Pathway, our financial advisers are able to offer clients a separately managed account in the Large-Cap Value, Large-Cap Growth, Small-Cap Growth, Equity Income, Winslow Green Large Cap, or Flexible Value investment styles offered by our Brown Advisory affiliates. As a result of this arrangement, two potential conflicts could arise:

- The occurrence of front running or trading ahead, whereby a financial adviser could enter an order with the knowledge that a pending order that has not yet been entered or executed may affect the market price of the security in question.
- The increased chance that a financial adviser will have a financial incentive to recommend either of these two wrap programs over others as they may receive compensation in connection with accounts managed according to these two programs.

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

- Our Policy Manual, which includes our Code of Ethics, sets forth certain minimum expectations that we have for our employees. As detailed in this manual, employees may not engage in front running or trading ahead on their own behalf or on behalf of any customer or other person. 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. We have strict controls in place to prevent and monitor this behavior. 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.
- Any compensation received by a BAS financial adviser is controlled through a standard payout process.

## **ITEM 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Federal law (Regulations S-P and S-AM) requires us to inform you that we have on record personal information about you and that we obtain such information from you directly (e.g., information you provide to us on account applications and other forms, such as your name, address, social security number, occupation, risk tolerance, assets and income) and indirectly (e.g., information on our computer systems about your transactions with us, such as your account balance and account holdings). Any personal information is kept confidential.

Like all investment firms, in order to serve our clients better, we need to share non-public personal information in the normal conduct of our business with affiliates and with companies not affiliated with us. We may share your personal information in order to process transactions, maintain your account(s), and offer our products and services to you. This sharing allows us to:

- Provide better and more complete investment and strategic advice;
- Develop new services that meet additional needs you may have; and,
- Comply with legal and regulatory requirements.

When we share information with companies not affiliated with us who are under contract to perform services on our behalf, such as vendors that provide services directly related to your account relationship with us, our agreements with these companies require that they keep your information confidential and not use such information for any unrelated purpose. We may share non-public personal information if required to respond to court orders and legal investigations.

We take the confidentiality of your personal information and the privacy of your account very seriously. Our commitment to safeguard your personal information goes beyond our legal obligation to process your transactions accurately and securely. Whether we serve you online, in person, on the telephone or by mail, the principles that guide the way in which we conduct business are built upon the core values of trust and integrity.

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include physical, electronic and procedural safeguards that comply with applicable laws and regulations to protect your personal information, including various measures to protect your personal information while it is stored electronically. We train and consistently remind all employees to respect client privacy and to recognize the importance of the confidentiality of such information. Those who violate our privacy policy are subject to disciplinary action.

## **ITEM 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS**

At all times, our clients have the ability to contact and consult our financial advisers directly regarding their accounts.

We will consider the following factors when recommending a wrap fee program to our clients:

- The account size;
- Our access to the investment manager, including its portfolio management team, research team, and administrative team;
- The stability of the investment manager's performance;
- A client's investment objectives and philosophy; and
- Other related factors.

In order to assist the client in making its determination of whether to participate in a wrap fee program and engage us as the client's investment manager, we will present the client with certain information, including information related to the investment manager's assets under management, investment process description, portfolio characteristics, portfolio returns, and fees. Clients are given the opportunity to impose reasonable restrictions on the management of their account in the wrap fee program of their choice.

At least annually, we will contact our clients to determine whether there have been any changes in a client's financial situation or investment objectives, and whether a client wishes to impose any reasonable restrictions on the management of the client's account or reasonably modify existing restrictions. At least quarterly, we will remind clients in writing to contact us of any changes in a client's financial situation or investment objectives, or if a client wishes to impose any reasonable restrictions on the management of the client's account or reasonably modify existing restrictions.

With respect to Pathway, your Brown Securities registered representative will be your primary contact for questions including, among other things, performance and fee information and asset allocation. In addition, they will have access to your account information in order to provide the services contemplated by the Pathway Program including portfolio monitoring and review. However, Brown Advisory Securities and all persons associated with Brown Investment Advisory and Trust Company, or Brown Investment Advisory Incorporated who are knowledgeable about the related wrap fee program will be reasonably available for consultation. Upon reasonable request, a member of the portfolio management team will be available to consult with the client.

With respect to the WFALLC wrap fee programs, you have the ability to contact and consult Brown Advisory Securities' financial advisors at any time regarding your account(s). You do not have the ability to contact the portfolio managers of the WFALLC wrap fee programs directly. For information regarding those programs, you must communicate directly our financial advisors.

## **ITEM 9 ADDITIONAL INFORMATION**

### **DISCIPLINARY INFORMATION**

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

This statement applies to our firm and every employee.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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

### **OTHER FINANCIAL INDUSTRY ACTIVITIES**

We are a wholly-owned limited liability company of Brown Advisory Holdings Incorporated (“Brown Advisory”). We are registered as an investment adviser with the Securities and Exchange Commission (“SEC”). In addition, we are a broker-dealer registered with the Financial Industry Regulatory Authority (“FINRA”). As a broker-dealer, a significant number of our management persons are registered representatives of our firm. From time to time as new financial advisers join our firm, we have applications pending to register them as representatives of our firm.

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

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

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

### **OTHER FINANCIAL INDUSTRY AFFILIATIONS**

#### *AFFILIATIONS WITH BROKER/DEALERS, MUNICIPAL SECURITIES DEALERS, OR GOVERNMENT SECURITIES DEALERS OR BROKERS*

We are the sole broker-dealer under the Brown Advisory Holdings Incorporated umbrella. We are not affiliated with any other broker-dealers.

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

#### *AFFILIATIONS WITH INVESTMENT COMPANIES OR OTHER POOLED INVESTMENT VEHICLES*

As a wholly-owned limited liability company of Brown Advisory Holdings Incorporated (“BAHI”), we are affiliated with several U.S. registered investment companies. These include:

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

Brown Investment Advisory Incorporated serves as the investment adviser for the above-mentioned U.S. registered investment companies.

Through our relationship with Brown Investment Advisory Incorporated, we are also affiliated with Brown Advisory Funds plc, an Ireland-domiciled UCITS umbrella fund that is comprised of four distinct

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

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

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

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

#### *AFFILIATIONS WITH OTHER INVESTMENT ADVISERS OR FINANCIAL PLANNERS*

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

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

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

#### *AFFILIATIONS WITH BANKING OR THRIFT INSTITUTIONS*

We are an affiliate of Brown Investment Advisory & Trust Company, a Maryland State Non-Depository Trust Company. Brown Investment Advisory & Trust Company bears all administrative and operating

expenses. Certain directors, officers and investment personnel may also serve in a similar capacity to other affiliated firms.

#### *AFFILIATIONS WITH INSURANCE COMPANIES OR AGENCIES*

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

#### *AFFILIATIONS WITH SPONSORS OR SYNDICATORS LIMITED PARTNERSHIPS*

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

- Brown Advisory Investors 2010 - Black Oak III, LLLP invests in real estate.
- Brown Advisory Investors 2010 - GCMP, LLLP invests in mezzanine financing.
- Brown Advisory Investors 2009 - EEIF, LLLP invests in energy/infrastructure.
- Brown Advisory Investors 2009 - EEIF (TE), LLLP invests in energy/infrastructure.
- Brown Advisory Investors 2009 - BlackRock PPIF, LLLP invests in credit financing.
- Brown Advisory Investors 2009 - BlackRock PPIF (TE), LLLP invests in credit financing.
- Brown Advisory Inv 2009 - CEF VII LLLP invests in private equity.
- Brown Advisory Inv 2008 - NEA 13 invests in venture capital.
- Brown Advisory Investors 2008 - ABS VI, LLLP invests in venture capital.
- Brown Advisory Investors 2008 - JBG Investment Fund VII, LLLP invests in real estate.
- Brown Advisory Investors 2008 - JBG Investment Fund VII, (A) LLLP invests in real estate.
- Brown Advisory Investors 2008 - Credit Dislocation Fund, LLLP invests in credit financing.
- Brown Advisory Investors 2008 - Credit Dislocation Fund (TE), LLLP invests in credit financing.
- Brown Advisory Investors 2008 - PE SCDF IV, LLLP invests in real estate.
- Brown Advisory Investors 2008 - Riverstone IV, LLLP invests in energy/infrastructure.
- Brown Advisory Investors 2008 - Bain Europe III, LLLP invests in European private equity.
- Brown Advisory Investors SI International, LLLP invests in international equities.
- Brown Advisory Investors 2007 - Bain X, LLLP invests in private equity.
- Brown Advisory Investors 2007 - PEDF, LLLP invests in real estate.
- Brown Advisory Investors 2007 - QMP III, LLLP invests in venture capital.
- Brown Advisory Investors 2006 - SLP III, LLLP invests in buy-out financing.
- Brown Advisory Investors 2006 - SLP III (TE), LLLP invests in buy-out financing.
- Brown Advisory Investors 2007 - SUMERU, LLLP invests in buy-out financing.
- Brown Advisory Investors 2007 - SUMERU (TE), LLLP invests in buy-out financing.
- Brown Advisory Investors 2007 - Point 406, LLLP invests in venture capital.
- Brown Advisory Investors - 2006 ABS V LLLP invests in venture capital.
- Brown Advisory Venture Growth Partners 2006, LLLP invests in private equity.
- Brown Advisory Investors - 2006 HLM LLLP invests in venture capital.
- Brown Advisory Investors - 2005 LIN LLLP invests in buy-out financing.
- Brown Advisory Investors - 2005 ADV LLLP invests in European private equity.
- Brown Advisory Investors - 2005 CEF LLLP invests in private equity.
- Brown Advisory Investors - Symphony Capital Partners 2004, LLLP invests in private equity.

- Brown Advisory Investors - Red Abbey Venture Partners 2004 LLLP invests in venture capital.
- Brown Advisory Investors - Elevation Partners 2004, LLLP invests in private equity.
- Brown Advisory Investors - 2003-SLP, LLLP invests in buy-out financing.
- Brown Advisory Investors SLP-TE LLLP invests in buy-out financing.
- BrownIA Investors 2002-1, LLLP invests in real estate.
- BrownIA Netplex Venture Fund, LLLP invests in venture capital.
- BrownIA Investors 2001-2, LLLP invests in European private equity.
- BrownIA Investors 2001-1, LLLP invests in private equity.
- BrownIA Investors 2000-5, LLLP invests in venture capital.
- BrownIA Investors 2000-4, LLLP invests in European private equity.
- BrownIA Investors 2000-3, LLLP invests in venture capital.
- BrownIA Investors 2000-2, LLLP invests in venture capital.
- BrownIA Investors 2000-1, LLLP invests in venture capital.
- Brown Venture Investors LP / Series 2000 – A invests in venture capital.
- Brown Venture Partners, LLLP invests in venture capital.
- Brown Venture Investors LP / Series 2000 – SCP invests in mezzanine financing.
- Brown Venture Investors LP / Series 1999 – P invests in venture capital.
- Brown Venture Investors LP / Series 1999 – ACM invests in venture capital.
- Brown Venture Investors LP / Series 1999 – B invests in venture capital.
- Brown Venture Investors LP / Series 1999 – CI invests in real estate.
- Brown Venture Investors LP / Series 1999 – J invests in venture capital.
- Brown Venture Investors LP / Series 1999 – Q invests in venture capital.
- BIA Silverlake Investors, LLLP invests in buy-out financing.
- ABCAT / JMI Investors, LP invests in venture capital.
- Brown Advisory Global Select, LLLP invests in hedge funds.
- Brown Advisory Emerging Markets, LLLP invests in hedge funds.
- Brown Advisory Investors 2010 - SLCHF, LLLP invests in buy-out financing.
- Brown Advisory Investors 2010 - SLCHF (TE), LLLP invests in buy-out financing.
- Brown Advisory Investors 2010 – EIG XV, LLLP invests in energy-related mezzanine financing.
- Brown Advisory Investors 2010 – EIG XV Exempt, LLLP invests in energy-related mezzanine financing.

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

Through Alex. Brown Investment Management, LLC d/b/a Winslow Management Company, LLC, we are affiliated with ABIM Partners Equity Fund I, LLC and Winslow General Partners, LLC. Winslow General Partners, LLC serves as the general partner, and Alex. Brown Investment Management, LLC serves as the investment adviser to the Winslow Hedge Fund, L.P. This is a private investment fund that is exempt from registration as an investment company under the 1940 Act. The Winslow Hedge Fund provides long and short investments in companies that focus on green solutions. These companies



recognize the environmental challenges and provide solutions to these challenges through environment sustainability. Alex. Brown Investment Management, LLC serves as general partner and investment adviser to ABIM Partners Equity Fund I, LLC, a private investment fund that is exempt from registration as an investment company under the 1940 Act. This fund focuses on long only investments in equity securities including common stocks and convertible securities.

### **CONFLICTS OF INTEREST**

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

Personal interests, both inside and outside of Brown Advisory that could be placed ahead of our obligations to clients could be the source of actual or potential conflicts of interest. Employees must remain aware that just the opportunity to act improperly may create the appearance of conflict and that conflicts may exist even in the absence of wrongdoing.

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

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

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

#### **Primary potential conflicts between the firm and our clients include:**

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

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

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

- Policy on Errors and Corrections, disclosures to clients.

**Primary potential conflicts between our employees and our clients include:**

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

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

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

**Primary potential conflicts between our clients include:**

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

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

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

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

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

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

**RELATIONSHIPS WITH OTHER INVESTMENT ADVISERS**

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

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

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

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT* TRANSACTIONS AND PERSONAL TRADING**

### **OVERVIEW OF OUR CODE OF ETHICS**

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

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

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

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

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

Since we recognize that our employees should have an opportunity to develop investment programs for themselves and their families, our Code of Ethics does not prohibit personal trading by employees. Our Code of Ethics sets forth standards of conduct expected of employees and in part addresses conflicts that arise from personal trading by employees. It provides policies and procedures to ensure that employees conduct their personal securities transactions in a manner that complies with the securities laws, rules and

regulations and that does not raise the appearance of impropriety. In addition, it sets forth controls designed to avoid actual or potential conflicts of interest between clients and our employees. Controls in place include blackout periods for certain employees, pre-clearance of employee trades, holdings disclosure and other trading restrictions.

Our Code of Ethics includes the following major restrictions:

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

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

## **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

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

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

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

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

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

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

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

- We have adopted trading practices designed to address potential conflicts of interest inherent in proprietary and client discretionary trading, including bunching and pro-rata allocation. To further protect and promote the interests of clients, we have a Conflicts Committee that is charged with reviewing certain transactions or arrangements that may represent a conflict of interest. The members of the Conflicts Committee are chosen by our independent Board of Directors.
  - Transactions to be entered into by us for ourselves or on behalf of our clients that present a material conflict of interest should be authorized, approved, or ratified by the affirmative vote of a majority of Directors on the Conflicts Committee. In the case of Director Conflicts, a majority of disinterested Directors must authorize, approve, or ratify the transaction (even if the disinterested directors constitute less than a quorum of the Conflicts Committee).

- Transactions to be entered into by us for ourselves or on behalf of our clients that present a non-material conflict of interest should be approved or ratified by our Chief Executive Officer.
- If we enter into a transaction on behalf of our clients that presents either a material or non-material conflict of interest, the conflict should be prominently disclosed to the client in plain English prior to the consummation of such transaction.
- Employees must comply with our policy on the handling and use of material inside information. Employees are reminded that they may not purchase or sell, or recommend the purchase or sale, of a security for any account while they are in possession of material inside information. In addition, employees may not disclose confidential information (including, but not limited to, information about pending or contemplated transactions for client accounts and client holdings) except to other employees who “need to know” that information to carry out their duties to clients.
- Employees must report securities transactions (except Exempt Transactions) in any Employee-Related Account. To ensure compliance with this requirement, employees must complete the Request for Outside Brokerage Account Form and submit to the CCO for approval prior to opening the account, and, for new employees, an Outside Brokerage Account Form must be completed and submitted to the CCO within 10 days of employment. In addition, employees must instruct the outside institution that maintains the Employee-Related Account to send duplicate copies of all transaction confirmations of account activity promptly.
- Employees may not serve on the Board of Directors of any public or private company other than a Brown Advisory entity without prior written approval of the CEO or designee. The CEO may not serve on the Board of Directors of any public or private company other than a Brown Advisory entity without prior written approval of the Chairman of the Audit Committee. An employee who is a director of a company may not participate in investment decisions involving that issuer’s securities. On an annual basis the CCO will report all directorships in public companies held by employees to the Audit Committee.
- Employees are required to report to our Compliance Department all outside business activities. These include: board/committee memberships and obligations, employment commitments, non-profit commitments, government commitments, and other outside business commitments. In addition to the description of the business activity, any compensation received must be disclosed.
- To ensure that there is not intentional or unintentional front-running of purchasing securities in client accounts, we will restrict stocks of companies in which we are actively performing due diligence as potential candidates for purchase in our portfolios. This is called the “Gray List.” Accordingly, gray listed securities will be restricted from employee purchases.
- If it is determined that an employee has violated the Code of Ethics, we will take such remedial action as is deemed appropriate. Sanctions will vary but may include censure, limitation or prohibition of personal trading, suspension, or termination of employment.

### **PERSONAL TRADING**

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

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

- Employees engage in unethical behavior,
- Personal trading of employees misuses material nonpublic information,

- Personal trading of employees is not supervised,
- Clients receive less favorable trading terms than our advisory employees,
- Abusive trading on the part of our advisory employees, including market timing.

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

- Employees may not purchase or sell a security in an Employee-Related Account on a day during which any client or Fund has a pending order in the same (or an equivalent) security. This restriction applies until the client or Fund order has been executed or cancelled.
- Employees who, in connection with his or her regular functions makes or participates in making recommendations regarding the purchase or sale of securities, may not purchase or sell a security in an Employee-Related Account on the same day as a client or Brown Advisory Fund trades the same (or an equivalent) security unless the trade is entered to be executed at the close.
- Employees may not purchase or sell a security in an Employee-Related Account if a transaction in the same (or an equivalent) security is being considered for any client or that a decision has been made to effect such a transaction. These securities are placed on a Gray List that is maintained by the equity trading desk.
- Employees who, in connection with his or her regular functions; makes or participates in making recommendations regarding the purchase or sale of securities by a Fund, may not purchase or sell a security in an Employee- Related Account for a period of four business days before and after a Fund trades the same (or an equivalent) security.
- Employees who, in connection with his or her regular functions, makes or participates in making recommendations regarding the purchase or sale of securities by an investment strategy or Fund, should not acquire a security that would be suitable for a client without first considering whether to recommend or purchase that security to or for the client's account.
- Employees may not purchase or sell a security in an Employee-Related Account for a period of one business day after a Rating Change with respect to the same (or an equivalent) security. In addition, employees may not purchase or sell a security in an Employee-Related Account if the employee knows that a Rating Change with respect to the same (or an equivalent) security is being considered.
- With respect to the handling and use of material inside information, employees are prohibited from purchasing, selling, or recommending the purchase or sale, of a security for any account while they are in possession of material inside information.
  - Any firm employee who comes into possession of inside (non-public) information is obligated to bring such information to the attention of the CEO, Chief Compliance Officer, or Head of Investment Strategies. The CEO, Chief Compliance Officer and Head of Investment Strategies will subsequently determine whether to direct investment personnel to refrain from trading in, or recommending, the securities concerned while such information remains undisclosed to the investing public. If there is any question of whether or not particular information may be deemed "insider", the matter should be brought to the immediate attention of the CEO, Chief Compliance Officer, or Head of Investment Strategies.
- Although subject to pre-clearance, transactions involving securities in certain large companies, within the parameters set by the Firm, will be approved under normal circumstances, as follows: Transactions involving no more than \$100,000 per security per day in companies with market capitalization of \$2.5 billion or greater, unless the Rating Change for that security has changed in the last business day.
- Employees may not profit from the purchase and sale, or sale and purchase, of the same (or an equivalent) security on the Guide List (those securities covered by our research analysts) or a Fund within 30 calendar days. In addition to any other sanction provided for under the Code of

Ethics, profits realized from short-term trading must be disgorged to a charity selected by the Firm unless the trade was approved pursuant an exception in the Code of Ethics.

- To ensure that there is not intentional or unintentional front-running of purchasing securities in client accounts, we will restrict stocks of companies in which we are actively performing due diligence as potential candidates for purchase in our portfolios. This is called the “Gray List.” Accordingly, gray listed securities will be restricted from employee purchases.
- Unless the trading is to occur in an exempt account or involve a transaction that is exempt from pre-clearance, employees must pre-clear all securities transactions in Employee-Related Accounts.
- The Equity Trading Director and CCO are responsible for monitoring personal securities trading for compliance with the Code of Ethics. On a periodic basis (but at least monthly), the Head Trader and/or CCO review the statements and reports submitted. Any unusual trading activity or patterns of transactions and any indications of violations of our Code of Ethics or our Insider Trading Policy should be brought to the attention of the CEO and the Head of Investment Strategies.
- If it is determined that an employee has violated the Code of Ethics, we will take such remedial action as is deemed appropriate. Sanctions will vary but may include censure, limitation or prohibition of personal trading, suspension, or termination of employment.

#### Exceptions

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

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

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

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

#### **TIMING OF PERSONAL TRADING**

According to firm policy, if an employee or a related person recommends securities to clients or buys or sells securities for client accounts, they are not allowed to buy or sell the same securities for their own accounts at or about the same time.



## **REVIEW OF ACCOUNTS**

### **FREQUENCY AND NATURE OF PERIODIC REVIEWS OF CLIENT ACCOUNTS**

With respect to all of the Programs, Brown Securities or its agent will provide to each client quarterly portfolio performance reports of the client's account which will include a review and evaluation of the client's portfolio in light of the client's investment goals and objectives. At least annually, we will contact each Program client to determine if there have been any material changes in the client's financial situation, investment objectives, or other information and whether a client wishes to impose any reasonable restrictions on the management of the client's account or reasonably modify existing restrictions. At least quarterly, we will remind clients in writing to contact us regarding any changes in financial situation, investment objectives or other relevant informational areas. Each client agrees to inform us in writing of any material change in financial circumstances that might affect the manner in which the client's assets should be invested. Those changes deemed material or appropriate will be forwarded to any applicable advisor under the particular Program.

### **AUTO-REBALANCE SYSTEM**

With respect to the FundSource, CustomChoice, or Pathway Programs, a Rebalance Trading System will periodically or on demand review a client's FundSource or CustomChoice Account. In addition to those reviews conducted upon client demand and when WFALLC or Brown Securities deems appropriate, the rebalance review will generally be conducted annually for FundSource accounts. Clients can select either an annual, semi-annual or quarterly rebalance review option for CustomChoice accounts and on a case-by-case basis, may also select this alternative rebalance period for FundSource accounts. For FundSource accounts, clients may direct WFALLC or Brown Securities to refrain from rebalancing periodically. Subject to certain minimum constraints, WFALLC will generally initiate rebalancing client's account by creating sell and buy transactions if any funds in client's account vary by more than 40% (30% for retirement accounts) from the target allocation. These percentages may be changed without notice to the client. Also, if a client so directs, whenever deposits are made to or withdrawals are taken from a client's account, the Rebalance Trading System may be used to allocate the contribution or withdrawal among the funds in the account based on the account's fund targets. The Rebalance Trading System will not rebalance any assets that are not offered through the Programs. Any transactions that occur from rebalancing these assets may cause the client to incur tax consequences.

### **FACTORS THAT TRIGGER A MORE FREQUENT REVIEW OF CLIENT ACCOUNTS**

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

### **FREQUENCY AND CONTENT OF REGULAR REPORTING TO CLIENTS**

Brown Securities provides its investment consulting clients with periodic reports of relevant activity. For Masters, DMA, Network, PIM, and Asset Advisor clients, Brown Securities, through the Clearing Agent, will transmit to the clients (and where appropriate to the applicable investment advisor) the following reports:

- Trade confirmations reflecting all transactions in securities; provided, however, that periodic statements of account activity may be furnished in lieu of transaction by transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act;

- Monthly statements of client's account itemizing all transactions in cash and securities, and all deposits and withdrawals of principal and income during the preceding calendar month;
- Statements of securities in custody, listing securities held in the account, submitted at least quarterly; and
- An annual summary of transactions, and dividend and interest statements.

Brown Securities provides FundSource and CustomChoice clients with periodic reports of relevant activity. Each FundSource client and each CustomChoice account receives:

- Trade confirmations reflecting all transactions in securities; provided, however, that periodic statements of account activity may be furnished in lieu of transaction by transaction confirmations to the extent and in the manner permitted by Rule 10b-10 under the Exchange Act;
- Monthly statements of the account; and
- Annual summary of transactions, and dividend and interest statements.

With respect to all of the Programs, Brown Securities or its agent will provide to each client quarterly portfolio performance reports of the client's account which will include a review and evaluation of the client's portfolio in light of the client's investment goals and objectives.

With respect to Compass, the performance report will include performance comparisons to relevant selected market indices. Such reports may contain Brown Securities' investment recommendations for the client's account, where applicable.

Under Network, the services provided include a periodic review and monitoring of the selected investment advisor's performance by the Brown Securities' financial advisor.

Under PIM, the services provided include a periodic review of and monitoring of the performance of the selected Brown Securities' financial advisor's performance by the financial advisor's manager or the manager's designee.

With respect to FundSource and CustomChoice, the performance report will include a review and evaluation of the funds comprising the client's FundSource or CustomChoice portfolio with respect to the client's investment goals and objectives.

With respect to Pathway, we will receive a copy of the quarterly performance reports provided to the client, review and provide analysis on the performance reports and discuss any issues relating to the reports with clients. The manner in which performance information is presented to clients may vary depending upon client needs. However, the same methodology will be used to calculate each client's performance. The reporting generally includes:

- Monthly time-weighted returns for each portfolio shown against an appropriate benchmark,
- Asset allocation of the client's total account,
- Percentage of the client's assets allocated between various investment managers or securities,
- A Cash flow summary, and
- The standard deviation of returns versus an appropriate benchmark.

Depending on the frequency chosen by the client (monthly, quarterly or annually), the client will receive an account statement from the custodian reflecting account activity, all fees and expenses charged to the account, and value and description of positions held in the account at the beginning and end of the reporting period.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

### **PATHWAY**

With respect to the Pathway Program, Brown Securities will receive a portion of any fee paid to Brown Investment Advisory Incorporated or Brown Investment Advisory and Trust Company for managing client assets. Therefore, Brown Securities has an economic incentive to recommend its affiliated firms for managing client assets. We intend, however, to make all recommendations independent of such fee consideration and based solely on our obligation to consider client objectives and needs.

### **GIFT POLICY**

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

Neither our firm nor any person associated with our firm may, directly or indirectly, give or permit to be given anything of value, including gratuities, in excess of one hundred dollars (\$100) per individual per year to any person, principal, proprietor, employee, agent, or representative of another person (e.g., a person employed by another financial services or securities firm) where such payment or gratuity is in relation to the business of the employer of the recipient of the payment or gratuity. A gift of any kind is considered a gratuity.

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

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

To ensure compliance with this one hundred dollar (\$100) limit, we must aggregate all gifts given by the member and each Associated Person of the member to a particular recipient over the course of each calendar year. Our employees are required to complete and submit to a Designated Supervisor a "Report of Giving or Receipt of Business-Related Gifts Valued at \$50 or More" promptly after either giving or receiving a gift of \$50 or more.

Personal interests, both inside and outside of Brown Securities 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. Employees may not take advantage of any opportunity or otherwise personally benefit from information obtained as an employee that would not have been available to if he or she were not a Brown Securities employee.

#### **CLIENT REFERRALS**

From time to time, we will receive client referrals. If a client is introduced to us for investment advisory services related to a wrap fee program by either an affiliated or unaffiliated solicitor, we may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 under the Advisers Act, and any corresponding state securities law requirements. Any such referral fee will be paid solely from the portion of the Program fee received by Brown Securities and will not result in any additional charge to the client. Generally, the referral compensation takes the form of payment of a percentage of the annual fees described in the particular wrap fee program contract.

If the client is introduced to us by an unaffiliated solicitor, the solicitor, at the time of the solicitation, will disclose the nature of the solicitor relationship and provide each prospective client with a copy of this Program Brochure and a written disclosure statement to the client disclosing the terms of the solicitation arrangement between Brown Securities and the solicitor, including, but not limited to, the compensation to be received by the solicitor from Brown Securities. Any affiliated solicitor of Brown Securities will disclose his or her relationship to Brown Securities to prospective clients at the time of the solicitation and will provide prospective clients with a copy of this Program Brochure.

## **FINANCIAL INFORMATION**

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

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

## **ITEM 10 REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

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