

March 30, 2016

FORM ADV PART 2A (Firm Brochure)

This Brochure (also known as Form ADV Part 2A) provides information about the qualifications and business practices of William Blair & Company, L.L.C. If you have questions about the contents of this Brochure, please contact us at imcompliance@williamblair.com or (312) 236-1600. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about William Blair & Company, L.L.C. also is available on the SEC's website at www.adviserinfo.sec.gov.

William Blair & Company, L.L.C. is registered as an investment adviser with the SEC. Our registration as an investment adviser does not imply a certain level of skill or training.

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ITEM 2 – MATERIAL CHANGES

William Blair & Company, L.L.C. (“William Blair” or “firm” or “we”) has updated our Brochure (also known as Form ADV Part 2A) as of March 30, 2016. Our last update was an interim amendment as of July 31, 2015.

We amended our Brochure primarily to reflect updated information regarding our previously disclosed internal corporate restructuring. The restructuring is internal only, and the firm’s ownership structure and management remains unchanged. William Blair continues to be 100% employee-owned by the partners actively engaged in the firm’s businesses.

As part of the restructuring, William Blair Investment Management, LLC, was formed for the intended purpose to house William Blair’s institutional investment management business, separate from other business lines within William Blair. William Blair Investment Management, LLC is registered as an investment adviser with the U.S. Securities and Exchange Commission (“SEC”). William Blair Investment Management, LLC is an affiliate of William Blair and conducts only investment adviser activities, while William Blair remains registered with the SEC as both a broker-dealer and an investment adviser to support William Blair’s other business activities. William Blair Investment Management, LLC is a wholly owned subsidiary of WBC Holdings, L.P., as is William Blair.

As a result of the restructuring, William Blair Investment Management, LLC serves as investment adviser to approximately \$55 billion in institutional client assets previously advised by William Blair. William Blair Investment Management, LLC also became the investment adviser for the William Blair Funds and the William Blair Directional Multialternative Fund (a series of Trust for Professional Managers). As used in this Brochure, the William Blair Funds and the William Blair Directional Multialternative Fund collectively are referred to as “Funds”. As of December 31, 2015, William Blair had regulatory assets under management of approximately \$16 billion, and William Blair Investment Management, LLC had regulatory assets under management of approximately \$55 billion. We anticipate that the restructuring will be finalized later in 2016.

As a reminder, we may at any time update our Brochure and will either send you a copy or offer to send you a copy (either electronically or in hard copy) as may be necessary or required. If you would like another copy of this Brochure, you may download it from the SEC’s website at www.adviserinfo.sec.gov, or you may contact our investment management compliance team at (312) 236-1600 or e-mail us at imcompliance@williamblair.com.

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ITEM 4 – ADVISORY BUSINESS

Firm Description

William Blair is a global investment firm offering investment management and related services to clients. The firm was founded in 1935 and is registered with the SEC as both an investment adviser and a securities broker-dealer. William Blair (a privately held company) is a wholly owned subsidiary of WBC Holdings, L.P., which is wholly owned by current William Blair employees (we may refer to employee owners as ‘partners’ in this Brochure). William Blair also is an affiliate of William Blair Investment Management, LLC, an investment adviser registered with the SEC. William Blair Investment Management, LLC was formed for the intended purpose to house William Blair’s institutional investment management business, separate from the other business lines within William Blair. We anticipate that this internal restructuring will be finalized later in 2016.

Investment Advisory Services

William Blair provides investment management services to clients for a fee through Investment Counselors and Private Client Advisors. We also provide non-discretionary investment management services on a limited basis. Clients pay us investment advisory fees based on fee schedules as described in Item 5 and also may pay us commissions for transactions executed in their accounts as further described in this Brochure.

Availability of Tailored Services for Clients

As a discretionary investment manager, we provide investment management services in accordance with clients’ investment guidelines. We accept investment restrictions from clients if the restrictions do not hinder our ability to execute our investment strategies. In some cases, we may provide investment guidance to clients on a non-discretionary basis (on either a portion of the assets held in the account or the entire account) with the client making final investment decisions.

Investment Counselors

William Blair’s Investment Counselors (“Investment Counselors” or “Investment Counseling”) provide customized wealth management services for high net worth clients, institutions and wrap program clients on a discretionary basis.

Private Client Advisors

William Blair’s Private Client Advisors (“Private Client Advisors” or “PCA”) provide customized wealth management for individuals, high-net worth, institutions, and wrap clients on a discretionary basis. William Blair also is registered with the SEC as a broker-dealer, and the Private Client Advisors group

offers brokerage services to clients as described in Item 10 of this Brochure.

Wrap Fee Program Clients

William Blair serves as an investment manager to and sponsor of wrap fee programs as described further in William Blair’s Form ADV 2A, Appendix 1, also known as our “Wrap Program Brochure.” A wrap fee program is a program where a client is charged a specified “bundled” fee (generally, a percentage of assets under management) for discretionary investment management services and trade execution costs and sometimes other services such as custody, recordkeeping and reporting.

Our compensation under a wrap program may be lower than our standard fee schedule; however, the overall cost of a wrap arrangement may be higher than a client otherwise would pay if the client paid our standard fee schedule and negotiated transaction costs and any other services (e.g., custody, recordkeeping and reporting) through a broker-dealer.

Third Party Service Providers

In cases where William Blair has proxy voting discretion, Institutional Shareholder Services, Inc. (“ISS”) provides proxy voting, maintenance, reporting, analysis and recordkeeping services for William Blair with respect to proxies for companies whose securities are managed by William Blair on a discretionary basis.

William Blair has entered into agreements with Fidelity Investments and its various affiliates including National Financial Services and Institutional Wealth Services (collectively, “Fidelity”), whereby Fidelity will provide custodial, brokerage and certain other services for certain retail clients of William Blair, including Investment Counselor accounts, William Blair Select (“Select”) and Private Client Advisors accounts. Clients who choose to use Fidelity’s services enter into separate custodial and/or brokerage agreements with Fidelity. Clients are not required to use Fidelity for these services, and clients are free to work with other custodians. Each client who considers Fidelity will be provided with the appropriate agreements and applicable fee schedules at that time. It is expected that William Blair and any third party managers utilized by the client through the Select program will direct most, if not all, trades for clients that retain Fidelity to provide such services, to Fidelity.

William Blair has entered into agreement(s) with an asset management platform provider (the “Platform”). Private Client Advisor and Investment Counselor advisory representatives, for certain discretionary

advisory account clients participating in our wrap program, access and hire discretionary investment advisers (the “Sub-Managers”) through the Platform. For further information about our relationship with this Platform, services provided by all parties to this agreement and conflicts of interest, see our Wrap Program Brochure.

Assets under Management

As of December 31, 2015, William Blair had approximately \$16.3 billion in assets under management, of which, we managed approximately 99.9% on a discretionary basis and 0.01% on a non-discretionary basis. Approximately \$55 billion in institutional client assets previously managed by the Investment Management division of William Blair are now managed by our affiliate, William Blair Investment Management, LLC.

ITEM 5 – FEES AND COMPENSATION

William Blair provides investment management services to clients and charges annual fees, payable quarterly either in advance or in arrears (depending on the terms of each investment management agreement). When charged in advance, fees are based on the total market value of each account (including accrued interest and dividends) on the last day of the prior quarter except as otherwise described in this section. When charged in arrears, fees are based on the total market value of each account (including accrued interest and dividends) on the last day of the current quarter, except as otherwise described in this section. Please see Item 4 of our Wrap Fee Brochure for a description of fees and compensation with respect to wrap fee program services.

Ongoing fees reduce the value of an investment portfolio over time. Because of the fees you pay, you have a smaller amount invested that is earning a return whether the fee is paid separately or debited from a portfolio's assets. You are encouraged to discuss the impact of fees with your relationship manager or financial advisor.

Payment of Fees

You may elect to be billed directly for investment management fees or may authorize William Blair to directly debit fees from your custodial account as is generally defined in the investment management agreement. Many of our clients elect to have their quarterly fees directly debited from their custody accounts. We prorate fees based on the length of time we managed your account in the event you opened or terminated your account during the quarter. We will refund any fees prepaid but not yet earned or will request prompt payment for any fees earned but not yet paid.

Other Fees and Expenses

In addition to, and separate from, the basic investment management fee, our clients pay other costs and charges in connection with their accounts or certain securities transactions, some of which may be payable to parties other than us. These may include, among other fees and expenses, the following (also refer to Item 12 – Brokerage Practices):

- Commissions and other charges for executing trades through broker-dealers;
- Dealer mark-ups, markdowns and spreads;
- Auction fees;
- Certain odd-lot differentials;
- Exchange fees;
- Taxes, duties and other governmental charges;

- Costs associated with foreign exchange transactions;
- Electronic fund and wire transfer fees;
- Fees imposed for certain types of custody or brokerage accounts;
- Fees imposed in connection with custodial, trustee or other account services;
- Account maintenance or service fees;
- Regulatory transaction fees;
- Charges mandated by law or regulation; and
- Fees in connection with the establishment, administration or termination of retirement or profit sharing plans or trust accounts.

Private funds also bear their own operating and other expenses. In addition to fees and expenses listed above, other expenses may include: sales expenses; accounting, tax and audit expenses; legal expenses; and other expenses not listed. Private Funds that invest with an underlying manager or in underlying funds bear associated fees and expenses. Feeder funds generally bear a pro rata portion of the expenses associated with the related master fund. Details regarding expenses can be found in the applicable offering memorandum and other governing documents.

Mutual Fund and ETF Fees and Expenses

For clients whose guidelines allow us to invest a portion of their assets in mutual funds (both open-end funds and closed-end funds) or exchange traded funds:

- When we invest in shares of unaffiliated funds (funds not advised by William Blair Investment Management, LLC) in your account, you are subject to our investment management fees in addition to the mutual fund or exchange traded fund internal management fees and other expenses (as described below). In addition, exchange traded funds and closed end funds may trade at prices that vary from their net asset value, sometimes significantly. Performance of a fund pursuing a passive index-based strategy may diverge from the performance of the index.
- When we invest in shares of the Funds (affiliated mutual funds advised by William Blair Investment Management, LLC) in your account, you are subject to the Funds' internal management fees and other expenses (as described below); however, we do not charge our investment management fee in addition to the Funds' internal management fee. Instead, we exclude the

assets invested in the Funds when we calculate the investment management fees we charge you.

Mutual funds, including the Funds, and exchange traded funds charge other fees and expenses in addition to internal management fees that are disclosed in each fund's prospectus. These additional fees may include distribution fees, administrative fees, service fees, sub-transfer agent fees, recordkeeping fees, and other fund operating expenses, which include but are not limited to expenses of the independent trustees, fees and expenses for legal, fund accounting, transfer agency, custody, audit, taxes, brokerage and other expenses. These fees and expenses, including the total net operating expenses of each fund, including the Funds, are set forth in the applicable prospectus, and, with respect to the Funds, some of these fees and expenses are paid by the Funds to William Blair or its affiliates. Clients may obtain more information by reviewing a prospectus for the underlying mutual funds, including the Funds, or exchange traded funds. Fees and expenses are exclusive of and in addition to any investment management fees we may charge you. As described above, we do not charge our investment management fee in addition to a Fund's internal investment management fee.

William Blair and its affiliate, William Blair Investment Management, LLC, have contractually agreed to bear some of the operational expenses for many of the Funds. The extent to which William Blair Investment Management, LLC or William Blair bears these expenses varies by Fund. Therefore, when negotiating those expenses with third party service providers, William Blair Investment Management, LLC and William Blair have an economic incentive to favor a fee structure that shifts expenses from Funds for which William Blair Investment Management, LLC or William Blair has a lesser (or no) reimbursement obligation. Further, to the extent William Blair or its affiliates have discretion to allocate client assets among the Funds, they have an incentive to allocate to the Funds where William Blair Investment Management, LLC and William Blair have a limited reimbursement obligation.

As always, clients have the option to purchase recommended investment products through other brokers or agents not affiliated with William Blair.

Provision of services to the Funds by William Blair or its affiliates presents conflicts of interest because we may be incented to recommend the Funds based on compensation to us or our affiliate rather than a client's needs. To help manage conflicts, we have implemented various controls including the following:

- We maintain our Codes of Ethics, which detail our fiduciary duty to put our clients' interests ahead of our own;

- We monitor portfolio holdings to ensure they are consistent with each client's objectives; and
- We offset investment management fees on a client's assets held in the Funds.

Investments in Affiliated Funds for Certain Investment Strategies

In some cases, we believe it is in a client's best interest to invest a portion of the client's portfolio in certain Funds. For example, we may invest in mutual fund shares for smaller accounts in order to achieve greater portfolio diversification that can otherwise be more difficult with fewer assets. We choose to invest in the Funds, our affiliated mutual funds, primarily because portfolio managers for our affiliate, William Blair Investment Management, LLC, use the same investment strategies they use for institutional separate accounts to manage them.

When we invest in shares of affiliated mutual funds in your account, you are subject to the Funds' internal management fees and other expenses (as described above); however, we do not charge our investment management fee in addition to the Fund internal management fee. Instead, we exclude the assets invested in the Funds when we calculate the investment management fees we charge you.

Sweep Accounts

Occasionally, William Blair "sweeps" your assets temporarily into a money market mutual fund or other short-term investment vehicle (typically offered by your custodian). We also may invest in another mutual fund, including an exchange-traded fund. When we sweep your assets into these unaffiliated funds, we charge our investment management fee on your total account assets, including assets in these unaffiliated funds.

Separate Account Fee Schedules

We charge investment management fees for separate accounts based upon the below standard fee schedules. We negotiate fees with clients, and not all clients pay fees as described in these schedules. Differences can arise for various reasons including the following:

- Account size;
- Total assets under management for the client;
- Inception date of an account;
- Accounts that also pay us commissions to execute their trades;
- Client types (wrap fee clients, for example);
- Accounts with specialized services or arrangements; and
- Other reasons not listed.

We, in our sole discretion, may waive or reduce the management fee schedules for clients who are members, employees or affiliates of William Blair, relatives of such persons, certain large or strategic investors, and in certain other limited circumstances.

INVESTMENT COUNSELORS – SEPARATE ACCOUNTS

For high net worth client accounts that are managed by Investment Counselors, we generally charge the following annual fees based on a client's total assets under our management at inception.

<u>Accounts Between \$2 – 5 million</u>	<u>All Assets</u>
First \$5 million	1.00%
Next \$5 million	0.70%
Next \$10 million	0.60%
Next \$30 million	0.50%
Over \$50 million	0.45%

<u>Over \$5 million</u>	<u>Equities</u>	<u>Fixed Income</u>
First \$5 million	1.00%	0.50%
Next \$5 million	0.70%	0.40%
Next \$10 million	0.60%	0.30%
Next \$30 million	0.50%	0.25%
Over \$50 million	0.45%	0.225%

William Blair generally acts as the broker-dealer and executes trades for commissions for accounts where the securities in the accounts are held with us or with Fidelity as described above. This creates a conflict because we may be incented to initiate more trades to generate greater commissions (revenues). To manage this conflict, we monitor account activities to help identify excessive portfolio activity. Clients also may negotiate commission rates. Clients also may hold their securities and direct trading to other firms.

William Blair may purchase mutual funds or exchange traded funds in accounts we manage for high net worth clients. In cases where we invest in mutual funds or exchange traded funds for high net worth clients, we charge these clients the same fee rate for assets invested in equity securities and in shares of equity and balanced mutual funds and exchange traded funds. When we invest in shares of the Funds in an account, the client is subject to each Fund's internal management fees and other expenses; however, we do not charge an investment management fee in addition to the Fund's internal management fee. Instead, we exclude the assets invested in the Funds when calculating an account's investment management fees. We also charge high net worth clients the same fee rate for assets invested in fixed income securities and in shares of fixed income mutual funds and exchange traded funds.

For fee information associated with Investment Counselor wrap program client accounts, please see our Wrap Brochure.

INVESTMENT COUNSELORS - WILLIAM BLAIR SELECT ACCOUNTS

<u>Account Size</u>	<u>Equities</u>	<u>Fixed Income</u>
First \$5 million	1.20%	0.60%
Next \$5 million	1.00%	0.55%
Next \$10 million	0.85%	0.50%
Next \$30 million	0.75%	0.45%
Over \$50 million	0.70%	0.40%

<u>Mutual Funds and ETFs</u>	<u>All Assets</u>
All Assets	0.50%

<u>Private Funds</u>	<u>All Assets</u>
All Assets	0.50%

Fee schedules for William Blair Select Accounts that are managed by other non-William Blair investment managers can vary. These fee schedules are available upon request from your Investment Counselor or Private Client Advisor. For accounts not custodied with William Blair, brokerage and custodial fees are not charged by William Blair or its affiliates but instead are charged by third party broker-dealers or custodians.

PRIVATE CLIENT ADVISORS - SEPARATE ACCOUNTS

For clients' accounts managed by Private Client Advisors, we charge the following fees:

Comprehensive Fee Program*	Equities	Fixed Income
First \$1 million	2.00%	1.25%
Next \$4 million	1.50%	1.00%
Next \$5 million	1.25%	1.00%
Over \$10 million	1.00%	1.00%

* William Blair may purchase mutual funds or exchange traded funds in its investment advisory programs. In the Comprehensive Fee Program, we charge clients the same fee rate for assets invested in equity securities and in shares of equity and balanced mutual funds and exchange traded funds. We also charge clients the same fee rate for assets invested in fixed income securities and in shares of fixed income mutual funds and exchange traded funds.

William Blair generally acts as the broker-dealer and executes trades for accounts in the program where the securities in accounts are held with us or with Fidelity as described above, which includes most of our high-net-worth clients. In limited instances we also may trade with third party broker-dealers.

For some Private Client Advisor accounts, we receive commissions for each trade we execute for these clients in addition to an investment advisory fee. This creates a conflict of interest because the financial advisor may be incented to initiate more trades to generate greater commissions (revenues). To manage this conflict, we monitor account activities to help identify excessive portfolio activity. Clients also may negotiate commission rates.

For fee information associated with Private Client Advisors wrap program client accounts, please see our Wrap Brochure.

William Blair also offers PCA accounts that make investments only in exchange traded funds (ETFs) as follows:

Exchange Traded Funds Only	
All Assets	0.70%

PRIVATE CLIENT ADVISORS - WILLIAM BLAIR SELECT ACCOUNTS

Equities	
First \$1 million	2.00%
Next \$1 million	1.65%
Next \$3 million	1.45%
Next \$5 million	1.35%
Next \$10 million	1.15%
Next \$30 million	1.00%
Over \$50 million	0.93%

Fixed Income	
First \$5 million	0.80%
Next \$5 million	0.75%
Next \$10 million	0.65%
Next \$30 million	0.60%
Over \$50 million	0.55%

Mutual Funds	
First \$250 thousand	1.65%
Next \$250 thousand	1.35%
Next \$250 thousand	1.00%
Over \$750 thousand	0.65%

Exchange Traded Funds	
All Assets	0.70%

Private Funds	
All Assets	0.70%

Fee schedules for William Blair Select Accounts that are managed by other non-William Blair investment managers can vary. These fee schedules are available upon request from your William Blair Investment Counselor of Private Client Advisor. For accounts not custodied with William Blair or with Fidelity as described above, brokerage and custodial fees are not charged by William Blair or its affiliates but instead are charged by third party broker-dealers or custodians.

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

Performance-Based Fees

William Blair does not offer performance-based fee arrangements to clients.

Side-By-Side Management

William Blair does not offer performance-based fee arrangements to clients.

Management of Multiple Portfolios

William Blair does not offer performance-based fee arrangements to clients. Although our affiliate, William Blair Investment Management, LLC also manages mutual funds and funds-of-hedge funds, these products are managed by separate and distinct investment teams.

William Blair typically makes investment decisions for multiple portfolios, including small institutional portfolios, separately managed accounts, and wrap fee accounts. These portfolio management responsibilities create conflicts of interest. We seek to conduct ourselves in a manner we consider to be the most fair and consistent with our fiduciary obligations to our clients and make investment decisions based on an account's available cash, investment objectives, restrictions, permitted investment techniques and other relevant considerations.

Management of multiple portfolios gives rise to conflicts of interest. The conflicts of interest that may arise in managing multiple accounts include, for example, conflicts among investment strategies, conflicts in the allocation of investment opportunities, or conflicts due to different fees. Some accounts have higher fees than others. Fees charged to clients may differ depending upon a number of factors including, but not limited to, the particular strategy, the size of the portfolio being managed, the relationship with the client, the service requirements, or the account type (e.g., separately managed accounts and wrap accounts). Based on these factors, a client may pay

higher fees than another client in the same strategy. Also, clients with larger assets under management generate more revenue for William Blair than smaller accounts. These differences give rise to a conflict that a portfolio manager may favor the higher fee-paying account over the other or allocate more time to the management of one account over another.

To help manage these sorts of conflicts, we have implemented various controls, including the following:

- We periodically review the performance of portfolio managers and assess whether the portfolio manager has adequate resources to manage effectively all accounts assigned to him or her;
- We review the performance of accounts within similar investment strategies to identify performance outliers; and
- As described in Item 12, we have adopted trade order aggregation and trade allocation policies and procedures that seek to manage, monitor and, to the extent possible, minimize the effects of these conflicts.

ITEM 7 – TYPES OF CLIENTS

Clients

William Blair provides investment advisory services to a number of clients including high net worth clients, individuals, institutions and wrap program clients.

Investment Minimums

William Blair generally requests minimums as described below.

Account Type/Relationship	Minimum
Investment Counseling Accounts	\$2 million
Turnkey Asset Management Accounts	\$1 million
Private Client Advisor Accounts	\$50,000
William Blair Select	
Separate Accounts*	\$100,000
Mutual Fund/ETF Accounts	\$20,000
Investable Models Accounts	\$20,000

**Certain third party managers may be higher.*

We reserve the right to accept accounts below our stated minimums. We also accept lesser amounts for accounts in separately managed account programs sponsored by intermediaries (e.g., wrap programs).

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

Methods of Analysis

William Blair is an active investment manager and utilizes a variety of methods and strategies to make investment decisions and recommendations. When evaluating investment opportunities, we employ fundamental and technical research methods using various resources such as financial news sources and websites; corporate data; ratings services; third party research; SEC filings (e.g., annual reports, prospectuses); company press releases; and proprietary research.

The following describes our principal investment strategies as of the date of this Brochure. Descriptions of strategies are qualified in their entirety by reference to the applicable investment advisory agreement and related investment guidelines.

1. Investment Counseling Investment Strategies

Our Investment Counseling group offers custom wealth management based on each client's individual needs and objectives. In choosing investments for clients, we consider a broad array of securities and investment vehicles, including common stocks, corporate, government and municipal fixed income securities, affiliated and unaffiliated mutual funds, private funds and money market funds. In addition, for certain wrap program clients, our Counseling group has discretion to hire Sub-Managers through Platforms. For more information on Sub-Manager selection and security analysis conducted by Platform Sub-Managers, please see our Wrap Brochure.

Our Investment Counseling group has access to research provided by the Institutional Investment Management team of our affiliate, William Blair Investment Management, LLC. The Investment Counseling group determines when or if to act upon research information received and can buy or sell securities that differ from when institutional portfolio management teams choose to act on information. Because our Investment Counseling group has access to institutional research, all members of the group are considered Access Persons subject to compliance policies and procedures, including its Code of Ethics.

2. Private Client Advisors Investment Strategies

Our PCA group offers custom-designed portfolios based on each client's individual needs and objectives. In choosing investments for PCA clients, we consider a broad array of securities and investment vehicles including common stocks, corporate, government and municipal fixed income securities as well as affiliated and unaffiliated mutual funds and money market funds. Because we manage growth equities, stocks or equity

mutual funds we select on behalf of clients often have a growth-oriented bias, provided such securities are consistent with each client's investment objectives. In addition, for certain wrap program clients, our PCA group has discretion to hire Sub-Managers through Platforms. For more information on Sub-Manager selection and security analysis conducted by Platform Sub-Managers, please see our Wrap Brochure.

3. William Blair Select Investment Strategies

William Blair offers to clients William Blair Select, a diversified open architecture platform of investment strategies provided by affiliated and external investment managers, each with a focus on a particular asset class and style. In recommending investments for Select portfolios, we emphasize asset allocation to help manage risk and return in portfolios. In our research-driven investment process, we seek to find external investment managers who meet some or all of our criteria including the following:

- Expertise in a specific discipline;
- Investment philosophy based on sound capital markets theory;
- Repeatable investment process that supports the investment philosophy;
- Structured approach to managing risk;
- Stable organizational structure supportive of future growth;
- Track record consistent with successful implementation of the investment philosophy; and
- High level of organizational capability.

Strategies of William Blair, its affiliates, or Funds that are included in Select portfolios are not subject to the same level of scrutiny as external investment managers.

Under the guidance of their financial advisor (a William Blair employee or third party advisor), clients choose to invest in managers' strategies through one of several available investment vehicles that may include separately managed accounts, mutual funds and other pooled vehicles, exchange-traded funds and alternative investments. Financial advisors help clients select investments based on each client's unique objectives, risk tolerance and financial profile and provide ongoing advice to clients. Thereafter, the Private Client Advisor or Investment Counselor has discretion to make changes within the Select account in accordance with the client's objectives, investment guidelines and restrictions and investment agreement. Also refer to

Item 5 for a description of additional fees and expenses you may incur as a result of investments in mutual fund

RISK OF LOSS

All investments in securities involve a risk of loss of your principal (invested amount) and any profits that have not been realized (i.e., the securities have not been sold to "lock in" the profit). Stock markets and bond markets fluctuate substantially over time, and performance on any investment is not guaranteed. There is no guarantee that any investment strategy will achieve its stated investment objectives. William Blair cannot guarantee any level of performance or that you will not experience a loss of account assets.

Common Risks Associated with Equity Investments

Investments in equity securities can expose you to certain specific risks such as the following:

- **Equity securities.** Equity securities (stocks) held in your portfolio may decrease in response to activities of companies or market and economic conditions.
- **Growth stocks.** Growth stocks may be more sensitive to market movements because their prices tend to reflect future investor expectations rather than just current profits and may underperform value stocks during given periods.
- **Value stocks.** Value stocks may perform differently from the market as a whole and may be undervalued by the market for a long period of time and may underperform growth stocks during given periods.
- **Small-capitalization companies.** Small cap stocks may exhibit erratic earnings patterns, competitive conditions, limited earnings history, and a reliance on one or a limited number of products.
- **Initial public offerings.** Initial public offerings (IPOs) are subject to high volatility and limited availability.
- **Private placements.** Private placements may be classified as illiquid and difficult to value.
- **Options.** Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so an investor loses their premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security, which could result in a potentially unlimited loss.

or exchange traded fund shares we may make on your behalf.

Common Risks Associated with Non-U.S. Investments

Investments in non-U.S. securities can expose you to certain specific risks, including risks associated with equity investments previously described above, as well as the following:

- **Current market conditions.** In recent years, debt and equity markets, domestic and foreign, have experienced increased volatility and turmoil, which can adversely impact your portfolio.
- **Liquidity in financial markets.** The financial markets in the U.S. and elsewhere have experienced a variety of difficulties and changed economic conditions, which could adversely impact the value of your portfolio's assets.
- **Government intervention and market disruptions.** The global financial markets recently have undergone fundamental disruptions that have led to extensive and unprecedented government intervention that could prove detrimental to the efficient functioning of the markets and adversely impacting your portfolio.
- **Options.** Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so an investor loses their premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security, which could result in a potentially unlimited loss.
- **Foreign markets.** Foreign markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.
- **Foreign securities.** Foreign stocks are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets.
- **Emerging markets.** Securities traded in certain emerging markets may be subject to risks due to the inexperience of financial intermediaries, the lack of modern technology, the lack of a sufficient capital base to expand business operations, and the possibility of temporary or permanent termination of trading. Political and economic structures in many emerging markets may be undergoing significant evolution and rapid development, and emerging markets may lack the social, political and economic stability characteristics of more developed countries.

Common Risks Associated with Fixed Income Investments

Investments in fixed income securities can expose you to certain specific risks such as the following:

- **Credit risk.** Fixed income securities (bonds) are subject to the risk that the bond issuers may not be able to meet interest or principal payments when the bonds come due.
- **Below investment grade rated securities.** Below investment grade bonds are subject to a higher probability that the issuers may not be able to meet payment of interest or principal on a timely basis or at all. These securities also may be less liquid than investment grade securities and experience higher price volatility. It may not be possible to sell these securities at the desired price and within a given time period.
- **Interest rates.** Interest rates may adversely affect the value of an investment. An increase in interest rates typically causes the value of bonds and other fixed income securities to fall. Interest rates continue to be at historic lows. Investments with longer maturities, which typically provide higher yields than securities with shorter maturities, may subject a portfolio to increased price changes resulting from market yield fluctuations.
- **Income risk.** The income received by a portfolio may decrease as a result of a decline in interest rates.
- **Prepayment risk.** There is a risk of prepayment in mortgage- and asset-backed securities. This risk arises when market interest rates are below the interest rates charged on the loans that comprise the securities. Elevated prepayment activity may result in losses in these securities.
- **Liquidity risk.** Investments that trade less can be more difficult or more costly to buy, or to sell, than more liquid or active investments. It may not be possible to sell or otherwise dispose of illiquid securities both at the price and within a time period deemed desirable. Securities subject to liquidity risk include emerging market securities, below investment grade securities and other securities without an established market.

Common Risks Associated with Alternative Investments

Investments in alternative investment strategies, can expose you to certain specific risks associated with the following:

- **Derivative securities.** Derivatives may be difficult to value, may be illiquid and may be subject to wide swings in valuation caused by changes in value of the underlying security. The use of derivatives can result in losses that substantially exceed the initial amount paid or received.

- **Short sales.** A short sale involves the risk of a theoretically unlimited increase in the market price of a security sold short, which could result in an inability to cover the short position and a theoretical unlimited loss.
- **Commodity and futures contracts.** Commodities futures markets (including financial futures) are highly volatile and are influenced by factors such as changing supply and demand, governmental programs and policies, national and international political and economic events and changes in interest rates. A high degree of leverage is typical in commodities futures trading, and as a result, a relatively small price movement may result in substantial losses.
- **High yield securities.** High yield securities are rated in the lower rating categories by the various credit agencies and are subject to greater risk of loss of principal and interest than higher rated securities. High yield securities generally are considered predominantly speculative with respect to the issuer's capacity to pay interest and repay principal.
- **Options.** Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so an investor loses their premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security, which could result in a potentially unlimited loss.
- **Foreign securities.** Foreign stocks are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets.
- **Foreign currency markets.** Investments in foreign securities expose a portfolio to fluctuations in currency exchange rates, which may adversely affect the value of investments in foreign securities held in your portfolio.
- **Currency risks.** Investments denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more currencies.
- **Interest rates.** Interest rates may adversely affect the value of an investment. An increase in interest rates typically causes the value of bonds and other fixed income securities to fall.
- **Leverage.** The use of borrowing (leverage) exposes an investor to additional levels of risk including greater losses from investments than would otherwise have been the case without borrowing; margin calls or changes in margin requirements may force premature liquidations of investments; and losses on investments where the investment fails to earn a return that equals or exceeds the cost of the leverage.

- **Lack of diversification.** The portfolio may not generally be as diversified as other investment vehicles. Accordingly, investments may be subject to more rapid change in value than would be the case if the portfolio were required to maintain a wide diversification among types of securities, geographical areas, issuers and industries.
- **Liquidity.** A portfolio's assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to value accurately any such investments.
- **Event-driven trading.** Event-driven trading involves the risk that the event identified may not occur as anticipated or may not have the anticipated effect, which may result in a negative impact upon the market price of securities held in the portfolio.

The preceding is provided for your information. Please also refer to your investment advisory agreement and related investment guidelines or contact your client service representative or financial advisor to discuss risks specific to your investments.

ITEM 9 – DISCIPLINARY INFORMATION

In 2013, the Swiss Financial Market Supervisory Authority (“FINMA”) found William Blair to have negligently failed to comply with Swiss securities regulations due to William Blair’s late filing of shareholding reports in two instances. Swiss regulations require that a person who acquires or sells shares of a company incorporated in Switzerland whose equity securities are listed in whole or in part in Switzerland and thereby attains, falls below or exceeds the threshold percentages of voting rights send notifications to FINMA and the company. Such notifications must be received by FINMA and the company within four trading days. In this case, William Blair exceeded the 3% threshold (the lowest threshold for reporting purposes) in two separate instances and reported such transactions three calendar days after the

deadline. FINMA deemed these matters to be simple negligence. However, William Blair was assessed a fine in the amount of CHF 9,000, which was approximately \$9,315 (USD) at exchange rates current at the time the fine was assessed. This amount corresponds to 0.9% of the maximum fine of CHF 1,000,000. William Blair was also assessed procedural costs of CHF 1,570, which was approximately \$1,625 (USD) at exchange rates current at the time the costs were assessed.

Our Form ADV Part 1A describes this and several disciplinary items relating to our business as a broker-dealer. Our Form ADV Part 1A is available for review on the SEC’s web site at www.adviserinfo.sec.gov.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

William Blair Funds

Our affiliate, William Blair Investment Management, LLC is investment adviser and manager, and William Blair is distributor for the Funds¹. William Blair and William Blair Investment Management, LLC are paid by the Funds for the services they each provide. As investment adviser and manager, William Blair Investment Management, LLC manages the Funds' investments, administers their business affairs, furnishes office facilities and equipment, provides clerical, bookkeeping and administrative services, and provides shareholder and information services. Partners and employees of William Blair and William Blair Investment Management, LLC can serve (without compensation) as trustees or officers of the Funds if elected to such positions. As of December 31, 2015, investment management fees paid by the Funds ranged from 0.30% to 1.60% for all share classes. In addition to an investment advisory fee, each Fund pays the expenses of its operations, including a portion of the Funds' general administrative expenses, allocated based on each Fund's net assets. As of December 31, 2015, William Blair Investment Management, LLC managed over \$14 billion in assets for the Funds. Following are the Funds currently advised by William Blair:

- William Blair Income Fund
- William Blair Bond Fund
- William Blair Low Duration Fund
- William Blair Growth Fund
- William Blair Small Cap Growth Fund
- William Blair Large Cap Growth Fund
- William Blair Small-Mid Cap Growth Fund
- William Blair Mid Cap Growth Fund
- William Blair Large Cap Value Fund
- William Blair Mid Cap Value Fund
- William Blair Small-Mid Cap Value Fund
- William Blair Small Cap Value Fund
- William Blair International Growth Fund
- William Blair International Equity Fund
- William Blair International Leaders Fund
- William Blair International Small Cap Growth Fund
- William Blair Emerging Markets Growth Fund
- William Blair Emerging Markets Leaders Fund
- William Blair Emerging Small Cap Growth Fund
- William Blair Institutional International Growth Fund
- William Blair Institutional International Equity Fund
- William Blair Global Leaders Fund
- William Blair Macro Allocation Fund
- William Blair Directional Multialternative Fund¹

¹ William Blair Directional Multialternative Fund is a series of Trust for Professional Managers.

Private Client Advisors and Investment Counselors have discretion to buy and sell mutual funds, including the Funds, in their clients' accounts and receive asset-based investment management fees. As the Funds' principal distributor, we also receive fees from the sale of Fund shares. These circumstances create a conflict of interest because we may be incented to recommend the purchase of affiliated mutual funds over other types of investments or funds. To help manage any conflict, we have implemented controls, including the following:

- We maintain a written Code of Ethics, which details our fiduciary duty to clients;
- We monitor client portfolios to ensure they are consistent with each client's objectives and investment strategy;
- We typically solicit client consent to invest in affiliated mutual funds; and
- We offset investment management fees on a client's assets held in affiliated mutual funds.

Additionally, partners of our firm also serve as trustees of the Funds. To mitigate potential conflicts, these partners are not compensated by the Funds for their role as Fund trustees. Although only one of many factors, the amount of client assets invested in the Funds is taken into consideration when determining a PCA group or Investment Counseling group partners' compensation.

Please also refer to the Funds' prospectuses and statements of additional information, which are available at www.williamblairfunds.com or by calling 1-800-742-7272.

Investment Adviser/Sub-Adviser for Other Pooled Funds

Our affiliate, William Blair Investment Management, LLC, serves as investment adviser or sub-adviser to other pooled funds including other U.S. mutual funds, Canadian trusts/funds, Australian trusts/funds, collective investment trusts and UCITS² and receives investment management fees as described in William Blair Investment Management, LLC's Form ADV Part 2A.

Conflicts of Interest Related to Investment Adviser/Sub-Adviser Activities

Similar to the Funds, a conflict of interest exists as we may be incented to recommend these pooled funds for purchase by our investment management clients, which may conflict with our fiduciary duty. To help manage conflicts, we have implemented controls, including the following:

² William Blair has been appointed global distributor of the William Blair SICAV and may receive commissions or other compensation based on share purchases of the SICAV's sub-funds.

- We maintain a written Code of Ethics, which details our fiduciary duty to clients;
- We manage portfolios to their strategy models; and
- We monitor client portfolios to ensure they are consistent with each client's objectives and investment strategy.

Commodities/Futures Registration

William Blair is registered with the Commodity Futures Trading Commission ("CFTC") as a Commodity Trading Advisor ("CTA")³ and is approved as a Swaps Firm. William Blair also is a member of the National Futures Association ("NFA").

As a Swaps Firm, William Blair engages in investment management activities for separate accounts that involve swaps subject to the jurisdiction of the CFTC. William Blair's Debt Capital Markets group provides interest rate swap advisory services to municipal securities issuers in connection with the firm's municipal securities underwriting business. William Blair acts solely as a qualified independent representative and evaluates the pricing and the appropriateness of swap transactions for these issuers. William Blair does not act as a swap dealer or major swap participant nor does the firm act as a counterparty to swap transactions.

Private Investment Offerings

Our affiliate, William Blair Investment Management, LLC is the investment manager to a number of limited partnerships and limited liability companies, which are Private Funds that are structured as hedge funds, funds-of-hedge funds, multi-advisor commodity pools or other pooled investment vehicles. These Private Funds are offered only to accredited investors or qualified eligible purchasers.

We are in a position to recommend securities, including affiliated Private Funds, to our clients. This creates conflicts of interest because we might be incented to recommend these securities for clients over other suitable investment options. To help manage conflicts of interest, we make these investments available solely to certain William Blair partners and employees as well as select qualified investors. Because our affiliate, William Blair Investment Management, LLC can receive performance fees for certain funds, our affiliate may be incented to favor these accounts over other clients' accounts; however, this incentive is mitigated by the illiquid nature of these investments.

³ William Blair also is registered with the CFTC as a Commodity Pool Operator ("CPO") as of March 30, 2016. William Blair expects to terminate its CPO registration on or about May 1, 2016.

Corporate and Executive Services

William Blair provides strategic advice and solutions for companies and corporate executives. Examples of these services include the following:

- Corporate cash management
- Corporate share repurchases
- Directed share programs
- Retirement plans
- Investment banking services
- Cashless stock option exercise
- Restricted stock coordination and sales
- Officer and affiliate trading programs
- Equity risk management

Financial Planning and Advisory Services

William Blair provides financial planning and advisory services to high-net-worth individuals and families and works with you to help you determine the services that may be appropriate given your goals and circumstances. We may charge a fee for these services that is separate from any investment advisory fees and transaction charges. Examples of these services include the following:

- Asset allocation
- Retirement planning
- Estate planning
- Philanthropic strategies
- Advisory services for foundations and endowments

Securities Business

In addition to our registration with the SEC as an investment adviser under the Investment Advisers Act of 1940, William Blair also is registered with the SEC as a securities broker-dealer under the Securities Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA). In its broker-dealer capacity, the firm executes securities transactions for clients, underwrites securities, distributes the Funds, may distribute shares of the William Blair SICAV, and custodies client funds and securities. These activities present conflicts of interest, as described below and throughout this Brochure.

Investment Banking Activities

William Blair's Corporate Finance Department provides investment banking and financial advisory services to corporate clients. This creates conflicts of interest with our discretionary investment management clients. In the provision of investment banking services, our employees may come into possession of material, non-public information or other confidential information about a particular company, which if disclosed might

affect a person's decision to buy, sell or hold a company's securities. The firm maintains policies and procedures as well as physical, technical and logical controls to mitigate unauthorized access to and/or use of non-public information. Because of these procedures (and related legal requirements), investment decisions related to these securities may be temporarily restricted in your account.

Sell Side Equity Research

William Blair's Equity Research Department provides investment analysis and recommendations of companies across various sectors. This creates conflicts of interest with our discretionary investment management clients because our employees may come into possession of material, non-public information or other confidential information about a particular company, which if disclosed might affect a person's decision to buy, sell or hold a company's securities. The firm maintains policies and procedures as well as physical, technical and logical controls to mitigate unauthorized access to and/or use of non-public information. Because of these procedures (and related legal requirements), investment decisions related to these securities may be temporarily restricted in your account.

Institutional Sales and Trading

William Blair's Institutional Sales and Trading Department provides trade execution, underwriting and sales to investors and issuers. This can create conflicts of interest with our discretionary investment management clients because our employees may come into possession of material, non-public information or other confidential information about a particular company, which if disclosed might affect a person's decision to buy, sell or hold a company's securities. The firm maintains policies and procedures as well as physical, technical and logical controls to mitigate unauthorized access to and/or use of non-public information. Because of these procedures (and related legal requirements), investment decisions related to these securities may be temporarily restricted in your account.

ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

William Blair has adopted two separate Codes of Ethics, one for the Investment Counseling group and one for the PCA group, pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 that govern a number of conflicts of interest we have when providing our advisory services to clients. We have designed our Codes of Ethics to help ensure we meet our fiduciary obligation to our clients as well as to emphasize a culture of compliance within our firm.

We distribute our Codes to each employee at the time of hire and annually thereafter. We provide annual training and monitor employee activity on an on-going basis. According to our Codes, employees must:

- Pre-clear most all personal securities transactions for Investment Counseling employees; as PCA employees are not considered “access persons,” they are not required to pre-clear their personal transactions’
- Report their transactions in reportable securities quarterly and disclose reportable securities holdings annually;
- Disclose all securities accounts in which they have a beneficial interest (i.e., they are the account owner or have or have a present economic interest in the account);
- Adhere to prescribed holding period requirements for personal securities transactions for the Investment Counseling group employees; as employees of the PCA group are not considered “access persons,” they are not required to adhere to a prescribed holding period;
- Refrain from purchasing securities in an initial public offering (IPO) and obtain prior approval for participation in limited offerings;
- Receive approval prior to serving on any Board of Directors of a public company;
- Report gifts and business entertainment; and
- Certify on a periodic basis as to compliance with our Codes.

PCA group employees are governed by a similar Code of Ethics addressing conflicts of interest. As PCA group employees are not considered Access Persons, as defined above, they are subject to different personal trading restrictions than those set forth above.

If you would like a copy of either Investment Counseling’s or PCA’s Code of Ethics, please contact our Compliance team at imcompliance@williamblair.com or (312) 236-1600 or write to us at the following address:

William Blair & Company, L.L.C.
Attn: IM Compliance
222 W. Adams St.
Chicago, IL 60606

Securities in which William Blair has a Financial Interest

Because of our diverse financial services activities, William Blair or its affiliates have financial interests in various securities including the Funds, William Blair SICAV, and William Blair Private Funds as well as securities of corporations to which we provide investment banking and other corporate and executive services. We or our affiliates also have financial interests in securities for which William Blair Investment Management, LLC serves as sub-adviser (such as other mutual funds or collective investment trusts).

We sometimes recommend to our clients that they purchase or sell securities in which we have a financial interest, or in cases where we have investment discretion, we may purchase or sell those securities on behalf of our clients. This creates a conflict because we may be incented to promote these securities over others. A conflict of interest also arises in situations where we may restrict or refrain from making investment recommendations on particular securities because we are actively engaged in investment banking activities for issuers of those corporate securities.

To help manage these conflicts, we rely on various compliance controls including the following:

- We maintain Codes of Ethics, which reinforces our fiduciary duty to clients, and conduct periodic training on our Codes;
- We have written policies and procedures that clearly prescribe processes for employees when recommending investments for our clients;
- We utilize technological trading and compliance tools to monitor portfolio activities;
- We review portfolios to ensure investments are consistent with clients’ guidelines and restrictions;
- We typically solicit client consent to invest in the Funds for their investment advisory accounts;
- In cases where we purchase the Funds in clients’ investment advisory accounts, we do not charge additional investment advisory fees on the portion of assets invested in our Funds; and
- We have information barriers in place to prevent dissemination of material, non-public information between our various business groups.

Personal Securities Trading

Because William Blair permits employees to engage in personal securities transactions, our employees may buy or sell securities for their own personal accounts in a manner that is inconsistent with those purchased or sold in our clients' accounts. As an example, an employee may buy a particular security that we recently have sold for clients. This creates a conflict of interest because employees could be motivated to favor their own investment interests over clients' interests. In addition, an employee or an employee of our affiliate, William Blair Investment Management, LLC, may make a personal investment in the securities of our clients' companies. This creates a conflict because employees could be motivated to favor their own investment interests or the interests of certain clients over others. To help manage these conflicts, we rely on various compliance controls including the following:

- We maintain Codes of Ethics, which reinforces our fiduciary duty to clients;
- We require pre-clearance and reporting of personal transactions in covered securities for Investment Counseling employees;
- In cases where we are purchasing or selling securities for Investment Counseling clients' accounts, we routinely prohibit Investment Counseling employees from transacting in the same securities for their own accounts until trades are completed for all client accounts;
- We monitor employees' personal securities transactions in an effort to identify patterns or improper activities; and
- We have holding period requirements for most all personal securities activities of our Investment Counseling employees to deter short-term or frequent trading.

As discussed above, PCA group employees are governed by a similar Code of Ethics addressing conflicts of interest. As PCA group employees are not considered Access Persons, as defined above, they are subject to different personal trading restrictions than those set forth above.

Political Contributions

We do not allow our employees to make or solicit political contributions to support political candidates or elected officials for the purpose of obtaining or retaining business with governmental entities. We permit employees to make personal contributions to support candidates for whom they are eligible to vote subject to contribution limits and reporting requirements.

ITEM 12 – BROKERAGE PRACTICES

Broker Selection and Best Execution in Investment Counseling Accounts

In most instances, William Blair's Investment Counseling clients will maintain either (1) a brokerage account with William Blair, as either the introducing/executing broker (cleared through and custody held by Fidelity) or (2) with William Blair as the introducing/executing broker, clearing broker and qualified custodian.

In effecting transactions for Investment Counseling's clients whose accounts are introduced or maintained by William Blair, as described above, all trades are directed to William Blair's sell-side broker-dealer trade desk for handling pursuant to the Second Tier Trade Order Aggregation and Trade Rotation procedures set forth below.

In limited circumstances, a client will maintain their custodial account at another qualified custodian and direct us to place all or a portion of their brokerage orders through a specific broker dealer. All such trades will be directed to the selected brokerage firm's trade desk pursuant to the Second Tier Trade Order Aggregation and Trade Rotation procedures set forth below. Transactions are executed pursuant to each broker-dealer's best execution policy. In addition, please see the Client Directed Brokerage Section below.

In limited circumstances, an Investment Counseling client will maintain their custodial account at another qualified custodian and give William Blair the ability to effect transactions through any broker-dealer. In effecting trades for these Investment Counseling clients' accounts, all trades will be handled pursuant to the First Tier Trade Order Aggregation and Trade Rotations procedures set forth below.

When we select broker-dealers to execute orders for Investment Counseling clients, we seek best execution. This means that we aim to obtain the best security price while also considering the quality of the brokerage and research services that we or our clients receive from that broker. We look at the individual transaction but also assess quality over multiple transactions. We consider a variety of factors such as the following:

- Commission rates charged by the broker in comparison to the charges of other brokers for similar transactions;
- Access to the broker's trading desk and the familiarity of the broker with our business;
- Extensiveness of the broker's distribution network and its ability to fulfill more difficult orders;
- Ability of the broker to maintain confidentiality while executing trades to prevent the disclosure of our investment strategy or the details of an order in a way that will adversely affect market price;

- Extent to which the broker is willing to commit its own capital to fulfill difficult orders;
- Level of competence and infrastructure of the broker to handle complicated transactions such as derivatives;
- Broker's execution abilities, including the level of accuracy, speed of execution, and ability to obtain best net price;
- Broker's communications and administrative abilities, including efficiency of reporting, settlement, and correction of trade errors;
- Research capabilities (including research created or developed by the broker-dealer and that obtained from third parties) and the broker's ability to provide market information;
- The broker's trading expertise; and
- The broker's capital strength and financial stability.

Conflicts of interest arise when selecting brokers because we do not simply seek the lowest possible commission (cost). We may be motivated to use commissions (instead of cash) to pay for services or to select a broker based on the services they provide rather than the quality of their execution. This also may cause you to pay commissions that are higher than commissions charged by brokers who do not provide the above benefits. However, we believe that in return for paying fair and reasonable commissions, our clients will benefit. We make every effort to allocate the benefits to the accounts generating these commissions, but some accounts that did not directly pay for the benefits also will gain.

To manage these conflicts of interest as they relate to Investment Counseling clients, we developed detailed policies and procedures and implemented several controls including the following:

- We maintain a list of approved brokers and review the list at least annually;
- We have established compliance policies and procedures relating to brokerage practices that include the creation of a Brokerage Research/Commission Committee to review best execution; and
- We routinely review commission rates, trade execution, and settlement services.

Best Execution in Private Client Advisor Accounts

In most instances, William Blair's PCA clients will maintain either (1) a brokerage account with William Blair, as either the introducing/executing broker (cleared through and custody held by Fidelity) or (2) with William Blair as the introducing/executing broker, clearing broker and qualified custodian.

In effecting transactions for PCA's clients whose accounts are introduced or maintained by William Blair, William Blair takes all reasonable steps to achieve best execution of orders. We have policies and procedures which are designed to obtain the best possible execution result, subject to the nature of the order, any restrictions placed upon us in filling the order and the market in question. We take into consideration a range of different factors which include price, but may also include such other factors as timely execution, the liquidity of the market, the cost of the transaction and the nature of the financial transaction. In some markets price volatility may mean that the timeliness of the execution is a priority, where other markets that have low liquidity may mean the execution itself may constitute the best execution.

Research and Other Soft Dollar Benefits

As described more fully above, under the limited circumstances where William Blair selects broker-dealers, we may use broker-dealers that provide us research to execute client transactions, and we may pay higher commissions to receive such research. These kinds of arrangements are referred to as "soft dollar" arrangements. Section 28(e) of the Securities Exchange Act of 1934 permits us to pay higher commissions if we can demonstrate the commissions are reasonable in relation to the research or brokerage services we receive.

William Blair receives research products and services from broker-dealers and third parties such as the following:

- Written reports on individual companies and industries of particular interest to us;
- General economic conditions, pertinent federal and state legislative developments and changes in accounting practices;
- Direct access by telephone or meetings with leading research analysts throughout the financial community, corporate management personnel, and industry experts;
- Comparative performance and evaluation and technical measurement services for issuers, industries and the market as a whole;
- Access to and monitoring of equity valuation models; and
- Services from recognized experts on investment matters of particular interest.

To the extent William Blair wishes to use commission dollars to purchase research, we must use the commission dollars generated from accounts that have granted discretion to us as to brokerage placement. Accordingly, commission dollars generated from accounts that grant brokerage placement discretion to William Blair are likely to be used to purchase research

that also benefits accounts that do not grant us discretion.

In some cases, the above services may require the use of or be delivered by computer systems whose software components may be provided to William Blair as part of the services. In a few instances, we may share the use of a research service or product with other departments within William Blair. In this event, we make a good faith effort to allocate the use of this research, and commissions may defray the portion of the cost attributable to the Investment Management division.

We may not use all products and services for the sole benefit of the clients whose commission dollars paid for the products and services. Research we obtain from commissions paid by one account may be used to benefit all accounts. This creates conflicts because some clients may get the benefit of research or services received due to another client's commission dollars. In most instances, William Blair Counseling accounts, William Blair Select accounts, wrap accounts, model delivery accounts, and other accounts that have not provided us with discretion as to brokerage do not contribute (or contribute relatively less than accounts that have provided us with brokerage discretion) to third-party research and services paid for with client commissions. However, such accounts receive the research benefits from those accounts that have granted us discretion as to brokerage placement. For example, wrap fee program accounts may benefit from services provided by brokerage commissions of other accounts, while the non-wrap fee accounts do not receive the same benefits from brokerage commissions of wrap accounts. Additionally, our Investment Counseling group has access to research provided by our affiliate, William Blair Investment Management, LLC's Institutional Investment Management team, and Investment Counseling client accounts benefit from research received.

We have various controls in place to manage these conflicts including the following:

- We periodically review our soft dollar practices to determine, in good faith, that commissions used to acquire research products and services were reasonable in relation to the value of research or services received;
- We periodically review commission rates relative to our peers;
- We periodically review products and services acquired by soft dollar commissions to assess their potential benefit to client accounts;
- Our Chief Compliance Officer serves as a member of our Brokerage Research/Commission Committee responsible for oversight of our soft dollar practices; and
- All William Blair Investment Management, LLC and Investment Counseling employees are considered

Access Persons subject to compliance policies and procedures, including a Code of Ethics.

Generally, William Blair does not commit to any broker-dealer a specified amount of commission dollars as compensation for furnishing research services. Rather, we assess the value of research received from a broker-dealer and compensate that broker-dealer with the amount of commission dollars we believe is reasonable (within the context of commissions generated) for the services provided.

William Blair also has agreements with several broker-dealers wherein we agree to direct a specified amount of commission dollars to broker-dealers as compensation for the research services (described above) received from third parties. We do not pay cash to meet any shortfall if we do not meet the specified amount of commissions.

Client Commission Arrangements

As described more fully above, under the limited circumstances where William Blair selects broker-dealers, we may also participate in “commission sharing arrangements” and “client commission arrangements” (collectively, “CSAs”). We also execute transactions through Electronic Communication Networks and other alternative trading platforms (collectively “ECNs”). The ECN or broker that administers the CSA receives a portion of the commission while another portion is credited to a pool to be used to pay for research services we receive from other firms.

With respect to broker-dealers we use for CSAs, we negotiate a base execution commission rate plus an additional research commission rate (sometimes referred to as “cost plus pricing”). The CSAs, as well as the research we receive in connection with the arrangements, are designed to comply with Section 28(e) of the Securities Exchange Act.

We believe that our participation in CSAs provides benefits such as the following:

- Helps us consolidate payments for research we obtain through multiple channels using accumulated client commissions or credits from transactions executed through a particular broker-dealer or ECN;
- Strengthens our relationships with our key broker-dealers; and
- Allows us to receive research services on an ongoing basis while facilitating best execution in the trading process.

We believe research services are useful in our investment decision-making process because they provide access to a variety of high quality research and individual analysts that might not be available to us without such arrangements. Research we receive under

a CSA can include proprietary research and third party research.

The CSAs are structured as traditional soft dollar arrangements, which obligates the broker-dealer to pay for a specific research product or are structured in a way that allows us to designate broker-dealer payments to other research providers based on the broker vote and existing commission credits with the executing broker-dealers. The latter arrangements enable us to separate trade execution from research.

A Brokerage Research/Commission Committee consisting of William Blair Investment Management, LLC's management and trading personnel routinely reviews the quality of research and execution services of the various broker-dealers used by Investment Counseling. This committee also reviews the commission rates charged by the various brokers to make a good faith determination that they are reasonable in relation to the value of the products and services provided.

Mixed Use Services

In limited instances, certain services we receive from brokers or other service providers may have administrative, marketing or other uses that do not constitute (in whole or in part) research or brokerage services within the meaning of Section 28(e) of the Securities Exchange Act. Such services are generally known as “mixed use” services. We evaluate the use within the firm of any “mixed-use” services, if any, and allocate the cost of such services between research/brokerage and non-research/brokerage uses based on the number of people, the purpose used, and the time that different personnel use the service.

In making such an allocation, a conflict of interest arises in determining the cost allocation of mixed-use items between research and non-research portions of the products. William Blair pays hard dollars for any portion of the mixed-use services that is allocated to the non-research / brokerage portion. Although the allocation between commissions and hard dollars will not always be a precise calculation, we make a good faith effort to reasonably allocate such services. To the extent that any such “mixed use” services/ products are obtained, we prepare records detailing the research, services and products obtained and the allocation between the research and non-research portions, including payments made by commissions and hard dollars.

While we negotiate commissions and prices with certain broker-dealers with the expectation that such broker-dealers will be providing us brokerage or research services, we will not enter into any agreement with any broker-dealer that would obligate us to direct a specific amount of brokerage transactions or commissions in return for such services. However, we consider the research services as a factor in determining the amount of commissions to be allocated

to a specific broker. Also, certain broker-dealers state in advance the amount of brokerage commissions they require for certain services. If we do not meet the amount required to obtain a particular desired product, we may direct excess research commissions as part of a CSA with an executing broker to pay the research provider or we may pay hard dollars to make up the difference.

Client Directed Brokerage

In most instances, clients direct us to place their order through William Blair, as either the introducing/executing broker (transactions cleared through Fidelity) or as a full-service broker. In more limited instances, clients direct us to place their order or a portion of their brokerage orders through specific broker-dealers, other than William Blair ("Directed Brokerage"). This Directed Brokerage arrangement may include "expense reimbursement" and "commission recapture" arrangements, where certain broker-dealers will rebate a portion of a client's brokerage commissions (or spreads on fixed income or principal trades) directly to their account, or apply the amount to an account's expenses. In some instances, clients may direct us to place their order or a portion of their brokerage orders through "discount brokers." We may deny client requests to direct brokerage, and we must accept direction before it will be effective.

In selecting the directed broker, the client is solely responsible for negotiating commission rates and other transaction costs with the directed broker. We are not required to execute any transaction through the directed broker if we reasonably believe that doing so could result in a breach of our fiduciary duty.

By instructing us to execute transactions through the directed broker (including expense reimbursement and commission recapture arrangements), the client may not necessarily obtain commission rates and execution as favorable as those that would be obtained if we were able to place transactions with other brokers. The client also may forego benefits that we may be able to obtain for our other clients through, for example, negotiating volume discounts or block trades. In addition, directed brokerage can distract us from our normal trading process and represents a conflict of interest in our efforts to obtain best execution for all clients and to obtain adequate research. Also, if the directed broker played a role in introducing or referring the client to our firm, we face a conflict of interest that could be seen as reducing our incentive to obtain a lower commission. If the brokerage firm to which William Blair is directed by the client to execute trades is not on our approved list of brokers, the client may be subject to additional credit and settlement risks.

Trade Order Aggregation and Trade Rotation for Investment Counseling Clients

In effecting transactions for Investment Counseling's clients, we have adopted a Trade Order Aggregation and

Trade Allocation Policy. Under this policy, we process orders on a first-in, first-out basis, unless there are multiple orders from portfolio managers in the same security on the same day. In these cases, we may aggregate orders for efficiency and negotiability purposes, so long as the aggregation is consistent with best execution principles and the clients' advisory contracts. When we have more than one client order in the same security, we seek to, but are not obligated to, aggregate (bunch) orders or execute orders sequentially (rotate) in an order determined by a "randomizer." We take into account the trader's judgment on the trading characteristics of the security, specific client direction, and the pursuit of best execution.

The trade rotation process presents issues that include detrimental market impact (i.e., earlier trades may move the market causing subsequent trades to receive inferior prices), "signaling" concerns (i.e., broker-dealers anticipate additional trades in the same security and use this information to the detriment of the manager's client), and timing differences that result in clients obtaining different execution prices and performance dispersion among accounts. Such concerns are mitigated where the securities involved have significant trading volume and high liquidity.

We will not aggregate orders if we believe that aggregation would cause clients' costs of execution to be increased under the circumstances. We believe, however, that in the appropriate circumstances, aggregating client orders for the same security permits all clients in the order to participate equitably in purchases and sales. For all clients, we utilize a multi-tiered trade aggregation ("bunching") or trade rotation policy that seeks to execute the securities transactions of our clients in a fair and equitable manner. The various tiers are as follows:

1. First Tier

We include clients that do not direct us to use specified broker-dealers, unless such directed broker-dealers accept step-outs on the trade in question, in the first tier ("Free to Trade Accounts"). In addition, if a client requests that a certain percentage of its trades be directed to a specified broker-dealer, any trades not required to meet the percentage requirement are eligible, but not required, to be included in the first tier as Free to Trade Accounts. (For example, if a client directs that at least 30% of its trades should be directed to a specified broker-dealer, the remaining 70% of its trades are eligible, but not required, to be included in the first tier.)

2. Second Tier

Clients included in the second tier are: 1) clients that direct us to utilize specified broker-dealers; 2) wrap-fee program clients for whom William Blair executes trades but are generally only permitted to do so through the program's affiliated broker; and

3) clients for whom William Blair provides its model portfolio to the client but does not execute trades ("Model Only Clients"). A client's decision to utilize a broker as the custodian of its account (e.g. participation in a wrap fee program) may, even in the absence of an express direction to use that broker for executing securities transactions, have the same practical effect as a direction depending on the broker's capabilities and charges. Second tier accounts will be traded on a randomized rotation basis after the first tier clients have completed their transactions. Wrap accounts will trade sequentially in an order determined on a rotation basis. As discussed above, most of our Investment Counseling clients' accounts fall under this Second Tier.

For Model Only Clients, William Blair will follow the rotation and will pause trading for other clients until the Model Only Client program's trading concludes. In those instances, the program sponsor will agree in advance to a specific trading and communication protocol which will include notification to William Blair promptly upon conclusion of execution of the trades. Should the sponsor fail to do so within the time such a trade ordinarily would conclude, William Blair reserves the right to commence trading in its remaining accounts upon the expiration of the ordinary trade window even absent explicit notification from the relevant Model Only Client program sponsor.

William Blair reserves the right to designate a Model Only Client program sponsor that routinely fails to adhere to the agreed upon protocols noted above to the third tier.

In addition, William Blair reserves the right in its sole discretion to designate Model Only Clients to the third tier for trades that cannot be effectively executed in the ordinary course by the program sponsor or its affiliates.

We decide to bunch or rotate (or both) primarily based on a particular security's average liquidity, market conditions, and the relative size of the shares to be traded versus that liquidity. For thinly traded securities, such as many small and mid-cap securities, the ability of a trader to choose the execution destination is an important factor in minimizing market impact, and therefore an intangible element of trading costs. Where liquidity is of concern, we typically bunch and trade First Tier accounts together. Once a bunched trade is executed with the broker or dealer chosen to provide best execution, a portion of the trade may be "stepped out" to brokers, in the judgment of the traders, in order to accommodate clients' directed brokerage or certain wrap-fee programs or research providers. However, if in the trader's judgment, the use of step-outs on a particular trade is not practical or compromises best execution, we will not bunch orders and instead will randomly rotate the order of execution between the

various directed blocks of stock and model portfolio program sponsors.

We typically wait to trade Second Tier accounts until the "bunched" First Tier trade is completed. We then will execute trades for Second Tier accounts in order according to the results of a randomizer. As discussed above, wrap fee program clients will then be traded in a sequential manner.

All clients (except those participating in certain transactions in certain emerging markets) participating in a bunched trade receive the same average execution price for the day. For example, trades in the over-the-counter market and on the New York Stock Exchange will receive the same average price with those accounts being billed by the executing broker paying the same commission rate. Those orders for accounts with directed brokerage agreements and most retail accounts, when the trades are executed away from William Blair that receive the same average share price from the executing broker, and are subject to the step-out provisions or accounts traded and settled via omnibus accounts, are billed at the agreed-upon rates with their respective brokers.

If, in the judgment of the trading desk, there are significant time lapses between individual managers' orders and/or significant price changes for the security, subsequent orders will typically begin to participate on executions from the time at which they were submitted to the trading desk. If a security is being traded under the provisions of a full randomized rotation, and time delays or price movements are significant, the traders will complete the blocks under the initial randomizer results, and then run a new randomization for all subsequent blocks.

Trade Order Aggregation for PCA Clients

In effecting transactions for PCA's clients, PCA may enter and combine transactions in the same security for different client accounts for which discretionary authority is exercised, and record the price for each client account as the average of the prices at which such transactions are executed.

Trade Allocation

When the full amount of a bunched equity order is not executed, partially executed orders will typically be allocated among the participating client accounts on a pro rata basis in a fair and equitable manner in accordance with William Blair's policies and procedures. In cases where we receive only a de minimis number of shares, we may determine it is not in the overall best interest of clients to allocate shares on a pro rata basis and instead will allocate on a randomized basis.

In cases where we seek to participate in an IPO or secondary offering, we determine the total number of

shares to request from the offering syndicate based on a pre-allocation of all eligible client accounts, subject to cash constraints and investment restrictions, established during the order generation process. If we receive an allotment of shares of an IPO or a secondary offering in a quantity that, in our judgment, is significant enough to permit a meaningful allocation to all accounts in the pre-allocation, our trading system allocates the shares on a pro rata basis based on each account's percentage participation in the order. When we allocate shares of an IPO or a secondary offering but receive fewer shares of the offering than requested, we allocate shares on a pro rata basis according to requested order size subject to certain minimum share increments that are applied in our judgment. Only client accounts that are eligible to participate in IPOs or secondary offerings can receive an allocation.

Allocation of Small Capitalization Stocks

In some instances, access to certain small market capitalization stocks will be limited and allocation preference will be given to those strategies that focus on small cap securities instead of those with a more generalized focus (e.g., an all-capitalization strategy).

Trade Errors

William Blair employs a standard of care in the placement, execution and settlement of trades for clients' accounts and generally considers any deviation from this standard a trade error. We do not consider reckless or intentional misconduct or good faith errors in judgment in making investment decisions for clients to be trade errors.

When we cause a trade error, we take prompt action to resolve the error with the objective to return the client's account to the position that it would have been in had there been no error. We pay to correct an error and reimburse a client for any loss resulting from the error. We do not permit the use of soft dollars to correct trading errors. To ensure trade errors do not adversely affect a client's portfolio, the Chief Compliance Officer

reviews each trade error and routinely reviews our trade error log.

Cross Trades

We may effect securities transactions between two advisory clients, (which are commonly referred to as "cross trades.") William Blair receives no compensation for effecting the transactions and will do so in an objective manner and only if it can ensure it has a reasonable basis for believing the price is fair to both buyers and sellers. William Blair does not effect cross trades in ERISA accounts.

ITEM 13 – REVIEW OF ACCOUNTS

Account Reviews

William Blair reviews clients' accounts for appropriateness and relative value of investments. We meet periodically to discuss current developments and relative merits of particular investments. We appraise account holdings monthly and review accounts for accuracy from an administrative, accounting and investment viewpoint. A member of IM senior management or PCA compliance reviews the appropriateness of investment holdings on an ongoing basis.

We determine the frequency, depth and nature of reviews based on the terms of each client's advisory agreement, mandate and particular needs as they may be communicated to us by the client. We may review accounts during other periods based upon certain trigger factors including significant market events, changes in a client's investment objectives or guidelines or expected or unexpected material cash flow in an account.

Portfolio managers in our Investment Counseling group and financial advisors in our PCA group conduct the reviews. The compliance department also routinely assesses client accounts via electronic compliance monitoring systems.

We use technological tools (as noted above) to assist with our reviews on both an account-by-account basis and on a securities holdings basis, as well as performance exceptions and other bases. We conduct reviews to determine if an account's holdings are consistent with the investment objectives and restrictions imposed by the client. For our wealth management clients, portfolio managers or financial advisors typically construct custom portfolios based on a client's unique objectives and restrictions and manage and review portfolios based on individualized parameters.

Account Reports

William Blair provides written reports to clients at least on a quarterly basis. These reports typically include portfolio performance and portfolio positioning as of the end of the period. We will include additional detail related to transactions or other information as may be requested by clients. We also will provide reports on a monthly or other interim basis upon client request. For clients in wrap fee programs or other programs where the client has requested that a report not be sent because a report is being sent by the consultant, wrap program sponsor, or broker, we do not send a statement.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Solicitation Payments

On occasion, we enter into an agreement with unaffiliated third party solicitors in order to pay cash compensation to the solicitor for referring advisory clients to our firm. Solicitors must provide clients referred to us through such arrangements a disclosure document describing the terms and conditions of the solicitation arrangement, including the compensation paid to the solicitor. The advisory fees paid by referred clients to us generally are based upon the revenue generated by the referred clients' accounts, and the clients' advisory fees are not higher than they would otherwise be because of the referral fees paid.

Other Payments and Contributions

Many of our clients and prospective clients retain investment consultants, or in some cases financial advisors, to advise them on the selection and review of investment managers. As a firm, we also may have other business relationships with these third parties. To the extent allowed under applicable law and our policies, we may contribute toward expenses related to educational seminars, training programs, conferences or meals and entertainment incurred by third parties, financial advisors, and firms that use our firm as a sub-advisor or include us on a list of recommended investment advisers (including consultants). We also may pay travel and lodging expenses relating to financial advisors' attendance at our due diligence meetings. We may make charitable contributions or underwrite or sponsor charitable events at the request of others, including those who may be affiliated with clients or Program Sponsors or consultants that may have referred clients to the firm.

From time to time we also may buy from third parties certain services or products used in our investment advisory business (such as research services) or pay registration or other fees toward or assist in sponsoring such parties' industry forums, seminars or conferences. We pay these contributions and payments out of our own resources. The amount of payments and the value of items and benefits may or may not be substantial. These payments, items and benefits could give the recipients incentives to favor our investment management services and other William Blair-affiliated investment products and services over those of investment management firms that do not provide the same payments, items and benefits. Conversely, from time to time, third parties may defray costs of William Blair sponsored training events and conferences. These payments create a conflict of interest in that William Blair may be incented to favor products offered by these third parties over those third parties that do not. However, these payments are subject to our internal policies that address and, in some cases, limit payments with the overall aim to avoid compromising advice or

recommendations given to clients by special incentives or compensation arrangements.

Asset-Based Compensation

William Blair employees, including when the employees are acting in their role as registered representatives with an affiliated broker-dealer, receive compensation (such as 12b-1 fees) for their clients' investment in securities or other investment products, including asset-based compensation when the clients invest in mutual funds, including the Funds. In addition, PCA Financial Advisors purchasing shares of a Fund receive from William Blair, not the Fund, a one-time payment equal to one percent of the net asset value of the shares purchased. This practice constitutes a conflict of interest for the William Blair employee (and indirectly, William Blair) in that it may give the employee an incentive to recommend investment products based on the compensation received. As always, clients have the option to purchase recommended investment products through other brokers or agents that are not affiliated with William Blair.

As described in Item 10, William Blair acts as distributor for the Funds and receives for its services a shareholder/distribution services fee from certain share classes of each Fund as described in the Funds' prospectuses and statements of additional information. This constitutes a conflict of interest for William Blair in that its employees may be incented to recommend investment in share classes subject to the above-described fees. William Blair's registered representatives are responsible for understanding the availability of sales charge discounts to provide the client the opportunity to purchase a Fund under the most favorable terms available. Clients also have the option to invest in securities other than the Funds.

Clients should review the prospectuses and statements of additional information for the Funds. The Funds' prospectuses are available on the Funds' website at www.williamblairfunds.com or by calling 1-800-742-7272.

ITEM 15 - CUSTODY

Because William Blair is also registered as a securities broker-dealer, we are deemed to have custody of certain of our clients' assets. We are also deemed to have custody of clients' assets because we have the ability to debit some of our clients' accounts for investment management fees.

You should receive at least quarterly statements from the broker-dealer (including, in some instances, William Blair), bank or other qualified custodian that holds and maintains your investment assets. Investors in Private Funds will receive audited financial statements. Our statements will vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. For tax and other purposes, your custodial statement is the official record of your account(s) and assets.

We urge you to carefully review your custodian statements and compare them to the account statements that we may provide to you as your investment manager.

ITEM 16 – INVESTMENT DISCRETION

Investment Discretion

William Blair maintains discretionary authority for the majority of assets we manage. We typically receive an executed investment management agreement from the client providing the authority to manage their account assets, subject to certain limitations that are set forth in the agreement's investment guidelines. The investment guidelines may restrict our discretion, for example, with respect to the securities of a particular country or industry. We typically request clients provide changes to their investment guidelines to us in writing and will confirm in writing any verbal changes provided by the client. We also may request certain documentation in addition to an executed investment management agreement as may be needed (for example, to verify a client's authority over the assets).

Aggregate Ownership of Securities

We monitor the aggregate ownership of equity securities across accounts and have adopted limits placed on aggregate ownership levels based on firm and regulatory considerations. The limits we place on aggregate ownership of securities across accounts can cause performance dispersion among accounts with similar investment guidelines if a security's aggregate ownership has reached prescribed limits. This tends to be more common with accounts invested primarily in small and mid-capitalization stocks. In cases where a security has reached its ownership limit, portfolio managers may seek to either substitute a similar security or omit the security and reallocate the portfolio.

ITEM 17 – VOTING CLIENT SECURITIES

Proxy Voting Practices

In cases where William Blair has proxy voting authority, we will vote the proxies of our clients solely in the interest of our clients' participants and beneficiaries and for the exclusive purpose of providing benefits to them. We act with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. We are not responsible for voting proxies we do not receive in a timely manner.

Generally, William Blair relies upon a Proxy Administrator to facilitate our proxy voting activities. Our Proxy Administrator reviews all proxies received, subject to the requirement that all votes shall be cast solely in the best interest of the clients in their capacity as shareholders of a company. The Proxy Administrator votes the proxies according to the firm's voting guidelines (domestic or international), which are designed to address matters typically arising in proxy votes.

We do not intend our voting guidelines to be exhaustive; hundreds of issues appear on proxy ballots and it is neither practical nor productive to fashion a guideline for each. Rather, our voting guidelines are intended to cover the most significant and frequent proxy issues that arise. For issues not covered or to be voted on a "case-by-case" basis by the voting guidelines, the Proxy Administrator will consult the Proxy Policy Committee. The Proxy Policy Committee will review the issues and will vote each proxy based on information from the company, our internal analysts and third party research sources, in the best interests of the clients in their capacity as shareholders of a company. The Proxy Policy Committee consists of certain representatives from the Investment Management division, including management, portfolio manager(s), analyst(s), operations, as well as a representative from the IM Compliance team. The Proxy Policy Committee reviews the proxy voting policy and procedures annually and revises its guidelines as events warrant.

In the event that any conflicts of interest arise in the firm's voting of proxies, the Proxy Policy Committee will vote all proxies for that company according to our predetermined procedures. If our voting guidelines indicate a vote "for" or "against" a specific issue we will continue to vote according to the voting guidelines. If our voting guidelines have no recommendation or indicate a vote on a "case-by-case" basis, we will vote consistent with the voting recommendation provided by Institutional Shareholder Services (ISS), an independent third party research provider that analyzes each vote from the shareholder vantage point. As stated above, ISS provides proxy voting, maintenance, reporting, analysis and record keeping services for William Blair

for clients where William Blair has proxy voting authority.

Share-Blocking Policy for International Markets

In international markets where share blocking applies, we typically will not, but reserve the right to, vote proxies due to liquidity constraints. Share blocking is the "freezing" of shares for trading purposes at the custodian/sub-custodian bank level in order to vote proxies. Share blocking typically takes place between 1 and 20 days before an upcoming shareholder meeting, depending on the market. While shares are frozen, they may not be traded. Therefore, the potential exists for a pending trade to fail if trade settlement falls on a date during the blocking period. We do not subordinate the interests of participants and beneficiaries to unrelated objectives.

How to Obtain Proxy Records and Voting Policy

We will make available to our clients a report on proxy votes cast on their behalf upon their request. Clients can contact us at 312-236-1600 or imcompliance@williamblair.com for this information.

Clients and prospects also can obtain a copy of our proxy voting policies and procedures upon request by contacting us at (312) 236-1600 or imcompliance@williamblair.com.

For information regarding how proxies were voted for the Funds, please refer to the Funds' website at www.williamblairfunds.com and select *Proxy Voting Information*. The Funds' proxy voting records also are available on the SEC's EDGAR website at www.sec.gov/edgar.

ITEM 18 – FINANCIAL INFORMATION

As described in Item 15, because we are registered as a securities broker-dealer (in addition to our registration as an investment adviser), we may serve as a qualified custodian of clients' securities and funds. We also are deemed to have custody of clients' assets because we have the ability to debit some of our clients' accounts for investment management fees.

William Blair has no known financial condition that we believe is likely to impair our ability to meet our commitments to our investment advisory clients. Additionally, we have not been the subject of any bankruptcy petition during the past ten years. You can obtain a copy of our most recent financial statement on our website at www.williamblair.com under *Statement of Financial Condition*.