

March 30, 2012

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

We have updated our Brochure (also known as Form ADV Part 2A) as of March 30, 2012. Our last annual amendment was March 31, 2011, and we have made interim amendments including our most recent amendment as of February 22, 2012. Although we do not consider those interim changes (or changes reflected in this Brochure) to be material changes that could influence your evaluation of us as an investment adviser, we believe it is important information to share. You should note that the following reflects only highlights and does not summarize all changes to this Brochure.

William Blair recently announced that our Chairman and Executive Committee Member, Edgar Jannotta, is stepping down from his executive management responsibilities. Mr. Jannotta, who joined William Blair in 1959, remains at the firm as Chairman Emeritus in addition to his other duties. The firm has appointed Arthur Simon, General Counsel for William Blair, as Executive Committee Member. Mr. Simon joined William Blair in 2000 and is a partner of the firm.

We introduced several new investment strategies since our last annual amendment to this Brochure. In 2011, we hired a fund of funds team that specializes in developing and managing multi-manager hedge fund of funds strategies that include: absolute return, equity

long/short, opportunistic, managed futures, and commodity long/short. In addition, we hired a dynamic allocation strategies team that specializes in the management of global portfolios implemented through a range of long and short macro strategies across asset classes, credits, currencies, themes, styles, and volatility exposure. Also during 2011, we hired a large cap value team that specializes in the management of portfolios of U.S. companies that exhibit attractive valuations, growth and quality metrics.

We registered with the Commodities Futures Trading Commission as a commodities trading advisor because of our acquisition of certain private investment funds managed by the fund of fund team while at their prior firm. We have described this business in detail in this Brochure.

As a reminder, we may at any time update this 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 & Company, L.L.C. (“William Blair” or “firm” or “we”) is a global investment firm offering investment management and related services to clients. The firm was founded in 1935 and is registered with the U.S. Securities and Exchange Commission (“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).

Investment Advisory Services

William Blair provides investment supervisory services on a discretionary basis to institutional and individual clients through our Investment Management and Private Client Advisors divisions. We also provide non-discretionary investment management services on a limited basis through the Investment Management division. Clients pay us investment advisory fees based on fee schedules as described in Items 5 and 6 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 advice and actively manage client accounts based on clients’ investment objectives. 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 Management Division

William Blair’s Investment Management (“IM”) division is the primary asset management business for the firm and provides investment supervisory services to institutions, registered investment companies (mutual funds), including the William Blair Funds (the “Funds”), private investment companies and other private pooled investment vehicles, high net worth clients and

wrap program clients primarily on a discretionary basis.

William Blair also is registered with the Commodity Futures Trading Commission as a Commodity Trading Advisor (“CTA”). As a CTA, the IM division provides investment management services on a discretionary basis to affiliated and unaffiliated private investment companies that are primarily organized as funds-of-hedge funds or multi-advisor commodity pools and are either:

- Exempt from registration under Section 3(c)(1) or 3(c)(7) of the Investment Company Act of 1940;
- Registered as Commodity Pool Operators (“CPOs”) under the Commodities Exchange Act; or
- Commodity pools exempt from regulation as CPOs pursuant to Rule 4.7 or Rule 4.13 under the Commodities Exchange Act.

In addition to IM portfolio managers and analysts directly employed by William Blair, we may also utilize resources and personnel of our subsidiary, William Blair International, Limited (“William Blair International”). William Blair International is an asset manager located in London and is registered with the UK Financial Services Authority.

Any arrangements with William Blair International are subject to various conditions designed to ensure compliance with U.S. laws and regulations and adequate SEC oversight when advisory services are provided to U.S. persons. These conditions require, among other things, that certain employees of William Blair International be subject to William Blair’s Code of Ethics and comply with certain U.S. rules when it provides services to William Blair. (Please see Item 11 entitled “Code of Ethics, Participation or Interest in Client Transactions and Personal Trading” in this Brochure for a more detailed discussion of William Blair’s Code of Ethics.)

Private Client Advisors Division

William Blair’s Private Client Advisors (“PCA”) division provides investment advisory services to individuals, smaller institutions, high net

worth and wrap program clients on a discretionary basis. William Blair also is registered with the Securities and Commission as a broker-dealer, and as such, our PCA division offers private brokerage services to clients as further 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. 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 IM division provides investment management services to clients of wrap fee programs sponsored by third party wrap program sponsors (e.g., broker-dealers). Sponsors pay us an investment management fee from a portion of the total wrap fee based upon the total assets we manage for wrap program sponsors’ clients. We manage these accounts using strategy model portfolios (similar to how we manage other separate accounts), but we generally accept fewer client-imposed investment restrictions for these accounts. For international investment strategies, we may invest in ordinary shares for institutional clients

and generally invest in American Depositary Receipts (ADRs) for wrap program clients. Because we typically execute wrap account trades through each respective wrap program sponsor, these accounts usually are included in the second tier of our trade rotation process, as described more fully in Item 12 in this Brochure.

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 through a broker-dealer.

We also sponsor and provide investment management services for our own wrap fee programs for our clients as described further in William Blair’s Form ADV 2A, Appendix 1, also known as our “Wrap Program Brochure”.

Assets under Management

As of December 31, 2011, William Blair had \$44 billion in total assets under management consisting of \$41.2 billion in our IM division and \$2.8 billion in our PCA division. Of the \$44 billion in total assets under management, we managed \$43.9 billion on a discretionary basis and \$0.03 billion on a non-discretionary basis.

ITEM 5 – FEES AND COMPENSATION

William Blair provides investment supervisory services to clients and charges annual fees, payable quarterly either in advance or in arrears (depending on the terms of each investment management or subscription 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.

We also may charge performance fees in addition to investment management fees in certain cases. Please see Item 6 for more information on performance fees.

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 or subscription agreement. Many of our clients elect to have their quarterly fees directly debited from their custody accounts. We generally 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 may 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;
- Transfer taxes;
- 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.

For clients whose guidelines allow us to invest a portion of their assets in mutual funds or exchange traded funds (ETFs):

- When we invest in shares of unaffiliated mutual funds (funds not advised by William Blair) or exchange traded funds 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).
- When we invest in shares of affiliated mutual funds (William Blair Funds) in your account, you are subject to the William Blair Funds internal management fees and other expenses (as described below); however, we do not charge our investment management fee in addition to the fund internal management fee. Instead, we exclude the assets invested in William Blair Funds when we calculate the investment management fees we charge you.

Mutual funds, including William Blair 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 fees such as distribution fees, administrative fees and other fund operating expenses. Clients may obtain more information by reviewing the prospectus(es) for the underlying mutual fund(s) or exchange traded fund(s). Fees and expenses are exclusive of and in addition to any investment management fees we may charge you.

William Blair employees, acting in their role as registered representatives with an affiliated broker/dealer may receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. This practice may constitute a conflict of interest for William Blair or the employee in that it may give them 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 not affiliated with William Blair.

Separate Account Fee Schedules

We charge investment management fees for separate accounts based upon the below standard fee schedules. We may 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, and for certain large or strategic investors.

● INVESTMENT MANAGEMENT (IM) – INSTITUTIONAL CLIENTS

EQUITY ACCOUNTS

| <u>Small Cap Growth</u> | <u>Annual Fee</u> |
|-------------------------|-------------------|
| First \$10 million | 1.000% |
| Next \$20 million | 0.950% |
| Next \$20 million | 0.900% |
| Next \$50 million | 0.850% |
| Over \$100 million | 0.800% |

| <u>Small/Mid Cap Growth</u> | <u>Annual Fee</u> |
|-----------------------------|-------------------|
| First \$10 million | 0.950% |
| Next \$20 million | 0.800% |
| Next \$20 million | 0.750% |
| Next \$50 million | 0.700% |
| Next \$100 million | 0.650% |
| Over \$200 million | 0.600% |

| <u>Mid Cap Growth</u> | <u>Annual Fee</u> |
|-----------------------|-------------------|
| First \$10 million | 0.900% |
| Next \$20 million | 0.750% |
| Next \$20 million | 0.650% |
| Next \$50 million | 0.600% |
| Next \$100 million | 0.550% |
| Over \$200 million | 0.500% |

| <u>Large Cap Growth</u> | <u>Annual Fee</u> |
|-------------------------|-------------------|
| First \$10 million | 0.650% |
| Next \$20 million | 0.550% |
| Next \$20 million | 0.450% |
| Next \$50 million | 0.400% |
| Next \$100 million | 0.350% |
| Over \$200 million | 0.300% |

| <u>All Cap Growth</u> | <u>Annual Fee</u> |
|-----------------------|-------------------|
| First \$10 million | 0.700% |
| Next \$20 million | 0.600% |
| Next \$20 million | 0.500% |
| Next \$50 million | 0.450% |
| Next \$100 million | 0.400% |
| Over \$200 million | 0.350% |

| <u>Large Cap Core</u> | <u>Annual Fee</u> |
|-----------------------|-------------------|
| First \$10 million | 0.650% |
| Next \$20 million | 0.550% |
| Next \$20 million | 0.450% |
| Next \$50 million | 0.400% |
| Next \$100 million | 0.350% |
| Over \$200 million | 0.300% |

| <u>Small Cap Value</u> | <u>Annual Fee</u> |
|------------------------|-------------------|
| First \$10 million | 1.000% |
| Next \$20 million | 0.950% |
| Next \$20 million | 0.900% |
| Next \$50 million | 0.850% |
| Over \$100 million | 0.800% |

| <u>Small-Mid Cap Value</u> | <u>Annual Fee</u> |
|----------------------------|-------------------|
| First \$10 million | 0.950% |
| Next \$20 million | 0.800% |
| Next \$20 million | 0.750% |
| Next \$50 million | 0.700% |
| Next \$100 million | 0.650% |
| Over \$200 million | 0.600% |

| <u>Mid Cap Value</u> | <u>Annual Fee</u> |
|----------------------|-------------------|
| First \$10 million | 0.900% |
| Next \$20 million | 0.750% |
| Next \$20 million | 0.650% |
| Next \$50 million | 0.600% |
| Next \$100 million | 0.550% |
| Over \$200 million | 0.500% |

| <u>Large Cap Value</u> | <u>Annual Fee</u> |
|------------------------|-------------------|
| First \$10 million | 0.650% |
| Next \$20 million | 0.550% |
| Next \$20 million | 0.450% |
| Next \$50 million | 0.400% |
| Next \$100 million | 0.350% |
| Over \$200 million | 0.300% |

| <u>International Growth</u> | <u>Annual Fee</u> |
|-----------------------------|-------------------|
| First \$20 million | 0.800% |
| Next \$30 million | 0.600% |
| Next \$50 million | 0.500% |
| Next \$50 million | 0.450% |
| Next \$50 million | 0.400% |
| Over \$200 million | 0.300% |

| <u>International Developed Plus</u> | <u>Annual Fee</u> |
|-------------------------------------|-------------------|
| First \$20 million | 0.800% |
| Next \$30 million | 0.600% |
| Next \$50 million | 0.500% |
| Next \$50 million | 0.450% |
| Next \$50 million | 0.400% |
| Over \$200 million | 0.300% |

| <u>International Leaders</u> | <u>Annual Fee</u> |
|------------------------------|-------------------|
| First \$20 million | 0.800% |
| Next \$30 million | 0.600% |
| Next \$50 million | 0.500% |
| Next \$50 million | 0.450% |
| Next \$50 million | 0.400% |
| Over \$200 million | 0.300% |

| <u>International Small Cap Growth</u> | <u>Annual Fee</u> |
|---------------------------------------|-------------------|
| First \$20 million | 1.000% |
| Next \$30 million | 0.900% |
| Next \$50 million | 0.850% |
| Next \$50 million | 0.800% |
| Over \$150 million | 0.750% |

| <u>International ADR</u> | <u>Annual Fee</u> |
|--------------------------|-------------------|
| First \$10 million | 0.750% |
| Next \$10 million | 0.700% |
| Next \$30 million | 0.600% |
| Next \$50 million | 0.500% |
| Next \$50 million | 0.450% |
| Next \$50 million | 0.400% |
| Next \$200 million | 0.300% |
| Over \$400 million | 0.250% |

| <u>Global</u> | <u>Annual Fee</u> |
|--------------------|-------------------|
| First \$20 million | 0.800% |
| Next \$30 million | 0.600% |
| Next \$50 million | 0.500% |
| Next \$50 million | 0.450% |
| Next \$50 million | 0.400% |
| Over \$200 million | 0.300% |

| <u>Emerging Leaders</u> | <u>Annual Fee</u> |
|-------------------------|-------------------|
| First \$20 million | 0.900% |
| Next \$30 million | 0.700% |
| Next \$50 million | 0.600% |
| Next \$50 million | 0.550% |
| Over \$150 million | 0.500% |

| <u>Emerging Markets</u> | <u>Annual Fee</u> |
|-------------------------|-------------------|
| First \$20 million | 1.000% |
| Next \$30 million | 0.800% |
| Next \$50 million | 0.700% |
| Next \$50 million | 0.650% |
| Next \$50 million | 0.600% |
| Next \$200 million | 0.400% |
| Over \$400 million | 0.350% |

| <u>Emerging Mkts Small Cap Growth</u> | <u>Annual Fee</u> |
|---------------------------------------|-------------------|
| First \$20 million | 1.100% |
| Next \$30 million | 1.000% |
| Next \$50 million | 0.950% |
| Next \$50 million | 0.900% |
| Over \$150 million | 0.850% |

FIXED INCOME ACCOUNTS

| <u>Short Term</u> | <u>Annual Fee</u> |
|--------------------|-------------------|
| First \$10 million | 0.300% |
| Next \$20 million | 0.225% |
| Next \$20 million | 0.200% |
| Next \$50 million | 0.175% |
| Next \$100 million | 0.150% |
| Next \$200 million | 0.125% |
| Over \$400 million | 0.100% |

| <u>Intermediate</u> | <u>Annual Fee</u> |
|---------------------|-------------------|
| First \$10 million | 0.400% |
| Next \$20 million | 0.225% |
| Next \$20 million | 0.175% |
| Next \$50 million | 0.125% |
| Over \$100 million | 0.125% |

| <u>Core</u> | <u>Annual Fee</u> |
|--------------------|-------------------|
| First \$10 million | 0.400% |
| Next \$20 million | 0.300% |
| Next \$20 million | 0.250% |
| Next \$50 million | 0.225% |
| Next \$100 million | 0.200% |
| Next \$200 million | 0.175% |
| Over \$400 million | 0.150% |

□ Investments in William Blair 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 William Blair 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 William Blair Funds, our affiliated mutual funds, primarily because our portfolio managers use the same investment strategies they use for larger separate accounts to manage them. In order to gain exposure to emerging markets in certain International Growth Equity Accounts, we may invest in Institutional Class shares of

William Blair Emerging Markets Growth Fund and/or William Blair Emerging Leaders Growth Fund, both affiliated mutual funds (or units in other similar affiliated pooled vehicles such as CITs).

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

Mutual funds, including William Blair 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 and other fund operating expenses. Clients may obtain more information by reviewing the prospectus(es) for the underlying mutual fund(s) or exchange traded fund(s). These fees and expenses are exclusive of and in addition to any investment management fees we may charge you.

□ **Potential Impact on Emerging Markets Growth and Emerging Leaders Growth Funds**

Because we often invest in these Funds on behalf of various clients, typically as part of model portfolios, each Fund could experience large purchases or redemptions. This could, in turn, materially impact each Fund because reallocations may cause a Fund to either receive cash it cannot invest expeditiously or sell securities at times it would not otherwise do so (due to market or other conditions). Additionally, these purchases and sales typically increase each Fund's transactions costs.

□ **Sweep Accounts**

Occasionally, William Blair may "sweep" 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 (ETF). When we sweep your assets into these unaffiliated funds, we may charge our investment management fee on your total account assets, including assets in these unaffiliated funds.

In cases where we sweep your assets into the William Blair Ready Reserves Fund, our affiliated money market mutual fund, we do not charge investment management fees on those assets held in the Ready Reserves Fund. As a shareholder of the Fund, you will bear a proportionate share of the internal management fee and expenses paid by the Fund out of the Fund's net assets, as described under "Other Fees and Expenses" in this Item.

• **INVESTMENT MANAGEMENT (IM) – HIGH NET WORTH CLIENTS**

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

| <u>Less than \$2 million</u> | <u>All Assets</u> |
|------------------------------|-------------------|
| All Assets | 1.25% |

| <u>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 | 1.000% | 0.500% |
| Next \$5 million | 0.700% | 0.400% |
| Next \$10 million | 0.600% | 0.300% |
| Next \$30 million | 0.500% | 0.250% |
| Over \$50 million | 0.450% | 0.225% |

* 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. 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.

- INVESTMENT MANAGEMENT (IM) – PRIVATE INVESTMENT COMPANIES AND OTHER PRIVATE POOLED INVESTMENT VEHICLES**

William Blair typically charges annual investment management fees based on a fixed percentage of total assets under management for the provision of investment advisory services to private investment companies and other private pooled investment vehicles (“Private Funds”). We typically charge the following annual investment management fees for the provision of investment advisory services to Private Funds:

| | |
|----------------------------------|-------------------|
| <u>Multi-Alpha Strategy Fund</u> | <u>Annual Fee</u> |
| All Assets | 1.00% |

International Systematic Research

| | |
|-----------------------|-------------------|
| <u>Under \$20 Mil</u> | <u>Annual Fee</u> |
| All Assets | 0.75% |

| | |
|----------------------|-------------------|
| <u>Over \$20 Mil</u> | <u>Annual Fee</u> |
| First \$20 million | 0.70% |
| Next \$30 million | 0.50% |
| Next \$50 million | 0.45% |
| Next \$50 million | 0.40% |
| Next \$50 million | 0.35% |
| Over \$200 million | 0.30% |

| | |
|--------------------------------------|-------------------|
| Fund of Funds and | |
| <u>Multi-Advisor Commodity Pools</u> | <u>Annual Fee</u> |
| All Assets | 1.00% |

| | |
|--|-------------------|
| <u>Dynamic Asset Allocation Strategies</u> | <u>Annual Fee</u> |
| All Assets | 1.00% |

We calculate the management fee for multi-alpha investment strategies quarterly in arrears based on assets in a client’s capital account as of the last day of the quarter.

We calculate the management fee for international systematic research investment strategies quarterly in arrears based upon the average daily capital account balance during each quarter.

We calculate the management fee for funds-of-hedge funds and multi-advisor commodity pools either quarterly in arrears or monthly in advance depending upon the specific contractual arrangements for each Private Fund. In addition to our management fee, we also may charge an annual performance fee (typically 5 - 10% of the amount by which an account exceeds an

agreed upon rate) as further described in Item 6 of this Brochure.

We calculate the management fee for dynamic asset allocation investment strategies quarterly in arrears based on assets in a client’s capital account and side pocket accounts calculated prior to withdrawals as of the end of the most recent quarter. In addition to our management fee, we also may charge performance fees (generally 15% of the net profit for such year that exceeds the “high water mark”), as further described in Item 6 of this Brochure.

William Blair also will consider separately managed accounts invested in our dynamic allocation strategies based upon the above fee schedule for accounts with minimum assets of \$100 million.

- INVESTMENT MANAGEMENT (IM) - WILLIAM BLAIR SELECT ACCOUNTS**

| <u>Over \$2 Million</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>Less than \$2 million</u> | <u>All Assets</u> |
| All Assets | 1.25% |

| | |
|------------------------------------|-------------------|
| <u>External Mutual Funds/ ETFs</u> | <u>All Assets</u> |
| All Assets | 0.50% |

| | |
|---------------------------|-------------------|
| <u>Alternatives</u> | <u>All Assets</u> |
| All Alternatives, except: | 0.50% |
| Sherman Real Estate | 0.25% |
| Windhaven | 1.25% |

• **PRIVATE CLIENT ADVISORS (PCA) ACCOUNTS**

William Blair's PCA division offers investment advisory programs to clients as follows:

| <u>Tiered Fee Plus Discounted Commission*</u> | <u>Equities*</u> | <u>Fixed Income*</u> |
|---|------------------|--------------------------|
| First \$500 thousand | 1.60% | 0.50% |
| Next \$500 thousand | 1.40% | 0.50% |
| Next \$1 million | 1.25% | 0.50% |
| Next \$3 million | 1.00% | 0.50% |
| Over \$5 million | 0.90% | 0.50% |
| | | |
| <u>Total "All In" Fee Plus Discounted Commission*</u> | <u>Balanced*</u> | |
| First \$1 million | 1.20% | |
| Over \$1 million | 1.00% | |

* William Blair may purchase mutual funds or exchange traded funds in its investment advisory programs. In the Standard Tiered Fee Plus Discounted Commission and Total "All In" Fee Plus Discounted Commission Fee Programs, 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 in these programs 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 programs where the securities in the accounts are held with us, which includes most of our high-net-worth clients. In limited instances we also may trade with third party broker-dealers. In the case of the Comprehensive Fee program, clients are not charged separate commissions for transactions we execute for their account.

In the Standard Tiered Fee Plus Discounted Commission and Total "All In" Fee Plus Discounted Commission Programs, we receive commissions for each trade we execute for these clients in addition to an investment advisory fee. This can create a conflict because the financial advisor may be incented to initiate more trades to generate greater commissions (revenues). To manage this conflict, we monitor daily account activities and utilize electronic surveillance tools to help identify excessive portfolio activity. Clients also may negotiate commission rates.

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

| <u>ETF Only Accounts</u> | <u>ETFs</u> |
|--------------------------|-------------|
| All Assets | 0.70% |

• **PRIVATE CLIENT ADVISORS (PCA) - WILLIAM BLAIR SELECT ACCOUNTS**

| <u>Equities</u> | |
|-------------------|-------|
| 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% |

| <u>Fixed Income</u> | |
|---------------------|-------|
| 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% |

| <u>Fixed Income: Wasmer, Schroeder (Tax-Exempt and Intermediate Taxable)</u> | |
|--|--------|
| First \$5 million | 0.700% |
| Next \$5 million | 0.650% |
| Over \$10 million | 0.525% |

| <u>Fixed Income: Wasmer, Schroeder (Intermediate Tax-Exempt)</u> | |
|--|--------|
| First \$5 million | 0.550% |
| Next \$5 million | 0.475% |
| Over \$10 million | 0.400% |

| <u>Mutual Funds</u> | |
|----------------------|-------|
| First \$250 thousand | 1.65% |
| Next \$250 thousand | 1.35% |
| Next \$250 thousand | 1.00% |
| Over \$750 thousand | 0.65% |

| <u>Exchange Traded Funds</u> | |
|------------------------------|-------|
| All Assets | 0.70% |

| <u>Alternative Investments</u> | |
|--------------------------------|-------|
| Sherman | 0.25% |
| Windhaven | 1.45% |
| All Other Assets | 0.50% |

Mutual Fund Fees

As described in Item 10 in this Brochure, William Blair is the investment adviser, manager and principal distributor of the William Blair Funds. For these services we provide to the Funds, we receive asset-based compensation and other fees. As of December 31, 2011, investment management fees paid by the Funds range from 0.24% to 1.10% for Class N Shares and 0.30% to 1.10% for Class I Shares and

Institutional Shares. Fund shareholders also pay other fees and expenses as described in the Funds' prospectuses. The Funds' prospectuses are available on the Funds' website at www.williamblairfunds.com or by calling 1-800-742-7272.

Our provision of services to the Funds may present conflicts of interest because we may be incented to recommend the Funds based on our compensation rather than a client's needs. To help manage potential conflicts, we have implemented various controls including the following:

- We maintain our Code of Ethics, which details 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 affiliated Funds.

Please also see "Other Fees and Expenses" for a description of fees and expenses you may incur if your guidelines allow us to invest a portion of your assets in mutual funds or exchanged traded funds.

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

Performance-Based Fees

In certain limited instances, William Blair receives performance-based fees from certain clients. Although performance-based fee arrangements in institutional accounts are not typical for us, we may agree to these arrangements with eligible clients. In cases where we receive performance-based fees, these arrangements are designed to comply with applicable rules, including Rule 205-3 under the Investment Advisers Act of 1940 and, for employee benefit plan clients, the Employee Retirement Income Security Act of 1974 (“ERISA”). We may negotiate performance fee arrangements with clients on an individualized basis.

For the performance fee accounts, we typically charge a two-part fee consisting of a base fee on an account’s assets under management plus a performance fee. The performance fee is due to us only if we meet predefined investment performance criteria, typically measured as some level of outperformance against the designated benchmark. In cases where we do not meet a certain performance level, we receive only our base fee.

William Blair routinely charges performance-based fees in connection with our management of private investment companies and other private pooled investment vehicles (Private Funds). In addition to a management fee, William Blair, or an affiliate, may receive an annual performance fee.

For Private Funds typically structured as funds-of-hedge funds and multi-advisor commodity pools, the performance fee is generally 10% of the amount by which performance exceeds an agreed upon annual “hurdle rate” for accounts under \$10 million and 5% of the amount by which performance exceeds the hurdle rate for accounts over \$10 million. In some cases, a Private Fund may be eligible to receive a performance fee although the Private Fund has no “hurdle rate”, as described in the applicable Private Placement Memorandum. Payment of such fees is subject to the performance of the account exceeding certain minimums (“high water marks”) that apply on an account-by-account basis. In cases where we do not meet

these performance levels, we receive only our base management fee described in Item 5.

For Private Funds (or other accounts) managed according to our dynamic allocation strategies, William Blair may receive an annual performance fee in addition to the management fee described in Item 5. In general, the incentive fee for Class I equals 15% of the net return in excess of a “high water mark”.

Side-By-Side Management

The simultaneous management of performance-based fee arrangements with standard asset-based fee arrangements (side-by-side management) creates certain conflicts of interest. These arrangements may create an incentive for us to focus resources on the performance fee accounts or to select riskier investments for these accounts because they can have a higher fee potential over standard asset-based fee accounts within the same investment strategy. To manage conflicts, we have controls in place, including the following:

- We require senior management and compliance approval prior to accepting any performance fee arrangement;
- We maintain written portfolio management compliance policies and procedures;
- We monitor trading activity and portfolio holdings of accounts to ensure that accounts within each strategy are managed similarly; and
- We review performance of similarly managed accounts to identify performance outliers, which can indicate favoritism.

Management of Multiple Portfolios

William Blair’s portfolio managers typically make investment decisions for multiple portfolios, including institutional portfolios, separately managed accounts, mutual funds and wrap fee accounts. These portfolio management responsibilities may create potential 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 can give rise to potential conflicts of interest. The potential 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, including performance 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, mutual funds, 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 may give rise to a potential conflict that a portfolio manager would 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 generally manage our Investment Management accounts according to strategy-based model portfolios and confirm differences relative to account-specific guidelines;
- We periodically review the performance of portfolio managers and assesses 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 potential 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

William Blair provides investment advisory services to a number of clients such as the following:

- Corporate pension and profit-sharing plans
- Taft-Hartley plans
- Public pension plans
- Not-for-profit entities
- Endowments and foundations
- Individuals, including high net worth individuals
- Trusts and estates
- Banks and thrift institutions
- Registered investment companies
- Other pooled funds
- Private investment companies
- Wrap fee program clients
- Other U.S. and non-U.S. institutions

Investment Minimums

William Blair generally requests minimum account sizes as described below.

- IM– Institutions: \$20 million
- IM – International Equity ADR Accounts - \$5 million
- IM – High Net Worth Clients: \$2 million
- IM – Multi-Alpha Strategy Fund Clients: \$250,000
- IM – International Systematic Research Fund Clients: \$250,000
- IM – Funds-of-Hedge Funds and Multi-Advisor Commodity Pools: \$250,000
- IM – Global Opportunity Fund Clients: \$1 million
- PCA – Fee-Based Clients: \$100,000
- William Blair Select – All Clients: \$50,000

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).

Redemption Limitations for Investments in Private Investment Companies and Other Private Pooled Investment Vehicles

As described in this Brochure, William Blair manages private investment companies that are structured as funds-of-hedge-funds or multi-advisor commodity pools as well as other private pooled investment vehicles (collectively “Private Funds”) typically structured as limited liability or Cayman exempted companies. Unless otherwise noted, investors in these Private Funds typically may redeem all or a portion of their investment from the Funds with a limited frequency ranging from monthly to quarterly upon prior written notice as specified in the applicable Confidential Private Placement Memorandum. Investors also may be subject to a one-year lock-up depending upon terms of the applicable Fund.

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 newspapers, magazines and websites; corporate data; ratings services; third party research; SEC filings (e.g., annual reports, prospectuses); company press releases; and proprietary research.

Investment Management Investment Strategies

William Blair manages U.S., international and global equity and U.S. fixed income portfolios for clients. We also manage funds-of-hedge funds or multi-advisor commodity pools for private investment company clients and dynamic allocation strategies for private pooled investment vehicles and other clients. The following describes our principal investment strategies.

1. U.S. Growth Equity

In choosing investments for our U.S. growth investment strategies, we evaluate the extent to which a company meets the following desired criteria:

- The company is or has the expectation of becoming, a significant provider in the primary markets it serves;
- The company has some distinctive attribute that cannot easily be duplicated by present or potential competitors (this may take the form of proprietary products or processes, a unique distribution system, an entrenched brand name or an especially strong financial position relative to its competition);
- The company's products or services are regarded as being of superior quality, which should enable the company to obtain a premium price and to command greater customer loyalty;
- The company has a distinctive capability in sales, service or

distribution relative to its competition;

- The prices of the company's products or services are based upon their value to the customer, rather than their production cost;
- The company has achieved, or has the potential to achieve, above-average return on equity through efficient use of assets and adequate margins, rather than excessive financial leverage (such companies should be able to finance most all of their growth internally and translate revenue and income growth into rising per share earnings and dividends); and
- The company should have a relatively simple, clean financial structure and adhere to conservative and straightforward accounting practices.

The weight given to a particular criterion will depend upon the circumstances, and investments may not meet all of these criteria.

2. U.S. Value Equity

In choosing investments for our U.S. value investment strategies, we evaluate the extent to which a company meets the following desired criteria:

- The company's current market value reflects a material discount from our estimate of the company's value;
- The company has a reasonable expectation of improving its level of profitability over a three-year investment horizon;
- The company has a capable and skilled management team and a clearly articulated and logical business strategy with a reasonable probability of successful execution;
- The company has a relatively simple, clean capital structure without excessive use of financial leverage (the company should adhere to

conservative and straightforward accounting practices); and

- There is a likelihood that the company will undergo a positive corporate change within a three-year investment horizon.

The weight given to a particular criterion will depend upon the circumstances, and investments may not meet all of these criteria.

3. International and Global Equity

In choosing investments for our international and global investment strategies, we rely on fundamental company analysis and stock selection as primary investment criteria. We evaluate the extent to which a company meets the following desired criteria:

- The company exhibits historical superior growth, profitability and quality relative to local markets or to companies within the same industry worldwide;
- The company has a reasonable expectation of continued superior growth performance;
- The company generally exhibits superior business fundamentals, including leadership in its field, quality products or services, distinctive marketing and distribution, pricing flexibility and revenue from products or services consumed on a steady, recurring basis;
- The company's demonstrated superior business characteristics is accompanied by Management that is shareholder return-oriented and that uses conservative accounting policies; and
- The company has above-average returns on equity, a strong balance sheet and consistent, above-average earnings growth.

Stock selection will take into account both local and global comparisons. The weight given to a particular criterion will depend upon the circumstances, and investments may not meet all of these criteria.

4. U.S. Fixed Income

In choosing investments for our fixed income strategies, we invest primarily in investment-grade securities and seek to maximize total return through a combination of income and capital appreciation. Our experienced sector specialists seek to identify and capitalize on inefficiencies in bond markets. Through a disciplined, bottom-up research methodology, we focus on creating alpha for our clients, primarily through security selection and tactical sector allocation.

Although the fixed income market is efficient in the long run, we believe the markets for corporate debt securities, mortgage-backed securities, and asset-backed securities consistently provide alpha opportunities that can be identified by managers who specialize in those sectors. Our vertically integrated fixed income platform includes research, portfolio management and trading, which allows us to incorporate liquidity and price discovery information into all portfolio decisions.

5. Funds-of-Hedge Funds and Multi-Advisor Commodity Pools

In choosing investment for our funds-of-hedge funds and multi-advisor commodity pools, we invest primarily in third party hedge funds or commodity pools. Generally, these hedge funds and commodity pools are organized as limited partnerships or limited liability companies that typically invest in liquid and illiquid securities including, but not limited to, the following:

- Futures, forward and/or option contracts on currencies, fixed income instruments, interest rates, stock indices, metals, energy and agricultural commodities;
- Debt obligations;
- Preferred and common stocks (including new issues) and warrants;
- Private equity; and
- Other derivative securities not mentioned.

Investments in many of these types of securities may be speculative in nature and

subject a portfolio's assets to certain risks, as further described in this section.

6. Dynamic Allocation Strategies

In choosing investments for our dynamic allocation strategy portfolios, we seek to identify and make investments based on our identification of discrepancies between fundamental values and market prices. We seek to maximize long-term risk-adjusted total return through the risk-managed macro integration of asset class, global equity and bond market, developed and developing market, sector, credit, currency, theme and security exposures, and the opportunistic use of unaffiliated investment managers to implement opportunistic dynamic allocation exposures. When making investment decisions, William Blair also may use:

- Leverage to achieve potentially higher returns through proportionally higher ex-ante risk exposures;
- Cash or cash equivalents to achieve potentially higher returns or to reduce proportionally ex-ante risk exposures that are not expected to be compensated; and
- Swaps, options, foreign exchange contracts, exchange traded funds, futures contracts, and/or borrowing in an effort to reduce or enhance ex-ante risk exposures to global assets.

These investments may be speculative in nature and subject a portfolio's assets to certain risks, as further described in this section.

7. Multi-Alpha Strategies

In choosing investments for our multi-alpha strategy portfolios, we seek to invest in economic, value-added return-producing assets across the global opportunity set. We will invest in a diversified portfolio of equity, fixed income and real assets around the world, without the use of leverage (other than inherent in the use of certain derivatives) and without regard to index weightings, in an effort to find the best opportunities to meet our objective. When making investment decisions, William Blair will identify and

invest in a number of markets and broad range of instruments including, but not limited to the following:

- Stocks, bonds, options, real assets, futures and options on futures, swaps (including credit default swaps and total return swaps) and other derivatives;
- Securities of U.S. or non-U.S. issuers and securities traded on U.S. or non-U.S. exchanges; and
- "New issues" as defined in Financial Industry Regulatory Authority (FINRA) Rule 5130.

When investing the portfolio, we have no requirement as to credit quality of the assets, and we may invest in rated, unrated or illiquid securities. Additionally, although the portfolio may be fully invested at times, there may be periods where we may hold cash or invest in cash equivalents such as for defensive measures or in instances pending the use of proceeds.

8. International Systematic Research Strategies

In choosing investments for our international systematic research strategy portfolios, we seek to invest in high-quality non-U.S. companies that meet our criteria of operating performance and have reasonable valuation and risk characteristics. We will invest across regions, sector, and capitalizations without regard to index weightings, in order to find the best opportunities and meet our objective. When making investment decisions, William Blair uses proprietary multifactor models, which are based on fundamental criteria, to rank companies and will invest in non-U.S. companies across the capitalization spectrum that meet minimum liquidity requirements.

- When constructing portfolios, William Blair ranks companies in order of attractiveness based upon the composite of our quality, operating performance and valuation models;
- Our portfolios reflect a rules-based construction methodology rather than an optimization structure; and
- Our strategy does not involve active management of sectors or regional

exposure, although we will limit these to 40% and 50% of portfolio assets, respectively.

9. Private Client Advisors Investment Strategies

Our PCA division 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 have a strong reputation in managing 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.

10. William Blair Select Investment Strategies (IM and PCA Clients)

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 our key criteria including the following:

- Expertise in a specific discipline;

- Investment philosophy based on sound capitals 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.

William Blair Funds or strategies 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 (either 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, 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.

Please also refer to "Other Fees and Expenses" under Item 5 for a description of additional fees and expenses you may incur as a result of investments in mutual fund or exchange traded fund shares we may make on your behalf.

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.
- 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 in your portfolio that substantially exceed the initial amount paid or received from the investment.

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.
- 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.
- 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.
- 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.

Common Risks Associated with Fixed Income Investments

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

- Fixed income securities. 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. 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.
- Prepayment risk. There is a risk of prepayment of high interest rate mortgage-backed securities and asset-backed securities during times of declining interest rates will tend to lower the return of an investment in these securities and also may result in losses if the securities were purchased at a premium.
- 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.
- Rule 144A securities. Rule 144A securities are not registered for resale in the general securities market and may be classified as illiquid.

Common Risks Associated with Alternative Investments

Investments in alternatives investment strategies, including our hedge fund of funds and dynamic allocation strategy portfolios, 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.

Common Risks Associated with Multi-Alpha Strategy and International Systematic Research Investments

Investments in our multi-alpha strategy and international systematic research funds 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.
- **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.
- **Futures contracts and options on futures contracts.** In entering into these sorts of contracts, there is a credit risk that the counterparty will not be able to meet its obligations.
- **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.
- **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.

Additionally, investments in our multi-alpha strategy fund can expose you to risks associated with the fund's strategy as follows:

- **Strategy risk.** The portfolio may attempt to hedge its economic interest through the purchase and/or sale of various financial instruments, which may or may not prove successful.

Please also refer to your portfolio's investment policy statement, fund prospectus or other offering memorandum for detailed information about risks or contact your client service representative or financial advisor to discuss risks specific to your investments.

ITEM 9 – DISCIPLINARY INFORMATION

William Blair does not have any legal, financial or other disciplinary items material to our investment advisory business or executive management to report to you. We are obligated to disclose any disciplinary event that we believe you would find material when evaluating us to initiate or continue a client/investment adviser relationship with us. However, our Form ADV Part 1A describes 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. We do not believe any of these disciplinary items would be material to you in evaluating us as an investment adviser.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

William Blair Funds

William Blair is the investment advisor and manager for the William Blair Funds (“Funds”) and is paid by the Funds for services we provide. As investment advisor and manager, we manage the Funds’ investments, administer their business affairs, furnish office facilities and equipment, provide clerical, bookkeeping and administrative services, and provide shareholder and information services. Our partners and employees can serve (without compensation) as trustees or officers of the Funds if elected to such positions. In addition to our 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, 2011, we managed over \$10 billion in assets in the following 23 William Blair Funds:

- William Blair Ready Reserves Fund
- 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 Small Cap Growth Fund
- William Blair Emerging Markets Growth Fund
- William Blair Emerging Leaders Growth Fund
- William Blair Emerging Small Cap Growth Fund
- William Blair Institutional International Growth Fund
- William Blair Institutional International Equity Fund
- William Blair Global Growth Fund
- William Blair Macro Allocation Fund

In our role as an investment manager to clients, we may be in a position to recommend mutual funds, including the William Blair Funds, to clients 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 potential conflict 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 William Blair Funds. To mitigate potential conflicts, these partners are not compensated by the Funds for their role as Fund trustees.

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-Advisor to Other Pooled Funds

William Blair serves as investment adviser or sub-advisor to other pooled funds including other U.S. mutual funds, Canadian trusts and/or funds, collective investment trusts and UCITS, as further described below.

1. Unaffiliated Mutual Funds

William Blair is sub-advisor to other U.S. registered investment companies (mutual funds) and other pooled funds not related to William Blair, and we receive asset-based fees for our investment supervisory services.

2. UCITS

William Blair is investment adviser to William Blair SICAV (the “SICAV”) and the William Blair FCP US Small Mid Cap Growth Fund,

undertakings for collective investment in transferrable securities (“UCITS”). The SICAV is a pooled investment vehicle consisting of several sub-funds that invest in a range of investment strategies. As of December 31, 2011, we manage over \$1 billion in the following fund portfolios for the SICAV:

- U.S. Small-Mid Cap Growth Fund
- Emerging Markets Growth Fund
- U.S. All Cap Growth Fund
- Global Growth Fund
- Emerging Leaders Growth Fund

The SICAV is registered in Luxembourg and offered solely to non-U.S. institutional investors. As the investment adviser, William Blair receives investment management fees from the SICAV based upon daily net assets under management. William Blair also has been appointed as global distributor of the SICAV and may receive commissions or other compensation based upon purchases of shares of the sub-funds.

3. Collective Investment Trusts

William Blair is investment adviser to collective investment trusts (“CITs”) for which Global Trust Company, an unaffiliated trust company, is the trustee. These CITs are pooled investment vehicles through which qualified client assets are commingled for investment purposes. These qualified clients include only employee benefit plans governed by ERISA and certain government-sponsored entities. The CITs are privately offered and are exempt from registration under the Investment Company Act of 1940. William Blair receives investment management fees based upon total assets under management for the CITs.

4. Canadian Trusts/Funds

William Blair is investment adviser and/or sub-advisor for certain Canadian trusts and/or funds. These Canadian trusts/funds are pooled investment vehicles through which various types of Canadian clients may commingle their assets for investment purposes. William Blair receives investment management fees based upon total assets under management.

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

Similar to the William Blair Funds, we may be incented to recommend these pooled funds for purchase by our investment management clients, which may conflict with our fiduciary duty to clients. 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 manage portfolios to their strategy models; and
- We monitor client portfolios to ensure they are consistent with each client’s objectives and investment strategy.

Model Portfolio Provider

William Blair provides model portfolios to certain Program Sponsors (or their overlay managers) for unified managed accounts (“UMAs”). Each Program Sponsor (or overlay manager) retains investment discretion over the UMAs and may accept or reject our recommendations. The Program Sponsor also is responsible for effecting trades resulting from our recommendations. William Blair has no investment discretion over the Program Sponsor’s UMAs and has no specific knowledge of the Program Sponsor’s clients or their circumstances.

As a model provider, we receive a fee from each Program Sponsor to which we provide model portfolios. Fees generally range from 0.28% to 0.38% annually (billed quarterly) based upon the Program Sponsor’s underlying assets managed to each model portfolio strategy. As further described in Item 12, we provide our model portfolios during the third tier of our trade rotation process.

Commodities/Futures Registration

William Blair is registered with the Commodity Futures Trading Commission (“CFTC”) as a Commodity Trading Advisor (“CTA”) and is a member of the National Futures Association (“NFA”). We are the CTA for the following private investment companies:

- William Blair Green Terrain Fund, L.P.
- William Blair Green Terrain TE Fund, L.P.
- William Blair All Terrain Fund, L.P.
- William Blair All Terrain TE Fund, L.P.

- William Blair Black Terrain Fund, L.P.
- William Blair Black Terrain TE Fund, L.P.
- William Blair Master Fund, LLC
- William Blair Managed Futures Fund LLC
- William Blair Commodity Long/Short Fund, LLC

Certain related parties are registered with the CFTC as a Commodity Pool Operators (“CPOs”). William Blair Advanced Strategies, LLC is the CPO for the following private investment companies:

- William Blair Green Terrain Fund, L.P.
- William Blair All Terrain Fund, L.P.
- William Blair Black Terrain Fund, L.P.
- William Blair Master Fund, LLC
- William Blair Managed Futures Fund LLC
- William Blair Commodity Long/Short Fund, LLC

Additionally, William Blair Global Advanced Strategies, a Cayman Islands exempted company and related person of William Blair, is the CPO for the following private investment companies:

- William Blair Green Terrain TE Fund, L.P.
- William Blair All Terrain TE Fund, L.P.
- William Blair Black Terrain TE Fund, L.P.

Private Investment Offerings

William Blair is the sponsor of Private Funds as further described below. Certain funds are closed to new investors.

- **Sponsor of Funds-of-Hedge Funds and Multi-Advisor Commodity Pools**

William Blair is the sponsor of the following limited partnerships and limited liability companies, which are private investment companies that are structured as funds-of-hedge funds or multi-advisor commodity pools. As described previously, William Blair acquired these private investment companies from Guidance Capital, L.L.C. Former Guidance Capital employees are now employees of William Blair and continue to manage these private funds.

William Blair Master Fund, LLC

Managing Member: William Blair Advanced Strategies, LLC

A private investment fund that is organized as a series limited liability company that permits

the establishment of multiple series of investments (collectively, the “Series”). The Master Fund currently offers two Series (i) the Green Series and (ii) the Blue Series.

Green Series - A diversified investment portfolio that invests in non-directional hedge funds that invest in the following strategies: convertible arbitrage, fixed income arbitrage, merger arbitrage, equity market neutral and niche strategies, which may include investments in distressed securities and private placements. This Series is open to new investors.

Blue Series - A diversified investment portfolio that invests in long biased equity long/short hedge funds that invest in the following strategies: growth, value, growth at a reasonable price and specialist strategies. This Series is open to new investors.

William Blair Green Terrain Fund, L.P.

Managing Member: William Blair Advanced Strategies, LLC

A private investment fund that invests in the following non-directional strategies: (i) equity market neutral; (ii) merger arbitrage; (iii) fixed income arbitrage; (iv) convertible arbitrage; and (v) niche and other multi-strategies. The fund achieves exposure to these strategies by investing substantially all of its assets in William Blair Master Fund, LLC – Green Series. This fund is open to new investors.

William Blair Blue Terrain Fund, L.P.

Managing Member: William Blair Advanced Strategies, LLC

A private investment fund that invests in the following long biased equity long/short strategies: (i) industry specialists; and (ii) style specialists such as growth, value or GARP. This fund achieves exposure to these strategies by investing substantially all of its assets in the William Blair Master Fund, LLC – Blue Series. This fund is open to new investors.

William Blair Managed Fund, L.P.

Managing Member: William Blair Advanced Strategies, LLC

A multi-advisor commodity pool that invests with commodity trading advisors that invest primarily in the U.S. and non-U.S. futures markets. This fund is open to new investors.

William Blair Black Terrain Fund, L.P.

General Partner: William Blair Advanced Strategies, LLC

A private investment fund that invests opportunistically in hedge funds that invest in the following strategies: emerging markets, event-driven, distressed equity, credit long/short, global macro, fixed income arbitrage, equity long/short, and managed futures strategies. This fund is open to new investors.

William Blair All Terrain Fund, L.P.

General Partner: William Blair Advanced Strategies, LLC

A private investment fund that invests in the following strategies: (i) non-directional; (ii) hedged equity; (iii) opportunistic; and (iv) managed futures. This fund achieves exposure to these strategies by investing substantially all of its assets in the following funds: William Blair Master Fund, LLC – Green Series, William Blair Master Fund, LLC – Blue Series, William Blair Managed Futures Fund, L.P. and William Blair Black Terrain Fund, L.P. This fund is open to new investors.

William Blair Commodity Long/Short Fund, LLC

Managing Member: William Blair Advanced Strategies, LLC

A multi-advisor commodity pool that invests with commodity trading advisors that invest primarily in the commodity futures markets. This fund is open to new investors.

William Blair Green Terrain TE Fund, L.P.

General Partner: William Blair Global Advanced Strategies

An offshore private investment fund that invests in the following non-directional strategies: (i) equity market neutral; (ii)

merger arbitrage; (iii) fixed income arbitrage; (iv) convertible arbitrage; and (v) niche and other multi-strategies. This fund achieves exposure to these strategies by investing substantially all of its assets in the William Blair Master Fund, LLC – Green Series. This fund is open to new investors.

William Blair Blue Terrain TE Fund, L.P.

General Partner: William Blair Global Advanced Strategies

An offshore private investment fund that invests in the following long biased equity long/short strategies: (i) industry specialists; and (ii) style specialists such as growth, value or GARP. This fund achieves exposure to these strategies by investing substantially all of its assets in the William Blair Master Fund, LLC – Blue Series. This fund is open to new investors.

William Blair Black Terrain TE Fund, L.P.

General Partner: William Blair Global Advanced Strategies

An offshore private investment fund that invests in hedge funds that invests in the following strategies: emerging markets, event-driven, distressed equity, credit long/short, global macro, fixed income arbitrage, equity long/short, and managed futures strategies. This fund achieves exposure to these strategies by investing substantially all of its assets in the William Blair Black Terrain Fund, L.P. This fund is open to new investors.

William Blair All Terrain TE Fund, L.P.

General Partner: William Blair Global Advanced Strategies

An offshore private investment fund that invests in the following strategies: (i) non-directional; (ii) hedged equity; (iii) opportunistic; and (iv) managed futures. This fund achieves exposure to these strategies by investing substantially all of its assets in the William Blair All Terrain Fund, L.P. This fund is open to new investors.

- **Sponsor of Other Private Pooled Investment Vehicles**

William Blair is the sponsor of the following private pooled investment vehicles.

William Blair Global Opportunity Fund, LLC

General Partner: William Blair Advanced Strategies, LLC

A private investment fund that makes investments in accordance with the firm's dynamic allocation hedge fund strategy. William Blair acquired this fund from Singer Partners, LLC. Former Singer Partners employees are now employees of William Blair and continue to manage the fund. This fund is open to new investors.

William Blair Multi-Alpha Strategy Fund, LLC

General Partner: William Blair Advanced Strategies, LLC

A private investment fund that makes investments in a diversified portfolio of equity, fixed income and real assets around the world, without the use of leverage (other than that inherent in the use of certain derivatives) and without regard to index weightings, in order to find the best opportunities and meet its objective. This fund is open to new investors.

William Blair International Systematic Research Fund, LLC

General Partner: William Blair Advanced Strategies, LLC

A private investment fund that makes investments in high quality non-US companies that meet its criteria of operating performance but have reasonable valuations. The Fund will invest across regions, sectors, and capitalizations without regard to Index weightings, in order to find the best opportunities and meet its objective. This fund is open to new investors.

William Blair is affiliated with the following limited partnerships and/or private funds through ownership by William Blair and/or certain William Blair partners. We do not currently offer these funds to clients.

- **Private Equity Funds**

William Blair Capital Partners VI, L.P.

General Partner: William Blair Capital Partners VI, L.L.C.

A private fund that invests funds (directly or indirectly) in operating companies that are not publicly traded. William Blair continues to hold interests in the fund but has no involvement in day-to-day operations or decisions. The fund is closed to new investors.

William Blair Capital Partners VII, L.P.

General Partner: William Blair Capital Management VII, L.P.

A private fund that invests funds (directly or indirectly) in operating companies that are not publicly traded. William Blair continues to hold interests in the fund but has no involvement in day-to-day operations or decisions. The fund is closed to new investors.

William Blair Capital Partners VII, Q.P.

General Partner: William Blair Capital Management VII, L.P.

A private fund that invests funds (directly or indirectly) in operating companies that are not publicly traded. William Blair continues to hold interests in the fund but has no involvement in day-to-day operations or decisions. The fund is closed to new investors.

- **Other Private Funds**

Wilblairco Associates

General Partner: William Blair & Company, L.L.C.

A private fund that makes investments in private offerings of various private companies and funds. Certain William Blair partners and employees are limited partners in the fund. The fund is closed to new investors.

Wilblairco 1998, L.L.C.

General Partner: Management Committee as determined by William Blair & Company, L.L.C.

A private fund that makes investments in private offerings of various private companies and funds. Certain current and former William Blair partners and employees are limited

partners in the fund. The fund is closed to new investors.

Wilblairco II, L.L.C.

General Partner: Management Committee as determined by William Blair & Company, L.L.C.

An employees' securities company that makes investments in private offerings of various private companies and funds. Certain current and former William Blair partners and employees are limited partners in the fund. The fund is closed to new investors.

WB Internet Fund 2000, L.L.C.

General Partner: Management Committee as determined by William Blair & Company, L.L.C.

A private fund that makes investments in private offerings of various private companies and funds. Certain current and former William Blair partners and employees are limited partners in the fund. The fund is closed to new investors.

WB Internet Fund 2000 QP, L.L.C.

General Partner: Management Committee as determined by William Blair & Company, L.L.C.

A private fund that makes investments in private offerings of various private companies and funds. Certain current and former William Blair partners and employees are limited partners in the fund. The fund is closed to new investors.

As a discretionary investment adviser, we are in a position to recommend securities, including affiliated private offerings, to our clients. This can create conflicts of interest because we might be incented to select these securities for clients over other suitable investment options. To help manage conflicts, we make these investments available solely to certain William Blair partners and employees as well as select qualified investors. Because we can receive performance fees for certain funds (as described in Item 6), we also may be incented to favor these accounts over other clients' accounts; however, this incentive is mitigated by the illiquid nature of these investments.

Corporate and Executive Services

William Blair provides strategic advice and solutions for companies and corporate executives. William Blair may charge a fee for these services that is separate from any investment advisory fees or other transaction charges. Examples of these services include the following:

- Corporate cash management
- Corporate share repurchases
- Directed share programs
- Employee stock option and stock purchase plans
- 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 work 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 (or participates in selling groups), distributes the William Blair Funds and custodies client funds and securities. These activities may present conflicts of interest, as described below and throughout this Brochure.

Investment Banking Activities

William Blair's Corporate Finance Department (which operates independently from our IM and PCA divisions) provides investment banking and financial advisory services to corporate clients. This can create 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.

Equity Research

William Blair's Equity Research Department (which operates independently from our IM and PCA divisions) provides investment analysis and recommendations of growth companies across various sectors. 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.

Institutional Sales and Trading

William Blair's Institutional Sales and Trading Department (which operates independently from our IM and PCA divisions) 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's IM division has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and 17j-1 under the Investment Company Act of 1940 that governs a number of potential conflicts of interest we have when providing our advisory services to you and to the William Blair Funds. We have designed our Code of Ethics to help ensure we meet our fiduciary obligation to our clients and to the Funds we manage as well as to emphasize a culture of compliance within our firm.

We distribute our Code 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 Code, employees must:

- Pre-clear most all personal securities 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 most all personal securities;
- 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 Code.

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

William Blair & Company
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 has financial interests in various securities including the William Blair Funds, William Blair SICAV, William Blair private investment offerings and limited partnership investments as well as securities of corporations to which we provide investment banking and other corporate and executive services. We also have financial interests in securities for which we serve as sub-advisor (such as other mutual funds or collective investment trusts).

In our position as an investment adviser, 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 also may arise 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:

- Our IM division maintains a Code of Ethics, which reinforces our fiduciary duty to clients, and conduct periodic training on our Code;
- 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 William Blair Funds for their investment advisory accounts;
- In cases where we purchase William Blair Funds in clients' investment advisory

accounts, we do generally 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 that we have recommended to clients for their own personal accounts in a manner that is inconsistent with our recommendations to clients. As an example, an employee may buy a particular security that we recently have sold for clients. This may create a conflict because employees could be motivated to favor their own investment interests over clients' interests. To help manage these conflicts, we rely on various compliance controls including the following:

- Our IM division maintains a Code of Ethics, which reinforces our fiduciary duty to clients;
- We require pre-clearance and reporting of personal transactions in covered securities for employees;
- In cases where we are purchasing or selling securities for clients' accounts, we routinely prohibit 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 employees to deter short-term or frequent trading.

Same Securities Investments for William Blair Related Accounts

Although William Blair does not typically maintain and manage firm accounts (proprietary accounts), we may occasionally establish a proprietary account (typically for purposes of seeding a new investment strategy). Managing these sorts of accounts can create a conflict with other investment advisory accounts as our portfolio managers may be incented to focus extra attention on or allocate select investment opportunities to these accounts. To manage these conflicts, we have implemented various compliance controls, including the following:

- Our Chief Compliance Officer must approve each proprietary account before opening;
- We require that trades for proprietary accounts be executed after the completion of trades involving the same securities for unrelated accounts (consistent with our practice for trades in employee-related accounts); and
- We typically do not compensate our portfolio managers based on individual account performance, which provides no additional incentive to focus excessively on any single account.

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

When we select broker-dealers to execute our clients' orders, 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;
- 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 can 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, our IM division has 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.

Foreign Currency Exchange Transactions

For transactions involving securities traded on exchanges outside of the U.S. (or the client's base currency, if not U.S. Dollars), foreign currency exchange transactions are necessary to convert foreign currency into U.S. Dollars (or the client's base currency, if not U.S. Dollars), and vice versa, to complete purchases and sales of foreign securities. The cost of engaging in foreign currency transactions can be substantial and varies with such factors as the currency involved, the size of the transaction, and prevailing market conditions.

Unless you request otherwise, your foreign currency exchange transactions typically will be executed on your behalf by your custodian pursuant to standing instructions. In such instances, it is your responsibility to negotiate the terms for execution of foreign currency transactions and to monitor the trading. In addition, in certain markets, foreign currency cannot be purchased or sold through active negotiations with a foreign exchange dealer, but rather must be sent directly to the custodian or sub-custodian for execution in the local market.

Further, for corporate actions such as mergers, offerings of rights and warrants, cash dividends, and interest income denominated in a non-U.S. currency, foreign currency transactions will typically be executed pursuant to standing instructions with your custodian in order to repatriate the local currency to U.S. Dollars.

When we execute foreign currency transactions on your behalf, evaluations of the services provided by dealers including the rates received are made on an ongoing basis by us, taking into consideration a variety of factors, including for example trade size, counterparty/settlement risk, and operational risk. You may not receive the same price received by other clients within the same investment strategy or the price that could have been received if the transaction had been executed with a different counterparty. Transacting with dealers other than your custodian may cause you to incur additional fees, such as wire fees for each currency transaction, that are not charged if the foreign exchange transaction was executed through your custodian. Additionally, there are operational advantages to using your custodian, such as contractual settlement and systematic communication between your custodian's currency trading operations and its equity settlement operations, which may reduce settlement risk. After consideration of the costs and benefits described above, we believe that, in many cases, such as corporate actions, it will generally be in your best interest to execute foreign currency exchange transactions with your custodian.

Execution for Funds-of-Hedge Funds and Multi-Advisor Commodity Pools

William Blair does not typically use broker-dealers when effecting transactions for its fund-of-hedge funds or multi-advisor commodity pools since we typically acquire securities for these strategies through private placements with the issuer. If we were to trade directly in publicly available securities, we would seek best execution as described above.

Brokerage for Sales of Mutual Fund Shares

We do not consider a broker's sales of mutual fund shares when determining whether to select a particular broker to execute mutual fund portfolio transactions.

Research and Other Soft Dollar Benefits

William Blair uses 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. 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. 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; and
- Our Chief Compliance Officer serves as a member of our Brokerage Research/Commission Committee responsible for oversight of our soft dollar practices.

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

William Blair may also participate in "commission sharing arrangements" and "client commission

arrangements" (collectively, "CSAs"). We also may 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). 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 committee consisting of our Investment Management division's management and trading personnel routinely reviews the quality of research and execution services of the various broker-dealers used by Investment Management. 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 may 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 may arise 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 will 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 may 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. We may, however, consider the research services as a factor in determining the amount of commissions to be allocated to a specific broker. Also, certain broker-dealers may 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 some instances, clients direct us to place their order or a portion of their brokerage orders through specific broker-dealers, including William Blair. This direction 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. 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 can represent a potential 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 may 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

Our Investment Management division has 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 can present 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 and disseminate model portfolios to our model portfolio 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

We generally include clients that direct us to utilize specified broker-dealers and wrap-fee program clients in the second tier. 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.

3. Third Tier

We include model portfolio clients in the third tier. Model portfolios are disseminated to third tier clients on a randomized rotation basis after the first and second tier clients have completed their transactions.

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. We typically execute trades in the order determined by the randomizer except in the case of international trades where step-outs are not available and where orders are placed for overnight execution. Third Tier accounts will typically wait until the First Tier and Second Tier trades are completed. Model portfolios will then be disseminated to model portfolio program sponsors based on the results of a randomizer. The orders will typically be executed in the order determined by the randomizer except in the case of international trades where step-outs are not available and where orders are placed for overnight execution.

□ **Wrap Fee Accounts**

With regard to wrap fee accounts, we may direct trades to the broker-dealer acting as or affiliated with the program sponsor to prevent the client from incurring additional transactions charges outside of the wrap fee. We may not be able to obtain consistent execution between client accounts at different program sponsors due to our inability to aggregate trades across all clients. We may also elect to use step-out trades to broker-dealers other than the program sponsor if we determine that doing so is necessary to satisfy our obligation to obtain best execution of trades for our clients. For example, we may step out a trade if we believe that a broker-dealer other than the program sponsor will be able to provide more timely execution. When a trade is stepped out, the client may incur commission expenses in addition to the wrap fee paid to the program sponsor, thereby increasing the total expense to the client. We believe the increased expense is offset by the potential for better execution prices and more timely execution than could have been otherwise obtained by trading through the program sponsor.

When trades are directed to program sponsors, we aggregate transactions for client accounts within the same wrap program. Accounts in an aggregated transaction will receive the same average price per share. However, clients in different wrap fee programs may receive different execution prices for transactions in the same security. We utilize a trade rotation to prevent any single program sponsor relationship from consistently trading first or last.

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.

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 certain emerging markets, the executing broker may require a pre-allocation prior to trading. In such instances, the allocations will typically be determined by the executing broker.

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 may be applied in our judgment. Only client accounts that are eligible to participate in IPOs or secondary offerings will receive an allocation.

Allocation of Investment Opportunities for Fund of Funds and Multi-Advisor Commodity Pools

In cases where we identify opportunities that we believe are suitable for more than one of our funds-of-hedge-funds or multi-advisor commodity pools, we generally allocate purchase and sale opportunities on a pro rata basis in proportion to the amounts desired to be purchased or sold at the same time for multiple accounts. In cases where pro rata allocation is not possible, or where we believe pro rata allocation is not in the best interest of our investors, we seek to allocate these opportunities on a basis that we, in good faith, believe is fair and equitable to each fund light of existing facts and circumstances (e.g., length of time of available cash, amount of available cash or investment minimums).

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.

Principal Trading

Occasionally in our Investment Management business, we act as principal in selling securities to or buying securities from a client. We do so only after disclosing to the client our relationship and possible conflicts of interest and obtaining their permission to act as principal. We may purchase for our discretionary client accounts, from a party other than William Blair, securities as to which William Blair is a member of an underwriting or selling syndicate. We may make these purchases without the client's consent. When making these purchases, we seek to do so in accordance with Prohibited Transaction Exemption 75-1, for accounts subject to ERISA, and Rule 10f-3 under the Investment Company Act of 1940, for mutual funds.

Cross Trades and Agency Cross Trades

We may execute securities transactions for an advisory client with non-advisory clients of William Blair in so-called "agency cross" transactions in cases where we have received our advisory client's prior consent. In these cases, we disclose to our advisory client that we are acting as agent for both the advisory client and the non-advisory client. We also disclose to our advisory client that we have duties and obligations to each of the parties and that a conflicting division of loyalty may exist on our part in such transactions.

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 senior management reviews the appropriateness of investment holdings on an ongoing basis.

We commonly 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, product specialists or client relationship managers typically conduct account reviews. In our IM division, portfolio managers, product specialists and client relationship managers conduct the account reviews. In our PCA division, financial advisors 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 client's selected investment strategy and restrictions imposed by

the client. We rely on portfolio management teams to construct the majority of our investment mandates, resulting in the development of model portfolios. We manage client accounts in the IM division in accordance with these model portfolios, subject to client imposed restrictions and investment guidelines. For our wealth management clients, portfolio managers typically construct custom portfolios based on a client's unique objectives and restrictions and manage and review portfolios based on individualized parameters. In addition to the assigned portfolio management team, certain representatives of our compliance department periodically spot check accounts and model portfolios to review performance and compliance with investment guidelines.

Account Statements

We provide statements to clients at least on a quarterly basis. We can provide monthly written summary reports of transactions and quarterly appraisals of portfolios for accounts, with limited exceptions. 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. Our reports typically display security description, quantity owned, market price, total market value, and percent of total market value. Institutional equity accounts typically include unit cost, total cost, and are separated by either country or sector. Institutional fixed income accounts typically include security attributes such as rating, effective yield, and effective duration. We provide special appraisals and/or other reports at interim dates during client review meetings.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

Solicitation Payments

On occasion, we may 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.

Placement Fees

William Blair may indirectly compensate certain financial institutions for placing qualified investors in our private investment companies (i.e., our funds-of-hedge funds and multi-advisor commodity pools). We have entered into agreements with financial institutions whereby we pay the financial institution a portion of our performance fee (further described in Item 6 of this Brochure) for investments made by their clients in our private investment companies. This fee, also known as a "placement fee" can range from five to 50 percent (5 – 50%) of the performance fee as described in each private investment company's Partnership Agreement. The General Partner/Managing Member of each private investment company has waived its right to receive the portion of the performance fee that the private investment company pays to these financial institutions (i.e., "placement agents").

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. 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.

12b-1 Fees

William Blair employees, acting in their role as registered representatives with an affiliated broker/dealer may receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. This practice may constitute a conflict of interest for William Blair or the employee in that it may give them 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.

ITEM 15 - CUSTODY

Because we also are registered as a securities broker-dealer, we may serve as a qualified custodian of clients' securities and funds (and generally receive fees for our custody services). 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. As described in Item 5, we generally charge clients' accounts quarterly in advance or arrears based upon submission of fee bills to each client's custodian.

You should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains your investment assets and/or should receive monthly

statements from the administrator of the funds-of-hedge funds or multi-advisor commodity pools.

Our statements may 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

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. However, the firm will make reasonable efforts to obtain missing proxies.

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 Compliance Department. The Proxy Policy Committee reviews the proxy voting policy and procedures annually and revises its guidelines as events warrant.

In the event that any potential 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, which analyzes each vote from the shareholder vantage point. If a client expressly directs how a solicitation should be voted, the vote will go in front of the Proxy Policy Committee. If there is no potential conflict of interest, we cast the vote with respect to such solicitation in the manner directed by the client.

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 Our Voting Policy

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

Clients and prospects also may 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 William Blair 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 may obtain a copy of our most recent financial statement on our website at www.williamblair.com under *Statement of Financial Condition*.

March 30, 2012

FORM ADV PART 2A – Appendix 1 (Wrap Fee Program Brochure)

This wrap fee program brochure 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.

William Blair & Company, L.L.C.
222 West Adams Street
Chicago, Illinois 60606
(312) 236-1600
www.williamblair.com

ITEM 2 – MATERIAL CHANGES

We have updated our Wrap Brochure (also known as Form ADV Part 2A – Appendix 1) as of March 30, 2012. Our last annual amendment was March 31, 2011, and we have made interim amendments including our most recent amendment as of February 22, 2012. Although we do not consider those interim changes (or changes reflected in this Brochure) to be material changes that could influence your evaluation of us as an investment adviser, we believe it is important information to share. You should note that the following reflects only highlights and does not summarize all changes to this Brochure.

William Blair recently announced that our Chairman and Executive Committee Member, Edgar Jannotta, is stepping down from his executive management responsibilities. Mr. Jannotta, who joined William Blair in 1959, remains at the firm as Chairman Emeritus in addition to his other duties. The firm has appointed Arthur Simon, General Counsel for William Blair, as Executive Committee Member. Mr. Simon joined William Blair in 2000 and is a partner of the firm.

We introduced several new investment strategies since our last annual amendment to this Brochure. In 2011, we hired a fund of funds team that specializes in developing and managing multi-manager hedge fund of funds strategies that include: absolute return, equity long/short,

opportunistic, managed futures, and commodity long/short. In addition, we hired a dynamic allocation strategies team that specializes in the management of global portfolios implemented through a range of long and short macro strategies across asset classes, credits, currencies, themes, styles, and volatility exposure. Also during 2011, we hired a large cap value team that specializes in the management of portfolios of U.S. companies that exhibit attractive valuations, growth and quality metrics.

We registered with the Commodities Futures Trading Commission as a commodities trading advisor because of our acquisition of certain private investment funds managed by the fund of fund team while at their prior firm. We have described this business in detail in this Brochure.

As a reminder, we may at any time update this Wrap 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 Wrap Brochure, you may download it from the SEC's website as indicated above, or you may contact our investment management compliance team at imcompliance@williamblair.com or (312) 236-1600.

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ITEM 4 – SERVICES, FEES AND COMPENSATION

Wrap Fee Program Services

William Blair serves as sponsor and investment manager for the William Blair Comprehensive Fee and Comprehensive Mutual Fund Fee Programs (collectively “Wrap Fee Programs”). We offer the Comprehensive Fee Program services to clients in our Private Client Advisors (“PCA”) division. We offer the Comprehensive Mutual Fund Fee Program to clients in our PCA division and on a limited basis to clients in our Investment Management (“IM”) division. Under these Wrap Fee Programs, clients pay a single fee for investment advisory services and transaction costs. Financial Advisors in our PCA division and Investment Counselors in our IM division (collectively “Financial Advisors”) typically manage the accounts in our Wrap Fee Programs according to each client’s investment objectives, financial circumstances and risk considerations.

As described in Item 6, for our Comprehensive Fee portfolios, we consider a broad array of securities and investment vehicles including equity securities, debt securities, mutual funds or other investments that we consider suitable for a client based on their particular circumstances. For our Comprehensive Mutual Fund Fee portfolios, we consider a broad array of no-load mutual funds (and exchange-traded funds, as deemed appropriate) when making portfolio investment decisions for these clients.

Account Fees

William Blair charges a single comprehensive fee for the provision of services to Wrap Fee Program Clients. The comprehensive fee includes investment advisory services and trade execution costs (including costs involved in purchasing and selling no-load mutual funds) for an account. Although not typical in our Wrap Fee Program accounts, William Blair may accept unsolicited orders from clients and may charge a commission on any unsolicited order initiated by the client. We generally charge annual fees based on the following schedules and may negotiate fees with certain clients in our Wrap Fee Programs:

| Comprehensive Fee Program* | Equities* | Fixed Income* |
|----------------------------|-----------|---------------|
| All Assets | 1.50% | 0.35% |

* William Blair may purchase mutual funds or exchange traded funds in its investment advisory programs. In the Comprehensive Fee Programs, 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 in these programs the same fee rate for assets invested in fixed income securities and in shares of fixed income mutual funds and exchange traded funds. Please be advised that this program currently is not accepting new clients.

| Comprehensive Mutual Fund Fee Program | Mutual Funds | ETFs |
|---------------------------------------|--------------|-------|
| First \$250 thousand | 1.65% | 0.70% |
| Next \$250 thousand | 1.35% | 0.70% |
| Next \$250 thousand | 1.00% | 0.70% |
| Over \$750 thousand | 0.65% | 0.70% |

We customarily bill fees quarterly, in advance, based on the market value of portfolio assets (including dividends and interest) as of the last day of the prior quarter. We do not charge clients in either the Comprehensive Fee Program or Comprehensive Mutual Fund Fee Program account level advisory fees on William Blair mutual funds held in Wrap Fee Program accounts.

For clients whose guidelines allow us to invest a portion of their assets in mutual funds or exchange traded funds (ETFs):

- When we invest in shares of unaffiliated mutual funds (funds not advised by William Blair) and exchange traded funds 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).
- When we invest in shares of affiliated mutual funds (William Blair Funds) in your account, you are subject to the William Blair Funds internal management fees and other expenses (as described below); however, we do not charge our investment management fee in addition to the fund internal management fee. Instead, we exclude the assets invested in William Blair Funds when we calculate the investment management fees we charge you.

Mutual funds, including William Blair 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 and other fund operating expenses. Clients may obtain more information by reviewing the prospectus(es) for the underlying mutual fund(s) or exchange traded fund(s). These fees and expenses are exclusive of and in addition to any investment management fees we may charge you.

Your Financial Advisor may have a greater financial incentive to invest in shares of mutual funds or exchanged traded funds. To help manage potential conflicts of interest that may arise, we have various controls in place including the following:

- We maintain written policies (and provide periodic training) requiring our employees to uphold our fiduciary duty to place our clients' interests ahead of our own;
- New accounts and client documentation, including investor objectives and risk tolerance, are reviewed by dedicated personnel prior to opening; and
- We maintain procedures to periodically review portfolios to assess holdings and concentration.

Compensation

The Financial Advisor who manages your Wrap Fee Program account receives a portion of the comprehensive fee you pay to us as compensation for his or her services. The financial advisor's annual compensation, which can range from approximately 30% to 53% of the investment management fee depending upon certain criteria, is based on a graduated scale where he or she receives a greater percentage (portion) of the fee for larger accounts versus smaller accounts. Registered representatives associated with

William Blair who refer clients to our Wrap Fee Programs receive a portion of the fee and commission charged by us.

William Blair employees, acting in their role as registered representatives with an affiliated broker/dealer may receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. This practice may constitute a conflict of interest for William Blair or the employee in that it may give them 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.

For these reasons, your Financial Advisor may have a greater financial incentive to recommend a Wrap Fee Program account and make certain types of investments over other investment options. To help manage potential conflicts of interest that may arise, we have various controls in place including the following:

- We maintain written policies (and provide periodic training) requiring our employees to uphold our fiduciary duty to place our clients' interests ahead of our own;
- New accounts and client documentation are reviewed by dedicated personnel prior to opening; and
- We maintain procedures to periodically review portfolio holdings and transactions for unusual activity.

The overall cost of a Wrap Fee Program account may be higher than you otherwise would pay if you paid our standard investment management fee schedule and negotiated transaction costs and other services such as custody through us or another financial institution.

ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Account Requirements

William Blair generally requests a minimum account size of \$100,000 for the Comprehensive Fee Program and \$50,000 for the Comprehensive Mutual Fund Fee Program. Mutual fund investment options considered for our Wrap Fee Programs may impose investment minimums as described in the funds' prospectuses, which are available from your Financial Advisor. We reserve the right to negotiate fees or accept accounts below our stated minimums.

Types of Clients

William Blair generally manages Wrap Fee Program accounts for clients in our PCA division. The types of clients typically include the following:

- Individuals
- High net worth clients
- Trusts
- Foundations

William Blair also manages Comprehensive Mutual Fund Fee Program accounts for a limited number of clients in our IM division.

ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION

Comprehensive Fee Program – Portfolio Management

William Blair generally does not select outside portfolio managers for its Comprehensive Fee Programs. Instead, Financial Advisors in our PCA division (who are William Blair employees) are primarily responsible for managing our client's Comprehensive Fee Program portfolios. Our Financial Advisors design custom portfolios based on each client's financial circumstances, investment objectives and risk considerations. In choosing investments for Comprehensive Fee portfolios, we consider a broad array of securities and investment vehicles including equity securities, debt securities, mutual funds or other investments that would be suitable for a client based on their particular circumstances.

Comprehensive Mutual Fund Fee Program – Manager Selection

Financial Advisors in our PCA division (and on a limited basis, in our IM division) are responsible for managing our client's Comprehensive Mutual Fund Wrap Program portfolios. William Blair selects third party and affiliated mutual funds and third party exchange-traded funds ("ETFs") for its Comprehensive Mutual Fund Fee Program portfolios. Our Financial Advisors work with analysts of William Blair Select, our open architecture investment platform, when choosing mutual funds or ETFs as options for our Comprehensive Mutual Fund Fee portfolios.

William Blair seeks to identify a diverse selection of investment strategies that focus on particular asset classes and styles. In recommending investments for our Comprehensive Mutual Fund Fee portfolios, we emphasize asset allocation to help manage risk and return in portfolios. In our research-driven investment process, we seek to find mutual funds managed by investment teams that meet our key criteria including the following:

- Expertise in a specific discipline;
- Investment philosophy based on sound capitals 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.

Clients should be aware that William Blair Funds or strategies that are included in Wrap Fee Program portfolios are not subject to the same level of scrutiny as those managed by unaffiliated third parties.

Performance Monitoring

For mutual funds available in our Comprehensive Mutual Fund Fee Program, members of William Blair Select, our open architecture platform, review mutual fund performance on at least a quarterly basis. Clients should be aware that William Blair Funds that are included in Wrap Fee Program portfolios are not subject to the same level of scrutiny as those managed by unaffiliated third parties. For Comprehensive Fee Program portfolios, we utilize electronic surveillance tools that help us monitor performance and generate automated alerts for accounts where performance falls below predetermined levels.

Portfolio Management for William Blair-Sponsored Wrap Programs

Financial Advisors in our PCA division (i.e., William Blair employees) provide portfolio management services for clients in our Comprehensive Fee and Comprehensive Mutual Fund Fee Programs that we also sponsor. Financial Advisors (Investment Counselors) in our IM division also provide portfolio management services for clients in our Comprehensive Mutual Fund Fee Program. Conflicts of interest may arise because our Financial Advisors may be incented to recommend our Wrap Fee Programs over other suitable investment options due to the nature of compensation as described in Item 4 in this Brochure. To help manage conflicts, we employ compliance controls as described in Item 4 of this Wrap Program Brochure.

Investment Advisory Business

William Blair provides investment supervisory services on a discretionary basis to institutional and individual clients through our IM and PCA divisions and provides non-discretionary investment management services on a limited basis. Our PCA division typically provides investment advisory services to individuals, smaller institutions, high net worth and wrap program clients on a discretionary basis. William Blair's IM division is the primary asset management business for the firm and provides investment supervisory services to institutions, registered investment companies (mutual funds), including the William Blair Funds (the "Funds"), other pooled funds, high net worth clients and wrap program clients primarily on a discretionary basis and in certain cases on a non-discretionary basis. As of December 31, 2011, William Blair had \$44.0 billion in total assets under management consisting of \$41.2 billion in our IM division and \$2.8 billion in our PCA division.

Availability of Tailored Services for Clients

As a discretionary investment manager, we provide investment advice and actively manage client accounts based on each client's investment objectives. We accept investment restrictions from clients if the restrictions do not hinder our ability to execute our investment strategies.

Portfolio Management for Third Party-Sponsored Wrap Programs

Our IM division provides investment management services to clients of wrap fee programs sponsored by third party wrap program sponsors (e.g., broker-dealers). Sponsors pay us an investment management fee from a portion of the total wrap fee based upon the total assets we manage for wrap program sponsors' clients. We manage these accounts using strategy model portfolios (similar to how we manage other separate accounts), but we generally accept fewer client-imposed investment restrictions for these accounts. For international investment strategies, we may invest in ordinary shares for institutional clients and generally invest in American Depositary Receipts (ADRs) for wrap program clients. IM portfolio managers who manage third party wrap program portfolios do not typically advise William Blair-sponsored Wrap Fee Program portfolios. William Blair does not offer

wrap fee programs sponsored by third parties to our clients.

Performance Based Fees and Side-by-Side Management

William Blair does not offer performance-based fee arrangements to its Wrap Fee Program clients. Although we also manage mutual funds and funds-of-hedge funds, these products are managed by separate and distinct investment teams within our IM division.

Our Financial Advisors manage multiple portfolios for clients whose portfolios can vary based on investment objectives, restrictions or account size, among other reasons. Management of multiple portfolios can give rise to conflicts of interest including the possibility of preferential treatment of certain portfolios. To help manage conflicts, we have implemented controls designed to help ensure we treat clients' portfolios fairly over time:

- Department Managers (or their designate) routinely review purchase and sales in clients' portfolios;
- We periodically review portfolio holdings across accounts from administrative, accounting and investment perspectives; and
- Our compliance department monitors Financial Advisors' portfolio trading activity.

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 newspapers, magazines and websites; corporate data; ratings services; third party research; SEC filings (e.g., annual reports, prospectuses); company press releases; and proprietary research. Our Financial Advisors frequently rely upon investment information provided by our firm's research analysts as well as our William Blair Select team for mutual fund information.

Investment Strategies

As described above, our Financial Advisors design custom portfolios based on each client's financial circumstances, investment objectives and risk considerations and consider a broad array of securities and investment vehicles including equity securities, debt securities, mutual funds or other investments that would be suitable for a client based on their particular circumstances. In cases of our Comprehensive Mutual Fund Fee Program, Financial Advisors work with analysts in William Blair Select, our open architecture investment platform, when choosing mutual funds (or exchange-traded funds) for portfolios.

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.
- 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 in your portfolio that substantially exceed the initial amount paid or received from the investment.

Common Risks Associated with Non-U.S. Investments

Investments in non-U.S. securities can expose you to certain specific risks such as the following:

- 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.
- Foreign currency exchange rates. Foreign exchange rates may adversely affect the value of investments in foreign securities held in your portfolio.

Common Risks Associated with Fixed Income Investments

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

- Fixed income securities. 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 may be less liquid than investment grade securities. 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.

- *Prepayment risk.* There is a risk of prepayment of high interest rate mortgage-backed securities and asset-backed securities during times of declining interest rates will tend to lower the return of an investment in these securities and also may result in losses if the securities were purchased at a premium.
- *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.
- *Rule 144A securities.* Rule 144A securities are not registered for resale in the general securities market and may be classified as illiquid.

Voting Client Securities

Clients typically retain voting responsibility for proxies for securities held in their Comprehensive Fee Wrap Program portfolios. In certain cases, William Blair will accept voting responsibility. For

those portfolios, we will vote proxies in accordance with William Blair's Proxy Voting Policy and Procedures. 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. However, the firm will make reasonable efforts to obtain missing proxies.

Clients and prospects may obtain a copy of our proxy voting policies and procedures upon request by contacting us at (312) 236-1600 or imcompliance@williamblair.com. We will make available to our clients a report on proxy votes cast on their behalf upon their request. Clients may contact us at (312) 236-1600 or imcompliance@williamblair.com for this information.

This item is not applicable to the Comprehensive Mutual Fund Fee Program.

ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

Because our Financial Advisors serve as portfolio manager for their own Wrap Fee Program clients, they are able to gain comprehensive knowledge about clients' unique financial situations, investment objectives and risk considerations. The Financial Advisors also are able to address clients' specific investment restrictions since

portfolios are managed on an individualized basis. Financial Advisors solicit this information from clients during the account opening process. Financial Advisors periodically communicate with their clients and solicit information regarding changes to clients' information.

ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS

Because our Financial Advisors serve as portfolio managers for their Wrap Fee Program clients, they are available to speak with clients as needed and routinely communicate with clients to solicit information regarding any changes to clients' financial circumstances or investment objectives.

Portfolio managers for mutual funds in the Comprehensive Mutual Fund Fee Program are not generally available to wrap clients; however, the Financial Advisors are readily available to address questions or concerns regarding these investments.

ITEM 9 – ADDITIONAL INFORMATION

Disciplinary Information

William Blair does not have any legal, financial or other disciplinary items material to our investment advisory business or executive management to report to you. We are obligated to disclose any disciplinary event that we believe you would find material when evaluating us to initiate or continue a client/investment adviser relationship with us. However, our Form ADV Part 1A describes several disciplinary items relating to our business as a broker-dealer. Our Form ADV Part 1A is available for review on the SEC web site. We do not believe any of these disciplinary items would be material to you in evaluating us as an investment adviser.

Other Financial Industry Activities and Affiliations

As described in Form ADV Part 2A, William Blair is a global investment firm with diverse financial services activities including the following:

- Securities Broker/Dealer Business
- Commodities and Futures Registrations
- Affiliated Mutual Funds
- Sub-Advisory Activities for Other Pooled Funds
- Investment Banking
- Private Investment Offerings (e.g., limited partnerships, funds-of-hedge funds, multi-advisor commodity pools)
- Model Portfolio Provider
- Financial Planning and Advisory
- Corporate and Executive Services
- Equity Research
- Institutional Sales and Trading

Code of Ethics

William Blair's IM division has adopted a Code of Ethics pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 and 17j-1 under the Investment Company Act of 1940 that governs a number of potential conflicts of interest we have when providing our advisory services to our clients and to the William Blair Funds. We have designed our Code of Ethics to help ensure we meet our fiduciary obligation to our clients and to the Funds we manage as well as to emphasize a culture of compliance within our firm.

We distribute our Code to each Access Person (as defined under Rule 204A-1 under the Investment Advisers Act) at the time of hire and annually thereafter. We also supplement the Code with annual training and monitor Access Person activity on an on-going basis. In accordance with our Code, Access Persons must:

- Pre-clear most all personal securities 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 most all personal securities;
- 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 Code.

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

William Blair & Company
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 has financial interests in various securities including the William Blair Funds, William Blair SICAV, William Blair private

investment offerings and limited partnership investments as well as securities of corporations to which we provide investment banking and other corporate and executive services. We also have financial interests in securities for which we serve as sub-advisor (such as other mutual funds or collective investment trusts).

In our position as an investment adviser, 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 also may arise 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.

For clients whose guidelines allow us to invest a portion of their assets in mutual funds or exchange traded funds (ETFs):

- When we invest in shares of unaffiliated mutual funds (funds not advised by William Blair) and exchange traded funds 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).
- When we invest in shares of affiliated mutual funds (William Blair Funds) in your account, you are subject to the William Blair Funds internal management fees and other expenses (as described below); however, we do not charge our investment management fee in addition to the fund internal management fee. Instead, we exclude the assets invested in William Blair Funds when we calculate the investment management fees we charge you.

Mutual funds, including William Blair 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 and other fund operating expenses. Clients may obtain more information by reviewing the prospectus(es) for the underlying mutual fund(s) or exchange traded fund(s). These fees and expenses are exclusive of and in addition

to any investment management fees we may charge you.

William Blair employees, acting in their role as registered representatives with an affiliated broker/dealer may receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. This practice may constitute a conflict of interest for William Blair or the employee in that it may give them 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.

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

- Our IM division maintains a Code of Ethics, which reinforces our fiduciary duty to clients, and conduct periodic training on our Code;
- We have written policies and procedures that clearly prescribe processes for employees when recommending investments for our clients;
- We utilize technological tools to help monitor portfolio activities;
- We review clients' portfolios to ensure investments are consistent with clients' investment guidelines and restrictions;
- We typically solicit client consent to invest in William Blair Funds for their investment advisory accounts;
- In cases where we purchase William Blair Funds in clients' investment advisory accounts, we do generally 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 its employees to engage in personal securities transactions, our employees may buy or sell securities that we have recommended to clients for their own personal accounts in a manner that is inconsistent with our

recommendations to clients. As an example, an employee may buy a particular security that we recently have sold for clients. This may create a conflict because employees could be motivated to favor their own investment interests over clients' interests. To help manage these conflicts, we rely on various compliance controls including the following:

- Our IM division maintains a Code of Ethics, which reinforces our fiduciary duty to clients;
- We require pre-clearance and reporting of most all personal transactions in covered securities for IM employees;
- In cases where we are purchasing or selling securities for clients' accounts, we routinely prohibit employees from transacting in the same securities for their own accounts until trades are completed for all client accounts;
- We monitor IM 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 IM employees to deter short-term or frequent trading.

Same Securities Investments for William Blair Related Accounts

Although William Blair does not typically maintain and manage firm accounts (proprietary accounts), we may occasionally establish a proprietary account (typically for purposes of seeding a new investment strategy). Managing these sorts of accounts can create a conflict with other investment advisory accounts as our portfolio managers may be incented to focus extra attention on or allocate select investment opportunities to these accounts. To manage these conflicts, we have implemented various compliance controls, including the following:

- Our Chief Compliance Officer must approve each proprietary account before opening;
- We require that trades for proprietary accounts be executed after the completion of trades involving the same securities for unrelated accounts (consistent with our

practice for trades in employee-related accounts); and

- We typically do not compensate our portfolio managers based on individual account performance, which provides no additional incentive to focus excessively on any single account.

Review of Accounts

Financial Advisors routinely review clients' accounts for appropriateness and relative value of investments. The Financial Advisors participate in routine meetings to discuss current developments and relative merits of particular investments. Holdings for each account are valued in our portfolio accounting system. The Manager of the PCA division (or his or her delegate) and/or Compliance also periodically review purchases and sales in clients' portfolios.

Clients receive broker confirmations for transactions or instead may opt for monthly transaction statements. William Blair also provides quarterly statements that detail portfolio holdings and appraisals. Performance reports may be furnished at least annually or upon request.

Client Referrals and Other Compensation

As described in Item 14 of William Blair's Form ADV Part 2A, William Blair may enter into agreements whereby we compensate eligible third parties for referring client business to our firm. Registered representatives associated with William Blair who refer clients to our Wrap Fee Programs receive a portion of the fee and commission charged by us. These arrangements do not increase the client's fees.

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. 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.

William Blair also may receive fees from certain investment companies (mutual funds) under Rule 12b-1 under the Investment Company Act of 1940 with respect to investment company shares acquired for clients' portfolios. William Blair employees, acting in their role as registered representatives with an affiliated broker/dealer may receive compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds. This practice may constitute a conflict of interest for William Blair or the employee in that it may give them 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. William Blair's Compliance Department monitors such fees, which are periodically reported to Senior Management.

Financial Information

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 may obtain a copy of our most recent financial statement on our website at www.williamblair.com under *Statement of Financial Condition*.