

FINANCIAL PLANNING DISCLOSURE BROCHURE

This brochure provides clients with information about the qualifications and business practices of J.J.B. Hilliard, W.L. Lyons, LLC (“Hilliard Lyons”) and the financial planning services it provides to clients. If you have any questions about the contents of this brochure, please contact us at 502-588-8400. 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 Hilliard Lyons is also available on the SEC’s website at www.adviserinfo.sec.gov.



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Material Changes

Since J.J.B. Hilliard, W.L. Lyons, LLC prepared its annual amendment, dated December 1, 2011, for the fiscal year ended September 30, 2011, one material change has occurred. Hilliard Lyons signed an Admission, Waiver and Consent on November 2, 2012, without admitting or denying that it violated Municipal Securities Rulemaking Board Rules applicable to the firm's pricing of municipal securities transactions during the period of October 1, 2008 through December 31, 2008. The firm was censured, fined \$35,000 and ordered to provide restitution to clients in the amount of \$23,874.



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ADVISORY BUSINESS

This brochure describes the financial planning services offered by J.J.B. Hilliard, W.L. Lyons, LLC (“Hilliard Lyons”).

Description of Hilliard Lyons

Hilliard Lyons is a limited liability company which has been engaged, through its predecessors, in the general securities brokerage business since 1854. Hilliard Lyons was founded in Louisville, Kentucky and its corporate office remains in Louisville. It is registered with the Securities and Exchange Commission both as an investment adviser and broker dealer. It buys and sells, both as agent and as principal, many types of securities including corporate stocks and bonds, options, municipal bonds, and U.S. Government and agency obligations. Through its corporate finance department, Hilliard Lyons assists companies in raising capital through public offerings of debt and equity issues and provides advice on mergers and acquisitions.

In 1998, Hilliard Lyons was acquired by PNC Financial Services Group, Inc. (“PNC”). In 2008, ownership of Hilliard Lyons changed hands and Hilliard Lyons, along with its affiliate, Hilliard Lyons Trust Company, LLC (“HLTC”) were acquired by HL Financial Services, LLC (“HL Financial Services”). HL Financial Services is owned by Houchens Industries, Inc. (“Houchens”) of Bowling Green, Kentucky, employees of Hilliard Lyons, employees of HLTC, and a limited number of outside investors. Houchens is a diversified, employee-owned company that has been in business since 1917. HLTC is a Kentucky State chartered trust company, providing asset management, trust administration, and estate planning services for clients and institutions.

In addition to Financial Planning, Hilliard Lyons offers multiple advisory services including the following wrap fee programs: Custom Portfolio Management (account managed by HLTC), Integrated Portfolio Solutions (unified managed account and separate account management), Portfolio Advisor (non-discretionary portfolio management), Private Account Management (discretionary portfolio management), Separate Portfolio Strategies (outside manager), and Strategic Fund Solutions (mutual fund asset allocation). A “wrap fee program” means that Hilliard Lyons provides investment advice, trading and custody for client securities for a single asset based fee. Hilliard Lyons receives all or a portion of the wrap fee depending on the individual service. Hilliard Lyons tailors its advisory services to clients’ individual needs (see “Financial Planning Services” below).

Separate brochures describe these other investment advisory services offered by Hilliard Lyons. If you would like to request a brochure for another Hilliard Lyons investment advisory service, please contact your financial consultant or (502) 588-8181, (800) 444-1854 ext. 8181. Copies are also available at www.sec.gov.

As of September 30, 2012, Hilliard Lyons had \$4,655,957,770 in assets under management, \$2,985,541,332 of which were managed on a discretionary basis and \$1,670,416,438 of which were managed on a non-discretionary basis. Hilliard Lyons is dually registered as a broker dealer and investment adviser. As of September 30, 2012, Hilliard Lyons had in excess of \$30 billion of brokerage assets.

Financial Planning Services

Hilliard Lyons financial consultants provide financial planning services to clients. In providing these services, your financial consultant may review your investment statements, tax returns and insurance



policies. On the basis of the information you provide, your financial consultant will provide you with a plan for achieving your objectives and will offer to assist you in implementing the plan.

Hilliard Lyons does not offer legal or tax advice. You should consult your attorney and accountant for the legal and tax implications of any recommendations in the plan.

A Comprehensive Financial Plan consists of a full review of the client's financial situation, which may include an analysis of cash management, asset allocation/investment, retirement, education, survivorship, disability, long term care, estate planning, and other financial situations that may pertain to the client's specific situation.

Clients can also receive advice on a more limited basis. This may include advice on an isolated area of concern such as retirement planning, estate planning, education planning, and insurance analysis. A Retirement Plan provides the client with a forecast of the client's finances at retirement as well as advice on how to meet the client's retirement goals. The advice provided to the client may also include alternative options for funding the client's retirement and options for early retirement.

An Estate Plan produces various reports depicting the value of the client's current estate based upon the client's assets. Clients are encouraged to discuss these reports with an estate planning attorney who may be able to minimize estate taxation and ensure the correct transfer of assets to the eventual heirs of the estate.

An Education Plan provides the client with an approximation of the costs of sending a child to college, or some other form of post-secondary education, along with a financial plan of how to meet those costs. Hilliard Lyons prepares a forecast for the client, which includes an approximation of how much the client will need to save on a continual basis or in a lump sum amount in order to adequately fund their goal.

An Insurance Analysis provides the client with a plan in the event that the client pre-deceases those who are financially dependent upon the client. A forecast is prepared by Hilliard Lyons to ensure that adequate funds are available to meet the client's financial goals. The plan will provide recommendations for funding any remaining shortfalls.

Depending on the nature of the recommendations in the plan, and whether you decide to accept all or some of the recommendations, you may enter into additional agreements for the provision of brokerage or advisory services or the purchase of insurance. Hilliard Lyons offers both brokerage and advisory accounts. Different rules govern advisory and brokerage accounts. While the preparation of the plan is considered an advisory service, whether our relationship with you is advisory or brokerage with respect to your investment accounts depends on what type of services, if any, you contract for going forward.

There is no obligation to act upon any recommendation contained in the plan or to use Hilliard Lyons products to implement the plan.

FEES AND COMPENSATION

The fee for preparation of a financial plan is negotiated between the client and the financial consultant and depends upon the complexity of the plan, the client's net worth and the amount of time required to formulate the plan. Complex plans will result in higher fees. Typically, a client with a large net worth will have a more complex plan.



Hilliard Lyons financial consultants may offer their clients discounts from the fees or may waive the fee entirely.

Any fee for preparation of the plan will be invoiced to the client after the client has been presented with the plan. For Comprehensive Plans, the fees generally range between \$500 and \$3,000. For Retirement Plans, the fees generally range between \$100 and \$1,000. For Estate Plans, the fees generally range between \$100 and \$1,000.

Any fees, commissions, mark-ups or other charges involved in the implementation of the financial plan are in addition to the fee paid for the preparation of the plan.

Because Hilliard Lyons is a full service broker/dealer it may, with your authorization, effect transactions for you in furtherance of your financial plan. In doing so, you may pay Hilliard Lyons commissions or fees in addition to the fee you pay for preparing the plan. If you own or purchase mutual funds, Hilliard Lyons may receive fees and commissions including 12b-1 subadministration fees and/or omnibus and networking fees and revenue sharing fees. In addition, Hilliard Lyons receives commissions from the sale of insurance. Your financial consultant receives a portion of these fees and commissions. Because your financial consultant may receive commissions or fees in connection with the implementation of the plan, the financial consultant may have a financial incentive to recommend certain products and services.

You may purchase the investment products recommended through brokers or other agents not affiliated with Hilliard Lyons.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Hilliard Lyons does not charge performance fees.

TYPES OF CLIENTS

Financial planning is available to individual clients at all wealth levels. Hilliard Lyons offers other advisory services to a broad range of client types.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Upon obtaining all of the necessary information from the client, Hilliard Lyons uses financial planning software in devising a plan for the client. The results in the plan are hypothetical and actual results may vary significantly from projections. Plans use assumed rates of return and inflation, as well as making assumptions regarding life expectancy. If you apply different assumptions, projections may vary materially. If you wish to apply more (or less conservative) assumptions, Hilliard Lyons can model different scenarios. No one can predict with any certainty how the market will perform over given time periods.

DISCIPLINARY INFORMATION

Rule 206(4)-4 of the Investment Advisers Act, requires advisers, among other disclosure obligations, to notify their clients of certain disciplinary information, including fines by self-regulatory organizations. As a broker dealer, over the last ten years, Hilliard Lyons has been subject to the following fines, as described in more detail in Part I of its Form ADV, available on www.sec.gov: (i) on March 7, 2003, Hilliard Lyons entered into an Acceptance, Waiver and Consent (“AWC”) with the National Association of Securities



Dealers (“NASD”) for failing to display immediately customer limit orders in Nasdaq securities in its public quotation resulting in a \$5,000 fine; (ii) on March 26, 2004, Hilliard Lyons entered into an AWC with the NASD related to a violation of NASD rules applicable to order audit trail systems (“OATS”) for the period between January 1, 2002 and March 31, 2002, resulting in a \$10,000 fine; (iii) on November 30, 2004, Hilliard Lyons entered into an AWC with the NASD related to the failure to timely file certain amendments to Forms U-4 and U-5 (broker registration documentation), resulting in a \$125,000 fine and was required to conduct internal audits to monitor disclosure reporting; (iv) on June 11, 2007, Hilliard Lyons entered into a Stipulation of Facts and Consent to Penalty with the NYSE in connection with three private placement transactions conducted by Hilliard Lyons in 2000 and 2001 resulting in sanctions of a censure, a fine of \$1,000,000, an undertaking to make restitution to customers in an amount not to exceed \$3,575,108, and an undertaking to notify the NYSE and certify that supervisory systems, controls and policies/procedures are in place before acting as lead underwriter or placement agent in certain transactions exempt from registration under the federal securities laws; (v) on February 17, 2009, Hilliard Lyons entered into an AWC with the Financial Industry Regulatory Authority (“FINRA”) in connection with the purchase and sale of corporate bonds to customers and failure to sell or buy such bonds at a fair price taking into consideration all relevant circumstances resulting in a censure, a fine of \$25,000, and an undertaking to make restitution to customers of \$5,987, plus interest; (vi) on March 24, 2009, Hilliard Lyons entered into an AWC with FINRA relating to the breakpoint self-assessment follow-up review conducted by Hilliard Lyons. FINRA found that the firm failed to accurately complete the self-assessment of breakpoint compliance required by FINRA of certain member firms that sold front-end load mutual funds. FINRA found that firm's self-assessment underreported the number of transactions with missed breakpoints. Had the firm accurately completed its self-assessment, FINRA would have directed the firm to undertake additional remedial steps. Without admitting or denying the findings, Hilliard Lyons consented to the described sanctions and to the entry of findings; therefore, Hilliard Lyons was censured and fined \$500,000; (vii) on November 16, 2009, Hilliard Lyons entered into an AWC with FINRA. FINRA found that Hilliard Lyons had inadequate procedures related to its receipt of funds from customers of its affiliated introducing broker. FINRA found that \$133,616.65 of customer deposits were never properly identified and credited to the appropriate customer account. The unidentified check deposits affected the firm's books and records, financial records, and month-end customer statements. In addition, FINRA also made findings with respect to inadequate procedures and failure to perform inter-company reconciliations, failure to record applicable net capital charges, failure to conduct supervisory reviews of certain reconciliations and accounts, inadequate supervision of its research analysts and the adequacy of research disclosures. Without admitting or denying the findings, Hilliard Lyons consented to the described sanctions and was censured, fined \$200,000 and required to place \$133,817 into a segregated interest bearing account for five years to reimburse any customers who can reasonably demonstrate that they made deposits which the firm did not credit to their account; (viii) on August 27, 2010, Hilliard Lyons entered into a AWC with FINRA related to a violation of FINRA rules applicable to OATS for the period between August 1, 2006 and June 30, 2007, resulting in a censure and a \$7,500 fine; (ix) on January 14, 2011, Hilliard Lyons entered into a Settlement Stipulation with the State of Florida Department of Financial Services pursuant to which Hilliard Lyons was placed on two year probation with respect to its insurance agency license and a \$15,000 fine based on prior administrative actions reported; (x) effective March 2, 2011, Hilliard Lyons entered into a Stipulation with the State of New York Insurance Department relating to the provision of incorrect information in connection with a renewal of its application for an insurance license and was fined \$24,500 and (xi) as of May 17, 2011, the State of Indiana fined Hilliard Lyons \$79,500 for failing to train fully its employees regarding auction rate securities. In addition, Hilliard Lyons agreed to reimburse the state \$7,500 for investigation costs and to use best efforts to make no net costs loan to eligible investors and repurchase applicable auction rate securities by March 31, 2014, if not already redeemed, with such securities valued at \$175,000 as of May 17, 2011 and (xii) on July 28, 2011, Hilliard Lyons entered into an Admission, Waiver, and Consent with FINRA related to a violation of Regulation SHO 203 & 204 related to short sales, resulting in a censure and a \$30,000 fine and (xiii) on November 2, 2012, Hilliard Lyons signed an Admission, Waiver and Consent, without admitting or



denying that it violated Municipal Securities Rulemaking Board Rules applicable to the firm's pricing of municipal securities transactions during the period of October 1, 2008 through December 31, 2008. The firm was censured, fined \$35,000 and ordered to provide restitution to clients in the amount of \$23,874.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Hilliard Lyons is dually registered as an investment advisor and broker dealer. Hilliard Lyons holds an insurance license in multiple states.

Hilliard Lyons is owned by HL Financial Services, LLC which also owns Hilliard Lyons Trust Company, a Kentucky state chartered trust company. HL Financial Services, LLC is owned by Houchens Industries, employees of Hilliard Lyons and Hilliard Lyons Trust Company and a limited number of outside investors.

Hilliard Lyons is the administrator for the DNP Select Income Fund, DTF Tax-Free Income Inc., and Duff & Phelps Utility and Corporate Bond Trust Inc.

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

Hilliard Lyons is committed to serving the best interests of its clients. To this end, we have adopted a Code of Ethics under Rule 204A-1 of the Advisers Act. The Code of Ethics consists of certain general principles including that (1) advisory personnel must place client interests before their own, (ii) the personal securities transactions of Hilliard Lyons personnel must avoid even the appearance of a conflict with client interests and (iii) Hilliard Lyons personnel must avoid actions or activities that allow, or appear to allow, them to profit or benefit from their position with respect to clients, or that would otherwise bring into question their independence or judgment. In addition, the Code of Ethics requires employees to report their personal securities transactions and holdings. A copy of the Code of Ethics will be provided to any client or prospective client upon request.

Financial consultants may trade for their own accounts, including the same securities that are being traded in client accounts. Hilliard Lyons monitors activity in its employees' personal accounts to detect potential abuses.

Because Hilliard Lyons is a full service broker/dealer it may, with your authorization, effect transactions for you in furtherance of your financial plan. In doing so, you may pay Hilliard Lyons fees, commissions, markups or other charges in addition to the fee you pay for preparing the plan. If you own or purchase mutual funds, Hilliard Lyons may receive fees and commissions including 12b-1 subadministration fees and/or omnibus and networking fees and revenue sharing fees. In addition, Hilliard Lyons receives commissions from the sale of insurance. Your financial consultant receives a portion of these fees and commissions. Because your financial consultant may receive commissions or fees in connection with the implementation of the plan, the financial consultant may have a financial incentive to recommend certain products and services.

You may purchase the investment products recommended through brokers or other agents not affiliated with Hilliard Lyons.



BROKERAGE PRACTICES

Brokerage commissions do not apply to financial planning clients unless services continue beyond the financial plan. The client may choose to enter into additional agreements for the provision of brokerage or advisory services or the purchase of insurance.

REVIEW OF ACCOUNTS

The financial planning engagement terminates on the delivery of the plan to the client. If later review is needed, a new engagement letter is required. In the absence of a new engagement letter, there is no on-going review of the financial plan.

CLIENT REFERRALS AND OTHER COMPENSATION

From time to time, Hilliard Lyons enters into referral fee arrangements with banks, and/or other entities or persons, pursuant to which the referring partner receives a fee for referring business to Hilliard Lyons. Hilliard Lyons does not add a fee differential to compensate for any referral fee payments. Referral partners should provide a Disclosure Document pursuant to Rule 206(4)-3(b) of the Investment Advisers Act. If you have any questions regarding whether a referral payment is being made, please consult your Hilliard Lyons financial consultant.

Hilliard Lyons may receive fees from The Bancorp Bank for referring clients to The Bancorp Bank. Hilliard Lyons may receive fees from a registered investment advisor whom Hilliard Lyons utilizes as a due diligence provider for referring potential clients to that adviser.

Hilliard Lyons has participated and may participate as a manager, co-manager or selling group member for closed end fund families. Funds from those families may be selected for advisory accounts.

Hilliard Lyons may receive payments on option orders by the market centers to which the orders are routed.

CUSTODY

Custody of client funds or securities is not applicable to financial planning clients, unless services continue beyond the financial plan. The client may choose to enter into additional agreements for the provision of brokerage or advisory services or the purchase of insurance.

INVESTMENT DISCRETION

Hilliard Lyons does not accept any discretion with respect to the implementation of the financial plan. You decide if you want to accept the recommendations. You may, if you choose, enter into additional agreements for the provision of brokerage or advisory services or the purchase of insurance.



VOTING CLIENT SECURITIES

Voting client securities is not applicable to financial planning clients, unless services continue beyond the financial plan. The client may choose to enter into additional agreements for the provision of brokerage or advisory services or the purchase of insurance.

FINANCIAL INFORMATION

Financial information regarding Hilliard Lyons can be found on www.hilliard.com.

Hilliard Lyons does not require or solicit prepayment of advisory fees six months or more in advance. Hilliard Lyons does not have any financial condition that it believes could impair its ability to meet its contractual commitments to its clients.

