

Part 2A of Form ADV: *Firm Brochure*



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11/30/2012

This brochure provides information about the qualifications and business practices of Bahl and Gaynor, Inc. If you have any questions about the contents of this brochure, please contact us at 513-287-6100 or info@bahl-gaynor.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Bahl and Gaynor, Inc is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with the information about which you determine to hire or retain an Adviser.

Additional information about Bahl and Gaynor, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 106139.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 3/22/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

Currently, our Brochure may be requested by contacting Bahl and Gaynor at 513-287-6100 or info@bahl-gaynor.com.

Material Changes

* Chief Compliance Officer:

Bahl and Gaynor's Chief Compliance Officer is now Tita A. Rogers.

* CPA Minimum Requirements (Updated)

"CERTIFIED PUBLIC ACCOUNTANT (CPA) CPAs are licensed and regulated by their state boards of accountancy. While state laws and regulations vary, the education, experience and testing requirements for licensure as a CPA generally include minimum college education (typically 150 credit hours with at least a baccalaureate degree and a concentration in accounting), minimum experience levels (most states require at least one year of experience providing services that involve the use of accounting, attest, compilation, management advisory, financial advisory, tax or consulting skills, all of which must be achieved under the supervision of or verification by a CPA), and successful passage of the Uniform CPA Examination. In order to maintain a CPA license, states generally require the completion of 40 hours of continuing professional education (CPE) each year (or 80 hours over a two year period or 120 hours over a three year period). Additionally, all American Institute of Certified Public Accountants (AICPA) members are required to follow a rigorous Code of Professional Conduct which requires that they act with integrity, objectivity, due care, competence, fully disclose any conflicts of interest (and obtain client consent if a conflict exists), maintain client confidentiality, disclose to the client any commission or referral fees, and serve the public interest when providing financial services. The vast majority of state boards of accountancy have adopted the AICPA's Code of Professional Conduct within their state accountancy laws or have created their own."

* Management Services

B&G is a Sub-Advisor of a mutual fund, AAM/Bahl & Gaynor Income Growth Fund.

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Item 4 Advisory Business

Bahl and Gaynor, Inc. ("B&G") is a SEC-registered investment adviser with its principal place of business located in Ohio. B&G began conducting business in 1990.

Listed below are the firm's principal shareholders:

William F. Bahl, Chairman of the Board/President
Vere W. Gaynor, Chairman of the Board/President
Edward E. Dohrmann, Vice President
Charles A. Pettengill, Vice President
Eleanor K. Moffat, Vice President
Scott D. Rodes, Vice President
Matthew D. McCormick, Vice President
Lori A. Hudson, Vice President
John B. Schmitz, Vice President
George G. Strietmann, Vice President
Edward A. Woods, Vice President
Ellis D. Hummel, Vice President
Glenn D. Warden, Vice President, Chief Information Officer

B&G offers the following advisory services to our clients:

4. a. Management Services

Bahl and Gaynor provides portfolio management investment advisory services for individual and institutional clients.

Meetings and discussions with clients help determine an appropriate asset allocation and portfolio strategy. The portfolio may be managed uniquely for that client or it may be determined that a model portfolio better suits the clients' objectives.

If an account is invested in a particular model the goals and objectives of the model are followed. The client still has the ability to place certain restrictions on the securities chosen. The client retains individual ownership of the securities. The following equity models are currently managed at B&G:

Quality Growth – High quality, dividend growth

Income Growth – High quality, dividend growth with a focus on higher current income

Mid Cap Growth – High quality, middle capitalization, dividend growth

Small Growth - High quality, small capitalization, dividend growth

Smid Cap Growth - High quality, middle to small capitalization, dividend growth

Global Dividend Growth – High quality, dividend growth, focusing on U.S. and International companies that have 50% or more of their revenues from outside of the United States

These model portfolios are also available to clients of some other investment advisory firms through Separately Managed Accounts (SMA) programs. In this instance B&G does not work directly with the individual client to determine if the model portfolio meets that client's investment objectives or risks.

B&G may also provide financial planning, which is an evaluation of a client's financial state using currently known variables to predict future cash flows and asset values. We gather information through an in-depth personal interview and a questionnaire completed by the client. Information includes the client's current financial status, tax status, future goals, return objectives and attitudes towards risk. We then review these documents, conduct analysis and present our findings to the client.

B&G is a Sub-Advisor of a mutual fund, AAM/Bahl & Gaynor Income Growth Fund. The Fund's investment advisor, Advisors Asset Management, Inc., 18925 Base Camp Road, Monument, Colorado 80123, is registered as an investment adviser with the SEC. As the Fund's investment advisor, AAM provides investment advisory services to the Fund, including: (i) the selection, oversight, termination and replacement of sub advisors; (ii) ensuring quality control of the sub-advisor's investment process; and (iii) monitoring and measuring the Fund's risk and return against appropriate benchmarks and peers. For providing services to the Fund, the Advisor receives an annual advisory fee equal to 0.80% of average daily net assets of the Fund. The Advisor pays a portion of its advisory fee to the Sub-advisor. The Fund's SAI provides additional information about the fees paid to the Advisor and Sub-advisor. B&G is responsible for the day-to-day management of the Fund's portfolio, selection of the Fund's portfolio investments and supervision of its portfolio transactions subject to the general oversight of the Board and the Advisor.

You can obtain information regarding the fund by calling the Fund (toll-free) at 1-888-966-9661 or by writing to, AAM/Bahl & Gaynor Fund, c/o UMB Fund Services, Inc., P.O. Box 2175, Milwaukee, WI 53201.

B&G has a unique investment strategy, see Item 8, but individual client portfolios may be very different due to the unique circumstances of each client. **All investments contain some level of risk.** Upon client request and a further review of objectives and risk tolerances, we may also invest in other investment vehicles. These include option contracts, real estate, limited partnerships, exchange traded funds and private equity.

4. b. Assets Under Management

As of 11/30/2012, we were actively managing \$4,579,159,111.00 of clients' assets on a discretionary basis plus \$254,186,972.00 of clients' assets on a non-discretionary basis, and oversee \$2,731,621,042.00 (11/30/2012) of clients' assets through Separately Managed Accounts (SMA) programs.

Item 5 Fees and Compensation

The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

<u>Assets Under Management</u>
.9% on first \$1 million
.8% on next \$1 million
.7% on next \$2 million
.6% on next \$1 million
.5% on amounts over \$5 million

B&G's minimum account fee is \$7,000.00 which on occasion may be waived or discounted.

A minimum of \$750,000.00 of assets under management is required for this service. This account size may be negotiable under certain circumstances. B&G may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Charitable accounts may qualify for a 15% discount to the standard fee schedule.

All fees will be paid quarterly and in arrears. Clients may authorize B&G to deduct the fee directly from their custodial account otherwise clients pay the fees to B&G directly.

Clients who invest in the AAM/Bahl & Gaynor Income Growth Fund will have that asset excluded from management fees of their account.

Limited Negotiability of Advisory Fees: Although B&G has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fees on a client-by-client basis. The specific annual fee schedule will be identified in the contract between the adviser and each client.

5. a. Pricing of Securities

Securities owned by B&G's clients are priced at least monthly by an independent pricing service. From time to time some securities do not receive a price from the pricing service. It is B&G's policy to obtain the most accurate price for these excepted securities. It is possible that the value of these securities may be overstated or understated at the month end valuation. B&G takes considerable care to provide as accurate a price as possible. This process presents a possible conflict of interest in that a higher valuation for a security would result in a higher fee.

5. b. General Information

Termination of the Advisory Relationship: Clients may terminate their relationship with B&G at any time and no refund will be necessary since payment is made only for services already rendered and no prepayment has occurred.

Mutual Fund Fees: Client portfolios may, from time to time, be invested, in part, in mutual funds/index funds/exchange traded funds. Mutual funds/index funds/exchanged traded funds pay advisory fees to their investment advisers, which reduces the assets of the fund accordingly. B&G's clients are billed an advisory fee set forth in the advisory agreement and clients investing in mutual funds/index funds/exchanged traded funds may therefore pay two levels of advisory fees with respect to the portion of their portfolio invested in mutual funds/index funds/exchange traded funds.

Wrap Fee Programs and Separately Managed Account Fees: B&G is not a sponsor of a wrap fee program. But some clients of B&G may participate in a wrap fee program sponsored by the custodian. Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the

independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Clients' portfolio transactions may be executed without a commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately.

Additional Fees and Expenses: In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and broker dealers, including, commissions and any other trade related fees. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

Advisory Fees in General: Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Item 6 Performance-Based Fees and Side-By-Side Management

B&G does not charge performance-based fees.

Item 7 Types of Clients

B&G provides advisory services to the following types of clients:

Individuals (other than high net worth individuals)
High net worth individuals
Pension and profit sharing plans (other than plan participants)
Charitable organizations
Corporations or other businesses not listed above
State or municipal government entities
Investment Companies

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

8. a. Methods of Analysis and Investment Strategies

The B&G equity investment strategy is focused on high quality, dividend growth companies. We are long term investors (which we define as 2-5 years) and therefore do not generally have high turnover of the investments in our portfolios. High quality companies generally have consistent earnings growth, low debt levels, pay and grow dividends, and are market leaders.

B&G portfolio managers/analysts (our Investment Committee) screen equities based on these high quality,

fundamental characteristics. We use market conditions and the valuation of the equities to determine which companies best fit our investment philosophy. The Investment Committee decides which stocks to include in the Model Portfolios. Individual accounts are invested by the assigned portfolio manager using individual client goals and objectives.

The B&G fixed income strategy is based on the same high quality investment philosophy. It is our feeling that the bulk of the portfolio risk should be in equities, not bonds. As a result we use very high quality bonds, keeping maturities short to intermediate, 1-10 years. We hold most bonds to maturity. The majority of our bond investments are U.S. Treasuries, A or better rated municipalities and BBB+/Baa1 or better rated companies. Investments outside of these parameters are due to individual client circumstances.

8. b. Risk of Loss

Investing in stocks has risk – markets can experience significant decline and specific stocks can decline due to the company's failure to meet investors' expectations. Bond investing has risks based on interest rate fluctuation and specific credit deterioration or default. Any of the above factors can lead to a loss of value.

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

11. a. Code of Ethics

The Code of Ethics is predicated on the principle that B&G owes a fiduciary duty to its clients. Accordingly, B&G's employees must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients. At all times, B&G must:

- ***Place client interests ahead of B&G's*** – As a fiduciary, B&G must serve in its clients' best interests. In other words, B&G employees may not benefit at the expense of advisory clients. This

concept is particularly relevant when employees are making personal investments in securities traded by advisory clients.

- ***Engage in personal investing that is in full compliance with B&G's Code of Ethics*** – Employees must review and abide by B&G's Personal Securities Transaction and Insider Trading Policies.
- ***Avoid taking advantage of your position*** – Employees must not accept investment opportunities, gifts or other gratuities from individuals seeking to conduct business with B&G, or on behalf of an advisory client.
- ***Maintain full compliance with the Federal Securities Laws*** – Employees must abide by the standards set forth in Rule 204A-1 under the Advisers Act.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to info@bahl-gaynor.com, or by calling us at 513-287-6100.

11. b. Personal Trading

The principals and other employees of B&G are permitted to buy and sell securities for their own account. The Code of Ethics requires employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide B&G with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which the employees have a direct or indirect beneficial interest.

A conflict of interest arises when the securities B&G employees buy or sell are the same securities we are buying, selling or holding for our clients. The employee may receive a better price than a client trading the same security.

B&G has a personal trading policy with which we work to reduce this risk. A "restricted list" of securities is maintained to inform employees of any stock they may not purchase or sell in their own accounts for a period of time, usually one week after it is decided to purchase or sell that stock broadly in client accounts. The compliance staff monitors employee trading against the restricted list through the quarterly transaction reports. Any violations are handled by the Chief Compliance Officer, based on the Code of Ethics.

11. c. Serving as a Board of Director

William Bahl serves on the board of directors of Cincinnati Financial Corp (CINF), a publicly traded company whose common stock is owned by many of B&G's advisory clients and employees. He also serves on the board of directors of LCA Vision Inc. (LCAV), a publicly traded company whose common stock is held by a limited number of B&G's advisory clients and employees.

B&G has adopted the following procedure to address the conflicts of interest associated with William Bahl's dual role as a portfolio manager at B&G and a Director of CINF and LCAV.

If William Bahl is in possession of material nonpublic information regarding CINF or LCAV and communicates such information to B&G, then B&G and its employees would be prohibited from effecting transactions in CINF and/or LCAV, as appropriate. This prohibition would include the execution of transactions by B&G on behalf of its advisory clients.

To avoid creating the situation described above, William Bahl will not participate in any portion of an Investment Committee meeting where CINF or LCAV is discussed. Furthermore, William Bahl is prohibited from participation in any portion of an Investment Committee meeting where securities within the Insurance (Life, Insurance Brokerage, Insurance Multiple-Line and Property & Casualty) sector (as classified by S&P) or when the LCAV security are discussed. The Compliance Officer, along with William Bahl, has responsibility for enforcement of this procedural safeguard.

Item 12 Brokerage Practices

12. a. Best Execution

B&G's principal objective in selecting brokers and placing client trades is to receive the best execution for those client trades. Best execution involves a number of factors, including:

- 1) Price received/paid for the security
- 2) Brokerage cost
- 3) Timeliness of the transaction
- 4) Ability to transact smoothly from order placement to settlement
- 5) Recording keeping
- 6) Custody services provided

B&G has a Best Execution Committee that meets periodically to review brokers. We also contract with an outside provider for quantitative best execution analysis.

Clients that direct brokerage reduce our ability to seek best execution and negotiate commissions. For clients in custody with a broker we have limited ability to negotiate commissions and monitor for best execution. Trading away from a custodian broker will usually result in additional charges to the client.

12. b. Block Trades

Whenever possible we will block clients' trades together to achieve a better transaction price.

Directed broker accounts are not available for blocking and may lose this price and execution advantage. All accounts in the blocks receive the same price for the trade. Partial fills of the block are allocated pro-rata among the accounts.

12. c. Soft Dollars

B&G may use non-directed client commission dollars to receive investment related research and services. This practice is referred to as "Soft Dollars".

This research includes, but may not be limited to, written company and industry reports, economic data, historical charts and graphs, visits from company managements and access to industry conferences hosted by brokerage firms. Investment services include, security information such as price quotes, dividend

information, stock split information, news updates, access to the exchanges, daily, monthly pricing of securities, price charts and graphs and other technical analysis of stocks and bonds.

The use of soft dollars does create a conflict of interest. Only certain trades are used for soft dollars, but all clients may benefit. Though we have negotiated competitive commission rates with all of these brokers, it may result in clients' paying a higher commission than they may receive for trade execution only. It may also result in brokers being favored because they provide the soft dollar benefits. Some of these trades are placed directly with the broker providing the research and some are made through third party brokers that then make the payment to the service provider.

Item 13 Review of Accounts

13. a. Reviews

The underlying securities used in accounts are continually monitored; the individual accounts are reviewed semi-annually by the portfolio management team. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews are done by the portfolio manager based on the client circumstances.

Clients should always compare their custodian reports to the B&G reports to make sure they are consistent.

13. b. Reports

In addition to the monthly or quarterly statements and confirmations of transactions that clients receive from their custodian, B&G will provide quarterly reports. These reports summarize the value of the account. Securities held with the market value of each, the estimated annual income, and the cost basis of each holding, if available. This report is available by mail or online based on the client preference. Individual securities have the following information: number of shares, price, total market value, dividend, estimated annual income and cost basis if available. B&G is not responsible for the accuracy of cost information provided by the client.

Item 14 Client Referrals and Other Compensation

From time to time, B&G may enter into written agreements with unaffiliated third parties ("solicitors") for the provision of marketing services. Such relationships may result in the payment of fees if B&G enter into management agreements with specific clients introduced by those solicitors. Such fees are commonly referred to as "finder's fees" and are typically paid as a percentage of fees received by B&G from the introduced account(s). The payment of such fees does not result in additional cost to the client and will only be paid to qualified persons who have entered into a written agreement with B&G in accordance with Rule 206(4)-3 of the Investment Advisors Act of 1940. In compliance with this Rule, the solicitor will provide the client with written disclosure of its relationship with Applicant, give each potential client a copy of the referral agreement prior to or at the time of entering into any advisory contract, and obtain an acknowledgement of receipt of such disclosure from the prospective client. B&G may also incent internal

persons on new business acquired.

Item 15 Custody

Our firm does not have actual or constructive custody of client accounts.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm can directly debit advisory fees from client custodial accounts if authorized.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients at least quarterly by mail or electronically. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Item 16 Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions.

Some agreements we have contracted with clients are non discretionary in nature. For these accounts the portfolio manager will obtain the approval, either orally or in writing, from the client for investment transactions that the manager recommends.

Item 17 Voting Client Securities

B&G does not vote proxies in-house. It delegates proxy voting responsibility to Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Broadridge receives the proxy voting materials, vote proxies pursuant to detailed policies and procedures on file with B&G, and makes the proxy voting record available to B&G and its clients.

B&G's complete proxy voting policy and procedure, and those of its proxy voting service providers, are

memorialized in writing and are available for client review. In addition B&G complete proxy voting record is available to our clients, and only to our clients. Clients should contact B&G at the phone number on the front of this document if they have any questions or if they would like to review either of these documents.

B&G has also contracted with a third party provider, to file Class Actions "Proof of Claim" forms. For additional information on this service the client should contact their portfolio manager.

Item 18 Financial Information

B&G has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

B&G has not been the subject of a bankruptcy petition at any time during the past ten years.