

D E A R B O R N

P A R T N E R S

Individual Client Brochure/Part 2A of SEC Form ADV

Annual Update--2012

For Dearborn Clients That Are Individuals, Individual Retirement Arrangements (IRAs) and Related Entities

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The date of this annual update of this Individual Client Brochure is March 1, 2012

This brochure (the "Institutional Client Brochure" or "Brochure") provides information about the qualifications and business practices of Dearborn Partners, L.L.C. ("we" or "Dearborn"), with respect to existing and prospective Dearborn clients that are individuals, IRAs, estate planning trusts and related entities.

This Individual Client Brochure is delivered to you pursuant to Rule 204-3 under the Investment Advisers Act of 1940, in connection with our annual update of the Brochure, for 2012. If you have any questions about the Brochure's contents, contact Fred White, our Chief Compliance Officer ("CCO"), at fwhite@dearbornpartners.com or (312) 795-5348.

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or any state securities authority. Additional information about us is available on the SEC's website at www.adviserinfo.sec.gov. Our registration with the SEC as an investment adviser does not imply a certain level of skill or training.

In addition to this Individual Client Brochure, we also maintain an Institutional Client Brochure for our existing and prospective clients that are financial institutions, such as Taft-Hartley and governmental employee benefit plans ("Institutional Clients"). If you have received this Individual Client Brochure but are an existing or prospective Institutional Client, you should ask us to send you the Institutional Client Brochure.

This Individual Client Brochure is necessarily general in nature and qualified in its entirety by any disclosure materials for the Dearborn program in which you are invested or considering for investment, which you should study before investing or making other investment decisions regarding the program. In addition, if you would like more detailed information about any matter addressed in this Brochure, we welcome you to contact your Dearborn Portfolio Manager or our CCO.

Any statements herein that are not historical facts are based on our current expectations, speak only as of the date of this Brochure, and are susceptible to various risks and uncertainties. The actual results of our investment programs may differ materially from results that might be inferred from such forward-looking statements.

Many factors could cause such differences, including dislocations in the markets where we trade, illiquidity and volatility in those markets, changes in interest rates or the general economy, changes in governmental regulations or taxation rates, the availability of investment opportunities, and the degree and nature of our competition. New risks and uncertainties may occur. We cannot predict them or how they may affect our investment programs. We assume no obligation to update any forward-looking statements except as required by federal securities laws.

The information herein is current as of the date hereof. The delivery of this Brochure after that date does not imply that the Brochure is current as of that later date.

Item 2. Material Changes

This Brochure contains various amendments to the previous version of the Brochure (for example, see the Accompanying Document), but we do not consider any of the amendments to be material.

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Item 4. Advisory Business

We are a Chicago-based investment adviser that has provided investment advisory services to clients since 1997. As of January 1, 2012, we managed approximately \$2 billion of client assets, in approximately 500 accounts, predominantly in publicly-traded equity and fixed income securities. Our clients consist mainly of individuals, Taft-Hartley and other retirement plans, foundations, endowments and trusts. We have discretionary investment authority over most of the client accounts we manage.

Our principal owners are George Jameson, Wayne Stevens, Jerome Hickey, Cal Pederson and Jeffrey Simmons.

Our headquarters office is located at 200 W. Madison Street, Suite 1950, Chicago, Illinois 60606. We also have an office at 221 N. LaSalle Street in Chicago.

We tailor our advisory services to the individual needs of our clients, through a general planning and discussion process with the client. Clients generally may impose restrictions on our investing in specific securities or types of securities.

We offer value-based investment strategies through our Third River Capital Management division.

We generally select and engage other investment advisers (the “Sub-Advisors”), independent of us, to manage the portfolios of our institutional clients. We select separate Sub-Advisors for each particular investment strategy. If a Sub-Advisor is or will be managing your portfolio, you should study its Brochure in addition to ours. When we deliver our Brochure to existing or prospective clients whose accounts are or will be Sub-Advised, it is our intention to include with the delivery the Brochure of the Sub-Advisor. If your account is or will be Sub-Advised and you have not received the Sub-Advisor’s Brochure, you should contact our CCO to obtain it.

In the case of Sub-Advised accounts, when our Brochure discusses investment strategies, it generally also refers to the strategy of the Sub-Advisor, unless otherwise specified or the context otherwise requires.

We do not currently engage in business activities other than investment management, nor do we provide financial planning or similar services (other than the general financial advice that investment advisers customarily provide in connection with their investment management services). We provide some of our investment management services through wrap fee programs and receive a portion of the wrap fee for such services.

Item 5. Fees and Compensation

We are compensated for our advisory services from the advisory fees we agree upon with our clients. These fees are generally management (asset-based) fees; we charge flat fees in a few cases. We do not currently charge performance-based fees and do not expect to do so in the future. Our asset-based fees generally range from 0.6%-1.25% of account assets on an annual basis, depending on the strategy and the amount of account assets. We generally reduce the fee on account assets exceeding specified levels.

We charge our advisory fees either by deducting the fees from clients’ account or billing clients for fees incurred. You may select either method. We generally charge our fees quarterly.

We charge our advisory fees in advance in some cases and in arrears in others. You may elect either method. If we charge in advance and you terminate the account before the end of the fee period, you will obtain a refund of the pro-rated portion of the fee.

In addition to paying our advisory fees, you will also pay other customary securities account fees in connection with the maintenance of your account, mainly brokerage commissions, custodial fees, wrap fees if you are a wrap fee client, dealer mark-ups in the case of non-exchange traded securities, and mutual fund fees if your account assets are invested in mutual funds.

For our Controlled Duration Management strategy ("CDM"), fees may be charged on a gross, net or notional market value as agreed between the client and us.

When we engage a Sub-Advisor to serve as your portfolio manager, the Sub-Advisor's fees will be paid solely by us, from the fees you pay us for managing the account. We do not consider this to involve a potential conflict of interest. While we might in theory have an incentive to select a Sub-Advisor based on the fees we can negotiate with them rather than qualitative factors such as the Sub-Advisor's investment experience, we believe there is no potential for a conflict because we follow the standard industry practice of paying the Sub-Advisor 50% of our fees. You will not pay a higher advisory fee as a result of your account being Sub-Advised.

If in the future we manage a pooled investment vehicle, we might enter into agreements with particular investors in the vehicle waiving specified provisions of the vehicle's governing documents, or relating to the payment of advisory fees, without disclosing the fact or substance of such waivers to other investors regarding the transactions.

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

This item is not applicable to us because we do not currently charge performance fees and do not expect to do so.

Item 7. Types of Clients

Our clients are generally individuals, individual retirement accounts, Taft-Hartley and other pension and profit sharing plans, foundations, endowments and trusts. Our requirements for opening and maintaining an account with us generally relate to the nature of the client, the size of the account and the type of investment strategy. There is no specific minimum account size we require, but we typically expect our individual clients to have accounts of at least approximately \$250,000 and our institutional clients to have accounts of at least approximately \$5,000,000. Any minimums we may establish in specific cases will reflect various factors, such as the investment strategy and nature of the client.

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

Methods of Investment Analysis

We mainly use fundamental research in formulating investment advice and managing assets, combined with asset allocation, portfolio diversification and other strategies. We may also use various quantitative or technical methods, either separately or in conjunction with fundamental research, and we may use strategies involving short sales, margining, borrowing or other leverage,

options or other derivatives, and arbitrage. Regardless of the investment methodology, or particular strategy, all securities investing involves the risk of significant loss, which you should be prepared to bear.

Our CDM strategy is an absolute return fixed income program that uses duration management strategies based on a quantitative model.

If you would like more detailed information about the investment analysis methods we use for your account, please contact your Dearborn Portfolio Manager.

Risks of our Investment Strategies

We use various investment strategies and methods of analysis. Each strategy is subject to general investment risks, such as securities market volatility and illiquidity; adverse political or economic events, global developments, developments in a particular industry, changes in interest rates; operational risks; in the case of debt securities, reinvestment risk and credit risk; inaccuracies in company-issued financial statements; and sustained periods of adverse securities market performance. Our CDM strategy is subject to certain of the above risks and also other risks, such as those of trendless government securities markets.

See Appendix A for various risks specific to certain investment strategies.

There may be various unforeseen risks, as noted in our “forward-looking statement” disclosure above.

If you would like more detailed information about the risks of the investment strategy that you are using or propose to use, please contact your Dearborn Portfolio Manager.

Particular Types of Securities

Our strategies do not generally focus on particular types of securities, other than that we typically favor higher-quality, larger-capitalization companies. We generally seek appropriate diversification across various industries.

Item 9. Disciplinary Information

Item 9 requires us to disclose any legal or disciplinary event that is material to a client’s or prospective client’s evaluation of Dearborn’s advisory business or management integrity. We do not believe there are any such events. See the Accompanying Document.

Item 10. Other Financial Industry Activities and Affiliations

We are not registered as a securities broker-dealer.

We are a sub-advisor to Clarity Holdings LLC, an investment manager that is affiliated with employees of our Third River Capital Management division. And as noted above, we recommend and retain various investment managers to serve as Sub-Advisors to various client accounts (generally institutional accounts) for which we are the investment manager. We do not receive compensation, directly or indirectly, from the Sub-Advisors, but rather pay them for their investment management services a portion of the advisory fee we receive from the client.

Our related persons (in general, our members and non-clerical employees, and any person controlling, controlled by or under common control with us) do not currently serve as general partners or managers of investment-related entities, but might do so in the future, and we might solicit our clients to invest in those entities.

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

Code of Ethics

We have a Code of Ethics (the “Code”) that is a guide to the legal and ethical behavior of our personnel. You may obtain a copy of the Code on request to our CCO.

The Code addresses the general responsibilities of our personnel; standards of business conduct; avoidance of conflicts of interest; reporting of personal securities transactions; the reporting of violations of the Code, any other Dearborn policy or applicable law; political contributions; protection of confidential information; maintenance of data security; equal opportunity for our employees; prohibitions on workplace harassment; proper use of our property; recording of conversations; and recordkeeping.

Participation or Interest in Client Transactions

We do not engage in principal transactions with clients—i.e., we do not, as principal, buy securities from or sell securities to client accounts, and our Code prohibits our related persons from doing so.

We or our related persons might recommend to clients that they buy securities in which we have a material financial interest, in that we may act as investment adviser to a commingled investment fund that we or our related persons recommend to clients. We do not consider this to conflict with our clients’ interests, and we would disclose to the client that we receive advisory fees from the fund.

Personal Trading by Related Persons

We do not invest in securities for our own account but we permit our related persons to invest for their accounts; they may buy or sell a security at or about the same time that they (a) recommend you buy or sell the security or (b), pursuant to their discretionary investment authority, buy or sell the security for your account. We believe such investing by our related persons helps align our interests with yours, and we do not believe it creates any conflict with your interests. The securities we recommend to or invest in for clients are highly liquid. We think it extremely unlikely the market price of those securities will be affected by our clients' transactions, or by the aggregation of our related persons' transactions with the clients' transactions. Accordingly, for example, we believe there is no potential for the "front running" of our securities recommendations/transactions for your account by our related persons.

Nevertheless, as a best practice, our Code prohibits our related persons from engaging in any personal securities transaction that may conflict with the interests of our clients, and requires them, when transacting in a security both for a client account and their own account, to execute the client transaction either at the same time as or before their personal transaction. In addition, we require all related persons to provide us with the records of such transactions, and we inspect those records for possible improper trades.

Item 12. Brokerage Practices

In some cases we have authority to determine the executing broker to be used for the accounts we manage, and the brokerage commission rate to be paid. The factors we consider in determining the executing broker to be used are mainly their commission rates, quality and speed of execution, financial condition, and accuracy of reporting. As a result, we might not select the broker with the lowest commission rate. The main factor we consider in determining the reasonableness of the broker's rates is the relationship of those rates to those charged by comparable brokers.

Research Benefits

We receive a minor amount of investment research services from several of the broker-dealers we use. (In 2011, the total value of these services was approximately \$_____.) These services consist of real-time transaction price quotations and investment research publications.

We use these services for virtually all our clients, including those clients whose accounts generate the research benefits. Accordingly, those clients whose brokerage commissions in effect pay for these services might be deemed to be paying for services we use both for them and for other clients. However, we do not believe the clients whose accounts generate the research benefits pay a higher commission rate as a result of our receipt of research services from their brokers. Nevertheless, we might have an incentive to cause client accounts to use those broker-dealers that provides us research benefits, whether or not they provide the most favorable execution. When we receive these research services, we might obtain a minor cost-saving benefit, because we do not have to produce or pay for the services.

Brokerage for Client Referrals

We do not select or recommend brokers based on whether we or a related person receive client referrals from the brokers, but as noted above we do receive investment research benefits from executing brokers we select.

Directed Brokerage

We do not recommend, request or require that you direct us to execute transactions through any specified broker. We do permit you to direct brokerage to specified brokers, but you should understand that this may cause us to be unable to achieve more favorable execution of your securities transactions, and thus may cost you money. For example, by your directing of brokerage, we may be unable to aggregate orders for your account with those of other clients and thereby reduce your transaction costs, or you may receive less favorable prices.

Order Aggregation

We generally aggregate purchase and sale orders for client accounts when we believe such aggregation can result in lower commission rates or more favorable transaction prices.

Item 13. Review of Accounts

We periodically review client accounts. The reviews are conducted by the Managing Director with primary responsibility for the account's management (typically on a weekly basis), and also by our Investment Committee (typically on a quarterly basis), which consists of our Chief Investment Officer and several Managing Directors. The reviews generally focus on the account's compliance with its investment guidelines and any internal guidelines we have established for the account. We also review accounts on other than a periodic basis, as we think warranted by market volatility or other conditions.

We provide regular, written reports to clients, usually on a quarterly basis, of the general performance of their account for the period and the general market conditions for the period.

Item 14. Client Referrals and Other Compensation

We do not currently have any arrangements whereby we, directly or indirectly, receive an economic benefit (such as sales awards or other prizes) from a person who is not a client for our providing investment advice or other advisory services to clients.

We and our related persons do not, directly or currently, compensate any person (other than our own personnel) for referring clients to us, except for industry-standard contracts we have with several independent introduction agents whereby we would compensate them for client referrals. We comply with SEC Rule 206(4)-3 with respect to these arrangements. We would pay the agent a customary portion of the advisory fees we receive from the clients they introduce to us. If you wish

to know whether we paid an agent to introduce your account to us, we will be glad to advise you. Please contact our CCO.

Item 15. Custody

We have “custody” (for purposes of SEC Rule 206) of client funds or securities, in that we deduct our advisory fees directly from some of our client accounts. If you are one of those clients, and your broker-dealer, bank or other qualified custodian sends quarterly or more frequent account statements directly to you, you should carefully review those statements. If you also receive account statements from us, we urge you to compare those statements to the custodian’s account statement.

Item 16. Investment Discretion

We accept discretionary authority to manage securities accounts for our clients, and we have discretionary authorization with respect to client accounts we manage. Before we assume this authority, we enter into either an investment management or similar agreement with the client, or a limited power of attorney, establishing the authority and specifying any limitations on the authority. You may in such documents place limitations on our discretionary authority, such as specific securities or types of securities we are not authorized to purchase for the account.

Item 17. Voting Client Securities

We have, and will accept, authority to vote client securities. Our main voting policy is that we will vote as we deem is in the best interest of our clients, consistent with our duty of care and loyalty to them. We will generally vote for proposals that we believe will maximize the value of the client’s security. The factors we consider will vary according to the security and client, and may include market information, the company’s financial situation, the industry, and the client’s investment guidelines.

If we deem there is a conflict between our interests and those of the client with respect to the voting of a client security, we will generally address the conflict through our Investment Committee, working with the CCO.

By request to our CCO, you may obtain a copy of our voting policies and information about how we voted your securities.

Item 18. Financial Information

We are not aware of any financial condition that would impair our ability to meet our contractual commitments to you.

Item 19. Requirements for State-Registered Advisers

This item is not applicable to us, as we are not registered with any state, pursuant to exemptions from such registration.

Appendix A—Additional Investment Risks

Concentration Risk—The risk that if an Account concentrates its investments in issuers within the same country, state, industry or economic sector, an adverse economic, business or political development may affect the value of the Account's investments more than if its investments were not so concentrated. Also, to the extent an Account invests a larger percentage of its assets in a relatively small number of issuers or concentrates its assets in investments in the same asset class, it may be subject to greater risks than a more diversified account. That is, a change in the value of any single investment held by the Account may affect the overall value of the account more than it would affect an account that holds more investments.

Counterparty Risk—An Account may be exposed to the credit risk of counterparties with which, or the brokers, dealers, custodians and exchanges through which, it deals in connection with the investment of its assets, whether engaged in exchange-traded or off-exchange transactions.

Emerging Markets and Growth Markets Risk—Investing in the securities of governments in emerging markets involves certain considerations not usually associated with investing in securities of developed market companies or countries including, without limitation, political and economic considerations, the potential difficulty of repatriating funds, general social, political and economic instability and adverse diplomatic developments, the small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility, and certain government policies that may restrict an Account's investment opportunities. Further, the economies, industries, securities and currency markets in emerging markets or growth markets may be adversely affected by protectionist trade policies, a slow U.S. economy, regional and global conflicts and terrorism and war, including actions that are contrary to the interests of the U.S.

Investment Style Risk—Different investment styles tend to shift in and out of favor depending upon market and economic conditions and investor sentiment. Accounts may outperform or underperform other accounts that invest in similar asset classes but employ different investment styles. Dearborn may modify or adjust its investment strategies from time to time.

Leverage Risk—If an Account utilizes leverage, the Account will be subject to heightened risk. Leverage may take the form of borrowing funds, trading on margin, derivative instruments that are inherently leveraged, including among others forward contracts, futures contracts, options, swaps (e.g., total return financing swaps and interest rate swaps), repurchase agreements and reverse repurchase agreements, or other forms of direct and indirect borrowings, and other instruments and transactions that are inherently leveraged. Any such leverage, including leverage that takes the form of instruments and transactions that are inherently leveraged, may result in the Account's market value exposure being in excess of the net

asset value of the Account. An Account may not be able to liquidate assets quickly enough to repay its borrowings, which will increase the losses incurred by the Account.

Liquidity Risk—The risk that an Account may make investments that may be illiquid or that are not publicly traded or for which no market is currently available or that may become less liquid in response to market developments or adverse investor perceptions. Additionally, an Account may invest in private funds and generally will not be able to redeem their capital account balances or withdraw their interests, and there will be no active secondary market for the interests.

Management Risk—The risk that a strategy may fail to produce the intended results for an Account.

Market Risk—The value of the instruments in which an Account invests may go up or down in response to the prospects of individual companies, particular industry sectors or governments or general economic conditions.

Non-U.S. Securities Risk—Non-U.S. securities may be subject to risk of loss because of less government regulation, less public information and less economic, political and social stability in the countries of domicile of the issuers of the securities or the jurisdictions in which these securities are traded. Loss may also result from the imposition of exchange controls, confiscations and other government restrictions, or from problems in registration, settlement or custody. In addition, an Account will be subject to the risk that an issuer of the non-U.S. sovereign debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay the principal or interest when due. These risks might be heightened if the Account invests in emerging markets or growth markets.

Volatility Risk—The prices of an Account's investments can be highly volatile. Price movements of assets are influenced by, among other things, interest rates, changing supply and demand relationships, programs and policies of governments, and national and international political and economic events and policies. Accounts may be adversely affected by deteriorations in the financial markets and economic conditions throughout the world, some of which may magnify the risks described herein and have other adverse effects. Deteriorations in economic and financial market conditions, and uncertainty regarding economic markets generally, could result in declines in the market values of potential investments or declines in market values. Such declines could lead to losses and diminished investment opportunities for Accounts, could prevent Accounts from successfully meeting their investment objectives or could require Accounts to dispose of investments at a loss while such unfavorable market conditions prevail.

Equity and Equity-Related Securities and Instruments—Accounts may take long and short positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include those specific to an issuer and to the industry in which the issuer participates. In addition, equity securities

are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future.

Mid Cap and Small Cap Risk—Investments in small capitalization and mid-capitalization companies involve greater risks than investments in larger, more established companies. These securities may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

Credit/Default Risk—An issuer or guarantor of fixed income securities held by an Account (which may have low credit ratings) may default on its obligation to pay interest and repay principal. Additionally, a counterparty to a derivatives investment may fail to perform its contractual obligations.

Interest Rate Risk—When interest rates increase, fixed income securities held by an Account will generally decline in value. Long-term fixed income securities will normally have more price volatility because of this risk than short-term fixed income securities. In addition, depending on the particular mandate, other risks may apply.

Macro Risks—The risk that the value of the instruments in which an Account invests may go up or down in response to events affecting particular industry sectors or governments or general economic conditions. These risks include commodity sector risk, inflation protected securities risk, credit/default risk, interest rate risk, mortgage-backed or asset-backed risk, non-investment grade fixed income securities risk, U.S. government securities risk, and derivatives risk.

Index/Tracking Error Risk—To the extent it is intended that an Account track an index, the Account may not match, and may vary substantially from, that of the index for any period of time. Because an Account that tracks an index is not actively managed, the Account may purchase, hold and sell securities at times when an actively managed fund would not do so. Dearborn does not guarantee that any tracking error targets will be achieved.

Reliance on Third-Party Managers—The success of Sub-Advised Accounts depends upon, among other things, the ability of the third-party managers to develop and successfully implement trading strategies that achieve their investment objectives. While Dearborn will select and monitor the third-party managers, Dearborn relies to a great extent on information provided by the third-party managers and may have limited access to other information regarding the third-party managers' portfolios and operations. There is a risk that a third-party manager may knowingly, negligently or otherwise withhold or misrepresent information, including the presence or effects of any fraudulent or similar activities. Dearborn's proper performance of its monitoring functions would generally not give Dearborn the opportunity to discover such situations prior to the time the third-party manager discloses (or there is public disclosure of) the presence or effects of any fraudulent or similar activities.