



City Securities Corporation

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Part 2A of Form ADV:
Firm Brochure

February 21, 2012

The Investment Advisers Act of 1940 (Advisers Act) requires City Securities Corporation (City or Firm), an investment adviser registered with the United States Securities and Exchange Commission (SEC)¹, to furnish Part 2A of Form ADV (Brochure) to City's investment advisory clients. In this Brochure, the words "we," "us" and "our" refer to City and not to other companies affiliated with City.

This Brochure provides information about our qualifications and business practices. If you have any questions about the contents of this Brochure, please contact Jennifer M. Haas, Senior Vice President and Chief Compliance Officer, at (317) 808-7133 or via e-mail at jhaas@citysecurities.com. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about us is also available at the SEC's website at www.adviserinfo.sec.gov.

¹ Our registration as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

1. Initial filing on December 16, 2011

This Brochure was developed in response to new disclosure requirements adopted by the SEC under the Advisers Act and is substantially different from those versions delivered to you in prior years. As a result, this Brochure should be considered “materially new” although most of the disclosures are similar or identical to those furnished in prior years. New disclosures since our last annual update on 12/17/10 include:

- The elimination of “check-the-box” questions and answers
 - Part 2B of Form ADV or new “Brochure Supplements” that provide information about personnel who provide investment advice to clients
 - City Securities Corporation Insurance Division transitioned to City Securities Insurance, LLC, a separate legal entity now outside of the broker-dealer
2. In future versions of this Brochure, this Item 2 will address only those “material changes” that have been incorporated into the Brochure since the prior update.
3. We may, at any time, update this Brochure and send either a complete copy of the updated Brochure or a summary of any material changes to your attention.

Item 3 – Table of Contents

Item 2 – Material Changes	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation	6
Item 6 – Performance-Based Fees and Side-By-Side Management.....	7
Item 7 – Types of Clients	7
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 – Disciplinary Information	9
Item 10 – Other Financial Industry Activities and Affiliations.....	9
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	10
Item 12 – Brokerage Practices	11
Item 13 – Review of Accounts	11
Item 14 – Client Referrals and Other Compensation.....	11
Item 15 – Custody	12
Item 16 – Investment Discretion	12
Item 17 – Voting Client Securities	12
Item 18 – Financial Information	12
Item 19 – Requirements for State Registered Advisers	12

Item 4 – Advisory Business

Incorporated in 1924, City Securities Corporation is a wholly-owned subsidiary of City Financial Corporation, a holding company. We are a duly registered broker-dealer and investment adviser with nine branch offices located throughout the state of Indiana, including our headquarters in Indianapolis.

We offer our clients a variety of investment advisory products and services through our clearing firm, First Clearing, LLC (clearing firm), an affiliate of Wells Fargo & Company. These products and services are described below and in detail in the Firm's Wrap Fee Program Brochure which will be provided to you, if applicable. Following is a description of advisory services not offered through our clearing firm but which are provided to clients by certain of our Financial Advisors (FAs).

Matthew R. Burnett, Vice President and Financial Advisor

Mr. Burnett acts as a fee-based FA for a single 401(k) plan which involves researching and recommending a variety of mutual funds for the plan. Mr. Burnett will meet periodically with the plan's investment committee to review and discuss the funds offered in the 401(k) plan via the American Funds retirement plan platform. Mr. Burnett will also meet periodically with each plan participant to advise on their specific retirement plan investments, taking into consideration the individual's investment time horizon and risk tolerance.

All client assets managed by Mr. Burnett as part of the above-described service are managed on a nondiscretionary basis. As of December 6, 2011, Mr. Burnett managed \$3,900,000 in 401(k) plan assets.

Brian H. Jacobson, Financial Advisor

Mr. Jacobson, in partnership with Mr. Burnett, offers 401(k) consulting services to individual clients for a fee. He engages in comprehensive discussions with clients pertaining to their investment time horizons, risk tolerance and expectations and then customizes portfolios utilizing these parameters. He utilizes nine different models as follows:

Conservative Growth
Moderate Growth
Long Term (Aggressive) Growth
Conservative Income
Moderate Income
Long Term (Aggressive) Income
Conservative Growth and Income
Moderate Growth and Income
Long Term (Aggressive) Growth and Income

Positions consist of stocks, no load mutual funds or exchange-traded funds (ETFs) and the majority comprise growth or growth and income portfolios. Clients may impose restrictions on investing in certain securities or types of securities.

All client assets managed by Mr. Jacobson as part of the above-described service are managed on a nondiscretionary basis. As of February 12, 2012, Mr. Jacobson managed \$1,200,000 in 401(k) account assets.

Kenneth R. Klabunde, MS, CFP, Vice President and Financial Advisor

Mr. Klabunde offers financial planning and ongoing investment management services to clients. His advisory services are tailored to each client based on their unique set of circumstances and objectives and include:

- Developing financial and investment strategies as outlined in client planning meetings
- Assists in preparing an Investment Policy Statement to provide a framework for investment decisions
- Within the requirements specified in each client's Investment Policy Statement, including any restrictions imposed by client, designing, implementing and managing appropriate investment strategies for each account in the client's portfolio
- Determining appropriate investment vehicles and techniques and providing investment advice

- Selecting portfolio managers if the use of such managers is in the client's best interest
- Supervising and monitoring the performance of each investment portfolio
- Providing specific recommendations for accounts of clients for whom he does not have discretionary authority
- Meeting periodically to review each client's financial situation and suggesting adjustments, strategies and techniques
- Assisting with or performing any administrative functions necessary to properly manage and maintain clients' portfolios
- Providing any other information and assistance needed in connection with the proper management of each client's overall finances

The majority of client assets managed by Mr. Klabunde as part of the above-described service are managed on a discretionary basis. As of December 8, 2011, Mr. Klabunde managed \$51,800,000 in assets on a discretionary basis. As of January 31, 2012, he managed \$5,600,000 in assets on a nondiscretionary basis.

Jack R. Perry, CFP, Financial Advisor

Mr. Perry is a Certified Financial Planner and provides both comprehensive and limited scope financial planning and portfolio advisory services for a fee as described in Item 5 below.

Mr. Perry's financial planning services follow the processes and procedures outlined by the CFP Board's Financial Planning Practice Standards. These Practice Standards include:

- Establishing and defining the client relationship
- Gathering client data
- Analyzing and evaluation the client's financial status
- Developing and presenting the financial planning recommendations
- Implementing the financial plan
- Monitoring

Each financial planning engagement includes, in part, a review of the following areas in varying degrees depending upon the scope of the services to be provided:

- Income statement and cash flow analysis
- Balance sheet
- Risk management/insurance planning
- Investment planning
- Education planning
- Retirement planning
- Estate planning

Mr. Perry conducts extensive data gathering for every financial planning engagement. He considers this initial step the most crucial in the financial planning process. Data gathering includes the client's financial information as well as their personal financial goals. Based on this step of the process, Mr. Perry can build an individually tailored financial plan for each client.

Mr. Perry's portfolio advisory engagements begin with the completion of a Risk Tolerance Questionnaire and review with each client. The review includes such issues as market volatility, cash flow and inflation. Following the review, Mr. Perry drafts an Investment Policy Statement. The client's Investment Policy Statement reflects their individual investment needs and goals and serves as Mr. Perry's guide to managing their portfolio. Mr. Perry advises only on listed securities and investment grade bonds. Furthermore, clients may impose limited restrictions on their investment portfolios.

All client assets managed by Mr. Perry as part of the above-described portfolio advisory service are managed on a nondiscretionary basis. As of December 6, 2011, Mr. Perry managed approximately \$17,600,000 in assets.

Item 5 – Fees and Compensation*Matthew R. Burnett, Vice President and Financial Advisor*

Mr. Burnett charges a negotiable annual fee roughly equivalent to 0.25% of plan assets for the particular 401(k) advisory services described in this Brochure. The fee arrangement is reviewed annually. His client is billed on a quarterly basis and remits fees by check payable to City Securities Corporation. In addition to the quarterly fees charged by Mr. Burnett, 401(k) clients incur internal mutual fund expenses. Advisory fees are assessed in advance at the beginning of each quarter and one quarter of the annual fee is paid at that time. Should a client wish to terminate an advisory contract before the end of a billing period, the client would receive a prorated refund utilizing a daily formula.

Brian H. Jacobson, Financial Advisor

Mr. Jacobson charges an annual fee of 1.00 – 1.25% for 401(k) account advisory services and this fee is negotiable. In computing the fee to be charged, the total dollar value of a client's assets are taken into consideration, including nonadvisory, commission-based assets clients may maintain at the Firm. His clients are billed on a quarterly basis and remit fees by check payable to City Securities Corporation. In addition to the quarterly fees charged by Mr. Jacobson, clients incur trading and/or account fees associated with the self-directed trading platform they utilize for their 401(k) account. Advisory fees are assessed in advance, at the beginning of each quarter. Should a client wish to terminate the advisory contract before the end of a billing period, the client would receive a prorated refund utilizing a daily formula.

Kenneth R. Klabunde, MS, CFP, Vice President and Financial Advisor

Fees for advisory services offered by Mr. Klabunde are paid quarterly in arrears, unless the client's advisory agreement states otherwise, based on the current standard fee schedule or the schedule stated in the client's advisory agreement. The current standard fee schedule is \$2,500.00 for the initial financial planning engagement, payable at the start of the engagement, and an annual percentage of assets under advisement based on the following tiered schedule:

1.50% on the first \$500,000
1.00% on the first \$1 million
0.80% on the next \$1 million
0.60% on assets over \$2 million

Fees are not negotiable but may vary from the standard fee schedule based on the specific services to be provided as described in the client's advisory agreement.

Each quarter, clients are notified by their custodian, or directly by City, of the amount of the fee which is due. The fee is then deducted from available cash in clients' portfolios. Otherwise, clients will receive an invoice for the amount of the fee which is due. In addition to the quarterly fees charged by Mr. Klabunde, clients incur custodian fees, internal mutual fund expenses and other professional fees based on the clients' agreements with their custodian, attorney, CPA and any other service providers. Fees are prorated on a daily basis for any partial quarter Mr. Klabunde works with clients. Any amount due is billed accordingly and any refund due is automatically paid to clients. Furthermore, Mr. Klabunde's clients have the option to purchase investment products he may recommend through other brokers or agents not affiliated with City.

Jack R. Perry, CFP, Financial Advisor

Financial Planning Fees: Mr. Perry charges a non-negotiable \$150.00 per hour for up to ten hours of financial planning advisory services for both comprehensive and limited scope engagements. As necessary, he obtains client authorization to exceed ten hours. If the financial planning engagement results in a portfolio advisory engagement, the financial planning fee is waived and the portfolio advisory fee described below or in the Firm's Wrap Fee Program Brochure under Private Investment Management (PIM) is applied. Each year, clients have the option of continuing the financial planning engagement. If the engagement is extended, clients are charged by the hour for the time required to update their plan and the annual review. Fees for financial planning engagements are billed directly to clients via invoice from City upon delivery of the finished product and are nonrefundable.

Portfolio Advisory Fees: Mr. Perry charges an annual fee of 0.25% for equity only advisory services provided on assets outside of the PIM program (described in detail in the Firm's Wrap Fee Program Brochure). This fee is negotiable and is based on the total dollar value of assets to be managed. His clients are billed on a quarterly basis and remit fees by check payable to City Securities Corporation. Fees for portfolio advisory services offered by Mr. Perry are paid quarterly in arrears. Should a client wish to terminate the advisory contract before the end of a billing period, advisory fees would be prorated utilizing a daily formula and any amount due would be billed to the client.

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

We do not charge performance-based fees. Our advisory fees are only assessed as disclosed in Item 5.

Item 7 – Types of Clients

Matthew R. Burnett, Vice President and Financial Advisor

Mr. Burnett provides the above-referenced advisory services to a single 401(k) plan.

Brian H. Jacobson, Financial Advisor

Mr. Jacobson provides the above-referenced advisory services to individuals who are high net worth investors, some of whom have additional accounts with City.

Kenneth R. Klabunde, MS, CFP, Vice President and Financial Advisor

Mr. Klabunde provides the above-referenced advisory services to individuals, trusts, pension plans, nonprofit organizations, foundations, endowments and corporations. He has a minimum account size of \$500,000 but may accept smaller accounts at his discretion.

Jack R. Perry, CFP, Financial Advisor

Mr. Perry provides the above-referenced advisory services to individuals, trusts and pension plans.

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

Matthew R. Burnett, Vice President and Financial Advisor

Mr. Burnett utilizes Morningstar, Inc., a leading provider of independent investment research, to research funds to recommend to the plan investment committee, formulate investment advice and monitor diversification and performance. Limited material risks are involved in his method of analysis which pertains solely to mutual fund selection and includes analysis of historical performance, investment category, style drift, expense ratio, manager tenure, alpha, beta and standard deviation.

Brian H. Jacobson, Financial Advisor

After initial discussions with clients pertaining to time horizons, risk tolerance and expectations, Mr. Jacobson customizes a portfolio and composes an investment model. The positions are composed of stocks, no load mutual funds or exchange-traded funds and the accounts are usually invested in a growth or growth and income portfolio with longer time horizons. All investments remain within the allocation parameters agreed upon for each client (for example, 70/30, 80/20, etc). Clients are made aware of the material risks of all new recommended purchases. They may also impose restrictions on specific investments.

Kenneth R. Klabunde, MS, CFP, Vice President and Financial Advisor

Mr. Klabunde's methods of analysis and investment strategies are formulated based on principles of asset diversification, risk reduction and fundamental asset class valuation. They are designed to minimize unsystematic risks (risks that can be eliminated through diversification) and to further reduce risk by allocating assets in a way that diversifies systematic risks (risks that cannot be eliminated through diversification/market risk) as much as possible.

Jack R. Perry, CFP, Financial Advisor

Mr. Perry relies on fundamental investment research provided by a number of sources for security selection. Such research includes, but is not limited to, Wells Fargo, Standard & Poor's and Value Line. Using these and various other sources, Mr. Perry establishes a security as a buy, sell or hold. He then provides clients with a summary of the research he has collected and offers a recommendation. Clients always have the final word on any recommendation. A client's particular investment strategy is driven by their Investment Policy Statement and an agreed upon performance benchmark.

Mr. Perry takes great care in limiting the systematic risk of portfolios by keeping within the parameters of the Investment Policy Statement. The portfolio model designed in this process utilizes a tolerance that accounts for 99% of the potential volatility of a given set of market indices. The risk of loss is quantified as closely as possible to a specific loss acceptable to the client. This potential loss is clearly and continuously communicated to every client.

Investment Risks

All investment programs carry the risk of loss and there is no guarantee that any investment strategy will meet its objective. The FAs engaged in the investment approaches discussed in this Brochure consistently take into consideration the risk of loss and discuss these matters with advisory clients. Depending on the types of securities you invest in, you may face some or all of the following investment risks:

- **Business risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Currency risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Derivatives (options) risk:** Options carry a high level of risk and are not suitable for all investors. Option trading can be speculative in nature and carry substantial risk of loss, including the loss of principal. While covered calls generate income, they only provide downside protection to the extent of the premium received and limit upside potential to the strike price plus premium received. Please read the Options Disclosure Document titled, "Characteristics and Risks of Standardized Options" for more detail.
- **Diversification risk:** A portfolio consisting of investments that are concentrated in one or a few industries or sectors may involve more risk than more diversified portfolios, including the potential for greater volatility.
- **Financial risk/leverage:** Excessive borrowing to finance a business' operations increases the risk of loss because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Fixed income risks:** Portfolios that invest in fixed income securities are subject to several general risks, including interest rate risk, credit risk and market risk, which could reduce the yield that an investor receives from his or her portfolio. These risks may occur from fluctuations in interest rates (bond prices move in the opposite direction of interest rates), a change to an issuer's individual situation or industry or events in the financial markets.
- **High yield fixed income securities risk:** Investments in high yielding noninvestment grade bonds involve higher risk than investment grade bonds. Adverse conditions may affect the issuer's ability to make timely interest and principal payments on these securities.

- **Foreign, emerging markets equity and fixed income risk:** Investments in securities of foreign and emerging markets issuers involve different investment risks than those affecting obligations of U.S. issuers. Public information may be limited with respect to foreign and emerging markets issuers. Foreign and emerging markets issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. There may also be less government supervision and regulation of foreign and emerging markets securities exchanges and are less liquid and more volatile than securities of comparable domestic issuers. Brokerage commissions and other transaction costs on foreign and emerging markets securities exchanges are generally higher than in the U.S. Dividends and interest paid by foreign and emerging markets issuers may be subject to withholding and other foreign taxes which may decrease the net return on foreign investments as compared to dividends and interest paid by U.S. companies. Such markets often have different clearance and settlement procedures for securities transactions. Additional risks include future political and economic developments, the possibility that a foreign jurisdiction might impose or change withholding taxes on income payable with respect to foreign and emerging markets securities and the possible adoption of foreign governmental restrictions such as exchange controls. Since the securities purchased in a foreign or emerging markets portfolio can be denominated or quoted in currencies other than the U.S. dollar, changes in foreign currency exchange rates may affect the value of securities in the portfolio.
- **Inflation risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- **Interest rate risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Liquidity risk:** When consistent with a client's investment objectives, guidelines, restrictions and risk tolerances, FAs may invest portions of client portfolios in illiquid securities, subject to applicable investment standards. Investing in an illiquid (difficult to trade) security may restrict its ability to dispose of investments in a timely fashion or at an advantageous price, which may limit the ability to take full advantage of market opportunities.
- **Market risk:** The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Reinvestment risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- **Small/mid cap risk:** Stocks of small or emerging companies may have less liquidity than those of larger, established companies and may be subject to greater price volatility and risk than the overall stock market.

Item 9 – Disciplinary Information

Following a review of City's auction rate securities (ARS) business for the period May 31, 2006 through February 28, 2008, the Financial Industry Regulatory Authority (FINRA) alleged that the Firm used a written publication with clients and prospects which related to ARS but which did not adequately address the risks of investing in the product; that the Firm did not establish and maintain appropriate procedures governing the marketing and sale of ARS; and that the Firm did not provide sufficient training to its FAs on the subject of ARS. City entered into a Letter of Acceptance, Waiver and Consent (#2008015271401) wherein, without admitting or denying the findings, the Firm consented to the proposed sanctions and the imposition of a censure and fine in the amount of \$250,000 (which fine was paid in full on September 15, 2009).

Item 10 – Other Financial Industry Activities and Affiliations

City Financial Corporation (CFC) is the holding company for City. In addition to being a registered investment adviser, City operates as a full-service broker-dealer, serving clients in the areas of public finance, corporate finance, municipal trading and underwriting, taxable fixed income trading, private client and institutional investment services.

CFC's other subsidiaries include City Real Estate Advisors, Inc., (a full service tax credit syndicator specializing in low income housing tax credits that provides equity for affordable housing throughout the United States), City Investment Group (comprises CFC's private investment activity) and City Securities Insurance, LLC. (an independent insurance agency that sells property, casualty, life and health insurance).

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

We have adopted a Code of Ethics (Code) which is based on the principle that we, as an investment adviser, and each of our employees, owe a fiduciary duty to our clients and a duty to comply with federal and state securities laws and applicable regulatory rules. These duties include the obligation of Access Persons (defined below) to conduct their personal securities transactions in a manner that does not interfere with the transactions of any client or otherwise take unfair advantage of their relationships with clients. In recognition of this duty, we implemented the following general principles to guide the actions of Access Persons:

- Access Persons have a duty at all times to place the interests of clients first.
- Access Persons have a duty to conduct all personal securities transactions in a manner consistent with our Code and in such a manner as to avoid any actual or potential conflict or abuse of a position of trust and responsibility.
- Access Persons must refrain from actions or activities that call into question the Access Person's independence or judgment.
- All personal securities transactions by Access Persons must be accomplished so as to avoid even the appearance of a conflict of interests with clients.

These duties extend beyond fiduciary obligations, personal trading and compliance with laws discussed above. A copy of our full Code of Ethics is available upon request without charge by contacting us at the e-mail address on the front cover of this Brochure. For purposes of our Code, Access Persons include our directors and officers; our employees who have access to nonpublic information relating to clients; our employees who are involved in making securities recommendations for clients; and any spouse, minor child or resident in the household of a person named above.

FAs may execute securities transactions in brokerage accounts on behalf of financial planning clients and be paid commissions for such transactions.

We or our employees or related persons may, from time to time, invest in securities our FAs may also recommend to their advisory clients. Neither we nor our FAs sell our personal interests in any investment products directly to clients or acquire personal interests in any investment products directly from clients. We do not restrict our FAs from making investments for themselves or related persons that are consistent with the investment advice rendered to clients.

City occasionally recruits what it believes are skilled and highly productive FAs. It is routine in the investment industry for employers to recruit such individuals and to offer them a forgivable loan as an incentive to join the firm. A forgivable loan results in an immediate payment to the FA in the form of a loan which must either be forgiven or repaid. Terms of such loans vary but are generally for a period of three to seven years. In some cases, if the FA meets certain pre-established production goals, a portion of the loan is forgiven at the conclusion of each year. If the FA meets the production goals over the course of the loan, then the entire loan amount is forgiven. In other cases, the FA may be required to meet a pre-established aggregate production goal at which time the loan is forgiven in full. City occasionally utilizes such forgivable loans. In light of the production goals, there may be an incentive for an FA to engage in conduct that will assist the FA in reaching those goals, even if those actions may not be in the best interests of a client. In addition, in light of City's investment in the FA, the firm may have an incentive to allow the FA greater latitude with respect to the FA's business practices. City believes it has a duty to review and supervise all actions by its FAs, regardless of the existence of a forgivable loan, and makes every effort to assure that all actions are in the best interests of its clients.

The vast majority of Financial Advisors employed by City are dually licensed as both an investment adviser representative and a general securities representative. Depending on the services provided to a client and a variety of other factors, it may be in the best interest of a client to maintain their assets in: (1) a brokerage account which will incur commissions on each transaction or (2) an investment advisory account which will incur an annualized fee based on a percentage of the account

value. A conflict may exist when an investment advisory account with relatively low activity generates greater income to the investment adviser representative than had the assets been maintained in a brokerage account. Conversely, a conflict may exist when a brokerage account with relatively high activity generates greater income to the general securities representative than had the assets been maintained in an investment advisory account. In addition, the portion of fees paid to the investment adviser representative may be greater for investment advisory accounts than the portion of commissions paid to the general securities representative for brokerage accounts.

Each FA associated with City has an ethical duty to deal fairly with clients and to assure that, based on a number of factors, that the account recommended to each client is the account best suited for that client and the client's individual investment needs. Firm management routinely reviews the level of activity in each account and the services provided to each client to further assure that the assets you have entrusted to City are positioned in the type of account that is in your best interests.

Item 12 – Brokerage Practices

Because we are a duly registered broker-dealer and investment adviser, we execute trades on behalf of our advisory clients whose assets are custodied by our clearing firm. In such cases, trading and execution costs are included in the asset-based fee charged to you. In cases where advisory assets are custodied outside of City and our clearing firm (at the client's request or by necessity), you will bear any third party costs and transaction fees, if any, which arise from the use of a broker-dealer other than City. The majority of advisory services discussed in this Brochure entail the use of outside custodians and broker-dealers to execute transactions. As such, we do not have the opportunity to aggregate the purchase or sale of securities for various client accounts and generally do not engage in block trading.

At the present time, we do not engage in soft dollar, brokerage for client referrals or directed brokerage arrangements.

Item 13 – Review of Accounts

In addition to regular reviews conducted by your FA, client activity within the advisory accounts discussed in this Brochure is reviewed on a periodic basis by sales management; specifically, by the Executive Vice President and the Vice President and Branch Manager of the Private Client Group. In cases where advisory assets are custodied outside of City's clearing firm, the nature of the review entails a quarterly assessment of client account statements (or a sampling of client account statements) as provided by the custodian. Activity within accounts for which we custody assets through our clearing firm is reviewed on a more frequent basis via the firm's automated supervisory and surveillance system. Interim reviews may be triggered by, among other things, client request, material changes to your individual circumstances or to a particular security, modification of your goals and objectives, product underperformance, changes in the economy and market conditions.

You will receive account statements directly from us, your custodian and/or, if applicable, your plan provider on a monthly and/or quarterly basis. These written reports include details of your trades, account balances, portfolio performance, dividends, contributions, withdrawals, fees and charges.

Item 14 – Client Referrals and Other Compensation

The FAs who provide the advisory services discussed in this Brochure do not currently engage in any arrangements whereby they compensate individuals for client referrals or receive compensation for providing advisory services to you. On occasion, however, FAs may give gifts of nominal value to individuals for referrals that lead to ongoing client relationships.

We currently have a revenue sharing arrangement with our clearing firm whereby we receive a rebate based on the total value of client assets under management in our clearing firm's money market mutual funds and bank deposit sweep program.

City offers a sales incentive program to its FAs that is based on total revenue, growth in revenue, total investment advisory revenue, length of service, and such other criteria as City may establish from time to time. The relevant participation criteria

are structured to prevent the incentive to favor any one investment product over another, however, may, in some cases, favor investment advisory (fee-based) account production.

Item 15 – Custody

The majority of advisory services discussed in this Brochure entail the use of outside custodians from whom you will receive monthly account statements. You should review these statements carefully. In rare cases, your assets will be custodied by our clearing firm, an independent qualified custodian. Our clearing firm provides account statements directly to clients at their address of record every month there is account activity but not less than quarterly.

Item 16 – Investment Discretion

Of the FAs who provide the advisory services discussed in this Brochure, only Mr. Klabunde accepts discretionary authority from clients. Such authority includes changing managers, adjusting portfolio allocations and other transactions as needed to facilitate serving you. This authority is described in your Investment Policy Statement, advisory agreement and custodian agreement. You may limit this authority in any way by incorporating such limitations into your Investment Policy Statement or advisory agreement.

Item 17 – Voting Client Securities

Of the FAs who provide the advisory services discussed in this Brochure, only Mr. Klabunde has authority to vote your securities. Whenever possible, he receives and handles investment proxies for you and votes such proxies in your best interests. In voting proxies, Mr. Klabunde considers, among other things, those factors that relate to how the vote will economically impact and affect the value of your investment. Proxy votes will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value and maintain or increase the rights of shareholders. Proxy votes will be cast against proposals having the opposite effect. In voting on each and every issue, Mr. Klabunde shall vote in a prudent and diligent fashion and only after a careful evaluation of the issue presented on the ballot. Any conflicts of interest would be voted in your best interests. If you would prefer that proxies be sent directly to you, you can so indicate in your custodian agreement. You may obtain information about how Mr. Klabunde voted your securities by verbal or written request.

In all other cases, you will receive proxies and other solicitations directly from the custodian of your assets. However, you are free to contact your FA directly with questions about particular solicitations.

Item 18 – Financial Information

Of the FAs who provide the advisory services discussed in this Brochure, only Mr. Klabunde accepts discretionary authority from clients; however, his clients' assets are custodied by an outside custodian and he does not require or solicit prepayment of more than \$1,200 in fees per client, six or more months in advance.

Item 19 – Requirements for State Registered Advisers

City is an investment adviser registered with the SEC and not a state-registered adviser.