

**FORM ADV, PART 2A  
APPENDIX 1**

**WRAP FEE PROGRAM BROCHURE  
MUTUAL FUND ADVISORY PORTFOLIO  
CHASE INVESTMENT SERVICES CORP.**

**March 2012**

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This wrap fee brochure provides information about the qualifications and business practices of Chase Investment Services Corp. If you have any questions about the contents of this brochure, please contact us at 800-392-5749. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Chase Investment Services Corp. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

**ITEM 2 – MATERIAL CHANGES**

The following is a summary of the material changes made to this Brochure since the last annual update dated March 2011:

- The Custodian of the Program accounts was changed from National Financial Services LLC to J.P. Morgan Clearing Corporation. See page 3, "Custodian."
- The method of computing the account fee for the Program was revised to provide that effective October 1, 2011, the account fee would be computed and payable quarterly in advance based on the market value of Program account assets on the last business day of the prior quarter. In addition, deposits to and withdrawals from the account in amounts of \$10,000 or more on any single day will result in an adjustment of the Program fee to be based on the market value of the additions to or withdrawals from the Account. See page 3, "Wrap Fee Account."
- Revisions were made in Item 6, beginning on page 5, concerning the selection and evaluation of portfolio managers.
- Item 9.A. on page 7 adds the disclosure of two legal or disciplinary events involving CISC that were resolved in 2011: 1) a settlement of allegations by the Florida Office of Financial Regulation that CISC engaged in the investment advisory business in Florida without three individuals being registered as investment advisory representatives; and 2) a settlement of allegations by FINRA that CISC failed to provide adequate supervisory procedures for the sale of certain unit investment trusts and floating rate funds.
- Item 9.B on page 8 adds disclosure about certain relationships with related persons, J.P. Morgan Clearing Corp. and JPMorgan Chase Bank, N.A.

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## **ITEM 4 – SERVICES, FEES AND COMPENSATION**

### **Description of Firm and Advisory Services**

Chase Investment Services Corp. (“CISC” or the “Firm”) is a wholly-owned subsidiary of JPMorgan Chase &Co. and is registered as a broker dealer with the U.S. Securities and Exchange Commission and is a member of FINRA. CISC’s investment advisory services are limited to sponsoring wrap fee accounts. Currently, CISC sponsors three wrap fee programs:

- **Mutual Fund Advisory Portfolio (“MFAP”):** MFAP provides clients with access to discretionary investment advisory and brokerage services and allocates investment assets among mutual funds and exchange traded funds. MFAP Clients pay an all-inclusive asset-based fee that covers investment management, asset allocation, rebalancing, execution, custody and reporting services.
- **Chase Strategic Portfolio (“CSP”):** CSP is a unified managed account that provides clients with access to discretionary investment advisory and brokerage services and allocates investment assets among mutual funds and exchange traded funds, and at certain asset levels, may include individual securities invested in accordance with models provided by one or more portfolio managers. CSP clients pay an all-inclusive asset based fee that covers investment management, asset allocation, rebalancing, execution custody and reporting services.
- **Portfolio Manager Program (“PMP”):** PMP provides clients with access to investment advisory and brokerage services and recommendations of professional portfolio managers. PMP clients pay an all-inclusive, asset-based fee that covers investment management, execution, custody and reporting services.

This Wrap Fee Brochure provides information about CISC and Mutual Fund Advisory Portfolio (“MFAP” or the “Program”). Information about other wrap fee programs sponsored by CISC is contained in separate Wrap Fee brochures, which can be obtained upon request from CISC.

### **MUTUAL FUND ADVISORY PORTFOLIO**

**Program Description.** In the Program, CISC provides clients with discretionary investment advisory and brokerage services and allocates investment assets among mutual funds and exchange traded funds. The Program offers clients asset allocation models (each a “Model”), which use one or more open end mutual funds and/or exchange traded funds (“ETFs”) (ETFs and open end mutual funds are referred to as “Funds”) to represent each asset class. Except for Models comprised only of ETFs and the 100% Fixed Income Models, each Model consists of Fund choices in a number of asset classes and, depending upon the Model, Clients may choose one or more fund in each asset class. Except for Models comprised only of ETFs and the 100% Fixed Income Models, each asset class in a Model has a specific allocation range, and the client designates the specific asset allocation target desired for each asset class. Models comprised of only ETFs and the 100% Fixed Income Models designate specific ETFs and/or mutual funds in each asset class; Clients do not select among ETFs and/or mutual funds nor among percentages in each asset class. Examples of available asset classes are U.S. Large Cap Value, U.S. Mid-Cap Core, REIT, Developed Non-U.S. Equity, Core Fixed Income and Municipal Fixed Income.

**Client Profile and Account Opening.** Prior to opening a Program account, a CISC investment advisory representative (“IAR”) meets with the Client to create a Client Profile based upon Client’s responses to a questionnaire regarding their financial situation, investment experience, investment objectives, time horizon and risk tolerance. The information is evaluated and incorporated into an Investment Proposal and Investment Policy Statement (“IPS”), which provides a recommended Model. The IAR will discuss with the Client the historic risk and return characteristics of the specific asset class allocations that comprise the Model to ensure that it is an appropriate selection for their specific investment needs and risk tolerance.

Once the Model is selected by the Client, except for Models comprised of only ETFs and the 100% Fixed Income Models, the Client will select the specific Funds in each asset class of Client’s Model and the selected Funds and their percentage allocation will be entered on the IPS. For the Models comprised of only ETFs and the 100% Fixed Income Models, the Funds and allocation percentages are established by CISC and Clients do not select specific Funds nor specify the asset class percentages. The Client also executes a brokerage account agreement and a Client Services Agreement and CISC will open a Program account for the Client and execute the

purchases of the selected Funds. Client may request reasonable restrictions on their Program account, subject to CISC's acceptance. Any restrictions on the management of a Program account may cause the account to perform differently than similar unrestricted accounts.

The Account will purchase shares of mutual funds at net asset value (no-load or load-waived). While open end mutual funds are generally purchased and sold at their net asset value which is computed at the close of each trading day, ETFs trade on securities exchanges at market prices which fluctuate throughout the trading day.

Except for the 100% Fixed Income Models, Clients may change the selected Funds in any asset class and may change the percentage allocation of any asset class within the ranges provided by the applicable Model at any time after the inception of the Account by giving instructions to the IAR.

For important information about each Fund, including investment objectives, risks, charges, and expenses, Clients should read each Fund's prospectus carefully and consider all of the information in it before investing.

**Rebalancing.** Clients may elect on the Client Services Agreement to have their accounts automatically reviewed for rebalancing quarterly, semi-annually or annually. Additionally, CISC will facilitate the rebalancing of a Program account upon Client's direction. CISC employs an independent third party administrator ("Administrator"), to provide Clients with information on the available Fund selections and to deliver and maintain the Models for Program accounts. The Administrator will also handle the account set-up, placement of trades and the rebalancing of Program accounts.

Rebalancing is a process where asset classes that have exceeded their recommended percentage of the original Model are sold and asset classes that are lower than their percentage of the original Model are purchased to return the Account to approximately the original asset class percentages in the Model. To rebalance the account, the Administrator will buy or sell shares of Funds in the Client's account until the account holdings are consistent with the Model the Client designated on the IPS. Over time, the Funds that the Client has selected will appreciate (or depreciate) in value at different rates. Without rebalancing, the change in the percentages of each asset class held will change the level of risk from the risk level that was associated with the original Model. Since rebalancing has tax implications for most Clients, unless the account is in an Individual Retirement Account ("IRA") or other qualified retirement plan, Program accounts will be rebalanced at the scheduled time (i.e., quarterly) only if the percentage variance at the asset class level exceeds a threshold amount that CISC has established as effective for rebalancing to the Model.

**Custodian.** J.P. Morgan Clearing Corp. ("JPMCC"), an SEC registered NYSE member broker-dealer, provides clearing and trade execution services for and serves as the custodian for the Program accounts. JPMCC is a "qualified custodian" as defined in Rule 206(4)-2 under the Investment Advisers Act of 1940 (the "Advisers Act"). JPMCC is an affiliate of CISC.

**Trade Confirmations, Statements and Performance Reporting.** Clients will receive trade confirmations of all transactions but may waive receipt of individual confirmations and instead receive a periodic statement of all transactions that will contain the information required to be in a confirmation. A Client who elects to receive a periodic statement in lieu of individual confirmations may later choose to receive from CISC, at no additional cost, transaction confirmations for any prior transactions effected during the period in which the Client previously elected not to receive separate transaction confirmations. Clients will not pay a different fee based upon this election and may rescind this election at any time upon written notice to CISC. Clients will receive account statements from the custodian of the program at least quarterly (monthly for months when there is activity in their account). Clients will also receive quarterly performance reports from the Administrator. The quarterly performance report contains general market commentary and analysis, charts and graphs detailing the quarterly performance of the account versus relevant industry benchmarks and indices, and the trading activity in the account during the quarter. CISC performs periodic testing of a limited number of randomly selected Program accounts to validate the Administrator's performance calculations.

### **Account Fees**

**General.** Clients pay an annual asset-based account fee for the Program. The standard fee schedule for the Program is set forth below, expressed as an annual percentage. The account fee for Program accounts will be computed and payable quarterly in advance based upon the market value of Program account assets held in the Account on the last business day of the prior quarter or portion thereof. Fees for partial quarters upon the inception or termination of a Program account will be prorated. In addition, deposits to and withdrawals from the account in amounts of \$10,000 or more on any single day will result in an adjustment of the Program fee to be based on the market value of the additions to or withdrawals from the Account. No minimum fee requirement is applied to accounts. Program accounts will be charged the appropriate fee percentage for the account value or for the value of assets in managed accounts they have combined for fee calculation purposes. Unless the Client has elected to pay the account fee from a related CISC managed account, if there are sufficient funds in the money market sweep fund ("MMF") to pay the entire amount, the quarterly fee will be paid out of the MMF within the Program account. If the MMF does not have sufficient funds to pay the fee in its entirety, then shares of the most overweight Fund(s) will be sold to pay the entire fee rather than paying any of the fee from the MMF. If, due to withdrawals, payment of fees, or otherwise, the value of the MMF falls to zero or below, sufficient shares in the Fund that is currently most

overweight in the Model, based on actual dollar value, will be sold to clear the debit and replenish the MMF to its current target amount. If a Program account is terminated during a quarter for which a fee has been paid in advance, CISC will refund a prorated portion of the account fee attributable to the remainder of the quarter. Account fees for Program accounts (except converted accounts described below) are:

#### FEE SCHEDULE

All Models Except 100% Fixed Income	
Eligible Assets	Annual Fee
First \$250,000	1.50%
Next \$250,000	1.15%
Next \$500,000	0.75%
Over \$1,000,000	0.50%
100% FIXED INCOME MODEL FEE SCHEDULE	
Eligible Assets	Annual Fee
First \$250,000	1.15%
Next \$250,000	0.85%
Next \$500,000	0.60%
Over \$1,000,000	0.50%

Accounts converted from other CISC managed account programs may pay different fees. For Program accounts converted from the Private Client Investment Portfolio program ("PCIP") in November 2007, the account fee is computed and payable quarterly in arrears based on the average daily balance of Program account assets held during the preceding quarter.

**Waivers, Reductions and Negotiated Fees.** A reduction in or a complete waiver of the Account fee may be negotiated at the discretion of CISC. Fees may be discounted for employees of CISC or its affiliates. From time to time Program account fees may be increased. CISC will promptly notify the Client whenever a fee increase is made to the Program. The Account fee includes investment management, brokerage, execution, custody and reporting services. Client may combine assets held in other CISC advisory products to determine the applicable fee percentage. Accounts under the same social security number are automatically linked for fee calculations; Client must submit a Householding request form to link other related advisory accounts. When the combined assets in the linked accounts are sufficient to reach the next advisory fee breakpoint, the Client will benefit from a lower overall fee. The combined fee is then divided ratably and assessed over all of the related advisory accounts. Client may request that one of the related accounts pay the entire fee for the combined holdings.

The Program's account fees may be more or less than the cost of paying for investment advice, trade execution, custody and reporting services separately, depending on the cost of these services if provided separately and the level of trading activity in the Client's account.

**Other Fees and Expenses.** The account fee does not include various additional fees that may be incurred within Client's Program account, including, but not limited to, Fund fees and expenses, transfer taxes, electronic fund and wire fees, IRA and retirement plan account fees, margin interest, ADR fees, or any other fees that would reasonably be assessed to a brokerage account. If these fees are for services performed by CISC or their affiliates, CISC or an affiliate may receive all or a portion of the revenue from the fee. Additionally, Funds held in a Program account have annual investment advisory expenses, so Program Clients actually incur two investment management fees; one indirectly in the form of an investment advisory fee to the investment adviser of each Fund and one to CISC as the Program Sponsor.

**Share Classes.** Fund shares sold in the Program are generally investor or institutional class shares, or no load shares or load-waived Class A shares that are sold at net asset value. Such shares may not be available to Clients if the Fund shares were purchased outside of the Program. Due to certain Fund family restrictions that prohibit individuals from continuing to hold shares of certain Fund share classes offered in the Program outside of a managed account program, it may, in some instances, be necessary to liquidate the shares in these Funds if a Program account is terminated. The liquidation of these Funds may create a taxable event for the Client. If CISC receives 12b-1 fees on load-waived Class A Funds, these 12b-1 fees will be credited back to the Client's Program account.

**Rebate of Certain Fees to Retirement Plan Accounts.** If a Program Account owned by a qualified retirement plan holds any JPMorgan Funds, which Funds are advised by an affiliate of CISC, the actual amount of the mutual fund advisory fees associated with Program account assets held in the JPMorgan Funds will be credited to the Program account fee described above. The credit amount will be automatically applied as a credit against the account fee charged for the period and will appear as a separate line item on Client's Program account statement. The amount credited will not exceed the amount of the Account fee. In such cases, the Account fee will be waived in lieu of crediting the amount of the mutual fund advisory fees associated with Account assets held in the JPMorgan Funds. The

credit or offset does not apply to other mutual fund expenses such as transfer agency fees and shareholder servicing fees, or actual distribution, shareholder servicing and other fees paid to CISC and its affiliates for account investments in non- JPMorgan Funds.

**IAR Compensation.** The Programs are recommended to CISC clients by IARs associated with CISC. A portion of the Program Fee paid to CISC is paid to the IAR who recommended and/or services the Program account. CISC IARs have a number of opportunities for selling products or services in their capacity as CISC registered representatives or insurance agents. Depending on a number of factors, including the size of the Program Account, changes in its value over time, the number of transactions and the ability to negotiate fees and commissions, the amount of compensation a CISC IAR receives from a Program Account may be more or less than CISC and the IAR would receive if the client paid separately for investment advice, brokerage and other services. Since the IAR who recommends and/or services the Program Account will receive ongoing compensation as a result of Client's participation in the Program, the IAR may have a financial incentive to recommend the Program, especially if the IAR believes that this compensation would be more than if the services were provided separately or if the Client has purchased a different program sponsored by CISC.

#### **ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS**

CISC offers and sells its wrap fee programs to individuals, trusts, estates, charitable organizations, and corporations and other business entities, and to a Client's assets held in certain types of retirement accounts. MFAP is not available to accounts governed by ERISA.

The Program is not intended for investors who seek to maintain control over trading in their account, who have a short-term time horizon (or expect ongoing and significant withdrawals), or who expect or desire to maintain consistently high levels of cash or money market funds.

The initial Program Account minimum is \$50,000. If a Program account falls below the minimum, the account is subject to termination at the discretion of CISC. Additions to a Program account must be in amounts of at least \$1,000. Under normal market conditions, it may take 2-4 business days to process the investment of funds in Program accounts (whether initial investments or additions) and requests to sell or withdraw funds from Program accounts, but these timeframes may be longer during conditions of unusual market volatility.

#### **ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION**

**General Information.** The Program does not engage portfolio managers as Program Accounts are invested exclusively in open end mutual funds and/or ETFs. The CISC Asset Allocation and Investment Committee (the "Committee"), an internal committee consisting of members of senior management of CISC, has engaged the Global Multi -Asset Group ("GMAG"), an affiliate, to assist in construction of the Models and provide ongoing evaluation of the Models. The Committee is responsible for reviewing and approving any changes to the asset classes within a Model or to the asset class ranges. The Committee may engage various consultants to assist in its function. CISC has engaged an affiliate, the Investment Research Team ("IRT") of J.P. Morgan Institutional Investments Inc., an affiliate of CISC, to perform due diligence on Funds, recommend specific Funds for inclusion in the Models, monitor the Funds offered in the Program and recommend the elimination of Funds from the Program when they no longer meet the criteria for inclusion. The Committee approves recommendations to add Funds to or delete Funds from the Program based upon IRT's due diligence efforts and research recommendations.

**Fund Selection and Ongoing Fund Review.** IRT conducts due diligence and recommends Funds for the Program and, when appropriate, recommends the termination of Funds to the Committee. IRT also monitors the performance of the Funds on an ongoing basis. Mutual funds available in the Program include both affiliated and non-affiliated mutual funds. Both affiliated and non-affiliated mutual funds are evaluated and monitored using the same criteria. CISC may have a conflict of interest in including affiliated mutual funds in the Program because CISC and/or its affiliates will receive additional compensation when Clients select affiliated mutual funds in Program accounts. See *Potential Conflicts of Interest* below. IRT uses an evaluation process that incorporates both quantitative and qualitative elements to identify Funds it believes are most appropriate for each asset class. Thereafter, IRT will periodically monitor the Funds chosen for the Program to ensure that they continue to perform in line with expectations. Funds that do not pass the ongoing evaluation may be removed from Program.

#### **Exchange Traded Funds**

ETFs are a type of investment pooled fund that are traded on a stock exchange and their shares are priced throughout the trading day as they are bought and sold on the exchange. By comparison, mutual funds are pooled funds that are not traded on a stock exchange, but investors can buy shares from and sell their shares to the funds. Mutual fund shares are priced once each day at the close of trading based upon the value of the mutual fund's holdings. Most ETFs attempt to achieve the same investment return as that of a particular market index or market sector. The Program includes ETFs that represent specific asset classes used in the Models and attempt to track broad indices or market sectors. The Program does not include leveraged or actively managed ETFs.

### **Initial Mutual Fund Selection Process**

IRT recommends mutual funds for the Program by evaluating quantitative and qualitative factors for each mutual fund manager. IRT may review quantitative factors such as: (1) Performance: absolute and risk adjusted returns; (2) Risk: absolute, relative and downside; and (3) Consistency of returns. Qualitative factors that are reviewed may include the fund adviser's overall process and philosophy, fund/team tenure and resources allocated to each strategy.

### **Ongoing Monitoring of Mutual Funds**

In its ongoing monitoring of mutual funds, IRT may use a rules-based scoring system that reviews various factors and ranks each mutual fund contained in a proprietary database.

CISC does not calculate performance of Funds. Although CISC screens past performance, it does not audit this data to verify either its accuracy or that each Fund has calculated past performance in a manner that is consistent with industry standards or the methodology used by other investment advisers. CISC does not employ any third party to review performance information to determine or verify its accuracy or its compliance with presentation standards. Funds are required by SEC rules to calculate and present their performance in a uniform and consistent basis, but CISC does not review Fund performance information for accuracy.

### **Terminating Mutual Funds**

When the ongoing mutual fund monitoring process uncovers a concern, IRT assesses the situation and, if concerns persist, may recommend to the Committee the termination of the mutual fund from the Program. If the Committee approves the termination of a mutual fund, the mutual fund shares held in Program accounts will be liquidated and replaced with another mutual fund or ETF in the same asset class. Affected Clients will be notified in writing of any mutual fund replacements. The notice will indicate the mutual fund that was terminated and the mutual fund or ETF that CISC has selected to replace the terminated mutual fund. If the Client does not approve of the replacement mutual fund or ETF, they should contact their IAR to select an alternative mutual fund or ETF for the asset class. Should the Client decide that they would prefer to hold another mutual fund or ETF in the affected asset class rather than the replacement mutual fund or ETF, the replacement mutual fund or ETF will be sold and the mutual fund or ETF selected by Client will be purchased in the Program account. Client understands that selling the replacement mutual fund or ETF may involve income tax consequences and/or short-term liquidation penalties.

### **Changes to Model or Asset Class Percentage Ranges**

Based upon the recommendation of GMAG, the Committee may approve changes to a Model or to the percentage ranges for asset classes in a Model. After the effective date of these Model composition changes, any Client's Program account that falls outside of one or more of the modified asset class ranges will be rebalanced to conform to the new Models. CISC will notify affected Clients of the change to the asset class ranges in their Model and the subsequent rebalancing executed to bring their Program account into conformity with the revised Model.

### **100% Fixed Income Models**

The 100% Fixed Income Models are subject to a higher degree of control and discretion by CISC than the other Program Models. The 100% Fixed Income Models do not provide for Clients to select among Funds in various asset classes nor to designate the percentage allocated to each asset class either at the time the account is opened or thereafter. CISC, in its discretion, specifies the Funds and the asset class percentage allocations for all accounts in the 100% Fixed Income Models. From time to time, CISC may, in its discretion, change the Funds comprising the 100% Fixed Income Models and may change the asset class percentage allocations. In the event of such changes, CISC will effect appropriate trades in Clients' accounts to conform to those changes, without notice to such Clients.

### **Potential Conflicts of Interest**

The Funds available in the Program include Funds affiliated with CISC. CISC may have a conflict of interest in using affiliated Funds in the Program because CISC and/or its affiliates and parent company will receive more overall compensation when those Funds are included in a Model than when unaffiliated Funds are used. CISC manages this conflict through disclosure to clients and by subjecting affiliated Funds to the same selection and review process and standards as non-affiliated Funds.

For additional potential conflicts of interest, please refer to Item 9.B., below.

### **ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Not applicable. The Program does not involve the engagement of Portfolio Managers.

### **ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS**

The Program does not engage portfolio managers as Program Accounts are invested exclusively in open end mutual funds and/or ETFs. Clients will generally have no contact with the investment advisers of the Funds. CISC personnel knowledgeable about the management of the Client accounts are available for Client consultation upon reasonable request. Investment Advisory Representatives can assist Clients in contacting such personnel.

## ITEM 9 – ADDITIONAL INFORMATION

CISC has been the subject of various disciplinary events that may be considered material to a client's or prospective client's evaluation of CISC's investment advisory business or the integrity of its management. The following disciplinary events all involved CISC acting in its capacity as a registered broker dealer and not in its capacity as a registered investment advisor.

### A. Disciplinary Information

#### 1. Auction Rate Securities Settlements

Between June 2009 and October 2011, CISC entered into substantially similar settlements with 50 securities regulators in connection with investigations concerning alleged misrepresentations and omissions in connection with the marketing, sale and distribution of auction rate securities ("ARS"). The principal allegations were that CISC misrepresented to customers that ARS were safe, highly liquid investments comparable to money market instruments and when the auctions that provided liquidity for ARS failed in February 2008, customers held illiquid ARS instead of the liquid, short-term investments CISC had represented them to be and were unable to sell the ARS. Without admitting or denying the allegations, CISC entered into consent decrees in which CISC agreed to repurchase ARS from certain customers and paid fines, penalties, disgorgement and restitution in amounts ranging from \$42,017 to \$6,742,610 and totaling \$23,845,411.

2. On 12/21/10, CISC submitted a Letter of Acceptance, Waiver and Consent ("AWC") to FINRA pursuant to which the firm was censured, fined and required to provide remediation to customers who purchased unit investment trusts ("UITs") and did not receive applicable sales charge discounts. Additionally, CISC's UIT purchase confirmations failed to disclose that a deferred sales charge may be imposed. Without admitting or denying the allegations, CISC consented to the findings and paid a monetary fine of \$100,000.
3. On 3/23/09, CISC submitted an AWC to FINRA in connection with alleged deficiencies related to the completion of the Firm's self-assessment of mutual fund breakpoint discount compliance required pursuant to previously imposed FINRA (then NASD) requirements. Without admitting or denying the allegations, CISC consented to findings that it failed to deliver breakpoint discounts during a later review period and continued to fail to have reasonable written supervisory procedures to assure that appropriate breakpoints would be delivered to customers, and paid a monetary fine of \$32,500.
4. On 11/6/06, CISC submitted an AWC to the NASD (now FINRA) in connection with allegations that from 1/02 through 8/04, the Firm failed to establish systems and procedures to supervise the sales of 529 college savings plans. Without admitting or denying the allegations, CISC consented to the entry of the NASD's findings and paid a monetary fine of \$500,000 and agreed to compensate customers disadvantaged by the alleged supervisory failures.
5. On 3/22/05, CISC submitted an AWC to the NASD (now FINRA) in connection with alleged suitability and supervisory violations related to mutual fund sales practices between 1/02 and 7/03. The NASD alleged, among other things, that CISC made recommendations and sales of mutual funds to customers without considering or adequately disclosing on a consistent basis that an equal investment in Class A shares would generally have been more economically advantageous to customers than Class B shares due to breakpoints. Without admitting or denying the allegations, CISC agreed to the entry of the NASD's findings, paid a monetary fine of \$250,000 and agreed to a remediation plan to restore affected customers to the position they would have been in had they originally purchased Class A shares.
6. On 10/14/11, CISC consented to the entry of an order of the Florida Office of Financial Regulation in connection with allegations that the firm engaged in the investment advisory business within the State of Florida without three (3) individuals being registered as investment advisor representatives in the State of Florida. CISC paid an administrative fine in the amount of \$30,000.
7. On 11/15/11, CISC submitted a Letter of Acceptance, Waiver and Consent ("AWC") to FINRA pursuant to which the firm was fined, censured and required to provide remediation to customers who purchased certain unit investment trusts ("UITs") and floating rate funds. FINRA alleged that firm failed to establish systems and procedures adequate to supervise the sales of such UITs and floating rate funds. Without admitting or denying the allegations, CISC consented to the entry of FINRA's findings, paid a monetary fine of \$1,700,000 and agreed to compensate customers that suffered losses as a result of the alleged supervisory failures.

### B. Other Financial Industry Activities and Affiliation

CISC's primary business is providing brokerage products and services as a bank-affiliated broker-dealer and making available to its customers, in addition to investment advisory services, a variety of bank, securities and insurance products through its affiliates. CISC's officers, managers and IARs spend the majority of their time in administrative or supervisory duties with broker-dealer activities rather than investment advisor activities.

CISC is affiliated with several other SEC registered broker-dealers, investment companies, investment advisers, insurance agencies, mortgage companies and JPMorgan Chase Bank, N.A. Other registered investment advisers, collectively referred to as JPMorgan Asset Management, are affiliated with CISC under the common ownership of JPMorgan Chase & Co. One or more of these investment advisers serve as the investment adviser to the various JPMorgan Funds. Should Program Clients invest in JPMorgan Funds within their

Program account, CISC affiliates will benefit from such purchase as the result of receipt of the indirect investment advisory fees received for their portfolio management services. CISC addresses this conflict through disclosure to clients.

#### **Material Relationships with Related Persons and Potential Conflicts of Interest**

CISC and/or its IARs may recommend Funds, including affiliated JPMorgan Funds, in one or more of its wrap fee programs to clients that the Firm or the IAR may have a financial interest in either through ownership of the fund company or of fund shares in the various mutual funds. To the extent that JPMorgan Funds are recommended and sold, CISC will receive an indirect benefit due to the increased fee revenue of its parent company. CISC manages these conflicts through disclosure to clients.

Certain Funds available in the Program may be affiliated with CISC, and CISC and/or its affiliates may provide services to and receive compensation in connection with both affiliated and unaffiliated Funds. For example, a CISC affiliate may receive an investment management fee for managing an affiliated Fund, and/or CISC and/or an affiliate may receive other forms of compensation in connection with the operation and/or sale of shares of affiliated or unaffiliated Funds. In addition, CISC and/or its related persons may purchase or sell the same Funds that they recommend to clients for their own accounts. CISC may receive a distribution fee from certain Funds pursuant to Rule 12b-1 under the Investment Company Act of 1940. However, any 12b-1 fees received by CISC will be credited to Client's Program account.

CISC has negotiated revenue sharing arrangements with a number of mutual fund families whose mutual funds they offer. Some of these arrangements may include the share classes available in the Program. To the extent that these arrangements include the Funds available in the Program, CISC will receive additional revenue on either the Fund assets in client accounts or on the initial purchase of these Funds. IARs are not compensated from CISC's receipt of shared revenues.

CISC has relationships with related persons that are material to its advisory business or advisory clients.

#### **J.P. Morgan Clearing Corp.**

CISC has an arrangement with its broker-dealer affiliate, J.P. Morgan Clearing Corp. ("JPMCC") pursuant to which JPMCC provides the following services for Client accounts in the Program: trade execution, clearing and settlement services, service bureau requirements, and securities custody and processing.

#### **JPMorgan Chase Bank, N.A.**

Clients in the Program may authorize CISC and JPMCC, to the extent permitted by applicable law, to invest (i.e., "sweep") available cash balances in the Program account into a bank deposit account, the "Chase Deposit Sweep", with JPMorgan Chase Bank, N.A. ("JPMCB"), an affiliate of CISC.

Cash balances "swept" into the Chase Deposit Sweep are remitted for deposit by JPMCC, acting as client's agent, into a money market deposit account maintained at JPMCB. Deposits in the Chase Deposit Sweep are covered by the Federal deposit Insurance Corporation ("FDIC"), up to applicable limits.

JPMCB benefits from Program clients' selection of the Chase Deposit Sweep because JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits made by clients who select the Chase Deposit Sweep to fund current and new business, including lending activities and investments. The profitability on such lending activities and investments is generally measured by the difference, or "spread", between the interest rate paid on the deposits and other costs associated with the Chase Deposit Sweep, and the interest rate or other income earned by JPMCB on loans and investments made with the deposits. The income that JPMCB has the opportunity to earn through its lending and investment activities is usually greater than the fees earned by all JPMorgan Chase-affiliated entities from managing and distributing money market mutual funds that may be available to Program clients as an alternative cash "sweep" for their Program accounts.

Therefore, CISC, JPMCC and JPMCB have a financial incentive in Program clients' authorization of the use of the Chase Deposit Sweep as the "sweep" option for temporary investment of available cash balances in Program accounts. CISC does not believe that its and its affiliates' interest in Program clients' selection of the Chase Deposit Sweep presents any inherent or general material conflict with the interests of Program clients. However, to the extent a conflict may exist with respect to a particular Program account, CISC addresses the conflict by 1) allowing Program clients to select another available "sweep" option and to change the election at any time;

2) providing disclosure to clients, including prospectuses for the available money market mutual funds available as a sweep option, and the Chase Deposit Sweep; and 3) access to information concerning the current yield of the available sweep options.

#### **C. Code of Ethics**

The Firm's Code of Ethics (the "Code") governs the conduct of IARs and other Firm employees who have access to client information. The Code requires IARs and other Firm employees with access to client information to acknowledge that they understand and are in compliance with its policies. The Code's policies require that IARs: (1) report personal securities trades; (2) acknowledge their ongoing compliance with SEC broker-dealer and investment advisor rules and regulations; and (3) report any violations of the Code of which they are aware to the Firm's Chief Compliance Officer. Clients may telephone or write their IAR or the Firm to request a copy of the Code.

The Firm has a personal trading policy for its IARs and registered personnel and the Firm monitors the personal trading activity of each IAR in compliance with its internal supervisory process.

#### **D. Review of Accounts**

CISC IARs are available to meet with Clients upon request to discuss their Program account. CISC also contacts Clients at least once annually to determine whether there have been any changes in the Client's financial situation, investment objectives or investment restrictions that would require changes to the account. CISC personnel who are knowledgeable about the management of Client accounts are available for Client consultation upon reasonable request. To ensure that the Program and the selected Model remain suitable for the Client, Clients are instructed to promptly notify CISC of any material changes to their investment objectives and/or financial situation. As most Program accounts are managed in a similar manner according to the Model selected by the Client, CISC does not review individual trades or individual Program accounts. As described in this Brochure, CISC periodically reviews the Model composition and the Funds available in the Program to assure that the Models and Funds continue to meet the Program's requirements. For Program accounts that have requested investment restrictions, CISC periodically monitors the accounts to ensure compliance with the requested restrictions. CISC does not provide tax advice, and the account reviews should not be construed as tax advice. Account reviews are not a substitute for careful review of account statements or tax reporting forms.

Clients receive written account statements from the custodian at least quarterly and also receive written quarterly performance reports. See "Trade Confirmations, Statements and Performance Reporting", above.

#### **E. Client Referrals and Other Compensation**

Program Accounts are offered and sold only through IARs associated with CISC. CISC has not entered into any referral arrangements with other persons or entities.

#### **F. Financial Information**

CISC is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to its clients, nor has CISC been the subject of a bankruptcy petition at any time during the past ten years.