

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

**WRAP FEE PROGRAM BROCHURE  
PORTFOLIO MANAGER PROGRAM  
CHASE INVESTMENT SERVICES CORP.**

**March 2012**

300 South Riverside Plaza  
Suite IL1-0291, 11<sup>th</sup> Floor  
Chicago, IL 60670-0291  
800-392-5749  
[www.chase.com/pmp](http://www.chase.com/pmp)

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."
- Item 9.A. on page 6 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.

**ITEM 3 – TABLE OF CONTENTS**

ITEM	PAGE
Cover Page .....	1
Material Changes.....	1
Table of Contents .....	1
Services, Fees and Compensation	
Description of Firm and Advisory Services .....	2
Program Description .....	2
Wrap Account Fees .....	3
IAR Compensation .....	4

<b>Account Requirements and Types of Clients .....</b>	<b>5</b>
<b>Portfolio Manager Selection and Evaluation.....</b>	<b>5</b>
<b>Client Information Provided to Portfolio Managers .....</b>	<b>6</b>
<b>Client Contact with Portfolio Managers.....</b>	<b>6</b>
<b>Additional Information</b>	
Disciplinary Information .....	6
Other Financial Industry Activities and Affiliations.....	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	9
Review of Accounts .....	9
Financial Information.....	9

## **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:

- *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.
- *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.
- *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.

This Wrap Fee Brochure provides information about CISC and Portfolio Manager Program (“PMP” 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.

## **PORTFOLIO MANAGER PROGRAM**

### **Program Description**

PMP provides CISC clients with access to a select group of professional Portfolio Managers to provide discretionary investment management in separately managed accounts, and brokerage and reporting services in connection with the accounts. Clients select the Portfolio Manager and investment style from among the Portfolio Managers and investment styles made available by CISC. Program clients pay an all-inclusive asset- based fee that covers investment management, execution, custody and reporting services.

### **Client Profile and Account Opening**

Prior to opening a Program account, the CISC Investment Advisory Representative (“IAR”) meets with the Client to create a Client Profile based upon the Client’s responses to questions regarding their financial situation, investment experience, investment objectives, time horizon and risk tolerance. The information is evaluated and incorporated into an Investment Proposal. Based on the information in the Client Profile and Investment Proposal, the IAR will assist the Client in selecting an investment style and a Portfolio

Manager. Although only a single Portfolio Manager will be selected for each of the Client's PMP accounts, the Client may open multiple PMP accounts as part of their overall strategy.

At the Client's request, CISC may assist the Client in developing one or more asset allocations based upon information that the Client has provided to CISC. The Client is solely responsible for making all decisions regarding the adoption and implementation of any investment objectives or policies and any asset allocation. If the Client adopts an asset allocation strategy, the asset allocation may change over time due to fluctuations in market value of assets and/or additions or withdrawals by the Client. The Client is solely responsible for monitoring its investment objectives and policies, including whether the management of the assets conforms to those investment objectives and policies. The Client is also solely responsible for monitoring any asset allocation on an ongoing basis and determining whether to rebalance and/or reallocate assets among strategies. CISC is not obligated to review, update, rebalance or provide any other ongoing advice with respect to any asset allocation or the Client's investment objectives and policies. The Client retains final decision-making authority and responsibility for the selection of, and any changes made to, an asset allocation.

Upon the Client's selection of a Portfolio Manager, the Client will sign the Investment Proposal, a Client Services Agreement and a CISC brokerage account application and agreement. The Client may request reasonable restrictions on management of their account, subject to the Portfolio Manager's acceptance. Any restrictions a Client imposes on the management of the account may cause the account to perform differently than similar unrestricted accounts.

Clients will receive their selected Portfolio Manager's Form ADV Part 2A and Part 2B or an equivalent disclosure document ("Portfolio Manager Disclosure Document") from CISC. Clients should review the Portfolio Manager's Disclosure Document carefully for important information about the Portfolio Manager.

### **Custodian**

J.P. Morgan Clearing Corporation ("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 an independent third party 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.

### **Wrap Account Fees**

**General.** Clients pay an annual asset- based account fee for the Program. This fee includes CISC's consulting services, the services of the Portfolio Managers and CISC's other services including trade execution, administration, reporting services, and custody. 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 on the last day of the preceding 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, at the discretion of the Portfolio Manager, securities in the portfolio 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, at the discretion of the Portfolio Manager, sufficient securities in the portfolio 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 are:

### FEE SCHEDULE

Equity Accounts			
Account Value	Annual Fee	Portfolio Manager Retention	Quarterly Fee
First \$500,000	2.90%	.35-.50%	.725%
Next \$500,000	2.25%	.35-.50%	.5625%
Next \$1,000,000	1.85%	.35-.50%	.4625%
Next \$2,000,000	1.75%	.35-.50%	.4375%
\$4,000,000 or more	1.65%	.35-.50%	.4125%

  

Fixed Income Accounts			
Account Value	Annual Fee	Portfolio Manager Retention	Quarterly Fee
First \$500,000	1.50%	.20-.35%	.375%
Next \$500,000	1.35%	.20-.35%	.3375%
Next \$1,000,000	1.10%	.20-.35%	.275%
Over \$2,000,000	.85%	.20-.35%	.2125%

**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. Advisory 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 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.

**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 had 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. PMP is available to certain 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.

Participation in the Program generally requires a minimum \$100,000 investment for Equity Accounts and \$250,000 for Fixed Income Accounts. Certain Portfolio Managers may require higher minimum amounts. If a Program account falls below the minimum, the account is subject to termination at the discretion of CISC or the Portfolio Manager. Under normal market conditions, it may take 2-4 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**

##### **Introduction**

The Portfolio Managers available in PMP include affiliated and non-affiliated Portfolio Managers. CISC uses the same criteria to evaluate affiliated and non-affiliated Portfolio Managers. CISC may have a conflict of interest in including affiliated Portfolio Managers in the Program because CISC and/or its affiliates will receive additional compensation when clients select an affiliated Portfolio Manager. For more information, see *Potential Conflicts of Interest* below.

CISC is not responsible for the performance of any Portfolio Manager in the Program or any Portfolio Manager's compliance with laws or regulations, or other matters within the Portfolio Manager's control. Each Portfolio Manager is solely responsible for the management of its designated accounts. CISC coordinates services with the Portfolio Manager and NFS, but is not responsible for coordinating services among multiple Portfolio Managers if the Client has allocated assets among more than one Portfolio Manager.

CISC has engaged an unaffiliated third party consultant, Prima Capital Holding, Inc. ("Prima Capital"), to perform due diligence on affiliated and unaffiliated Portfolio Managers for potential inclusion in the Program, and to recommend the selection of Portfolio Managers for the Program, monitor the selected Portfolio Managers and recommend the termination of Portfolio Managers to the CISC Asset Allocation and Investment Committee (the "Committee"), an internal committee comprised of senior management of CISC.

##### **Initial Portfolio Manager Selection Process**

Prima Capital evaluates Portfolio Managers using quantitative and qualitative factors. Prima Capital 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 overall process and philosophy, Portfolio Manager/team tenure and resources allocated to each strategy. The Committee approves Portfolio Managers for the Program based upon the information and recommendations provided by Prima Capital and such other information and resources it deems appropriate.

##### **Ongoing Monitoring Portfolio Managers**

On behalf of CISC, Prima Capital periodically reevaluates all Portfolio Manager to evaluate the key drivers of performance, determine whether performance is in line with expectations and ensure that the Portfolio Manager's overall process and philosophy remain unchanged. Portfolio Managers that do not pass the ongoing evaluation tests may be recommended to the Committee for removal from the Program.

##### **Terminating Portfolio Managers**

When the ongoing Portfolio Manager monitoring process uncovers a concern, Prima Capital may recommend to the Committee that the Portfolio Manager be terminated from the Program. The Committee may terminate a Portfolio Manager because of personnel turnover, organizational changes, disconnect between investment philosophy and process, loss of competitive advantage, inconsistent or unexplainable performance, and capacity constraints. If the Committee approves a recommendation to terminate a Portfolio Manager, affected Clients will be notified and asked to select a new Portfolio Manager available in that asset class. If a Client does not select a new Portfolio Manager within 30 days of notification, CISC will designate a new Portfolio Manager. A new Portfolio Manager may

decline the account if it deems the Client's investment restrictions unreasonable or if the Client's account is below the new Portfolio Manager's minimum account size. The new Portfolio Manager may sell securities to align the account with its investment style, which may have tax consequences.

#### **Recommendations of Portfolio Managers for Particular Clients**

In connection with opening a PMP account, Clients complete a Client Profile which requests information about the Client's financial situation, investment experience, investment objectives, time horizon and risk tolerance. Based upon this information, the Client, with the consultation of the IAR, will specify in what asset class the account will be invested. Examples of available asset classes are U.S. Large Cap Growth, U.S. Small Cap Value, Municipal Fixed Income and Taxable Fixed Income. Based upon the Client's asset class selection, the IAR will provide the Client with information about the Portfolio Managers available in the Program in the selected asset class and assist Client in selecting a Portfolio Manager.

#### **Information about Portfolio Managers**

CISC provides Clients and prospective Clients with information about Portfolio Managers that has been prepared by Prima Capital and is based on and/or incorporates information provided by the Portfolio Managers or other third parties. CISC believes this information to be accurate; however, CISC does not independently verify or guarantee the completeness or accuracy of this information. The information provided may include the Portfolio Manager's performance composites. This performance is calculated by the Portfolio Managers themselves or by third parties. This performance information is not calculated by CISC or Prima Capital and may not be calculated on a uniform and consistent basis. CISC does not independently review Portfolio Manager performance for accuracy.

#### **Potential Conflicts of Interest**

The Portfolio Managers available in the Program include Portfolio Managers affiliated with CISC. CISC may have a conflict of interest including affiliated Portfolio Manager in the Program because CISC and/or its affiliates and parent company will receive more overall compensation when those Portfolio Managers are selected by Clients. CISC manages this conflict through disclosure to Clients and by subjecting affiliated Portfolio Managers to the same selection and review process and standards as non-affiliated Portfolio Managers.

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

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

CISC provides to the Portfolio Manager a summary of information relevant to Portfolio Manager's services to the Client, including the Client's name, address, account number, social security number or taxpayer identification number, whether the account is taxable or non-taxable, the name of the IAR, investment strategy selected, and amount invested. CISC also provides the Portfolio Manager with a copy of the Client's signed Investment Proposal and any investment restrictions requested by the Client. That information is updated if it becomes materially incorrect, such as in the event that the Client changes the investment restrictions.

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

Portfolio Managers are available for consultation by Clients upon reasonable request. Clients should contact their IAR if they wish to consult with their Portfolio Manager.

#### **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. Affiliated Portfolio Managers are subject to the same selection and review process as non-affiliated Portfolio Managers. One or more of these investment advisers are among the Portfolio Managers available in the Program and may serve as the investment adviser to the various JPMorgan Funds. Should Program Clients select an affiliated Portfolio Manager or invest in JPMorgan Funds within their Program account, CISC affiliates will benefit from such selection and/or purchase as the result of receipt of the investment advisory fees received for their portfolio management services. CISC addresses this conflict through disclosure to clients.

CISC may receive as additional compensation distribution (Rule 12b-1) fees on money market fund assets held in PMP accounts. If a Client selects a money market fund for which an affiliate of CISC serves as investment advisor, the Client will pay both its pro rata share of the money market funds advisory fees paid to CISC or an affiliate, as well as the Program fee on the assets invested in the money market fund. However, any 12b-1 fees received by CISC will be rebated to the Client’s Program account.

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

CISC and/or its IARs may recommend affiliated Portfolio Managers to Program clients. Selection of an affiliated Portfolio Manager is an indirect benefit to CISC since it increases the overall revenue of the parent company. CISC manages these conflicts through disclosure to clients.

Portfolio Managers may execute trades on foreign exchanges and convert them to American Depositary Receipts (ADRs) for their client's portfolios, if the total cost of the purchase and conversion is better than directly purchasing the ADRs. To the extent that a subsidiary of JP Morgan Chase assists in the conversion of foreign stock, CISC affiliates will receive additional compensation from the transaction but in no event should the total cost of the purchase and conversion costs exceed the cost if they had originally purchased the ADR in U.S. markets.

Certain Portfolio Managers seek to execute trades for institutional and other non-wrap fee clients before executing trades for clients in separately managed account programs, such as PMP. As a result, Program accounts may pay a higher price, or receive a lower price, than the Portfolio Manager's trades in the same security for institutional or other clients. Trade execution practices of the Portfolio Managers are described in the Portfolio Manager Disclosure Document, which is provided to Program Clients.

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.

Portfolio Managers may choose to effect trades through JPMCC or its affiliates, subject to best execution requirements. In connection with transactions executed, cleared and settled by it for accounts in the Program, JPMCC may, to the extent permitted by applicable law, act as principal (i.e., for its own account), agent for the Client, or agent for both the client and the party on the other side of the transaction.

When acting as principal (typically in connection with transactions in certain fixed income and over-the-counter securities), in accordance with applicable law, JPMCC may charge a "dealer spread" (i.e., the difference between the bid price and the offer price), which will be incorporated into the net price paid (for purchases) or received (for sales) by the client in the transaction. Dealer spreads charged to the client and received by JPMCC are not covered by and are in addition to the Wrap Account Fee. Therefore, because by acting in a principal capacity JPMCC may earn additional amounts at the expense of the client, JPMCC and its parent company have a financial interest in JPMCC's acting in such capacity in connection with transactions in Program accounts that conflict with the client's interest regarding the payment of dealer spreads.

#### **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.

#### **D. 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.

#### **E. 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 Investment Strategy and Portfolio Manager 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 Investment Strategy selected by the Client, CISC does not review individual trades or individual Program accounts. As described in this Brochure, CISC periodically reviews the Investment Strategies and the Portfolio Managers available in the Program to assure that the Investment Strategies and Portfolio Managers 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.

#### **F. 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.

#### **G. 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.