

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

**WRAP FEE PROGRAM BROCHURE**

**CHASE STRATEGIC PORTFOLIO**

**CHASE INVESTMENT SERVICES CORP.**

**March 2011**

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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**

This Brochure is a new document prepared to comply with the SEC's 2010 amendments to the Form ADV and effective in 2011. In the future, this item will provide a summary of material changes made to this Brochure since the last annual update.

On October 1, 2011 CISC made the following interim revisions to its Wrap Fee Program Brochure:

- **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.**

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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. CISC 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:

- *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, 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 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.
- *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 Chase Strategic Portfolio (“CSP” 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.

### CHASE STRATEGIC PORTFOLIO

**Program Description.** In the Program, Clients open a discretionary unified managed account that is invested in a manner consistent with one of the multi-asset class investment strategies made available by CISC (“Investment Strategies”, individually an “Investment Strategy”). Examples of Investment Strategies are Conservative, Growth, Balanced and Growth and Income. Program account assets in each asset class are allocated in accordance with the selected Investment Strategy to one or more open-end mutual funds or exchange traded funds (each a “Fund”) and, for Program accounts at certain asset levels or “tiers”, one or more Manager Models which include individual securities. CISC has retained J.P. Morgan Investment Management (“JPMIM”), an affiliate, as the Program’s overlay manager (“Overlay Manager”) to provide portfolio implementation and coordination services for Program accounts.

**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 the 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 Investment Strategy and specifies the Funds and, if appropriate, Manager Models, that are included in the Investment Strategy. The recommended Investment Strategy and Funds and/or Manager Models are the result of an objective scoring system based on the Client’s responses to the client questionnaire. The IAR will discuss with the Client the historic risk and return characteristics of the recommended Investment Strategy to ensure that it is an appropriate selection for the Client’s specific investment needs and risk tolerance. The IAR does not have authority to modify or suggest alternatives to the recommended Investment Strategy, Funds and/or Manager Models. However, the 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.

Once the Client selects the Investment Strategy, the Client will sign the IPS, a Client Services Agreement and a CISC Brokerage account application and agreement. CISC will implement the selected Investment Strategy, taking into account any reasonable restrictions Client has placed on management of the account, when assets are deposited in the account in an amount equal to at least the account minimum. CISC has full discretionary authority, to be exercised in CISC’s exclusive judgment and consistent with the Investment Strategy selected by Client, to determine the allocation of assets among Funds and, at appropriate asset levels, one or more Manager Models, to select, add, remove or replace Funds or Manager Models, and to purchase and sell Funds and other securities for the account.

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.** CISC will continuously review Client’s asset allocation relative to the selected Investment Strategy and will generally rebalance the Program account to the allocations in the chosen Investment Strategy when the asset allocation percentages deviate from parameters established by CISC. Rebalancing is a process where asset classes that have exceeded their recommended

percentage of the Investment Strategy are sold and assets that are lower than their percentage of the Investment Strategy are purchased to return the account to approximately the asset class percentage in the selected Investment Strategy. To rebalance the account, the Overlay Manager will buy or sell shares of Funds and/or securities held in the Manager Models that are underweight or overweight, as applicable, until the account holdings are consistent with the selected Investment Strategy. Over time, the Funds and/or individual securities in the account 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 is associated with the allocations in the selected Investment Strategy. Since rebalancing has tax implications for most Clients, unless the account is in an IRA or other qualified retirement plan, Program accounts will be rebalanced only if the percentage variance at the asset class level exceeds a threshold amount that CISC has established as effective for rebalancing to the Investment Strategy.

**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 and JPMIM.

**Overlay Manager.** CISC has engaged an affiliate, JPMIM, as the Program's Overlay Manager to provide portfolio implementation and coordination services to Program accounts. Overlay Manager's services include: 1) Placing orders for the purchase of Funds to implement CISC's asset allocation instructions; 2) implementing instructions furnished by providers of the Manager Models concerning securities to be purchased, held or sold for Program accounts containing Manager Models; 3) placing orders for the purchase of individual securities with broker-dealers with respect to the Manager Models; 4) coordinating the non-Fund portion of Program accounts, subject to policies and procedures established by CISC and Overlay Manager from time to time; and 5) implementing Client-imposed restrictions. The Overlay Manager does not act in a principal capacity for transactions in CSP accounts.

**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. 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 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) or securities in a Manager Model 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 or securities in a Manager Model that is currently most overweight in the Investment Strategy, 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 are:

## FEE SCHEDULE

All Models Except 100% Fixed Income	
Eligible Assets	Annual Fee
First \$250,000	1.60%
Next \$250,000	1.35%
Next \$500,000	1.10%
Over \$1,000,000	0.85%
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%

**Fees Paid to Overlay Manager and Model Managers.** CISC pays a portion of the fees set forth in the above table to the Overlay Manager and the Model Managers. Those fees range from a minimum of .03% to .07% for Program Accounts that do not include a Manager Model, to a range of .32% to a maximum of .37% for Program Accounts that include one or more Manager Models, depending on the selected Investment Strategy and the weighted average of the percentage of the portfolio's allocation to each Model Manager.

**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 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 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 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. CSP 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 \$1000. 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**

##### **Selection and Ongoing Review of Investment Strategies**

The CISC Asset Allocation Committee (the "Asset Allocation Committee"), an internal committee comprised of members of senior management of CISC, has engaged the Global Multi Asset Group ("GMAG"), an affiliate, to construct the Investment Strategies and provide ongoing evaluation of the Investment Strategies. The Asset Allocation Committee is responsible for reviewing and approving any changes to the asset classes within the Investment Strategies. The Asset Allocation Committee may engage various affiliated or third party consultants to assist in its function.

##### ***Changes to Investment Strategies***

Based upon the recommendation of GMAG, the CISC Asset Allocation Committee may approve changes to an Investment Strategy. After the effective date of these Investment Strategy composition changes, any Client's Program account that falls outside of one or more of the modified asset class allocations may be re-balanced to conform to the new Investment Strategy. CISC will notify affected Clients of the change to the asset class allocations in their Investment Strategy and the subsequent re-balancing executed to bring their Program account into conformity with the revised Investment Strategy.

##### **Selection and Ongoing Review of Funds and Manager Models**

###### ***Introduction***

CISC has engaged the Investment Research Team ("IRT") of JPMIM, an affiliate of CISC, to perform due diligence on Funds, recommend specific Funds for inclusion in the Investment Strategies, monitor the Funds offered in the Program and recommend the elimination of Funds to the CISC Investment Committee (the "Investment Committee"), an internal committee comprised of senior management of CISC, when they no longer meet the criteria for inclusion. CISC has engaged an unaffiliated third party consultant, Prima Capital Holding, Inc. ("Prima Capital"), to perform due diligence on Manager Models offered in the Program, monitor the Manager Models offered in the Program and recommend the inclusion or termination of Manager Models to the Investment Committee. The Program includes both non-affiliated and affiliated Funds. Currently, a substantial number of the Funds included in the Program are affiliated Funds, and all of the Model Managers are affiliated with CISC. CISC has not evaluated any non-affiliated Manager Models for inclusion in the Program. Both affiliated and non-affiliated Funds are evaluated and monitored using the same criteria. CISC may have a conflict of interest in including affiliated Funds and Manager Models in the Program because CISC and/or its affiliates will receive additional compensation when Clients select affiliated Funds and/or Manager Models in Program accounts. See *Potential Conflicts of Interest*, below. CISC is not responsible for the performance of any Fund or any Fund's compliance with its prospectus, laws or regulations, or other matters within the Fund's control. Each Fund's adviser is solely responsible for the management of the Fund as described in the Fund's prospectus.

###### ***Initial Fund and Manager Model Selection Process***

Both IRT and Prima Capital use evaluation processes that incorporate both quantitative and qualitative elements to identify Funds and Manager Models they believe are most appropriate for each asset class. They 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, Fund/team tenure and resources allocated to each strategy. The CISC

Investment Committee approves Funds and Manager Models for the Program based upon the information and recommendations provided by the IRT and Prima Capital and such other affiliated and third party consultants it may engage from time to time.

#### ***Ongoing Monitoring of Funds and Manager Models***

IRT and Prima Capital periodically monitor the Funds and Manager Models to ensure that they continue to perform within expectations. IRT and Prima Capital monitor the Funds and providers of the Manager Models and the performance of the Funds and Manager Models in various ways ranging from monitoring of news events to periodic meetings. IRT and Prima Capital periodically review all Funds and Manager Models to evaluate the key drivers of performance. Funds and Manager Models that do not pass the ongoing evaluation tests may be removed from Program.

CISC does not calculate performance of Model Managers or Funds. Although CISC screens past performance, it does not audit this data to verify either its accuracy or that each Fund or Model Manager 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 Funds and Manager Models***

When the ongoing Fund monitoring process uncovers a concern, IRT and Prima Capital assess the situation and, if concerns persist, may recommend to the Investment Committee the termination of the Fund or Manager Model from the Program. Funds and Manager Models may be terminated and replaced at the discretion of the CISC Investment Committee, and the Overlay Manager will execute the necessary trades to purchase any replacement Funds and to implement the Manager Model portion of the portfolio. Transactions resulting from changes in Funds or Manager Models may result in tax consequences to Clients' Program accounts.

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

The Funds and Manager Models available in the Program include Funds and Model Managers affiliated with CISC. CISC may have a conflict of interest including affiliated Funds and Manager Models in the Program because CISC and/or its affiliates and parent company will receive more overall compensation when those Funds and/or Manager Models are included in an Investment Strategy than if CISC used third party Funds or Manager Models. 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**

CISC provides to the Overlay Manager a summary of information relevant to Overlay 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, amount invested, and any investment restrictions requested by Client. That information is updated if it becomes materially incorrect, such as in the event that the Client selects a new Investment Strategy or changes the investment restrictions.

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

CISC personnel knowledgeable about the management of the Client accounts are available for Client consultation on reasonable request. IARs 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 January 2011, CISC entered into substantially similar settlements with 42 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 \$22,276,391.

###### **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.

#### **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 by the Funds' advisors. CISC addresses this conflict through disclosure to clients.

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

Overlay Manager may buy shares of foreign companies on foreign exchanges and convert the shares to American Depositary Receipts (ADRs) for their client's accounts, 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.

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. In addition, CISC may recommend affiliated Model Managers in the Program. The use of affiliated Model Managers is also an indirect benefit to CISC since it increases the overall revenue of the 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.

### **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 Investment Strategy 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 Funds and Manager Models available in the Program to assure that the Investment Strategies, Manager 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.