

**Item 1**  
**Cover Page**

**FORM ADV, PART 2A APPENDIX 1**  
**WRAP FEE PROGRAM BROCHURE**

**J.P. MORGAN SECURITIES STRATEGIC INVESTMENT SERVICES PROGRAM**

**J.P. MORGAN SECURITIES INVESTMENT COUNSELING SERVICE PROGRAM**

**J.P. MORGAN SECURITIES HORIZON PROGRAM**

**J.P. MORGAN SECURITIES UNIFIED MANAGED ACCOUNT PROGRAM**

**J.P. MORGAN SECURITIES SYSTEMATIC MANAGED ACCOUNTS PROGRAM**

J.P. MORGAN SECURITIES LLC  
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January 2, 2018

**J.P. Morgan Securities LLC sponsors other wrap fee programs in addition to those discussed in this brochure. You can obtain brochures for the other programs by contacting us at (800) 999-2000.**

**This wrap fee program brochure provides information about the qualifications and business practices of J.P. Morgan Securities LLC. If you have any questions about the contents of this brochure, please contact us at (800) 999-2000. 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 J.P. Morgan Securities LLC 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 between its 2016 annual update dated March 30, 2016 and its most recent annual update dated March 31, 2017. Please note that the interim update of this Brochure dated January 2, 2018 includes certain changes not summarized below.

#### **All Programs**

- Modifications were made throughout the Brochure to reflect the merger of J.P. Morgan Clearing Corp., which typically provided clearing, settlement and custodial services to accounts in the Programs, into J.P. Morgan Securities LLC, effective October 1, 2016.
- Item 4 was modified to reflect changes to the maximum Fee and other fee-related changes taking effect on April 1, 2017 (including the “unbundling” of the Fee in both STRATIS and SMA into separate components for JPMS and the applicable portfolio manager, respectively).
- Text was added to Item 4 relating to JPMS’s retention of “float” with respect to assets awaiting investment and the execution of trades by JPMS through trading systems in which JPMS or its affiliates have an ownership interest.
- A description of a July 2016 settlement by JPMorgan Chase Bank, N.A. and JPMS with the Indiana Securities Division was added to the list of legal and disciplinary events in Item 9.i.

#### **J.P. Morgan Securities Strategic Investment Services (STRATIS) Program**

- See All Programs, above.
- Text was added to Item 4.ii directing clients to a webpage where additional information about “trading away” practices by portfolio managers in STRATIS can be found.
- Text was removed from Item 9.ii.d to reflect the fact that, with the “unbundling” of the STRATIS Program Fee into separate JPMS and portfolio manager components, the amount of each client’s Fee that is ultimately retained by JPMS no longer varies depending on the client’s portfolio manager(s) and the particulars of the fee arrangement between JPMS and each portfolio manager.

#### **J.P. Morgan Securities Investment Counseling Service (ICS) Program**

- See All Programs, above.
- Text was added to Item 4.ii directing clients to a webpage where additional information about “trading away” practices by portfolio managers in ICS can be found.
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#### **J.P. Morgan Securities Horizon Program**

- See All Programs, above.

#### **J.P. Morgan Securities Unified Managed Account (UMA) Program**

- See All Programs, above.
- Text was added to Item 4.ii directing clients to a webpage where additional information about “trading away” practices by the Overlay Manager and Joint Discretion Managers in UMA can be found.

#### **J.P. Morgan Securities Systematic Managed Accounts (SMA) Program**

- See All Programs, above.

- Text was added to Item 4.ii directing clients to a webpage where additional information about “trading away” practices by OSAM in SMA can be found.

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# J.P. Morgan Securities Strategic Investment Services Program (STRATIS)

## Item 4 Services, Fees and Compensation

J.P. Morgan Securities LLC (“JPMS”) is a wholly-owned subsidiary of JPMorgan Chase & Co. In the J.P. Morgan Securities Strategic Investment Services Program (“STRATIS” or the “Program”), J.P. Morgan Securities, a brand name for a wealth management business of JPMS, offers clients the discretionary investment management services of third-party portfolio managers and provides certain consulting services to clients. Clients pay an asset-based wrap fee that covers JPMS's consulting services, the portfolio managers' services, and execution of transactions and custody through JPMS and its affiliates.

**The investment advisory services described in this Brochure are not insured by the Federal Deposit Insurance Corporation (FDIC), are not a deposit or other obligation of, or guaranteed by, JPMorgan Chase Bank, N.A. or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.**

### i. Services

JPMS determines which portfolio managers and investment strategies are available through STRATIS, and it or one or more third parties engaged by it (which may be affiliates of JPMS) reviews the managers and strategies on a periodic basis. Accordingly, from time to time JPMS may add or remove specific portfolio managers and/or investment strategies to or from STRATIS.

Clients determine how much money to invest through STRATIS (“STRATIS Assets”) after consulting with a J.P. Morgan Securities Advisory Representative (each, an “Advisory Representative”). At the client's request, JPMS identifies and presents each client with one or more portfolio managers and investment strategies that appear to be suitable for the STRATIS Assets from among those that JPMS periodically reviews and makes available through STRATIS. JPMS identifies these portfolio managers and strategies based on the information the client provides to JPMS, including the investment objective(s) for the STRATIS Assets provided by the client. At the client's request, JPMS will also assist clients in allocating the STRATIS Assets to each investment strategy selected.

Although JPMS will identify suitable portfolio managers and strategies, clients are responsible for selecting the portfolio managers and strategies for their accounts. If more than one strategy is selected, the client is also responsible for allocating the STRATIS Assets between or among strategies. JPMS will notify each portfolio manager of the client's selection of the portfolio manager and the applicable strategy. JPMS will also provide the portfolio manager with information about the client and the account. After receiving the information, the portfolio manager may in its sole discretion accept or reject the account. If a portfolio manager accepts an account, the portfolio manager will manage it on a discretionary basis. JPMS may in its sole discretion refuse to allow a client to utilize a particular portfolio manager or investment strategy through STRATIS.

In the event it removes an investment strategy from the Program, JPMS may designate another strategy in the Program as the default replacement strategy for the STRATIS Assets invested in the removed strategy. If JPMS designates such a default replacement strategy, each affected client will be notified in writing that, unless the client affirmatively selects, in writing, a replacement strategy in the Program by the date specified by JPMS, the client's assets in the removed strategy will automatically be re-invested into the designated default replacement strategy, without further notice to or consent of the client. In designating a default replacement strategy (if any), JPMS will consider the appropriateness of the strategies available in the Program as suitable replacements for the removed strategy. The sale of the client's assets in the removed strategy may have tax consequences for the client.

Each client is responsible for monitoring the client's STRATIS account(s). This monitoring includes reviewing any asset allocation between or among investment strategies on an ongoing basis and determining whether to rebalance and/or reallocate the STRATIS Assets. The actual allocation of the STRATIS Assets may change over time due to fluctuations in the market value of the STRATIS Assets and/or additions to or withdrawals by the client. In addition, clients are responsible for determining whether a change in the client's circumstances may warrant a change to the client's investment strategy selection.

Unless JPMS specifically agrees otherwise, Clients are also responsible for monitoring a portfolio manager's adherence to or consistency with any investment restrictions, guidelines or policies and/or other requests for modified implementation that have been submitted by the client for the account and accepted by the portfolio manager. JPMS has no responsibility for monitoring STRATIS accounts, even if JPMS assisted the client in determining an asset allocation, identified portfolio managers to the client, or assisted the client with developing investment restrictions, guidelines or policies and/or other requests for modified implementation of a strategy. Unless specifically agreed to by JPMS, JPMS is not obligated to provide ongoing advice with respect to the client's selection of any



portfolio manager or strategy. JPMS is not responsible for the management of any STRATIS account, including the consistency of the management of any account with the client's investment objective for the account or any other information provided by the client.

Clients generally authorize and direct each selected portfolio manager to effect transactions for the account(s) directly through JPMS, subject to the portfolio manager's duty to seek best execution. For more information about the factors that a portfolio manager considers in determining which broker or dealer to execute transactions through, please refer to that portfolio manager's Form ADV Part 2A brochure or other applicable disclosure document. When JPMS executes transactions for Program clients, the division of JPMS that handles the execution may receive compensation (or compensation credits) from one or more other affiliates or divisions of JPMS, including from J.P. Morgan Securities, through which STRATIS is offered. Program clients are not charged for any such intracompany or inter-affiliate compensation.

JPMS will ordinarily provide clearing, settlement and custodial services with respect to transactions and assets in STRATIS accounts. In certain circumstances and subject to certain requirements, and in JPMS's sole discretion, JPMS may allow a client to specify in writing that a third-party custodian be used for the provision of such services.

In general, JPMS also provides clients with periodic written performance reviews of their STRATIS accounts. Certain STRATIS accounts may not receive such reviews; in its discretion, JPMS may not provide a client with written performance reviews for an account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

***Investing in securities involves risk of loss that clients should be prepared to bear.*** All trading in Program accounts is at the client's risk and the value of assets in Program accounts is subject to a variety of factors, such as the liquidity and volatility of the securities markets. All securities investments involve financial risk for which the client is responsible and transactions may give rise to tax liability for which the client is also responsible. Clients receive no written or oral guarantees regarding performance. Clients may lose money by investing through the Program.

## **ii. Fees and Compensation**

JPMS will charge each STRATIS account an asset-based fee ("Fee") each calendar quarter, in advance. The Fee is comprised of separate components: JPMS's component and the component of each Portfolio Manager selected by Client. Each component of the Fee must be a flat annual rate expressed as a percentage with no more than two decimal places. The maximum annual rate for JPMS's component of the Fee is 2.00%. Each component of the Fee is specified in the investment advisory agreement between the client and JPMS ("Client Agreement").

The rate used for each component of the Fee each quarter will be approximately one-fourth of the applicable annual rate based on the number of days in the quarter, and will typically be applied to the net market value of the assets (including all cash and cash alternatives such as money market mutual funds) in the account. In its discretion, JPMS may negotiate the amount and calculation of JPMS's component of the Fee based on a number of factors, including the type and size of the account, the size or number of trades anticipated to be effected for the account, services provided to the account, the client's other accounts with JPMS, accounts with JPMS held by members of client's family, and JPMS's assessment of the potential for future additional business with the client. In addition, JPMS's negotiation of its component of the Fee by JPMS is generally subject to certain internal guidelines based on the total value of assets invested, or expected to be invested, by the client across JPMS's various investment advisory programs.

The portfolio manager component of the Fee is paid over by JPMS to the applicable portfolio manager, and varies among managers and types of investment strategies but generally equals an amount that ranges from 0.22% to 0.50% annually of the net market value of the accounts managed by them. (The amount portfolio managers most typically charge for the management of Program accounts in equity investment strategies is 0.40% annually of the accounts' net market value; the amount most typically charged for the management of Program accounts in fixed income investment strategies is 0.22%-0.25% annually of the accounts' net market value.) The specific amount paid to each portfolio manager is generally set forth in a fee schedule that is part of an agreement between JPMS and that manager. The fee schedule also may contain breakpoints at which the percentage of the value of the managed assets paid to the portfolio manager goes down as the total of all client assets the portfolio manager manages in STRATIS increases. On a case-by-case basis, portfolio managers may agree to apply a lower fee rate with respect to individual client accounts in the Program, typically if that account has over \$5,000,000 in assets.

If a client has multiple retirement accounts in one or more of the investment advisory programs sponsored by J.P. Morgan Securities (which are listed and briefly described in the Supplement to this Brochure) for which the client's is the primary tax identification

number, JPMS's program fee (or, for accounts in the STRATIS, Unified Managed Account (UMA) and Systematic Managed Accounts (SMA) Programs, JPMS's component of the fee) for all such accounts must be the same. Accordingly, whenever a client opens a new retirement account in one of the programs listed in the Supplement to this Brochure, or the fee for an existing retirement account in one of the programs is changed, JPMS will, if necessary, change the fee (or, for accounts in the STRATIS, UMA and SMA Programs, JPMS's component of the fee) for the client's other retirement account(s) in the programs to the retirement account fee most recently agreed to by the client, so that they are all the same. When a fee is changed for one or more of a client's other retirement accounts as a result of this process, the fee change for the other retirement accounts will take effect with the following billing period. Therefore, all retirement accounts in the J.P. Morgan Securities investment advisory programs for which Client's is the primary tax identification number will be subject to the same flat fee rate (or, as applicable, the same rate for JPMS's component of the fee), regardless of the program, the amount of assets in the account, the types of investments in the account (e.g., equities or fixed income securities) or other factors.

In valuing assets in Program accounts, JPMS uses information provided by recognized independent quotation and valuation services or will rely on information it receives from other third parties, if applicable. JPMS believes this information to be reliable but does not verify the accuracy of the information provided by these sources. If any information provided by these sources is unavailable or is believed to be unreliable, JPMS will value assets in a manner JPMS determines in good faith to reflect fair market value. JPMS may use different valuation sources for different purposes. As a result, the determination of asset values may differ for different purposes. For example, the account asset values used in the Fee calculation may not match the asset values listed on the account's custodial statements. Detailed calculations of any account asset values are available upon request.

The Client Agreement typically provides that (i) a prorated Fee will be charged on total same-day contributions to the account (net of total same-day withdrawals from the account) of \$25,000 or more to cover the period from the date of the net same-day contribution until the end of the quarterly billing period and (ii) a prorated Fee credit will be made for total same-day withdrawals from the account (net of total same-day contributions to the account) of \$25,000 or more to cover the period from the date of the net same-day withdrawal until the end of the quarterly billing period. If the Client Agreement is terminated during a billing period, JPMS will refund to the client any prepaid amount of the Fee prorated for the period of the billing period after the date of termination.

The Fee is a "wrap fee" that covers JPMS's consulting services, the portfolio manager's investment management services, JPMS's trade execution, clearing, settlement and custody services and, typically but not necessarily, periodic written performance reviews. By recommending the Program to clients, therefore, JPMS also is recommending itself as broker-dealer. Typically, in the Client Agreement, the client instructs the portfolio managers to direct transactions in the client's account to JPMS for execution, subject to each portfolio manager's duty under applicable law to seek "best execution" and JPMS's capacity and willingness to execute the transaction.

***Participation in STRATIS may cost the client more or less than purchasing the services provided in STRATIS separately.***

Many factors bear upon the relative cost of STRATIS to the client, including the cost of the services if provided and charged for separately, the Fee rate charged to the client in STRATIS, the amount of trading activity in the client's account, and the quality and value of the services provided. The Fee (or component of the Fee) paid by a client may be higher or lower than the fees JPMS charges other clients in STRATIS or other investment advisory programs, the fees JPMS would charge the client in another investment advisory program, and the cost of similar services offered through other financial firms.

The Fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates ("trading away"). Portfolio managers in STRATIS place all orders in fixed income or debt securities with broker-dealers other than JPMS; with respect to such trades, therefore, the client will incur a brokerage commission, mark-up, mark-down or dealer spread charged by the other broker-dealer that is not covered by the Fee. Portfolio managers in the Program also *may* choose to place orders in equities and other types of securities with broker-dealers other than JPMS, in which event the client will incur a brokerage commission that is not covered by the Fee. When portfolio managers place orders with broker-dealers other than JPMS, the trade confirmation issued by JPMS with the details of the trade will typically show a price for the traded security that is inclusive (i.e., net) of the commission, mark-up, mark-down or dealer spread paid by the client to the other broker-dealer; therefore, the amount of any commission, mark-up, mark-down or dealer spread will generally not be broken out or otherwise shown separately. Clients can view more specific information about the "trading away" practices of portfolio managers in STRATIS – which can result in additional costs for clients that are not covered by the Fee – at <https://www.jpmorgansecurities.com/pages/am/securities/legal/investment-managers-trading-away-practices>.

In addition, the Fee does not cover mark-ups, mark-downs and dealer spreads charged by dealers unaffiliated with JPMS when JPMS, acting as agent for the client in the Program, effects a transaction with an unaffiliated dealer acting as principal (i.e., for the dealer's own account), typically in connection with certain fixed income and over-the-counter securities that are traded primarily in "dealer" markets. Such mark-ups on securities bought by the client, mark-downs on securities sold by the client and dealer spreads (the difference between the bid price and offer price) are generally incorporated into the net price that the client pays or receives in the transaction.

The Fee does not cover clearing, settlement and custody charges that may be charged by custodians other than JPMS. The Fee also does not cover certain costs or charges that may be imposed by JPMS or third parties, including margin interest, costs associated with exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Fee does not cover dealer spreads that JPMS, its affiliates or other broker-dealers may receive when acting as principal in certain transactions. The Fee does not cover the annual fee that JPMS charges IRA accounts or certain other retirement plans; however, JPMS may, in its discretion, agree to waive such annual fee.

Because the Fee is typically charged on all assets in the account, in a low interest rate environment, a client may earn less interest on assets held in the account as cash or cash alternatives such as money market funds than the amount of the Fee the client is paying JPMS with respect to such assets, and therefore the client's net yield with respect to such assets may be negative.

Except as otherwise agreed to in writing by JPMS, accounts are charged the Fee with respect to all assets in the account regardless of whether the client has previously paid or incurred commissions, sales charges or "loads," mark-ups, mark-downs, dealer spreads, or other costs, charges, fees or expenses in connection with the client's previous purchase of some or all of the assets in a brokerage account or otherwise outside of the Program.

Portfolio managers may invest STRATIS Assets in mutual funds (including money market funds), closed-end funds, exchange-traded funds ("ETFs") and/or other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but ultimately are borne by clients as fund shareholders; such fees and expenses are in addition to the Fee and generally will not be deducted from the Fee. Assets of Program clients may be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other share classes of the fund. JPMS and its affiliates also may receive compensation in addition to the Fee in connection with the operation and/or sale of shares of affiliated or unaffiliated funds to clients in STRATIS, which may include investment management fees paid by certain funds to affiliates of JPMS, distribution fees paid by certain funds to JPMS and its affiliates pursuant to Rule 12b-1 under the Investment Company Act of 1940, and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. Certain investment companies may not permit shares to be transferred outside of STRATIS and in certain circumstances may in their sole discretion redeem fund shares held by clients; the liquidation of these fund shares may have tax consequences to clients. Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the funds.

Portfolio managers may purchase for certain accounts: (i) American Depositary Receipts ("ADRs"), which are receipts issued by a U.S. bank or trust company that evidence ownership of non-U.S. securities and are traded on a U.S. exchange or in the over-the-counter market; (ii) Global Depositary Receipts ("GDRs"), which are receipts issued generally by a non-U.S. bank or trust company that evidence ownership of non-U.S. securities; (iii) exchange-traded notes ("ETNs"), which are senior, unsecured, unsubordinated debt securities traded on an exchange and designed to provide a return that is linked to the performance of a specified index or other market benchmark; and/or (iv) Real Estate Investment Trusts ("REITs"), which are securities traded on an exchange that invest in real estate directly, either through properties or mortgages. Clients will bear, in addition to the STRATIS Fee, a proportionate share of any fees and expenses associated with ADRs, GDRs, ETNs, REITs, and/or other securities with similar characteristics, as applicable. Clients may also bear any fees and expenses associated with converting non-U.S. securities into ADRs or GDRs. When they assist in such conversions, JPMS and its affiliates receive some or all of such fees and expenses borne by the client. For trades in non-U.S. equity securities, the final average price includes a commission to a third-party broker-dealer for execution of the trade, applicable taxes and charges associated with transacting in a non-U.S. security and, if the trade is settled in U.S. Dollars, a service charge for the currency conversion.

JPMS and its affiliates may pay from time to time for certain order flow in the form of discounts, rebates, reductions of fees or credits. Conversely, as a result of sending orders to certain trading centers, JPMS and its affiliates receive payment for order flow in the form of discounts, rebates reduction of fees or credits. Under some circumstances, the amount of such remuneration may exceed the amount that JPMS and its affiliates are charged by such trading centers. This does not alter JPMS's policy to route customer orders to the trading center where it believes clients will receive the best execution taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service, speed and efficiency.

A portion of the JPMS component of the Fee is generally paid to the J.P. Morgan Securities Advisory Representative servicing the client's STRATIS account(s), who also may have recommended that the client participate in STRATIS. ***Because the amount received by an Advisory Representative as a result of a client's participation in STRATIS may be more than the Advisory Representative would receive if the client participated in another J.P. Morgan Securities investment advisory program or paid separately for investment advice, brokerage and other services covered by the Fee, the Advisory Representative may have a financial incentive to recommend STRATIS over other programs or services.***

JPMS or its affiliates may retain, as compensation for the performance of services, an account's proportionate share of any interest earned on aggregate cash balances held by JPMS or its affiliates with respect to "assets awaiting investment or other processing." This amount, known as "float," is earned by JPMS or its affiliates through investment in a number of short-term investment products and strategies, including without limitation loans to customers and investment securities, with the amount of such earnings retained by JPMS or its affiliates, due to the short-term nature of the investments, being generally at the prevailing one-month LIBOR interest rate ("LIBOR," or London Interbank Offered Rate, is the most widely-used benchmark for short-term interest rates), less FDIC insurance and other associated costs, if any. "Assets awaiting investment or other processing" for these purposes includes, to the extent applicable, new deposits to the account, including interest and dividends, as well as any uninvested assets held in the account caused by an instruction to purchase and sell securities. JPMS or its affiliates will generally earn float until such time as such funds may be automatically swept into a "sweep" vehicle or otherwise reinvested. "Assets awaiting investment or other processing" may also arise when JPMS facilitates a distribution from the account. Thus, pursuant to standard processes for check disbursement, cash is generally debited from the account on the date on the face of the check (also called the payable date). Such cash is deposited in a non-interest bearing omnibus deposit account held by JPMS or its affiliates, where it remains until the earlier of the date the check is presented for payment or the date payment on the check is stopped at Client's instruction (in which case the underlying funds are returned to the account). JPMS or its affiliates derive earnings (float) from their use of funds that may be held in this manner, as described above.

JPMS may effect trades on behalf of Program accounts through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, "Trading Systems"), including Trading Systems in which JPMS or its affiliates may have a direct or indirect ownership interest. JPMS or its affiliates may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest. Currently, JPMS and/or its affiliates have an ownership interest in certain Trading Systems, including: (i) BATS Global Markets; (ii) BIDS Trading; (iii) Chicago Stock Exchange; and (iv) Boston Options Exchange. Clients authorize JPMS to effect trades on behalf of Program accounts through all such Trading Systems, affiliated and unaffiliated, and all such other Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS may determine to trade in the future. An up-to-date list of all Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS might trade can be found at <https://www.jpmorgansecurities.com/pages/am/securities/legal/ecn>. Such Trading Systems (and the extent of JPMS's or its affiliates' ownership interest in any Trading System) may change from time to time.

JPMS may earn additional compensation through brokerage-related services it provides, such as extending margin loans to clients and holding free-credit balances. Certain Advisory Representatives may receive production-based bonuses that take into account these amounts in addition to investment advisory fees (including the Fee paid by clients in the Program) and other revenue generated by the Advisory Representative. These bonuses may create a conflict of interest for those Advisory Representatives in that they have a financial incentive to recommend that Program accounts incur additional or higher fees for these services by, for example, incurring additional or larger margin loans. In addition, because the rate of fees charged for these brokerage-related services is negotiable, this compensation may give these Advisory Representatives a financial incentive to charge clients higher rates for these services.

In general, any margin debit balances held by the client cannot be held in a Program account. This is significant because, for purposes of the calculation of the Fee, the net market value of the assets on which the Fee is based generally will **not** be reduced by the amount of any margin debit balances held by the client in any account outside of the Program – even if some or all of the proceeds of the loan represented by the margin debit balances are held in the client's Program account(s) or were used to purchase securities held in the client's Program account(s) and even if some or all of the assets in the client's Program account(s) are used to collateralize or secure the loan represented by the margin balances. JPMS and the Advisory Representative have a financial incentive for the client to incur margin debt to buy securities in the client's Program account(s) because: (1) the client will be required to pay JPMS interest and fees on the debt (a portion of which JPMS may pay to the Advisory Representative); and (2) the net market value of the Program account will be increased by the value of the additional securities purchased with the proceeds of the margin loan (and will not be offset by the amount of the client's margin debit held in the account outside of the Program), resulting in a higher Fee. In addition, any interest and fees paid by the client in connection with any margin debit balances held by the client in any account outside of the Program will not be taken into account in the calculation of the net equity or performance of the client's Program account(s), as reflected in account statements, written performance reviews or otherwise.

## **Item 5**

### **Account Requirements and Types of Clients**

JPMS requires that all clients who wish to open and maintain an account in the Program enter into the Client Agreement, which sets forth the services that JPMS and the applicable portfolio manager(s) will provide to the client and the fee that the client will pay. The specific terms of the Client Agreement will govern the handling of the client's account in the Program and the investment advisory relationship between the client on the one hand and JPMS and the applicable portfolio manager(s) on the other.

The minimum amount of assets required to open an account in STRATIS is typically \$100,000 per account for investment strategies in asset classes other than tax-exempt fixed income and high yield fixed income and \$250,000 per account for tax-exempt fixed income and high yield fixed income strategies, although JPMS may, in its discretion, waive or reduce the minimum account opening size for certain clients or accounts. JPMS also may impose a higher minimum account opening size if the client wishes to use a custodian other than JPMS and JPMS, in its discretion, is willing to maintain the account on such a basis. In general, a separate account is required for each separate investment strategy selected by the client, even if separate strategies are managed by the same portfolio manager. Certain portfolio managers may impose minimums that are higher or lower than the typical minimums specified above in some or all investment strategies managed by them and/or may make exceptions to minimums with respect to certain clients or accounts.

STRATIS is generally intended for investors who seek to establish medium to long-term strategic investment goals, desire assistance and advice in connection with the construction of investment portfolios, and prefer the consistency of a fee-based approach. It is not typically intended for investors who seek to maintain control over trading in their accounts, who have a short-term investment horizon (or expect ongoing meaningful withdrawals), or who expect to maintain consistently high levels of cash or money market funds or highly concentrated portfolios. The types of clients participating in STRATIS generally include individuals, trusts, retirement plans (including IRAs), estates, corporations and other business entities, foundations and endowments. Investment companies, banks and thrift institutions generally do not participate in STRATIS.

The accounts of employee benefit plans (as defined in ERISA) and retirement plans (as defined in Section 4975(e)(1) of the Internal Revenue Code), which includes IRAs, may be subject to certain JPMS policies, restrictions and other terms and conditions that are different from those applicable to other accounts in the Program. Such policies, restrictions and other terms and conditions may affect, for example, the portfolio managers that may be available for selection for the management of such accounts, the securities that may be available for investment in such accounts, the manner in which transactions may be effected in such accounts, the ability of such accounts to trade on margin, and the fees and expenses that may be charged to such accounts. As a result, application of the policies, restrictions and other terms and conditions may result in the performance of employee benefit plan and retirement plan accounts being worse than it would have been absent such policies, restrictions and terms and conditions. In addition, if the Client Agreement for such an account is terminated or such an account is removed from STRATIS, the account may be restricted by JPMS to unsolicited liquidating or "sell" orders only.

A client's selection of a portfolio manager and investment strategy for a STRATIS account is subject to JPMS's and the portfolio manager's acceptance of the client's account in the sole discretion of each of them. JPMS and the portfolio manager may each decline to accept a particular client or account in the Program at any time and for any reason.

## **Item 6**

### **Portfolio Manager Selection and Evaluation**

#### **i. Selection of Portfolio Managers for STRATIS**

JPMS selects portfolio managers and specific investment strategies used by them for inclusion in STRATIS. Thus, certain investment strategies used by a portfolio manager may be selected by JPMS for inclusion in STRATIS while other strategies implemented by the same manager may not be included. In selecting portfolio managers and investment strategies for inclusion in STRATIS, JPMS will rely on the review of portfolio managers and their investment strategies described in this Item, and may also consider factors that include whether, how many and which strategies in the relevant asset class are already available in the Program, the perceived need or demand by Advisory Representatives and/or clients for a specific portfolio manager, investment strategy or type of investment strategy, and JPMS's ability to reach agreement with the portfolio manager on terms and conditions of the manager's participation in the Program, including the manager's component of the Fee. Each portfolio manager available through STRATIS has entered into a contract with JPMS to manage client accounts as set forth in the Client Agreement.

JPMS reviews or arranges for the review of portfolio managers and their investment strategies to determine whether they should be included in STRATIS. These reviews generally include examination of the portfolio manager's organization, investment process, service and performance. JPMS may engage one or more third parties (including affiliates of JPMS) to perform initial and periodic reviews of portfolio managers (each, a "Review Vendor") and/or perform such periodic reviews itself. A Review Vendor may also make recommendations to JPMS about which portfolio managers and/or investment strategies to include in STRATIS.

JPMS considers both affiliated and unaffiliated portfolio managers for inclusion in STRATIS. JPMS's decision to include a particular portfolio manager and strategy in STRATIS is based upon the totality of the results of the review process and other factors like those referred to above, and does not necessarily reflect a rigid application of any or all of the guidelines described. JPMS may remove a

particular portfolio manager and/or strategy from STRATIS at any time for any reason and will notify clients that have selected that portfolio manager and/or strategy of the removal.

JPMS identifies to STRATIS clients only portfolio managers and investment strategies from the group of managers and strategies available through STRATIS. JPMS identifies suitable investment strategies for a client based on the investment objective(s) the client provides for the STRATIS Assets and other information provided by the client. Once an investment strategy has been identified, JPMS identifies specific portfolio managers for a particular client based on asset size, any investment restrictions the client may wish to impose, any investment guidelines or policies that the client may have, or other factors that may make a particular manager more desirable to the client. Clients are solely responsible for the selection of portfolio managers and strategies from among those identified by JPMS.

JPMS generally does not recommend the replacement of a particular portfolio manager or strategy for a particular client unless JPMS removes the portfolio manager or strategy from the Program, in which event JPMS will notify affected clients of the removal and may designate a strategy in the Program as the default replacement strategy for the STRATIS Assets invested in the removed strategy. If JPMS designates such a default replacement strategy, each affected client will be notified in writing that, unless the client affirmatively selects, in writing, a replacement strategy in the Program by the date specified by JPMS, the client's assets in the removed strategy will automatically be re-invested into the designated replacement strategy, without further notice to or consent of the client. In designating a default replacement strategy (if any), JPMS will consider the appropriateness of the strategies available in the Program as suitable replacements for the removed strategy. JPMS also may assist the client in identifying a suitable replacement manager and/or strategy in cases where JPMS does not designate a default replacement strategy or where the client wishes to consider alternatives to the default replacement strategy designated by JPMS; such assistance is typically based on the same types of factors used by JPMS to identify portfolio managers and strategies for STRATIS clients in the first instance. The sale of the client's assets in the removed strategy may have tax consequences for the client.

Advisory Representatives who learn of JPMS's decision to remove a portfolio manager from the Program may take or recommend action on the basis of such knowledge (i) with respect to certain clients and accounts (inside or outside of the Program) before others or (ii) before JPMS's written notice of the removal decision has been sent to all affected Program clients.

## **ii. Review of Portfolio Managers in STRATIS**

JPMS or a Review Vendor reviews portfolio managers and their investment strategies in STRATIS on a periodic basis. Currently, all portfolio managers and investment strategies in STRATIS, except J.P. Morgan Private Investments Inc. ("JPMPI") and its strategies, are reviewed by the Manager Selection due diligence group ("Manager Selection") in the J.P. Morgan Wealth Management division. Manager Selection is comprised of employees of JPMorgan Chase Bank, N.A. and other affiliates. For information on the process applicable to JPMPI and its strategies in the Program, please refer to Item 6.iii below.

Changes in the portfolio manager's organization, investment process, service and performance are monitored by Manager Selection via periodic meetings with the portfolio manager's staff and written quarterly communication. As a result of Manager Selection's reviews and/or other information and events, portfolio managers and/or specific investment strategies may be removed from the Program, in which event JPMS will notify affected clients of the removal and may designate a strategy in the Program as the default replacement strategy for the STRATIS Assets invested in the removed strategy. If JPMS designates such a default replacement strategy, each affected client will be notified in writing that, unless the client affirmatively selects, in writing, a replacement strategy in the Program by the date specified by JPMS, the client's assets in the removed strategy will automatically be re-invested into the designated replacement strategy, without further notice to or consent of the client. In designating a default replacement strategy (if any), JPMS will consider the appropriateness of the strategies available in the Program as suitable replacements for the removed strategy. JPMS also may assist the client in identifying a suitable replacement manager and/or strategy in cases where JPMS does not designate a default replacement strategy or where the client wishes to consider alternatives to the default replacement strategy designated by JPMS; such assistance is typically based on the same types of factors used by JPMS to identify portfolio managers and strategies for STRATIS clients in the first instance. The sale of the client's assets in the removed strategy may have tax consequences for the client.

Manager Selection's review of a portfolio manager and its investment strategies and/or other information and events also may result in a manager and/or one or more of its strategies in the Program being closed to new investors pending further review. During such status, clients may not select the manager and/or strategy for the first time, but clients with Program assets already being managed according to an affected strategy when it was closed to new investors are permitted to contribute additional assets to the account(s). Clients invested according to an affected strategy will be notified in writing that the manager and/or strategy have been closed to new investors. Further review of the affected portfolio manager and/or strategies by Manager Selection may result in a re-opening to new investors.

JPMS may provide clients with information about portfolio managers. The information may be prepared by JPMS or by a third party and is based on and/or incorporates information provided by portfolio managers and other third-party sources. JPMS believes that this information is accurate; however, JPMS does not independently verify or guarantee the accuracy or completeness of the information. JPMS shall have no liability with respect to information provided by portfolio managers. Performance information may be included in the information provided by JPMS or may be provided by portfolio managers. ***This performance is calculated by the portfolio managers themselves or by third parties and neither JPMS nor a third party engaged by it reviews portfolio manager performance information for JPMS to determine or verify its accuracy or its compliance with presentation standards. The performance information may not be calculated on a uniform and consistent basis.***

In addition to portfolio manager performance information clients may receive that presents performance calculated by the portfolio managers and/or third parties, each Program client typically receives a written quarterly performance review prepared by JPMS summarizing the investment performance of the client's STRATIS account(s) for the prior quarter. (As explained in Item 4 above, certain clients may not receive such a performance review.) In preparing such reviews for Program clients, JPMS uses various industry and non-industry standards to measure account performance. ***Neither JPMS nor any third party reviews the performance information to determine or verify its accuracy or compliance with presentation standards, and the information may not be calculated on a uniform and consistent basis. Clients receiving periodic written performance reviews from JPMS should review carefully the disclosures, definitions and other information contained in the reviews.***

Performance reviews are not a substitute for regular monthly or quarterly account statements or Form 1099, and should not be used to calculate the Fee or to complete income tax returns. JPMS and its affiliates are entitled to rely on the financial and other information that clients or any third party provides to JPMS. The client is solely responsible for any information that the client provides to JPMS, and JPMS shall not be liable in connection with its use of any information provided by the client or a third party in the periodic review. JPMS does not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter.

Subject to JPMS's policies and procedures and applicable law, the periodic written performance review typically provided to Program clients may include information about assets in other accounts maintained by the client with J.P. Morgan Securities (including other investment advisory accounts and brokerage accounts) as well as other assets identified to J.P. Morgan Securities by the client. By including assets in the written performance review, JPMS is not undertaking to provide or be responsible for providing any services with respect to those assets.

In preparing account statements and performance reviews, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available from JPMS upon request.

Clients will receive each portfolio manager's Form ADV Part 2A or other applicable disclosure document. Clients should review the portfolio manager disclosure document carefully for important information about the portfolio manager, including risks associated with the selected strategy (if applicable). Each portfolio manager is solely responsible for the truthfulness, completeness, and accuracy of its own disclosure document.

JPMS is not responsible for the performance of any portfolio manager or any portfolio manager's compliance with applicable laws and regulations or other matters within the portfolio manager's control. Each portfolio manager is solely responsible for the management of that portfolio manager's designated account(s). If a client selects more than one portfolio manager, the portfolio managers may engage in contrary transactions with respect to the same security. JPMS will effect transactions for an account only if and to the extent instructed by a portfolio manager. Without limiting the generality of the foregoing, JPMS shall not be responsible for any act or omission of any portfolio manager or any misstatement or omission contained in any document prepared by or with the approval of any portfolio manager or any loss, liability, claim, damage, or expense whatsoever, as incurred, arising out of or attributable to such misstatement or omission.

Certain portfolio managers seek to execute transactions for institutional and other non-wrap fee program accounts prior to those for wrap fee program (e.g., STRATIS) accounts. This could have an adverse impact on the execution price STRATIS clients receive if prior trades for institutional and other non-wrap fee program accounts impact the market and trading volume of the securities sought to be purchased or sold for STRATIS clients' accounts. Portfolio manager trading and execution practices are described more fully in each portfolio manager's Form ADV Part 2A or other disclosure document.

### **iii. Related Person Portfolio Managers**

J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management) (“JPMIM”) and J.P. Morgan Private Investments Inc. (“JPMPI”) are affiliates of JPMS that act as portfolio managers in STRATIS.

JPMS has a conflict of interest in including JPMIM and JPMPI in STRATIS, in conducting (or having an affiliated Review Vendor conduct) periodic reviews of them and their investment strategies in STRATIS, in identifying them and their investment strategies in STRATIS to specific clients, and in designating their investment strategies as default replacement strategies for STRATIS Assets invested in strategies that are removed from the Program because if a client selects (or is automatically re-invested into) one of their strategies for the management of STRATIS Assets, JPMS and its affiliates will receive greater aggregate compensation than if the client selected (or was automatically re-invested into) a strategy of an unaffiliated STRATIS portfolio manager. JPMS believes that this conflict is addressed by the fact that neither the persons responsible for the initial and periodic review of portfolio managers (including JPMIM and JPMPI) and their investment strategies for inclusion in STRATIS and for possible designation as default replacement strategies for strategies removed from the Program, nor the Advisory Representatives who identify specific managers and strategies to clients, receive any direct financial benefit (such as additional compensation) from the investment of STRATIS Assets with JPMIM and JPMPI instead of other STRATIS portfolio managers. Moreover, because Advisory Representatives are typically compensated in the Program through the receipt of a portion of JPMS’s component of the Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to identify portfolio managers and strategies they believe will increase the value of the account, regardless of whether or not the manager is affiliated with JPMS. In addition, as a matter of policy, JPMS will not designate a strategy of an affiliated portfolio manager as the default replacement strategy for retirement plan accounts (including IRAs and accounts subject to ERISA) invested in a strategy that has been removed from the Program; if such a strategy has been designated as the default replacement strategy for non-retirement plan accounts, JPMS will designate a different strategy of an unaffiliated portfolio manager, or will not designate any default replacement strategy, for retirement plan accounts.

JPMIM and its investment strategies in STRATIS are subject to the same selection and review processes, conducted by Manager Selection, as the unaffiliated portfolio managers and strategies that participate in the Program. However, JPMPI’s strategies in STRATIS are not subject to the same review process as other portfolio managers and strategies in STRATIS. The review process for JPMPI’s strategies in STRATIS does not involve the same personnel and does not follow the same governance procedure for concluding that a strategy should be closed to new investors pending further review or removed from the Program, although J.P. Morgan does have a process for taking action on JPMPI’s strategies in STRATIS if warranted as a result of its ongoing internal review process. In addition, the internal review process that J.P. Morgan follows in reviewing JPMPI’s strategies in STRATIS does not include a process to identify an applicable universe of managed strategies. As a result, there may be one or more strategies managed by affiliates of JPMS or third parties that may outperform the JPMPI strategies made available in the Program.

Neither JPMS nor any of its supervised persons acts as a portfolio manager in STRATIS.

## **Item 7**

### **Client Information Provided to Portfolio Managers**

JPMS will collect information about the client’s investment time horizon, financial circumstances (including net worth and annual income), investment objective and risk tolerance for each account in the Program, and any reasonable restrictions the client wishes to impose on the management of the account(s) in writing. Certain information about the client may be set forth in a client profile. JPMS will generally provide portfolio managers with the client profile and other relevant client information and any changes to the information that the client provides. JPMS and portfolio managers will rely on the information provided by clients. JPMS will have no liability for a client’s failure to provide JPMS with accurate or complete information or to inform JPMS promptly of any change in the information previously provided.

The investment objective identified by the client for an account in the Program will apply to the account as long as the account is in the Program (unless the client subsequently changes the investment objective in writing), notwithstanding any different investment objective previously identified by the client for the account when it was a brokerage account or an account in one of the other investment advisory programs offered by J.P. Morgan Securities. If the Client Agreement is terminated and the account becomes a brokerage account outside the Program, the investment objective previously identified by the client for the account as a brokerage account will again apply to the account.

Clients are responsible for notifying JPMS promptly, in writing, of any changes to the information the client previously provided to JPMS (including financial information and the investment objective for each account), and for providing JPMS with additional information as it may request from time to time to assist it in providing services under the Program. At least annually, JPMS contacts each client in the Program to determine whether there have been any changes in the client’s financial situation or investment objective for the account and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any



existing conditions. At least quarterly, JPMS notifies each client in writing to contact the Advisory Representative if there have been any changes in the client's financial situation or investment objective or if the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing restrictions.

Clients may seek to impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. JPMS will communicate any requested restrictions to the portfolio manager. The manager may reject the restriction or the account if the manager deems the restriction to be unreasonable.

A client also may request that the portfolio manager agree to manage the client's account in accordance with client-specified investment guidelines or policies or otherwise implement a strategy in the client's account in a manner that may differ from that in which the portfolio manager would otherwise implement the strategy in the account (e.g., by purchasing bonds of a longer maturity than the portfolio manager might otherwise buy for the account in the portfolio manager's short-term fixed income strategy). JPMS will generally communicate such requests to the portfolio manager. Investment policies and guidelines and requests for modified implementation of an investment strategy submitted by clients for Program accounts are subject to the portfolio manager's acceptance in its sole discretion; if the manager declines to accept an investment policy or guidelines, or to modify the implementation of a strategy, for a Program account, the client may choose either to agree that the account will be managed in the Program without reference to the investment policy or guidelines or to decide not to maintain the account in the Program.

Clients should be aware that any client-imposed investment restrictions, guidelines or policies and/or requests for modified implementation of a portfolio manager's investment strategy may cause the portfolio manager to deviate from the investment decisions it would otherwise make in managing the account in the Program, and as a result may negatively affect the performance of the account. In the absence of client-specified investment restrictions, guidelines or policies and/or modifications to the implementation of a strategy that have been accepted by the portfolio manager, it is likely that the portfolio manager will manage the account in a manner very similar to that of other clients with similar investment objectives and risk tolerances.

## **Item 8**

### **Client Contact with Portfolio Managers**

JPMS places no restrictions on clients contacting or consulting directly with their portfolio managers in STRATIS. Clients should review each portfolio manager's Form ADV Part 2A or other applicable disclosure document for any restrictions placed by that portfolio manager.

## **Item 9**

### **Additional Information**

#### **i. Disciplinary Information**

JPMS has been involved in the following material legal or disciplinary events during the last ten years. With respect to the periods before the merger of J.P. Morgan Securities Inc. into Bear, Stearns & Co. Inc. (and the naming of the surviving entity as J.P. Morgan Securities Inc., now J.P. Morgan Securities LLC) on October 1, 2008, and the merger of Chase Investment Services Corp. ("CISC") into J.P. Morgan Securities LLC on October 1, 2012, the events include those involving any of the three entities.

1) In March 2009, 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 the appropriate breakpoints would be delivered to customers, and paid a monetary fine of \$32,500.

2) Between June 2009 and October 2011, JPMorgan Chase & Co., on behalf of itself and its subsidiaries (including JPMS and CISC), entered into substantially similar settlements with the securities regulators of all but three states in connection with investigations concerning alleged misrepresentations and omissions in connection with the marketing, sales and distribution of auction rate securities ("ARS"). The principal allegations were that the relevant JPMorgan entities 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 the JPMorgan entities had represented them to be and were unable to sell the ARS. Without admitting or denying the allegations, JPMorgan Chase & Co. entered into consent decrees

pursuant to which the relevant JPMorgan entities repurchased ARS from certain customers and paid fines, penalties, disgorgement and restitution in amounts that varied from state to state.

3) In November 2009, J.P. Morgan Securities Inc. submitted, and the SEC accepted, an Offer of Settlement in connection with allegations by the SEC that in 2002 and 2003 JPMS had made certain payments to firms whose principals or employees were friends of Jefferson County, Alabama public officials in connection with \$5 billion in County bond underwriting and interest rate swap agreement business awarded to JPMS, without disclosing the payments or conflicts of interest in the swap agreement confirmations or bond offering documents. The SEC also alleged that JPMS incorporated certain of the costs of the payments into higher swap interest rates it charged the County, thereby increasing the swap transaction costs to the County and its taxpayers. The SEC found that the alleged conduct violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, Section 15B(c)(1) of the Securities Exchange Act of 1934, and Municipal Securities Rulemaking Board Rule G-17. Without admitting or denying any of the SEC's substantive findings, JPMS consented to the SEC's entry of an administrative order that included a censure of JPMS, an order to cease and desist from violations of the aforementioned statutes and rules, and an order requiring payment of disgorgement of \$1 and a civil money penalty of \$25 million. In addition, JPMS undertook to make a \$50 million payment to the County and to terminate any obligations of the County to make any payments to JPMS under certain swap agreements.

4) In December 2010, CISC submitted an 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.

5) In June 2011, J.P. Morgan Securities LLC agreed with the SEC to resolve the SEC's inquiry regarding certain collateralized debt obligations (CDOs). Specifically, JPMS agreed to a settlement of allegations that it was negligent in not providing additional disclosure in marketing materials for a CDO called Squared CDO 2007-1, Ltd ("Squared"). The SEC's complaint alleged that JPMS represented in marketing materials that the collateral manager selected the investment portfolio for Squared but failed to disclose that the hedge fund that purchased the subordinated notes (or "equity") issued by Squared, and which also took the short position on roughly half of the portfolio's assets, played a significant role in the selection process. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the Southern District of New York. The Final Judgment permanently restrains and enjoins JPMS from violating Sections 17(a)(2) and (3) of the Securities Act of 1933 in the offer or sale of any security or security-based swap agreement, orders JPMS to pay disgorgement of \$18.6 million, together with prejudgment interest thereon in the amount of \$2 million, and a civil penalty in the amount of \$133 million, and orders JPMS to comply with certain undertakings related to the review and approval of offerings of certain mortgage securities.

6) In July 2011, J.P. Morgan Securities LLC resolved an SEC investigation regarding conduct alleged to have taken place on the firm's municipal derivatives desk. The SEC alleged that prior to at least 2005, JPMS made misrepresentations and omissions in connection with bidding on certain municipal reinvestment instruments, which the SEC alleged affected the prices of certain reinvestment instruments, deprived certain municipalities of a presumption that the reinvestment instruments were purchased at fair market value, and/or jeopardized the tax-exempt status of certain securities. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the District of New Jersey. The Final Judgment permanently enjoins JPMS from violating Section 15(c)(1)(A) of the Securities Exchange Act of 1934 and orders it to pay \$51.2 million to certain municipalities and other tax-exempt issuers.

In coordination with the SEC settlement, JPMorgan Chase & Co. ("JPMC") and certain of its affiliates, including JPMS, also entered into settlements with other agencies to resolve concurrent investigations regarding conduct alleged to have taken place on the firm's municipal derivatives desk relating to certain municipal derivative transactions occurring in or prior to 2006. Those settlements are as follows: JPMorgan Chase Bank, N.A. entered into a Formal Agreement and a Consent Order for a Civil Money Penalty with the Office of the Comptroller of the Currency and agreed to pay \$35 million; JPMC, JPMS, and JPMorgan Chase Bank, N.A. entered into a Closing Agreement of Final Determination of Tax Liability and Specific Matters with the Internal Revenue Service and agreed to pay \$50 million; and JPMC entered into written agreements with the Antitrust Division of the U.S. Department of Justice, the Federal Reserve Bank of New York, and 25 State Attorneys General. JPMC agreed to pay \$75 million in connection with its agreement with the State Attorneys General. Of the total funds to be paid, \$129.7 million will be eligible for distribution to municipalities and other tax-exempt issuers. The Firm also consented to implement various remedial measures, including enhanced compliance policies and procedures.

7) In October 2011, 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.

8) In November 2011, CISC submitted an 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 the 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.

9) In November 2012, the SEC filed a complaint against J.P. Morgan Securities LLC and several of its affiliates in the District Court for the District of Columbia. The complaint related primarily to Bear Stearns’ alleged failure to disclose information regarding settlements entered into by a Bear Stearns affiliate with originators of loans that had been securitized into residential mortgage-backed securities (“RMBS”) trusts beginning in or about 2005. The complaint also alleged that JPMS, in connection with an RMBS offering by a J.P. Morgan affiliate in 2006, failed to include in the RMBS prospectus supplement’s delinquency disclosures approximately 620 loans that the SEC asserted were more than 30 days delinquent at the cut-off date for the offering. Based on the alleged misconduct described above, the complaint alleged that the defendants violated Sections 17(a)(2) and (3) of the Securities Act of 1933. In settlement of the action, the defendants submitted an executed Consent agreeing to the entry of judgment, without admitting or denying allegations made in the proceeding (other than those relating to the jurisdiction of the District Court over it and the subject matter). In January 2013, the District Court entered a judgment against the defendants that enjoined them from violating, directly or indirectly, Sections 17(a)(2) and (3) of the Securities Act. Additionally, the judgment required the defendants to pay disgorgement in the amount of \$177,700,000, prejudgment interest in the amount of \$38,865,536, and a civil monetary penalty of \$84,350,000.

10) On December 18, 2015, J.P. Morgan Securities LLC (“JPMS”) and JPMorgan Chase Bank, N.A. (“JPMCB”, together “Respondents”) entered into a settlement with the Securities and Exchange Commission (“SEC”) resulting in the SEC issuing an order (“Order”). The Respondents consented to the entry of the Order that finds that JPMS violated Sections 206(2), 206(4), and 207 of the Investment Advisers Act of 1940 and Rule 206(4)-7 and JPMCB violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. The Order finds that JPMCB negligently failed to adequately disclose (a) from February 2011 to January 2014, a preference for affiliated mutual funds in certain discretionary investment portfolios (the “Discretionary Portfolios”) managed by JPMCB and offered through J.P. Morgan’s U.S. Private Bank (the “U.S. Private Bank”) and the Chase Private Client lines of business; (b) from 2008 to 2014, a preference for affiliated hedge funds in certain of those portfolios offered through the U.S. Private Bank; and (c) from 2008 to August 2015, a preference for retrocession-paying third-party hedge funds in certain of those portfolios offered through the U.S. Private Bank. With respect to JPMS, the Order finds that, from May 2008 to 2013, JPMS negligently failed to adequately disclose, including in documents filed with the SEC, conflicts of interest associated with its use of affiliated mutual funds in the Chase Strategic Portfolio (“CSP”) program, specifically, a preference for affiliated mutual funds, the relationship between the discounted pricing of certain services provided by an affiliate and the amount of CSP assets invested in affiliated products, and that certain affiliated mutual funds offered a lower-cost share class than the share class purchased for CSP. In addition, the Order finds that JPMS failed to implement written policies and procedures adequate to ensure disclosure of these conflicts of interest. Solely for the purpose of settling these proceedings, the Respondents consented to the Order, admitted to the certain facts set forth in the Order and acknowledged that certain conduct set forth in the Order violated the federal securities laws. The Order censures JPMS and directs the Respondents to cease-and-desist from committing or causing any violations and any future violations of the above-enumerated statutory provisions. Additionally, the Order requires the Respondents to pay a total of \$ 266,815,000 in disgorgement, interest and civil penalty.

Concurrently, on December 18, 2015, JPMCB reached a settlement agreement with the Commodity Futures Trading Commission (“CFTC”) to resolve its investigation of JPMCB’s disclosure of certain conflicts of interest to discretionary account clients of J.P. Morgan Private Bank’s U.S.-based wealth management business. In connection with the settlement, the CFTC issued an order (“Order”) finding that JPMCB violated Section 4o(1)(B) of the Commodity Exchange Act (“CEA”) and Regulation 4.41(a)(2) by failing to fully disclose to certain clients its preferences for investing certain discretionary portfolio assets in certain commodity pools or exempt pools, namely (a) investment funds operated by JPMorgan Asset Management and (b) third-party managed hedge funds that shared management and/or performance fees with an affiliate of JPMCB. The Order directs JPMCB to cease-and-desist from violating Section 4o(1)(B) of the CEA and Regulation 4.41(a)(2). Additionally, JPMCB shall pay \$40 million as a civil penalty to the CFTC and disgorgement of \$60 million satisfied by disgorgement to be paid to the SEC by JPMCB and an affiliate in a related and concurrent settlement with the SEC.

11) On July 27, 2016, J.P. Morgan Securities LLC (“JPMS”) and JPMorgan Chase Bank, N.A. (“JPMCB”, together “Respondents”) entered into a Consent Agreement (“Agreement”) with the Indiana Securities Division (“ISD”). The Respondents consented to the entry of the Agreement that alleged that certain conduct of the Respondents was outside the standards of honesty and ethics generally accepted in the securities trade and industry, in violation of 710 Ind. Admin. Code § 4-10-1(23) (2016). Specifically, the Agreement alleged that, between 2008 and 2013, JPMS failed to disclose to Indiana investors that certain proprietary mutual funds purchased for Chase Strategic Portfolio (“CSP”) clients offered institutional shares that were less expensive than the institutional shares

JPMS chose for CSP clients. In addition, the Agreement alleged that, from February 2011 to January 2014, no account opening document or marketing materials disclosed to Indiana investment management account clients or Indiana J.P. Morgan Investment Portfolio clients that JPMCB preferred to invest client assets in proprietary mutual funds, and that between 2008 and January 2014, JPMCB did not disclose its preference for investing certain investment management account assets in certain proprietary hedge funds to Indiana clients. Lastly, the Agreement alleged that JPMCB did not disclose its preference for placement-agent-fee-paying third-party hedge fund managers in certain investment management accounts to Indiana clients until August 2015. Solely for the purpose of settling these proceedings, the Respondents consented to the Agreement, with no admissions as to liability. In the Agreement, the Respondents agreed to pay a total of \$950,000 to resolve the ISD's investigation, which was paid on August 1, 2016.

**ii. Other Financial Industry Activities and Affiliations**

**a. Broker-Dealer Registrations**

JPMS is registered with the SEC as a broker-dealer as well as an investment adviser. Some of JPMS's management personnel and all of the Advisory Representatives and their supervisors in the Program are registered with the Financial Industry Regulatory Authority ("FINRA") as registered representatives of JPMS in its capacity as a broker-dealer.

**b. Futures/Commodities-Related Registrations**

In addition, JPMS is registered with the CFTC as a futures commission merchant and also acts as a commodity pool operator exempt from registration as such with the CFTC. Some of JPMS's management personnel, and a small number of the Advisory Representatives and/or their supervisors in the Program, are registered with the CFTC as associated persons of JPMS in its capacity as a futures commission merchant.

**c. Material Relationships with Related Persons**

JPMS has several relationships or arrangements with related persons that are material to its advisory business or to its advisory clients in the Program.

**1. Affiliated Portfolio Managers**

Please refer to Item 6.iii for a discussion of the conflicts of interest raised by the inclusion of JPMIM and JPMPI as portfolio managers in the Program and how that conflict is addressed.

**2. Affiliated Sponsors, Distributors and Advisers of Mutual Funds and Other Pooled Investment Vehicles**

Program account assets may be invested in open-end mutual funds (including money market funds), closed-end funds, ETFs and other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but which are ultimately borne by the Program client as investor. The sponsors and/or general partners of certain such funds are affiliated with JPMS (potentially including those in which JPMS or its affiliates have a minority and/or non-controlling interest), and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such funds.

A portfolio manager's investment of Program client assets in J.P. Morgan-affiliated funds or a Program client's selection of such a fund as the vehicle for the temporary investment (i.e., "sweeping") of available cash balances benefits those funds and their J.P. Morgan-affiliated sponsors and/or general partners. JPMS and its affiliates (including JP Morgan Distribution Services, Inc.) may receive compensation from such funds in connection with the operation and/or sale of shares of the funds to Program clients, which may include distribution fees paid by the funds pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. To the extent that this receipt of compensation presents a conflict of interest with Program clients, JPMS believes that the conflict is addressed in the following ways:

- JPMS policy is for JPMS to credit back to clients in the Program any Rule 12b-1 fees it receives from funds in connection with fund transactions in Program accounts. In addition, although JPMS may receive non-Rule 12b-1 compensation from certain funds in connection with shares of those funds held in STRATIS accounts that are not retirement plan accounts (e.g., IRAs and accounts subject to ERISA), which compensation is *not* credited back to

STRATIS clients, JPMS typically does not receive such non-Rule 12b-1 compensation in connection with shares of funds held in STRATIS retirement plan accounts.

- Except for JPMIM and JPMPI with respect to the Program accounts they manage, neither JPMS nor any of its affiliates or other related persons controls or recommends specific securities transactions for Program accounts.
- Because the portfolio managers are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to exercise their discretion to select funds they believe will increase the value of the account, regardless of whether the funds pay such compensation to JPMS or its affiliates or other related persons.

In addition, several affiliates of JPMS manage J.P. Morgan-affiliated funds and receive an investment management fee for doing so. Although the management fee is paid by the fund itself, ultimately it is borne by investors in the fund. Therefore, to the extent a portfolio manager invests a client's Program account assets in such funds or the client selects a J.P. Morgan-affiliated fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets. The affiliates of JPMS that provide such investment management services to funds in which Program account assets may be invested include:

- JPMIM;
- JPMPI;
- J.P. Morgan Alternative Asset Management, Inc.;
- JF International Management, Inc.; and
- Security Capital Research & Management Incorporated.

The portion of the investment management fee received by JPMS's affiliate that is borne by each Program client is not covered by, and is in addition to, the Fee paid to JPMS by the client. As a result, because JPMS and its affiliates will in the aggregate receive more compensation when Program assets are invested in J.P. Morgan-affiliated funds than they would receive were the client instead invested in unaffiliated funds, JPMS has a conflict of interest (1) when portfolio managers invest Program account assets in J.P. Morgan-affiliated funds rather than unaffiliated funds and (2) in making only (or primarily) affiliated funds available to Program clients for the "sweeping" of available cash balances. JPMS believes that this conflict is addressed in the following ways:

- Except for JPMIM and JPMPI with respect to the Program accounts they manage, neither JPMS nor any of its affiliates controls or recommends specific securities transactions for Program accounts.
- Because the portfolio managers are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to exercise their discretion to select funds they believe will increase the value of the account, regardless of whether the funds are affiliated or unaffiliated with JPMS.
- JPMS policy prohibits the purchasing of J.P. Morgan-affiliated funds for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA). In addition, the only "sweep" vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed below) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of retirement plan clients' selection of the fund as the "sweep" vehicle for their accounts.

Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the funds.

### **3. JPMorgan Chase & Co. and Other Affiliated Issuers of Securities**

In addition to the mutual funds and other pooled investment vehicles sponsored and managed by affiliates of JPMS, JPMS's ultimate parent company, JPMorgan Chase & Co., is a publicly traded corporation the common stock of which is listed and trades on the NYSE. Other affiliates of JPMS also may issue securities through public or private distributions.

JPMS and its affiliates and other related persons could have an interest in JPMS's investment advisory clients (including clients in the Program) buying (or not selling) securities that JPMorgan Chase & Co. and other affiliates of JPMS (including entities in which JPMS or its affiliates have a minority and/or non-controlling interest) have issued. For example, JPMS and its affiliates and other related persons (including Advisory Representatives who personally own or may own shares of JPMorgan Chase & Co. common stock, through the issuance of shares and/or stock options to them as part of their employment compensation or otherwise) could benefit in certain respects from an increase in the securities' market price resulting from increased demand for the securities. These financial interests conflict with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients' investment objectives in the Program. JPMS addresses this conflict in the following ways:

- Except for JPMIM and JPMPI with respect to the Program accounts they manage, neither JPMS nor any of its affiliates controls or recommends specific securities transactions for Program accounts.
- Because the portfolio managers are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to exercise their discretion to select investments they believe will increase the value of the account, regardless of whether the issuer is affiliated with JPMS.

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

In the Client Agreement, clients in the Program generally authorize JPMS, to the extent permitted by applicable law, to invest (i.e., “sweep”) available cash balances in the JPMorgan Chase Bank, N.A. (“JPMCB”) Deposit Account or one or more money market mutual funds that are typically affiliated with JPMS. JPMCB is affiliated with JPMS. The Deposit Account is the default “sweep” option for Program clients who reside in the U.S.; that is, if the client does not affirmatively indicate the selection of one of the available alternatives, the client is deemed to have selected the Deposit Account.

Cash balances “swept” into the Deposit Account are remitted for deposit by JPMS, acting as the client’s agent, into a Money Market Deposit Account maintained at JPMCB. Balances in the Deposit Account are covered by Federal Deposit Insurance Corporation (“FDIC”) insurance, subject to applicable limits, terms and conditions, but are not protected by the Securities Investor Protection Corporation. Clients who authorize the “sweeping” of their cash balances into the Deposit Account receive the J.P. Morgan Deposit Account Disclosure, which provides further information about the Deposit Account, including the limits, terms and conditions of FDIC insurance coverage.

Although there is no charge, fee or commission to clients imposed with respect to the Deposit Account, JPMCB benefits from Program clients’ selection of the Deposit Account as their “sweep” option because, through the Deposit Account, JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits made by customers who select the Deposit Account to fund current and new businesses, 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 Deposit Account, and the interest rate and other income earned by JPMCB on the loans and investments made with the deposits. The income that JPMCB has the opportunity to earn through its lending and investing activities is usually greater than the fee earned by all JPMorgan Chase-affiliated entities from managing and distributing the money market mutual funds that may be available to Program clients as an alternative cash “sweep” for their Program accounts.

JPMS has a conflict of interest in making the Deposit Account the default “sweep” option for Program clients residing in the U.S. because JPMCB has a financial interest in Program clients’ use of the Deposit Account. JPMS believes that the conflict is addressed through:

- the client’s ability to affirmatively select another available “sweep” option in the Client Agreement and to change the “sweep” option selection to an available alternative at any time;
- the J.P. Morgan Deposit Account Disclosure provided to the client; and
- the client’s ability to obtain the prospectus for each money market mutual fund that is an available alternative to the Deposit Account as a “sweep” vehicle.

All or substantially all registered representatives in J.P. Morgan Securities, including all Advisory Representatives in the Program, also are employees of JPMCB. In their capacities as employees of JPMCB and outside of the Program, Advisory Representatives may market and sell to clients products and services of JPMCB (including discretionary portfolio management services), and be compensated in connection with such sales.

#### **5. Revenue Sharing Arrangements with Affiliates**

In addition, JPMS is party to certain revenue sharing arrangements pursuant to which it may receive compensation from certain affiliates in connection with referrals or introductions of investors by registered representatives in J.P. Morgan Securities (including Advisory Representatives in the Program) to the affiliates for the provision by the affiliates of products and services to the investors. The investors referred to affiliates may be existing investment advisory clients of J.P. Morgan Securities, including clients in the Program. When J.P. Morgan Securities makes such a referral of one of its existing investment advisory clients to an affiliate, the revenue sharing arrangement creates a conflict of interest with the client because:

- JPMS has a financial incentive to make the referral because it will be entitled to compensation from the affiliate if the referred client becomes a client or customer of the affiliate;
- JPMS does not necessarily base such referrals on any review or due diligence of the affiliate or its personnel, products or services;
- JPMS does not necessarily conduct an assessment of the suitability of the affiliate's products or services for referred clients; and
- it may not be in the referred client's best interest to become a client or customer of the affiliate.

JPMS believes that this conflict is addressed in the following ways:

- Typically, the referred client is not charged more for the product or service provided by the affiliate by virtue of the fact that the affiliate will compensate JPMS for the referral.
- Clients referred to affiliates by JPMS have no obligation to become clients or customers of those affiliates, and their declining to do business with the affiliate to which they were referred will not affect their relationship with JPMS.

**d. Recommendation or Selection of Other Investment Advisers**

Certain portfolio managers that JPMS may identify to clients in the Program have business relationships outside of the Program with JPMS and/or its affiliates, including relationships in which JPMS and/or its affiliates provide the portfolio manager with trading, lending, prime brokerage and/or custody services for compensation. As a result of these relationships, JPMS has a conflict of interest in conducting (or having an affiliated Review Vendor conduct) reviews of portfolio managers and strategies for inclusion in the Program, identifying portfolio managers and strategies to Program clients, and considering strategies for designation as default replacement strategies for accounts invested in strategies removed from the Program because JPMS may have a financial incentive to favor those managers (and the strategies of those managers) with which JPMS and/or its affiliates have other business relationships. JPMS believes that this conflict is addressed by the fact that neither the persons responsible for the initial and periodic review of portfolio managers for inclusion in the Program and for possible designation as default replacement strategies for strategies removed from the Program nor the Advisory Representatives who identify specific managers and strategies to clients (assuming they are aware of which managers have other business relationships with JPMS and/or its affiliates) receive any direct financial benefit (such as additional compensation) from the investment of Program assets with certain portfolio managers instead of others. Moreover, because Advisory Representatives are typically compensated in the Program through the receipt of a portion of JPMS's component of the Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to identify portfolio managers and strategies they believe will increase the value of the account, regardless of whether or not the managers have other business relationships with JPMS and/or its affiliates.

In addition, outside of and separate from the Program, JPMS acts as a solicitor (sometimes also called a "finder" or "referrer") of prospective clients for certain other investment advisers, which may include one or more advisers acting as portfolio managers in the Program. Under its solicitation agreements with those advisers, JPMS is entitled to a specified portion of the advisory fees received by the advisers from the investors that were referred to them by JPMS. The investors referred to other advisers by JPMS may be existing investment advisory clients of JPMS, including clients in the Program. When JPMS makes a referral of one of its existing investment advisory clients to another adviser under a solicitation arrangement, the arrangement creates a material conflict of interest with the client because:

- JPMS has a financial incentive to make the referral because it will be entitled to compensation from the other adviser if the referred client becomes a client of the other adviser;
- JPMS does not base such referrals on any review or due diligence of the other advisers or their personnel or investment strategies;
- JPMS does not conduct an assessment of the suitability of the other advisers' services for referred clients; and
- it may not be in the referred client's best interest to become a client of the other adviser.

JPMS addresses this conflict in the following ways:

- The other advisers' payments of solicitation fees to JPMS are typically subject to certain legal requirements and conditions, including the delivery by JPMS to the referred client, at the time of the referral, of a written document that discloses, among other things, the relationship between JPMS and the other adviser, the fact that JPMS will be compensated for the referral, the terms of the compensation arrangement, and the amount (if any) in addition to the advisory fee that the referred client will be charged by the other adviser for the cost of obtaining the client's business.

- Clients referred to other advisers by JPMS have no obligation to become clients of those advisers, and their declining to do business with the adviser to which they were referred will not affect their relationship with JPMS.

### iii. **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

#### a. **Code of Ethics**

Advisory Representatives in the Program are bound by the J.P. Morgan Securities Investment Adviser Code of Ethics, adopted by JPMS in accordance with Rule 204A-1 under the Investment Advisers Act of 1940.

The Code of Ethics describes the general standards of business conduct applicable to JPMS's investment advisory representatives, including Advisory Representatives in the Program, and the fiduciary obligations owed by JPMS and its investment advisory representatives to clients in its investment advisory programs. More specifically, the Code of Ethics addresses the following subjects:

- the maintenance of personal securities accounts by JPMS's investment advisory representatives;
- the reporting to JPMS Compliance personnel of certain personal securities holdings and transactions by certain of JPMS's investment advisory representatives;
- certain trading restrictions and holding periods applicable to personal securities transactions of certain of JPMS's investment advisory representatives;
- trading by investment advisory representatives while in possession of material non-public information;
- periodic certification by certain of JPMS's investment advisory representatives of their review, understanding and compliance with the Code of Ethics;
- JPMS's administration and enforcement of the Code of Ethics; and
- the keeping of certain records relating to the Code of Ethics and its administration and enforcement by JPMS.

*JPMS will provide a copy of the J.P. Morgan Securities Investment Adviser Code of Ethics to any client or prospective client upon request.*

#### b. **Securities in Which JPMS or a Related Person Has a Material Financial Interest**

In the Program, JPMS does not recommend specific securities or securities transactions to clients; the portfolio managers make all investment decisions in their sole discretion. In some cases, however, JPMS or a related person, acting as broker or dealer, may effect transactions for, or engage in transactions with, Program accounts in securities in which JPMS or a related person has a material financial interest. In addition, JPMS's affiliates JPMIM and JPMPI are portfolio managers in the Program that make the investment decisions for the Program accounts that have selected one or more of their respective investment strategies.

#### 1. **Principal and "Agency Cross" Transactions**

Certain securities, such as over-the-counter stocks and fixed income securities, are traded primarily in "dealer" markets. In such markets, securities are purchased directly from, or sold directly to, a financial institution acting as a dealer, or "principal." Dealers executing principal trades typically include a "mark-up" (an increase in the price paid to the dealer when the dealer is selling a security), "mark-down" (a decrease in the price paid by the dealer when the dealer is buying a security) and/or "dealer spread" (the difference between the bid price and offer price for a security) in the net price at which the transactions are executed.

When acting as principal in connection with transactions in Program accounts, JPMS and its affiliates may charge the Program client a "dealer spread," which will be incorporated into the net price paid (for purchases) or received (for sales) by the client in the transaction. Dealer spreads paid by the client and received by JPMS and its affiliates are not covered by, and are in addition to, the Fee. Therefore, because by acting in a principal capacity JPMS and its affiliates may earn additional amounts at the expense of the client, JPMS and its affiliates have a financial interest in acting in such capacity in connection with transactions in Program accounts that conflicts with the client's interest in avoiding the payment of dealer spreads. JPMS addresses this conflict in several ways, including:

- As a matter of policy, when practicable and consistent with best execution obligations, JPMS generally prohibits the effecting of transactions for Program clients where JPMS or any of its affiliates will act as principal. In certain circumstances exceptions may be permitted, typically for non-retirement plan accounts only.



- In addition, for JPMS or any of its affiliates knowingly to act as principal in connection with a transaction for a Program account managed by JPMIM or JPMPI, the law generally requires that before the completion of each such transaction JPMS must disclose to the client in writing that it or its affiliate will be acting in a principal capacity and obtain the client's consent to the transaction.
- While JPMS and its affiliates may receive a dealer spread in the net price when acting as principal in connection with a transaction for a client in the Program, they will not receive commissions, "mark-ups" or "mark-downs."

When acting as agent for both the client in the Program and the party on the other side of the transaction (known as an "agency cross transaction"), JPMS and its affiliates may receive compensation from both parties and therefore may have a conflicting division of loyalties and responsibilities. To address this conflict:

- As a matter of policy, when practicable and consistent with best execution obligations, JPMS generally prohibits the effecting of transactions for Program clients where JPMS or its affiliate acts as agent for the other side of the transaction. In certain circumstances exceptions may be permitted, typically for non-retirement plan accounts only.
- For JPMS or any of its affiliates knowingly to effect a transaction for a Program account managed by JPMIM or JPMPI where JPMS or its affiliate acts as agent for the other side of the transaction, the law generally requires that JPMS satisfy certain conditions, including the client's prospective written authorization of such agency cross transactions, the right of the client to revoke such authorization at any time in writing, and the provision of certain written disclosure to the client.

The restrictions on the ability of JPMS and its affiliates to effect principal and agency cross trades for Program accounts mean that JPMS will typically execute transactions in "dealer market" securities solely as agent for the client, with a dealer unaffiliated with JPMS on the other side of the transaction. Clients should understand that the restrictions may result in the accounts being precluded from investing in certain securities or in the accounts paying or receiving a less favorable price for certain securities. Generally, the likelihood that there will be such an effect will depend on the particular security in question and the nature of the market for that security. These restrictions could have a negative effect on the performance of Program accounts.

## 2. **J.P. Morgan-Affiliated Sponsors and Advisers of Mutual Funds and Other Pooled Investment Vehicles**

Portfolio managers may invest Program account assets in open-end mutual funds (including money market funds), closed-end funds, ETFs and other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but which are ultimately borne by the Program client as investor. The sponsors and/or general partners of certain such funds are affiliated with JPMS, and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such funds.

A portfolio manager's investment of Program client assets in J.P. Morgan-affiliated funds or a Program client's selection of such a fund as the vehicle for the "sweeping" of available cash balances benefits those funds and their J.P. Morgan-affiliated sponsors and/or general partners. In addition, several affiliates of JPMS (including JPMIM) manage J.P. Morgan-affiliated funds and receive an investment management fee for doing so. Although the management fee is paid by the fund itself, ultimately it is borne by investors in the fund. Therefore, to the extent a portfolio manager invests a client's Program account assets in such funds or the client selects a J.P. Morgan-affiliated fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets.

The portion of the investment management fee received by JPMS's affiliate that is borne by each Program client is not covered by, and is in addition to, the Fee paid to JPMS by the client. As a result, because JPMS and its affiliates will in the aggregate receive more compensation when Program assets are invested in affiliated funds than they would receive were the client instead invested in unaffiliated funds, JPMS has a conflict of interest (1) when portfolio managers invest Program account assets in J.P. Morgan-affiliated funds rather than unaffiliated funds and (2) in making only (or primarily) J.P. Morgan-affiliated funds available to Program clients for the "sweeping" of available cash balances. JPMS believes that this conflict is addressed in the following ways:

- Except for JPMIM and JPMPI with respect to the Program accounts they manage, neither JPMS nor any of its affiliates controls or recommends specific securities transactions for Program accounts.
- Because the portfolio managers are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to exercise their discretion to select funds they believe will increase the value of the account, regardless of whether the funds are affiliated or unaffiliated with JPMS.

- JPMS policy prohibits the purchasing of J.P. Morgan-affiliated funds for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA). In addition, the only “sweep” vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed below) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of retirement plan clients’ selection of the fund as the “sweep” vehicle for their accounts.

Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the funds.

### **3. Other Compensation from Affiliated and Unaffiliated Mutual Funds and Other Pooled Investment Vehicles**

JPMS and its affiliates (including JP Morgan Distribution Services, Inc.) and other related persons may receive other forms of compensation in connection with the operation and/or sale of shares of affiliated or unaffiliated funds purchased by portfolio managers for clients in the Program, which may include a distribution fee pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. To the extent that this receipt of compensation presents a conflict of interest with Program clients, JPMS believes that the conflict is addressed in the following ways:

- JPMS policy is for JPMS to credit back to clients in the Program any Rule 12b-1 fees it receives from funds in connection with fund transactions in Program accounts. In addition, although JPMS may receive non-Rule 12b-1 compensation from certain funds in connection with shares of those funds held in STRATIS accounts that are not retirement plan accounts (e.g., IRAs and accounts subject to ERISA), which compensation is *not* credited back to STRATIS clients, JPMS typically does not receive such non-Rule 12b-1 compensation in connection with shares of funds held in STRATIS retirement plan accounts.
- Except for JPMIM and JPMPI with respect to the Program accounts they manage, neither JPMS nor any of its affiliates or other related persons controls or recommends specific securities transactions for Program accounts.
- Because the portfolio managers are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to exercise their discretion to select funds they believe will increase the value of the account, regardless of whether the funds pay such compensation to JPMS or its affiliates or other related persons.

### **4. Other Securities Issued by JPMS and Its Affiliates**

In addition to the mutual funds and other pooled investment vehicles sponsored and managed by affiliates of JPMS, JPMS’s ultimate parent company, JPMorgan Chase & Co., is a publicly traded corporation the common stock of which is listed and trades on the NYSE. JPMS and its other affiliates also may issue securities through public or private distributions.

JPMS and its affiliates and other related persons could have an interest in portfolio managers buying (or not selling) securities in Program accounts that JPMS or its affiliates have issued. For example, JPMS and its affiliates and other related persons (including Advisory Representatives who personally own or may own shares of JPMorgan Chase & Co. common stock, through the issuance of shares and/or stock options to them as part of their employment compensation or otherwise) could benefit in certain respects from an increase in the securities’ market price resulting from increased demand for the securities. These financial interests conflict with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients’ investment objectives in the Program. JPMS addresses this conflict in the following ways:

- Except for JPMIM and JPMPI with respect to the Program accounts they manage, neither JPMS nor any of its affiliates controls or recommends specific securities transactions for Program accounts.
- Because portfolio managers are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to exercise their discretion to select investments they believe will increase the value of the account, regardless of whether the issuer is affiliated or unaffiliated with JPMS.

### **c. When JPMS or a Related Person Invests in the Same Securities That It Recommends to or Buys/Sells for Clients**

In the Program, JPMS does not recommend specific securities or securities transactions to clients; the portfolio managers make all investment decisions in their sole discretion. In some cases, however, JPMS or a related person, acting as broker or dealer, may effect transactions for Program accounts in the same securities that it or a related person invests in. In addition, JPMS’s affiliates JPMIM and

JPMPI, acting as portfolio managers in the Program, may buy or sell securities for Program accounts that JPMS or a related person (including JPMIM and JPMPI) invests in.

In such circumstances, the interests of JPMS and its related persons conflict with those of Program clients in several respects:

- JPMS or a related person may benefit from (1) clients buying securities that JPMS or the related person then sells or (2) clients selling securities that JPMS or the related person then buys, because client purchases may increase the market price of a security JPMS or the related person owns or borrows and then sells, and client sales may reduce the market price of a security JPMS or the related person then buys. For example, an Advisory Representative who holds a security in his personal account may have a financial interest in a portfolio manager buying a large quantity of the security for all of the Program accounts it manages, with the hope that the increased demand for the security will drive up its market price, immediately before selling the security from his personal account at the increased price.
- JPMS or a related person may benefit from (1) buying securities that clients will later buy (because the subsequent client purchases may increase the market price of the security JPMS or the related person already bought and owns) or (2) selling securities that clients will later sell (because subsequent client sales may decrease the market price of the security JPMS or the related person already sold). For example, an Advisory Representative may have a financial interest in buying a security for her personal account if she knows that a portfolio manager intends to buy a large quantity of the same security for all of the Program accounts it manages, with the hope that the increased demand for the security will drive up its price, immediately before selling the same security from her personal account at the increased price.
- JPMS or a related person may benefit from principal transactions in which it sells a security directly from its own account to a client account or buys a security into its own account directly from a client account. For example, when a portfolio manager enters an order to buy a security for Program accounts it manages, JPMS may have a financial incentive to execute the order through a principal (instead of agency) transaction if it owns the security in its own account, the security is thinly traded or illiquid, and JPMS believes it will decline in value or wants to sell it for another reason.

JPMS believes that these conflicts are addressed by the following:

- the fact that, except for JPMIM and JPMPI with respect to the Program accounts they manage, neither JPMS nor any of its affiliates or other related persons (including the Advisory Representatives) controls or recommends specific securities transactions for Program accounts.
- the maintenance of policies (including in the Code of Ethics) prohibiting JPMS employees from engaging in conduct intended to manipulate the price of securities and procedures designed to prevent and/or detect such conduct;
- the maintenance of information barrier procedures designed to control the flow of information between JPMS's and its affiliates' proprietary trading operations and other business units, including J.P. Morgan Securities; and
- the restrictions on principal transactions with Program accounts described in Item 9.iii.b above.

d. **When JPMS or a Related Person Buys/Sells Securities for Itself at or About the Same Time It Recommends or Buys/Sells the Same Securities to/for Clients**

In the Program, JPMS does not recommend specific securities or securities transactions to clients; the portfolio managers make all investment decisions in their sole discretion. In some cases, however, JPMS or a related person, acting as broker or dealer, may effect transactions for Program accounts at or about the same time that it or a related person buys or sells the same securities for its (or a related person's) own account. In addition, JPMS's affiliates JPMIM and JPMPI, acting as portfolio managers in the Program, may buy or sell securities for Program accounts at or about the same time that JPMS or a related person (including JPMIM and JPMPI) buys or sells the same securities for its (or a related person's) own account.

In such circumstances, the interests of JPMS and its related persons conflict with those of JPMS's Program clients in all of the respects described in the preceding section, each of which typically involves not only trading in the same securities that clients do, but also trading in them at or about the same time that clients do. Please refer to Item 9.iii.c above for a description of those conflicts and how they are addressed.

Portfolio managers in the Program and JPMS may, but are not required to, aggregate orders for the sale or purchase of a security for the client's account with orders for the same security for other clients, including orders for a portfolio manager's or JPMS's or their affiliates' employees and related persons. Aggregated orders will generally be filled at an average price, with a pro rata share of transaction costs (if applicable). In addition, a portfolio manager whose investment strategy is available to clients in both STRATIS and another

investment advisory program sponsored by JPMS – such as the Investment Counseling Service (ICS) Program or the Unified Managed Account (UMA) Program – may not aggregate orders for the sale or purchase of a security for clients in both programs; therefore, STRATIS clients with assets invested according to such a strategy may receive execution of the order at a different time and price than JPMS clients invested according to the same strategy in the other program. A client order that is not aggregated with one or more other client orders may be executed at a less favorable price and incur greater transaction costs than an aggregated order.

JPMS may have a conflict of interest in connection with the aggregation of orders by multiple Program clients for the purchase or sale of the same security. On occasion, an aggregated order will not be fully executed, or “filled.” A partial “fill” of an aggregated order must be allocated among the affected clients’ accounts. When the affected accounts include a proprietary or personal account for a portfolio manager in the Program or JPMS or any of their affiliates or other related persons (including Advisory Representatives), or an account that JPMS or its affiliates may have some other reason to favor (because it typically pays JPMS more compensation, for example), the portfolio manager or JPMS may have an interest in allocating more shares or units from the partial “fill” to such an account, leaving fewer shares or units for the accounts of other affected clients. JPMS addresses this conflict by processes designed to ensure that the allocation of a partially filled order is fair and equitable in accordance with applicable law. Factors that may affect allocations include, for example, available cash in each account, the size of each account and order, client-imposed or other restrictions on investments in each account, and the desirability of avoiding odd lots. Providing a comparatively favorable allocation to a proprietary or personal account of JPMS or its affiliates or other related persons, however, would not constitute a fair and equitable allocation. For more information about a portfolio manager’s aggregation and allocation policies, please refer to the manager’s Form ADV Part 2A or other applicable disclosure document.

**iv. Review of Accounts**

**a. Nature and Frequency of Program Account Reviews**

JPMS reviews client accounts in the Program on an ongoing basis.

The Advisory Representative to whom a Program account is assigned is responsible for reviewing the account on an ongoing basis on behalf of JPMS. Primary responsibility for the ongoing supervision of activity in the Program accounts lies with the J.P. Morgan Securities Supervisory Manager responsible for supervising activity in accounts handled by the Advisory Representative generally. The ongoing supervisory review of Program accounts by the Supervisory Managers includes review of the transactions effected in them.

Certain Program accounts may also be reviewed by appropriate personnel on other than an ongoing basis. Among the factors that might trigger such a review are:

- a change in market conditions;
- a change of securities position(s);
- a change in the client's investment objective;
- a request by the client for a meeting or the occurrence of such meeting;
- a complaint by the client;
- a concern expressed by the Advisory Representative’s supervisor or a member of J.P. Morgan Securities management or Compliance; and
- the application of internal policies of JPMS.

**b. Reports to Program Clients**

JPMS or one of its affiliates will provide Program clients with separate written confirmations of all transactions executed through JPMS or its affiliates, or clients may instead elect to receive a periodic statement of all transactions executed through JPMS for Program accounts in lieu of separate transaction confirmations, and to have a copy of the confirmations instead sent to the applicable portfolio manager. (Notwithstanding such an election by a client, JPMS may in its discretion choose to provide the client with separate written confirmations of some or all of the transactions in the Account.) Each client receives written account statements on at least a quarterly basis that show all transactions in the account, all contributions to and withdrawals from the account, and all fees and expenses charged to the account.

Additionally, each Program client typically receives a written quarterly performance review summarizing the investment performance of their portfolio for the prior quarter. However, certain clients may not receive such performance reviews; in its discretion, JPMS may not provide a client with written performance reviews for a Program account if, for example, the account’s assets are not

custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

In preparing account statements, reviews and/or reports, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available upon request.

**v. Client Referrals and Other Compensation**

**a. Compensation from Non-Clients to JPMS for JPMS's Provision of Advisory Services**

To the best of its knowledge, JPMS does not receive economic benefits from non-clients for providing investment advice or other advisory services to its clients.

JPMS and its affiliates do receive economic benefits from certain mutual funds and other pooled investment vehicles when JPMS's clients' assets in investment advisory accounts are invested in them. Although these benefits are attributable to sales of the funds to JPMS's investment advisory clients and the investment of investment advisory assets in the funds, they are not benefits the funds provide to JPMS or its affiliates in exchange for JPMS's provision of investment advisory services to the clients. For a discussion of the benefits and the conflicts of interest they raise, please refer to Items 4, 9.ii and 9.iii above.

As discussed in Item 9.ii above, JPMCB also receives economic benefits when JPMS's investment advisory clients select the J.P. Morgan Chase Bank Deposit Account as the vehicle for the "sweeping" of available cash balances in their accounts. Again, while these benefits are attributable to the investment of the assets of JPMS's investment advisory clients in the Deposit Account, they are not benefits JPMCB receives in exchange for JPMS's provision of investment advisory services to the clients.

In addition, JPMS and its affiliates may from time to time enter into joint marketing activities with investment managers and/or sponsors of mutual funds offered in JPMS's investment advisory programs. These managers and/or sponsors may pay some or all of the cost of the marketing activities, which payment may take the form of reimbursement of JPMS. Because of the willingness of these managers and/or sponsors to provide financial support for such activities, JPMS has an incentive to allow these managers and/or sponsors (as opposed to other investment managers and/or sponsors who are unwilling to provide such financial support) to participate in such joint marketing activities. However, the payments by the fund managers and/or sponsors are not made in exchange for JPMS's provision of investment advisory services to its clients.

Please refer to Item 9.ii above for a discussion of (1) revenue sharing arrangements between JPMS and certain of its affiliates pursuant to which JPMS may receive compensation from the affiliates in connection with referrals or introductions of clients by JPMS to the affiliates for the provision by the affiliates of products and services to the clients and (2) solicitation arrangements in which JPMS acts as solicitor for other investment advisers and receives compensation from the other advisers for the referral of clients to them. In such cases the compensation is in exchange for JPMS's referral of clients to other investment advisers – not for JPMS's own provision of investment advisory services to its clients.

**b. Compensation from JPMS to Unsupervised Persons for Client Referrals**

In addition to compensating certain *supervised* persons (including Advisory Representatives) for their provision of investment advisory services to clients on behalf of JPMS and/or for their referral or introduction of investors who become clients of JPMS, JPMS compensates certain persons *not* supervised by it for their referral of investors to JPMS who become clients in JPMS's investment advisory programs, including the Program.

JPMS has engaged certain unaffiliated parties to act as solicitors (sometimes also called "finders" or "referrers") of prospective clients for JPMS's investment advisory programs. The solicitors engaged by JPMS are typically themselves registered investment advisers. JPMS does not supervise either the solicitors' activities generally or their solicitation activities. Under these solicitation arrangements, JPMS agrees to pay each solicitor a specified portion of the advisory fees received by JPMS from each client referred to it by the solicitor.

The clients referred to JPMS do not incur any additional fee or charge by JPMS as a result of JPMS's arrangements with the solicitors or its payment of the solicitation fees to the solicitors. Therefore, because JPMS's sharing of certain advisory fees with solicitors reduces the net advisory fee retained by JPMS, Program accounts for clients referred to JPMS by a solicitor may be less profitable for JPMS than other Program accounts, other things being equal. This creates a conflict of interest between JPMS and the referred clients because, as a result, JPMS and the Advisory Representatives (whose own compensation is typically tied to the amount of advisory fees

received by JPMS from clients) could have a financial incentive to disfavor Program clients referred by solicitors in, for example, the allocation of trades among accounts and in the receipt of the Advisory Representative's time, attention and best investment ideas. JPMS believes that this conflict is addressed in the following ways:

- The portfolio managers – and not JPMS or the Advisory Representatives – are responsible for managing Program accounts and making investment decisions.
- JPMS uses processes designed to ensure that the allocation of partially filled orders is fair and equitable in accordance with applicable law.
- Because the Fee paid by clients in the Program may, in JPMS's discretion, be negotiated and can vary among clients, and the absolute amount of such Fee is typically dependent on the size of the client's account, it is not necessarily the case that the account of a client referred to JPMS by a compensated solicitor will be less profitable for JPMS or the Advisory Representative than other Program accounts.

**vi. Financial Information**

There is no financial condition that is reasonably likely to impair JPMS's ability to meet contractual commitments to its clients.

## J.P. Morgan Securities Investment Counseling Service Program (ICS)

### Item 4 Services, Fees and Compensation

J.P. Morgan Securities LLC ("JPMS") is a wholly-owned subsidiary of JPMorgan Chase & Co. In the J.P. Morgan Securities Investment Counseling Service Program ("ICS" or the "Program") offered by J.P. Morgan Securities, a brand name for a wealth management business of JPMS, third-party portfolio managers provide clients with discretionary investment management services and JPMS provides non-discretionary consulting services. Clients in ICS pay JPMS an asset-based wrap fee that covers JPMS's consulting, trade execution and custody services, while contracting with and paying one or more portfolio managers directly and separately for their discretionary portfolio management services.

**The investment advisory services described in this Brochure are not insured by the Federal Deposit Insurance Corporation (FDIC), are not a deposit or other obligation of, or guaranteed by, JPMorgan Chase Bank, N.A. or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.**

#### i. Services

Clients determine how much money to invest through ICS ("ICS Assets") after consulting with a J.P. Morgan Securities Advisory Representative (each, an "Advisory Representative"). At the client's request, JPMS identifies and presents the client with one or more portfolio managers and investment strategies in the universe of portfolio managers and strategies that JPMS periodically reviews (the "ICS Universe"). JPMS identifies portfolio managers and strategies that appear to be suitable for the client based on the information the client provides to JPMS, including (unless the client invests assets with a portfolio manager or strategy outside the ICS Universe) the investment objective(s) for the ICS Assets provided by the client. At the client's request, JPMS will also assist the client in allocating the ICS Assets to each investment strategy selected.

Even though JPMS will identify suitable portfolio managers and strategies for clients requesting it, clients are responsible for selecting the portfolio managers and strategies for their accounts. If more than one strategy is selected, the client is also responsible for deciding on the allocation of ICS Assets between or among strategies.

In addition to executing an ICS Program Client Agreement or other applicable investment advisory agreement with JPMS ("Client Agreement"), clients will enter into a separate investment management agreement ("IM Agreement") with each portfolio manager they select. As part of the IM Agreement, clients will grant each selected portfolio manager complete and sole discretionary trading authorization over the applicable ICS account(s).

Each client is responsible for monitoring the client's ICS account(s). This monitoring includes reviewing any asset allocation between or among investment strategies on an ongoing basis and determining whether to rebalance and/or reallocate the ICS Assets. The actual allocation of the ICS Assets may change over time due to fluctuations in the market value of the ICS Assets and/or additions to or withdrawals by the client. In addition, clients are responsible for determining whether a change in the client's circumstances may warrant a change to the client's investment strategy selection.

Clients are also responsible for monitoring a portfolio manager's adherence to or consistency with any investment restrictions, guidelines or policies and/or other requests for modified implementation that have been submitted by the client for the account and accepted by the portfolio manager. JPMS has no responsibility for monitoring ICS accounts, even if JPMS assisted the client in determining an asset allocation or in developing investment restrictions, guidelines or policies and/or other requests for modified implementation of a strategy. Unless specifically agreed to by JPMS, JPMS is not obligated to provide ongoing advice with respect to the client's selection of any portfolio manager or strategy. JPMS is not responsible for the management of any ICS account, including the consistency of the management of any account with the client's investment objective for the account or any other information provided by the client.

Clients generally authorize and direct each selected portfolio manager to effect transactions for the account(s) through JPMS (or its affiliates), subject to the portfolio manager's duty to seek best execution. For more information about the factors that a portfolio manager considers in determining which broker or dealer to execute transactions through, please refer to that portfolio manager's Form ADV Part 2A brochure or other applicable disclosure document. When JPMS executes transactions for Program clients, the division of JPMS that handles the execution may receive compensation (or compensation credits) from one or more other affiliates or divisions of

JPMS, including from J.P. Morgan Securities, through which ICS is offered. Program clients are not charged for any such intracompany or inter-affiliate compensation.

JPMS will ordinarily provide clearing, settlement and custodial services with respect to transactions and assets in ICS accounts. In certain circumstances and subject to certain requirements, and in JPMS's sole discretion, JPMS may allow a client to specify in writing that a third-party custodian be used for the provision of such services.

In general, JPMS also provides clients with periodic written performance reviews of their ICS accounts. Certain ICS accounts may not receive such reviews; in its discretion, JPMS may not provide a client with written performance reviews for an account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

JPMS determines which portfolio managers and investment strategies are available in the ICS Universe, and reviews (or arranges for the review of) the managers and strategies on a periodic basis to determine whether they will continue to meet the investment needs of ICS clients. Accordingly, from time to time JPMS may add or remove specific portfolio managers and/or investment strategies to or from the ICS Universe.

In certain circumstances, a client may be permitted to maintain assets in ICS with a portfolio manager or in an investment strategy that no longer is, or never was, in the ICS Universe. While the client in such cases will typically receive the other services customarily provided by JPMS and its affiliates to ICS clients, JPMS will *not* perform periodic reviews of any such portfolio manager or strategy. In addition, JPMS and its affiliates may have access to or may collect information about portfolio managers and strategies that are not in the ICS Universe but they have no obligation to share any such information with any client, even if such information is negative or reflects poorly on the relevant portfolio manager or strategy.

***Investing in securities involves risk of loss that clients should be prepared to bear.*** All trading in Program accounts is at the client's risk and the value of assets in Program accounts is subject to a variety of factors, such as the liquidity and volatility of the securities markets. All securities investments involve financial risk for which the client is responsible and transactions may give rise to tax liability for which the client is also responsible. Clients receive no written or oral guarantees regarding performance. Clients may lose money by investing through the Program.

## **ii. Fees and Compensation**

JPMS will charge each ICS account a single, asset-based fee ("Fee") each calendar quarter, in advance. The maximum Fee, expressed as an annual rate, that may be charged to clients in the Program is 2.00%. The Fee must be a flat rate expressed as a percentage with no more than two decimal places.

The rate used each quarter will be approximately one-fourth of the annual rate based on the number of days in the quarter, and will typically be applied to the net market value of the assets (including all cash and cash alternatives such as money market mutual funds) in the accounts. In its discretion, JPMS may negotiate the amount and calculation of the Fee based on a number of factors, including the type and size of the account, the size or number of trades anticipated to be effected for the account, services provided to the account, the client's other accounts with JPMS, accounts with JPMS held by members of client's family, and JPMS's assessment of the potential for future additional business with the client. In addition, JPMS's negotiation of the Fee is generally subject to certain internal guidelines based on the total value of assets invested, or expected to be invested, by the client across JPMS's various investment advisory programs.

If a client has multiple retirement accounts in one or more of the investment advisory programs sponsored by J.P. Morgan Securities (which are listed and briefly described in the Supplement to this Brochure) for which the client's is the primary tax identification number, JPMS's program fee (or, for accounts in the Strategic Investment Services (STRATIS), Unified Managed Account (UMA) and Systematic Managed Accounts (SMA) Programs, JPMS's component of the fee) for all such accounts must be the same. Accordingly, whenever a client opens a new retirement account in one of the programs listed in the Supplement to this Brochure, or the fee for an existing retirement account in one of the programs is changed, JPMS will, if necessary, change the fee (or, for accounts in the STRATIS, UMA and SMA Programs, JPMS's component of the fee) for the client's other retirement account(s) in the programs to the retirement account fee most recently agreed to by the client, so that they are all the same. When a fee is changed for one or more of a client's other retirement accounts as a result of this process, the fee change for the other retirement accounts will take effect with the following billing period. Therefore, all retirement accounts in the J.P. Morgan Securities investment advisory programs for which Client's is the primary tax identification number will be subject to the same flat fee rate (or, as applicable, the same rate for JPMS's component of the fee), regardless



of the program, the amount of assets in the account, the types of investments in the account (e.g., equities or fixed income securities) or other factors.

In valuing assets in Program accounts, JPMS uses information provided by recognized independent quotation and valuation services or will rely on information it receives from other third parties, if applicable. JPMS believes this information to be reliable but does not verify the accuracy of the information provided by these sources. If any information provided by these sources is unavailable or is believed to be unreliable, JPMS will value assets in a manner JPMS determines in good faith to reflect fair market value. JPMS may use different valuation sources for different purposes. As a result, the determination of asset values may differ for different purposes. For example, the account asset values used in the Fee calculation may not match the asset values listed on the account's custodial statements. Detailed calculations of any account asset values are available upon request.

The Client Agreement typically provides that (i) a prorated Fee will be charged on total same-day contributions to the Account (net of total same-day withdrawals from the Account) of \$25,000 or more to cover the period from the date of the net same-day contribution until the end of the quarterly billing period and (ii) a prorated Fee credit will be made for total same-day withdrawals from the Account (net of total same-day contributions to the Account) of \$25,000 or more to cover the period from the date of the net same-day withdrawal until the end of the quarterly billing period. If the Client Agreement is terminated during a billing period, JPMS will refund to the client any prepaid amount of the Fee prorated for the period of the billing period after the date of termination.

The Fee is a "wrap fee" that covers JPMS's consulting, trade execution, clearing, settlement and custody services and, typically but not necessarily, periodic written performance reviews. By recommending the Program to clients, therefore, JPMS also is recommending itself as broker-dealer. Typically, in the Client Agreement the client agrees to instruct the portfolio managers to direct transactions in the client's account to JPMS for execution, subject to each portfolio manager's duty under applicable law to seek "best execution" and JPMS's capacity and willingness to execute the transaction.

The Fee does **not** cover any fees charged by any portfolio manager(s) selected by the client to manage the ICS Assets, and clients are responsible for paying portfolio managers for their services separately. (Clients typically authorize JPMS to debit their ICS accounts to pay their portfolio manager(s) upon JPMS's receipt of instructions from the manager(s).) Depending upon the arrangement negotiated between the client and the portfolio manager, the portfolio manager's fee may include a performance (or "incentive") fee. No portion of the Fee charged by JPMS is paid to portfolio managers for their services to ICS clients and no portion of the portfolio manager's fee (including any performance fee) is paid to JPMS.

***Participation in ICS may cost the client more or less than purchasing the services provided in ICS separately.*** Many factors bear upon the relative cost of ICS to the client, including the cost of the services if provided and charged for separately, the Fee rate charged to the client by JPMS, the amount of trading activity in the client's account, and the quality and value of the services provided. Fee rates are subject to negotiation between JPMS and each client. The Fee paid by a client may be higher or lower than the fees JPMS charges other clients in ICS or other investment advisory programs, the fees JPMS would charge the client in another investment advisory program, and the cost of similar services offered through other financial firms.

As noted above, the Fee does not cover the investment management services of the portfolio manager(s) selected by the client, nor does it cover brokerage commissions, commission equivalents (mark-ups/mark-downs), or other charges resulting from transactions not effected through JPMS or its affiliates ("trading away"). Portfolio managers in ICS have the authority to effect transactions through brokers or dealers other than JPMS and its affiliates when a portfolio manager determines, in its sole discretion, that such other broker or dealer may provide better execution than would be the case if JPMS and its affiliates executed the transaction. In general, portfolio managers whose strategies consist primarily (or substantially) of fixed income or debt securities, among others, are more likely to place purchase and sale orders for such securities with broker-dealers other than JPMS and its affiliates for execution. With respect to such trades, the client will incur a commission, commission equivalent (mark-up/mark-down), or other charge by the other broker or dealer that is not covered by the Fee. When portfolio managers place orders with broker-dealers other than JPMS and its affiliates, the trade confirmation issued by JPMS with the details of the trade typically shows a price for the traded security that is inclusive (i.e., net) of the commission, commission equivalent (mark-up, mark-down), or other charge paid by the client to the other broker-dealer, rather than separately broken out. However, if a portfolio manager has provided JPMS with the appropriate information, the amount of such additional costs may be broken out and shown separately from the price of the traded security on the trade confirmation that JPMS provides. Clients can view more specific information about the "trading away" practices of portfolio managers in ICS – which can result in additional costs for clients that are not covered by the Fee – at <https://www.jpmorgansecurities.com/pages/am/securities/legal/investment-managers-trading-away-practices>.

In addition, the Fee does not cover mark-ups, mark-downs and dealer spreads charged by dealers unaffiliated with JPMS when JPMS, acting as agent for the client in the Program, effects a transaction with an unaffiliated dealer acting as principal (i.e., for the dealer's

own account), typically in connection with certain fixed income and over-the-counter securities that are traded primarily in “dealer” markets. Such mark-ups on securities bought by the client, mark-downs on securities sold by the client and dealer spreads (the difference between the bid price and offer price) are generally incorporated into the net price that the client pays or receives in the transaction.

The Fee does not cover clearing, settlement and custody charges that may be charged by custodians other than JPMS. The Fee also does not cover certain costs or charges that may be imposed by JPMS or third parties, including margin interest, costs associated with exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Fee does not cover dealer spreads that JPMS, its affiliates or other broker-dealers may receive when acting as principal in certain transactions. The Fee does not cover the annual fee that JPMS charges IRA accounts or certain other retirement plans; however, JPMS may, in its discretion, agree to waive such annual fee.

Because the Fee is typically charged on all assets in the account, in a low interest rate environment, a client may earn less interest on assets held in the account as cash or cash alternatives such as money market funds than the amount of the Fee the client is paying JPMS with respect to such assets, and therefore the client’s net yield with respect to such assets may be negative.

Except as otherwise agreed to in writing by JPMS, accounts are charged the Fee with respect to all assets in the account regardless of whether the client has previously paid or incurred commissions, sales charges or “loads,” mark-ups, mark-downs, dealer spreads, or other costs, charges, fees or expenses in connection with the client’s previous purchase of some or all of the assets in a brokerage account or otherwise outside of the Program.

Portfolio managers may invest ICS Assets in mutual funds (including money market funds), closed-end funds, exchange-traded funds (“ETFs”) and/or other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but ultimately are borne by clients as fund shareholders; such fees and expenses are in addition to the Fee and generally will not be deducted from the Fee. Assets of Program clients may be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other share classes of the fund. JPMS and its affiliates also may receive compensation in addition to the Fee in connection with the operation and/or sale of shares of affiliated or unaffiliated funds to clients in ICS, which may include investment management fees paid by certain funds to affiliates of JPMS, distribution fees paid by certain funds to JPMS and its affiliates pursuant to Rule 12b-1 under the Investment Company Act of 1940, and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. Certain investment companies may not permit shares to be transferred outside of ICS and in certain circumstances may in their sole discretion redeem fund shares held by clients; the liquidation of these fund shares may have tax consequences to clients. Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the funds.

Portfolio managers may purchase for certain accounts: (i) American Depositary Receipts (“ADRs”), which are receipts issued by a U.S. bank or trust company that evidence ownership of non-U.S. securities and are traded on a U.S. exchange or in the over-the-counter market; (ii) Global Depositary Receipts (“GDRs”), which are receipts issued generally by a non-U.S. bank or trust company that evidence ownership of non-U.S. securities; (iii) exchange-traded notes (“ETNs”), which are senior, unsecured, unsubordinated debt securities traded on an exchange and designed to provide a return that is linked to the performance of a specified index or other market benchmark; and/or (iv) Real Estate Investment Trusts (“REITs”), which are securities traded on an exchange that invest in real estate directly, either through properties or mortgages. Clients will bear, in addition to the ICS Fee, a proportionate share of any fees and expenses associated with ADRs, GDRs, ETNs, REITs, and/or other securities with similar characteristics, as applicable. Clients may also bear any fees and expenses associated with converting non-U.S. securities into ADRs or GDRs. When they assist in such conversions, JPMS and its affiliates receive some or all of such fees and expenses borne by the client. For trades in non-U.S. equity securities, the final average price includes a commission to a third-party broker-dealer for execution of the trade, applicable taxes and charges associated with transacting in a non-U.S. security and, if the trade is settled in U.S. Dollars, a service charge for the currency conversion.

JPMS and its affiliates may pay from time to time for certain order flow in the form of discounts, rebates, reductions of fees or credits. Conversely, as a result of sending orders to certain trading centers, JPMS and its affiliates receive payment for order flow in the form of discounts, rebates, reduction of fees or credits. Under some circumstances, the amount of such remuneration may exceed the amount that JPMS and its affiliates are charged by such trading centers. This does not alter JPMS’s policy to route customer orders to the trading centers where it believes clients will receive the best execution, taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service speed and efficiency.

A portion of the Fee is generally paid to the J.P. Morgan Securities Advisory Representative servicing the client’s ICS account(s), who also may have recommended that the client participate in ICS. ***Because the amount received by an Advisory Representative as a***

***result of a client's participation in ICS may be more than the Advisory Representative would receive if the client participated in another J.P. Morgan Securities investment advisory program or paid separately for investment advice, brokerage and other services covered by the Fee, the Advisory Representative may have a financial incentive to recommend ICS over other programs or services.***

JPMS may earn additional compensation through brokerage-related services it provides, such as extending margin loans to clients and holding free-credit balances. Certain Advisory Representatives may receive production-based bonuses that take into account these amounts in addition to investment advisory fees (including the Fee paid by clients in the Program) and other revenue generated by the Advisory Representative. These bonuses may create a conflict of interest for those Advisory Representatives in that they have a financial incentive to recommend that Program accounts incur additional or higher fees for these services by, for example, incurring additional or larger margin loans. In addition, because the rate of fees charged for these brokerage-related services is negotiable, this compensation may give these Advisory Representatives a financial incentive to charge clients higher rates for these services.

JPMS or its affiliates may retain, as compensation for the performance of services, an account's proportionate share of any interest earned on aggregate cash balances held by JPMS or its affiliates with respect to "assets awaiting investment or other processing." This amount, known as "float," is earned by JPMS or its affiliates through investment in a number of short-term investment products and strategies, including without limitation loans to customers and investment securities, with the amount of such earnings retained by JPMS or its affiliates, due to the short-term nature of the investments, being generally at the prevailing one-month LIBOR interest rate ("LIBOR," or London Interbank Offered Rate, is the most widely-used benchmark for short-term interest rates), less FDIC insurance and other associated costs, if any. "Assets awaiting investment or other processing" for these purposes includes, to the extent applicable, new deposits to the account, including interest and dividends, as well as any uninvested assets held in the account caused by an instruction to purchase and sell securities. JPMS or its affiliates will generally earn float until such time as such funds may be automatically swept into a "sweep" vehicle or otherwise reinvested. "Assets awaiting investment or other processing" may also arise when JPMS facilitates a distribution from the account. Thus, pursuant to standard processes for check disbursement, cash is generally debited from the account on the date on the face of the check (also called the payable date). Such cash is deposited in a non-interest bearing omnibus deposit account held by JPMS or its affiliates, where it remains until the earlier of the date the check is presented for payment or the date payment on the check is stopped at Client's instruction (in which case the underlying funds are returned to the account). JPMS or its affiliates derive earnings (float) from their use of funds that may be held in this manner, as described above.

JPMS may effect trades on behalf of Program accounts through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, "Trading Systems"), including Trading Systems in which JPMS or its affiliates may have a direct or indirect ownership interest. JPMS or its affiliates may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest. Currently, JPMS and/or its affiliates have an ownership interest in certain Trading Systems, including: (i) BATS Global Markets; (ii) BIDS Trading; (iii) Chicago Stock Exchange; and (iv) Boston Options Exchange. Clients authorize JPMS to effect trades on behalf of Program accounts through all such Trading Systems, affiliated and unaffiliated, and all such other Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS may determine to trade in the future. An up-to-date list of all Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS might trade can be found at <https://www.jpmorgansecurities.com/pages/am/securities/legal/ecn>. Such Trading Systems (and the extent of JPMS's or its affiliates' ownership interest in any Trading System) may change from time to time.

JPMS may earn additional compensation through brokerage-related services it provides, such as extending margin loans to clients and holding free-credit balances. Certain Advisory Representatives may receive production-based bonuses that take into account these amounts in addition to investment advisory fees (including the Fee paid by clients in the Program) and other revenue generated by the Advisory Representative. These bonuses may create a conflict of interest for those Advisory Representatives in that they have a financial incentive to recommend that Program accounts incur additional or higher fees for these services by, for example, incurring additional or larger margin loans. In addition, because the rate of fees charged for these brokerage-related services is negotiable, this compensation may give these Advisory Representatives a financial incentive to charge clients higher rates for these services.

In general, any margin debit balances held by the client cannot be held in a Program account. This is significant because, for purposes of the calculation of the Fee, the net market value of the assets on which the Fee is based generally will **not** be reduced by the amount of any margin debit balances held by the client in any account outside of the Program – even if some or all of the proceeds of the loan represented by the margin debit balances are held in the client's Program account(s) or were used to purchase securities held in the client's Program account(s) and even if some or all of the assets in the client's Program account(s) are used to collateralize or secure the loan represented by the margin balances. JPMS and the Advisory Representative have a financial incentive for the client to incur margin debt to buy securities in the client's Program account(s) because: (1) the client will be required to pay JPMS interest and fees on the debt (a portion of which JPMS may pay to the Advisory Representative); and (2) the net market value of the Program account will be increased by the value of the additional securities purchased with the proceeds of the margin loan (and will not be offset by the amount of the client's margin debit held in the

account outside of the Program), resulting in a higher Fee. In addition, any interest and fees paid by the client in connection with any margin debit balances held by the client in any account outside of the Program will not be taken into account in the calculation of the net equity or performance of the client's Program account(s), as reflected in account statements, written performance reviews or otherwise.

## **Item 5**

### **Account Requirements and Types of Clients**

JPMS requires that all clients who wish to open and maintain an account in the Program enter into the Client Agreement, which sets forth the services that JPMS will provide to the client and the fee that the client will pay JPMS. The specific terms of the Client Agreement will govern the handling of the client's account in the Program by JPMS and its affiliates and the investment advisory relationship between the client and JPMS. In addition, the client must enter into an IM Agreement directly with each portfolio manager that will manage the client's ICS Assets, giving the manager(s) trading authority over the ICS Assets. The IM Agreement(s) will govern the terms of the client's investment advisory relationship with the portfolio manager(s).

The minimum amount of assets required by JPMS to open an account in ICS is typically \$100,000 per account, although JPMS may, in its discretion, waive or reduce the minimum account opening size for certain clients or accounts. JPMS also may impose a higher minimum account opening size if the client wishes to use a custodian other than JPMS and JPMS, in its discretion, is willing to maintain the account on such a basis. In general, a separate account is required for each separate investment strategy selected by the client, even if separate strategies are managed by the same portfolio manager. However, each ICS account is also subject to any minimum amount requirement imposed by the applicable portfolio manager. The account opening minimums ordinarily imposed by portfolio managers in the ICS Universe vary among the managers, often substantially; information about a particular manager's minimum account opening requirement is available from your Advisory Representative. Certain portfolio managers may make exceptions to minimums with respect to certain clients or accounts.

In cases where a portfolio manager's investment strategy is included in both the ICS Universe and the J.P. Morgan Strategic Investment Services Program (STRATIS) Program, JPMS may in its sole discretion require the investor to participate in the strategy through the STRATIS Program rather than through ICS.

ICS is generally intended for investors who seek to establish medium to long-term strategic investment goals, desire assistance and advice in connection with the construction of investment portfolios, and prefer the consistency of a fee-based approach. It is not typically intended for investors who seek to maintain control over trading in their accounts, who have a short-term investment horizon (or expect ongoing meaningful withdrawals), or who expect to maintain consistently high levels of cash or money market funds or highly concentrated portfolios. The types of clients participating in ICS generally include individuals, trusts, retirement plans (including IRAs), estates, corporations and other business entities, foundations and endowments. Investment companies, banks and thrift institutions generally do not participate in ICS.

The accounts of employee benefit plans (as defined in ERISA) and retirement plans (as defined in Section 4975(e)(1) of the Internal Revenue Code), which includes IRAs, may be subject to certain JPMS policies, restrictions and other terms and conditions that are different from those applicable to other accounts in the Program. Such policies, restrictions and other terms and conditions may affect, for example, the securities that may be available for investment in such accounts, the manner in which transactions may be effected in such accounts, the ability of such accounts to trade on margin, and the fees and expenses that may be charged to such accounts. As a result, application of the policies, restrictions and other terms and conditions may result in the performance of employee benefit plan and retirement plan accounts being worse than it would have been absent such policies, restrictions and terms and conditions. In addition, if the Client Agreement for such an account is terminated or such an account is removed from ICS, the account may be restricted by JPMS to unsolicited liquidating or "sell" orders only.

A client's selection of a portfolio manager and investment strategy for an ICS account is subject to JPMS's and the portfolio manager's acceptance of the client's account in the sole discretion of each of them. JPMS and the portfolio manager may each decline to accept a particular client or account in the Program at any time and for any reason.

## **Item 6**

### **Portfolio Manager Selection and Evaluation**

#### **i. Selection of Portfolio Managers for the ICS Universe**

JPMS selects portfolio managers and specific investment strategies used by them for inclusion in the ICS Universe. Thus, certain investment strategies used by a portfolio manager may be selected by JPMS for inclusion in the ICS Universe while other strategies implemented by the same manager may not be included.

JPMS reviews (or arranges for the review of) portfolio managers and their investment strategies to determine whether they should be included in the ICS Universe. These reviews generally include reviewing the portfolio manager's organization, investment process, service and performance. JPMS may engage one or more third parties (including affiliates of JPMS) to perform initial and periodic reviews of portfolio managers (each, a "Review Vendor") and/or perform such periodic reviews itself. A Review Vendor may also make recommendations to JPMS about which portfolio managers and/or investment strategies to include in the ICS Universe.

JPMS's decision to include a particular portfolio manager and strategy in the ICS Universe is based upon the totality of the results of the review process and does not necessarily reflect a rigid application of any or all of the guidelines described. JPMS may remove a particular portfolio manager and/or strategy from the ICS Universe at any time for any reason and will notify clients that have selected that portfolio manager and/or strategy of the removal.

JPMS identifies to ICS clients only portfolio managers and investment strategies in the ICS Universe. JPMS identifies suitable investment strategies for a client based on the investment objective(s) the client provides for the ICS Assets and other information provided by the client. Once an investment strategy has been identified, JPMS identifies specific portfolio managers for a particular client based on asset size, any investment restrictions the client may wish to impose, any investment guidelines or policies that the client may have, or other factors that may make a particular manager more desirable to the client. Clients are solely responsible for the selection of portfolio managers and strategies from among those identified by JPMS.

JPMS generally does not recommend the replacement of a particular portfolio manager or strategy for a particular client unless JPMS removes the portfolio manager or strategy from the Program, in which event JPMS may assist the client in identifying a suitable replacement manager and/or strategy based on the same types of factors used by JPMS to identify portfolio managers and strategies for ICS clients in the first instance.

Advisory Representatives who learn of JPMS's decision to remove a portfolio manager from the Program may take or recommend action on the basis of such knowledge (i) with respect to certain clients and accounts (inside or outside of the Program) before others or (ii) before JPMS's written notice of the removal decision has been sent to all affected Program clients.

## **ii. Review of Portfolio Managers in the ICS Universe**

JPMS or a Review Vendor reviews portfolio managers and their investment strategies in the ICS Universe on a periodic basis. Currently, all portfolio managers and investment strategies in the ICS Universe, except the Parametric DeltaShift options strategy, are reviewed by the Manager Selection due diligence group ("Manager Selection") in the J.P. Morgan Wealth Management division. Manager Selection is comprised of employees of JPMorgan Chase Bank, N.A. and other affiliates.

Changes in the portfolio manager's organization, investment process, service and performance are monitored by Manager Selection via periodic meetings with the portfolio manager's staff and written quarterly communication. As a result of Manager Selection's reviews and/or other information and events, portfolio managers and/or specific investment strategies may be removed from the Program, in which event JPMS will notify affected clients of the removal.

Manager Selection's review of a portfolio manager and its investment strategies in the ICS Universe and/or other information and events also may result in a manager and/or one or more of its strategies in the Program being closed to new investors pending further review. During such status, clients may not select the manager and/or strategy for the first time, but clients with Program assets already being managed according to an affected strategy when it was closed to new investors are permitted to contribute additional assets to the account(s). Clients invested according to an affected strategy will be notified in writing that the manager and/or strategy have been closed to new investors. Further review of the affected portfolio manager and/or strategies by Manager Selection may result in a re-opening to new investors.

The Parametric DeltaShift options strategy is reviewed within a J.P. Morgan due diligence framework distinct from Manager Selection. Unlike Manager Selection's review of the other investment strategies in the ICS Universe, the due diligence currently applied to the DeltaShift strategy does not include a formal process for the removal of the strategy from the Program.

JPMS may provide clients with information about portfolio managers. The information may be prepared by JPMS or by a third party and is based on and/or incorporates information provided by portfolio managers and other third-party sources. JPMS believes that

this information is accurate; however, JPMS does not independently verify or guarantee the accuracy or completeness of the information. JPMS shall have no liability with respect to information provided by portfolio managers. Performance information may be included in the information provided by JPMS or may be provided by portfolio managers. ***This performance is calculated by the portfolio managers themselves or by third parties and neither JPMS nor a third party engaged by it reviews portfolio manager performance information for JPMS to determine or verify its accuracy or its compliance with presentation standards. The performance information may not be calculated on a uniform and consistent basis.***

In addition to portfolio manager performance information clients may receive that presents performance calculated by the portfolio managers and/or third parties, each Program client typically receives a written quarterly performance review prepared by JPMS summarizing the investment performance of the client's ICS account(s) for the prior quarter. (As explained in Item 4 above, certain clients may not receive such a performance review.) In preparing such reviews for Program clients, JPMS uses various industry and non-industry standards to measure account performance. ***Neither JPMS nor any third party reviews the performance information to determine or verify its accuracy or compliance with presentation standards, and the information may not be calculated on a uniform and consistent basis. Clients receiving periodic written performance reviews from JPMS should review carefully the disclosures, definitions and other information contained in the reviews.***

Performance reviews are not a substitute for regular monthly or quarterly account statements or Form 1099, and should not be used to calculate the Fee or to complete income tax returns. JPMS and its affiliates are entitled to rely on the financial and other information that clients or any third party provides to JPMS. The client is solely responsible for any information that the client provides to JPMS, and JPMS shall not be liable in connection with its use of any information provided by the client or a third party in the periodic review. JPMS does not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter.

Subject to JPMS's policies and procedures and applicable law, the periodic written performance review typically provided to Program clients may include information about assets in other accounts maintained by the client with the J.P. Morgan Securities division of JPMS (including other investment advisory accounts and brokerage accounts) as well as other assets identified to JPMS by the client. By including assets in the written performance review, JPMS is not undertaking to provide or be responsible for providing any services with respect to those assets.

In preparing account statements and performance reviews, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available from JPMS upon request.

Clients should receive each portfolio manager's Form ADV Part 2A or other applicable disclosure document directly from the portfolio manager. Clients should review the portfolio manager disclosure document carefully for important information about the portfolio manager, including risks associated with the selected strategy (if applicable). Each portfolio manager is solely responsible for the truthfulness, completeness, and accuracy of its own disclosure document.

JPMS is not responsible for the performance of any portfolio manager or any portfolio manager's compliance with applicable laws and regulations or other matters within the portfolio manager's control. Each portfolio manager is solely responsible for the management of that portfolio manager's designated account(s). If a client selects more than one portfolio manager, the portfolio managers may engage in contrary transactions with respect to the same security. JPMS will typically effect transactions for an account only if and to the extent instructed by a portfolio manager. Without limiting the generality of the foregoing, JPMS shall not be responsible for any act or omission of any portfolio manager or any misstatement or omission contained in any document prepared by or with the approval of any portfolio manager or any loss, liability, claim, damage, or expense whatsoever, as incurred, arising out of or attributable to such misstatement or omission.

Certain portfolio managers seek to execute transactions for institutional and other non-wrap fee program accounts prior to those for wrap fee program (e.g., ICS) accounts. This could have an adverse impact on the execution price ICS clients receive if prior trades for institutional and other non-wrap fee program accounts impact the market and trading volume of the securities sought to be purchased or sold for ICS clients' accounts. Portfolio manager trading and execution practices are described more fully in each portfolio manager's Form ADV Part 2A or other disclosure document.

### **iii. Related Person Portfolio Managers**

Neither JPMS nor any of its related persons or supervised persons acts as a portfolio manager in the ICS Universe.

**iv. Portfolio Managers and Strategies Not Reviewed in ICS**

In certain circumstances, a client may be permitted to maintain assets in ICS with a portfolio manager or in an investment strategy that has been removed from, or never was in, the ICS Universe. Such cases typically involve a client who wishes to remain invested in an investment strategy that JPMS is removing from the ICS Universe or from another wrap fee program sponsored by JPMS, such as the STRATIS Program; a client invested in a portfolio manager's strategy through a wrap fee program sponsored by another firm who wishes to move his or her account to a JPMS wrap fee program but remain invested in the same or a substantially similar strategy; or a client who identifies a portfolio manager's investment strategy to JPMS. In all cases, it is in JPMS's sole discretion whether to permit the client to maintain an ICS account managed by a portfolio manager or in a strategy outside of the ICS Universe.

While clients permitted to maintain such accounts in ICS will typically receive the other services customarily provided by JPMS and its affiliates to ICS clients, JPMS will *not* perform periodic reviews of any such portfolio manager or strategy. In addition, JPMS and its affiliates may have access to or may collect information about portfolio managers and strategies that are not in the ICS Universe but have no obligation to share any such information with any ICS client, even if such information is negative or reflects poorly on the relevant portfolio manager or strategy. Notwithstanding that JPMS will not perform such reviews or be obliged to communicate such information to the client in such cases, the client is not entitled to any reduction in the Fee owed to JPMS as a result.

**Item 7**

**Client Information Provided to Portfolio Managers**

JPMS is not obliged to provide information about clients to the clients' portfolio managers in ICS, and clients are solely responsible for providing their portfolio managers with such information, including any client-specified investment guidelines or policies or requests to implement a strategy in the client's account in a manner that may differ from that in which the portfolio manager would otherwise implement the strategy in the account.

Notwithstanding the fact that it has no obligation to do so, JPMS may provide a portfolio manager with certain information it has collected about the client's investment time horizon, financial circumstances (including net worth and annual income), investment objective and risk tolerance for each account in the Program, and any reasonable restrictions the client wishes to impose on the management of the account in writing. Certain information about the client may be set forth in a client profile that JPMS may provide to the portfolio manager. JPMS and portfolio managers receiving such information from JPMS will rely on the information provided by clients. JPMS will have no liability for a client's failure to provide JPMS with accurate or complete information or to inform JPMS promptly of any change in the information previously provided.

The investment objective identified by the client for an account in the Program will apply to the account as long as the account is in the Program (unless the client subsequently changes the investment objective in writing), notwithstanding any different investment objective previously identified by the client for the account when it was a brokerage account or an account in one of the other investment advisory programs offered by J.P. Morgan Securities. If the Client Agreement is terminated and the account becomes a brokerage account outside the Program, the investment objective previously identified by the client for the account as a brokerage account will again apply to the account.

Clients are responsible for notifying JPMS promptly, in writing, of any changes to the information the client previously provided to JPMS (including financial information and the investment objective for each account), and for providing JPMS with additional information as it may request from time to time to assist it in providing services under the Program. At least annually, JPMS contacts each client in the Program to determine whether there have been any changes in the client's financial situation or investment objective for the account and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing conditions. At least quarterly, JPMS notifies each client in writing to contact the Advisory Representative if there have been any changes in the client's financial situation or investment objective or if the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing restrictions.

Clients may seek to impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. JPMS will communicate any requested restrictions to the portfolio manager. The manager may reject the restriction or the account if the manager deems the restriction to be unreasonable.

A client also may request that the portfolio manager agree to manage the client's account in accordance with client-specified investment guidelines or policies or otherwise implement a strategy in the client's account in a manner that may differ from that in which the portfolio manager would otherwise implement the strategy in the account (e.g., by purchasing bonds of a longer maturity than the portfolio manager might otherwise buy for the account in the portfolio manager's short-term fixed income strategy). JPMS is not obliged

to, but may, communicate such requests to the portfolio manager. Investment policies and guidelines and requests for modified implementation of an investment strategy submitted by clients for Program accounts are subject to the portfolio manager's acceptance in its sole discretion; if the manager declines to accept an investment policy or guidelines, or to modify the implementation of a strategy, for a Program account, the client may choose either to agree that the account will be managed in the Program without reference to the investment policy or guidelines or to decide not to maintain the account in the Program.

Clients should be aware that any client-imposed investment restrictions, guidelines or policies and/or requests for modified implementation of a portfolio manager's investment strategy may cause the portfolio manager to deviate from the investment decisions it would otherwise make in managing the account in the Program, and as a result may negatively affect the performance of the account. In the absence of client-specified investment restrictions, guidelines or policies and/or modifications to the implementation of a strategy that have been accepted by the portfolio manager, it is likely that the portfolio manager will manage the account in a manner very similar to that of other clients with similar investment objectives and risk tolerances.

## **Item 8**

### **Client Contact with Portfolio Managers**

JPMS places no restrictions on clients contacting or consulting directly with their portfolio managers in ICS. Clients should review each portfolio manager's Form ADV Part 2A or other applicable disclosure document for any restrictions placed by that portfolio manager.

## **Item 9**

### **Additional Information**

#### **i. Disciplinary Information**

Please refer to Item 9.i in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

#### **ii. Other Financial Industry Activities and Affiliations**

Please refer to Item 9.ii in the section of this Brochure on the J.P. Morgan Securities STRATIS Program. However, please note that:

- Unlike in STRATIS, JPMS's affiliates J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management) and J.P. Morgan Private Investments Inc. are *not* portfolio managers in the ICS Universe and therefore conflicts of interest resulting from their acting as portfolio managers in STRATIS that are discussed in the STRATIS section of this Brochure are not applicable in ICS; and
- the references in Item 9.ii.d in the STRATIS section of this Brochure to JPMS's incentives relating to the designation of default replacement strategies are not applicable in ICS.

#### **iii. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Please refer to Item 9.iii in the section of this Brochure on the J.P. Morgan Securities STRATIS Program. However, please note that, unlike in STRATIS, JPMS's affiliates J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management) and J.P. Morgan Private Investments Inc. are *not* portfolio managers in the ICS Universe and therefore conflicts of interest resulting from their acting as portfolio managers in STRATIS that are discussed in the STRATIS section of this Brochure are not applicable in ICS.

#### **iv. Review of Accounts**

Please refer to Item 9.iv in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

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

Please refer to Item 9.v in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

#### **vi. Financial Information**

There is no financial condition that is reasonably likely to impair JPMS's ability to meet contractual commitments to its clients.



# J.P. Morgan Securities Horizon Program

## Item 4

### Services, Fees and Compensation

J.P. Morgan Securities LLC ("JPMS") is a wholly-owned subsidiary of JPMorgan Chase & Co. In the J.P. Morgan Securities Horizon Program ("Horizon" or the "Program") offered by J.P. Morgan Securities, a brand name for a wealth management business of JPMS, clients select securities made available through Horizon on a non-discretionary basis after consultation with JPMS. The securities available through Horizon are typically mutual funds and exchange-traded funds ("ETFs" and, collectively with mutual funds, "Funds") but from time to time also may include other types of securities (all securities offered through Horizon at a point in time being collectively referred to in the Horizon section of this Brochure as "Program Securities"). Clients in Horizon pay JPMS an asset-based wrap fee that covers JPMS's consulting services and the execution of transactions and custody of assets by JPMS and its affiliates.

**The investment advisory services described in this Brochure are not insured by the Federal Deposit Insurance Corporation (FDIC), are not a deposit or other obligation of, or guaranteed by, JPMorgan Chase Bank, N.A. or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.**

#### i. Services

Clients determine how much money to invest through Horizon ("Horizon Assets") after consulting with a JPMS advisory representative (each, an "Advisory Representative"). Clients may request that JPMS assist them in the review, evaluation and/or formulation of investment objectives. Clients are responsible for making all decisions regarding the adoption and implementation of any investment objectives.

Clients may also request that JPMS identify a possible asset allocation for the Horizon Assets and specific Program Securities to fulfill the asset allocation. Clients then select specific Program Securities for their accounts and designate the percentage of Horizon Assets to be invested in each security (the "Target Allocation"). The Target Allocation is set forth on a schedule to the Client Agreement or other investment advisory agreement entered into between JPMS and the client ("Client Agreement"). A client may modify the Target Allocation at any time.

JPMS determines which Program Securities are available through Horizon, and reviews (or arranges for the review of) the Program Securities on a periodic basis to determine whether they will continue to meet the investment needs of Horizon clients. Accordingly, from time to time JPMS may add or remove specific Program Securities to or from Horizon.

Clients retain final decision-making authority and sole responsibility for the adoption of a Target Allocation and for the purchase or sale of Program Securities. Accordingly, except as described below, JPMS will perform no discretionary transactions and will effect transactions only as instructed by the client.

In the event it removes a Program Security from the Program, JPMS may designate another Program Security as the default replacement Program Security for the Horizon Assets invested in the removed Program Security. If JPMS designates such a default replacement Program Security, each affected client will be notified in writing that, unless the client, by the date specified by JPMS, affirmatively selects, in writing, a replacement Program Security, the client's assets in the removed Program Security will automatically be re-invested into the designated replacement Program Security, without further notice to or consent of the client. In designating a default replacement Program Security (if any), JPMS will consider the appropriateness of the Program Securities available in the Program as suitable replacements for the removed Program Security. If a Program Security is removed from the Program and JPMS does not designate a default replacement Program Security, the client's assets invested in the removed Program Security will automatically be re-invested into an ETF available in the Program, selected by JPMS, that is in an asset class or employs an investment strategy similar (as determined by JPMS) to that of the removed Program Security, unless the client affirmatively selects, in writing, a replacement Program Security of the client's own choosing by the date specified by JPMS. Regardless of whether JPMS designates a default replacement for a removed Program Security, the sale of the client's assets in the removed Program Security may have tax consequences for the client.

The client may elect to have JPMS systematically rebalance the Horizon account at a time frequency of calendar quarterly, semi-annually or annually to maintain the Target Allocation. For each scheduled rebalancing, a review of the allocation of the Horizon Assets will generally occur at the end of the applicable period ("Review Date"). If the weight of one or more of the Program Securities varies from its target weight in the Target Allocation by more than the variance amount selected by the client, based on the actual value of the securities as of the Review Date, JPMS will rebalance the account by buying and selling shares of the relevant Program Securities to bring

their relative weights back to the parameters of the Target Allocation, provided that the purchase amount with respect to a particular Program Security generally exceeds the greater of the prospectus minimum (where the Program Security is offered by prospectus) and that additional shares of each affected Program Security are available for purchase.<sup>1</sup> Although rebalancing trades normally will be effected shortly after the Review Date, market conditions, availability of securities, and orderly purchase and redemption procedures may cause delays in the processing of the rebalancing trades. Although the purchase and sale of securities ordinarily will result in a taxable gain or loss, JPMS will not consider tax issues when rebalancing the account. Clients should consult their tax advisors prior to selecting any scheduled rebalancing option.

In the event a Program Security held by the client is the subject of a merger, acquisition or other reorganization that results in the issuance to the client of shares in a new security, JPMS may substitute the new Program Security for the prior Program Security in the client's Horizon account and Target Allocation without prior notice to or consent of the client

Each client is responsible for monitoring the client's Horizon account. This monitoring includes reviewing the Target Allocation on an ongoing basis, including whether the Target Allocation conforms to the client's investment objectives. The actual allocation of the Horizon Assets may change over time due to fluctuations in the market value of the Horizon Assets and/or additions to or withdrawals by the client; each client is solely responsible for monitoring the actual allocation of the Horizon Assets over time and for determining whether to rebalance the account if the client has not selected systematic periodic rebalancing. Unless specifically agreed to by JPMS, JPMS is not obligated to provide ongoing advice with respect to the client's determination of the account's Target Allocation.

If a Horizon client's investment in a Fund is in a share class that is replaced with a different share class of the same Fund, and JPMS determines that the terms and conditions of the new share class (including those relating to fees and expenses) are no less favorable to the client than those of the prior share class, JPMS may substitute the new share class for the prior share class in the client's Horizon account without prior notice to or consent of the client.

Typically, in the Client Agreement clients authorize and instruct JPMS, upon the termination of the Client Agreement or the removal of the client's account from the Program, to convert such shares to a retail or other share class. Certain mutual funds may charge a redemption fee in the event of such conversions, and conversions may have tax consequences for clients.

JPMS or one of its affiliates will execute trades for Horizon accounts. JPMS will accept only market orders for transactions in Horizon. JPMS may execute transactions in Program Securities for Program accounts later than the day on which the client instructs JPMS to effect the transaction, and may execute them at a price higher or lower than the price quoted to the client at the time of such instruction. When JPMS executes transactions for Program clients, the division of JPMS that handles the execution may receive compensation (or compensation credits) from one or more other affiliates or divisions of JPMS, including from the J.P. Morgan Securities division through which Horizon is offered. Program clients are not charged for any such intracompany or inter-affiliate compensation.

JPMS ordinarily maintains custody of assets in Horizon accounts. In certain circumstances and subject to certain requirements, and in JPMS's sole discretion, JPMS may allow a client to specify in writing that a third-party custodian maintain custody of assets in an account.

In general, JPMS also provides clients with periodic written performance reviews of their Horizon accounts. Certain Horizon accounts may not receive such reviews; in its discretion, JPMS may not provide a client with written performance reviews for an account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of the Program Securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

***Exchange-Traded Funds and Index Mutual Funds.*** Shares of ETFs and index mutual funds are marketable securities that are interests in registered funds. Passive ETFs and index mutual funds are designed to track, before fees and expenses, the performance or returns of a relevant basket of assets, usually an underlying index. Unlike a mutual fund, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. ETFs typically have higher daily liquidity and lower fees than mutual fund shares.

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<sup>1</sup> If the client has elected systematic rebalancing but has not specified a variance amount, a 10% variance will be applied; fractional percentage points of variance are rounded up or down to the nearest whole point. The amount of the applicable variance represents a variance from the target weight in absolute percentage points – not a percentage of the target weight percentage. For example, if the client has selected a rebalance variance of 10%, in order for a Program Security with a target weight of 20% to trigger a rebalancing of the account, the Program Security's actual allocation on a Review Date would have to be more than 30% (20% plus 10%) or less than 10% (20% minus 10%). Even if systematic rebalancing of the account is triggered, the resulting rebalancing will not include a Program Security if its variance from its target weight is less than 0.50 %.)

Physical replication and synthetic replication are two of the most common structures used in the construction of passive ETFs and index mutual funds. Physically replicated passive ETFs and index mutual funds buy all or a representative portion of the underlying securities in the index that they track. In contrast, some passive ETFs and index mutual funds do not purchase the underlying assets but gain exposure to them by use of swaps or other derivative instruments.

In addition to the general risks of investing in funds, there are specific risks to consider with respect to an investment in passive ETFs and index mutual funds. Passive ETF and index mutual fund performance may differ from the performance of the applicable index for a variety of reasons. For example, passive ETFs and index mutual funds incur operating expenses and portfolio transaction costs not incurred by the benchmark index, may not be fully invested in the securities of their indices at all times, or may hold securities not included in their indices. In addition, corporate actions with respect to the equity securities underlying passive ETFs and mutual funds (such as mergers and spin-offs) may impact the variance between the performances of the funds and applicable indices. Passive investing differs from active investing in that managers are not seeking to outperform their benchmark. As a result, managers may hold securities that are components of their underlying index, regardless of the current or projected performance of the specific security or market sector. Passive managers do not attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle's performance to be lower than if it employed an active strategy.

With respect to ETFs, shares are bought and sold in the secondary market at market prices. Although ETFs are required to calculate their net asset values (NAV) on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the Client may incur significant losses from the sale of ETF shares.

***Investing in securities involves risk of loss that clients should be prepared to bear.*** All trading in Program accounts is at the client's risk and the value of assets in Program accounts is subject to a variety of factors, such as the liquidity and volatility of the securities markets. All securities investments involve financial risk for which the client is responsible and transactions may give rise to tax liability for which the client is also responsible. Clients receive no written or oral guarantees regarding performance. Clients may lose money by investing through the Program.

## **ii. Fees and Compensation**

JPMS will charge each Horizon account a single, asset-based fee ("Fee") each calendar quarter, in advance. The maximum Fee, expressed as an annual rate, that may be charged to clients in the Program is 2.00%. The Fee must be a flat rate expressed as a percentage with no more than two decimal places.

The rate used each quarter will be approximately one-fourth of the annual rate based on the number of days in the quarter, and will typically be applied to the net market value of the assets (including all cash and cash alternatives such as money market mutual funds) in the account. In its discretion, JPMS may negotiate the amount and calculation of the Fee based on a number of factors, including the type and size of the account, the size or number of trades anticipated to be effected for the account, services provided to the account, the client's other accounts with JPMS, accounts with JPMS held by members of client's family, and JPMS's assessment of the potential for future additional business with the client. In addition, JPMS's negotiation of the Fee is generally subject to certain internal guidelines based on the total value of assets invested, or expected to be invested, by the client across JPMS's various investment advisory programs.

If a client has multiple retirement accounts in one or more of the investment advisory programs sponsored by J.P. Morgan Securities (which are listed and briefly described in the Supplement to this Brochure) for which the client's is the primary tax identification number, JPMS's program fee (or, for accounts in the Strategic Investment Services (STRATIS), Unified Managed Account (UMA) and Systematic Managed Accounts (SMA) Programs, JPMS's component of the fee) for all such accounts must be the same. Accordingly, whenever a client opens a new retirement account in one of the programs listed in the Supplement to this Brochure, or the fee for an existing retirement account in one of the programs is changed, JPMS will, if necessary, change the fee (or, for accounts in the STRATIS, UMA and SMA Programs, JPMS's component of the fee) for the client's other retirement account(s) in the programs to the retirement account fee most recently agreed to by the client, so that they are all the same. When a fee is changed for one or more of a client's other retirement accounts as a result of this process, the fee change for the other retirement accounts will take effect with the following billing

period. Therefore, all retirement accounts in the J.P. Morgan Securities investment advisory programs for which Client's is the primary tax identification number will be subject to the same flat fee rate (or, as applicable, the same rate for JPMS's component of the fee), regardless of the program, the amount of assets in the account, the types of investments in the account (e.g., equities or fixed income securities) or other factors.

In valuing assets in Program accounts, JPMS uses information provided by recognized independent quotation and valuation services or will rely on information it receives from other third parties, if applicable. JPMS believes this information to be reliable but does not verify the accuracy of the information provided by these sources. If any information provided by these sources is unavailable or is believed to be unreliable, JPMS will value assets in a manner JPMS determines in good faith to reflect fair market value. JPMS may use different valuation sources for different purposes. As a result, the determination of asset values may differ for different purposes. For example, the account asset values used in the Fee calculation may not match the asset values listed on the account's custodial statements. Detailed calculations of any account asset values are available upon request.

The Client Agreement typically provides that (i) a prorated Fee will be charged on total same-day contributions to the Account (net of total same-day withdrawals from the Account) of \$25,000 or more to cover the period from the date of the net same-day contribution until the end of the quarterly billing period and (ii) a prorated Fee credit will be made for total same-day withdrawals from the Account (net of total same-day contributions to the Account) of \$25,000 or more to cover the period from the date of the net same-day withdrawal until the end of the quarterly billing period. If the Client Agreement is terminated during a billing period, JPMS will refund to the client any prepaid amount of the Fee prorated for the period of the billing period after the date of termination.

The Fee is a "wrap fee" that covers JPMS's consulting and (if applicable) systematic rebalancing services, its trade execution, clearing, settlement and custody services and, typically but not necessarily, periodic written performance reviews. By recommending the Program to clients, therefore, JPMS also is recommending itself as broker-dealer.

***Participation in Horizon may cost the client more or less than purchasing the services provided in Horizon separately.*** Many factors bear upon the relative cost of Horizon to the client, including the cost of the services if provided and charged for separately, the Fee rate charged to the client in Horizon, the amount of trading activity in the client's account, and the quality and value of the services provided. The Fee paid by a client may be higher or lower than the fees JPMS charges other clients in Horizon or other investment advisory programs, the fees JPMS would charge the client in another investment advisory program, and the cost of similar services offered through other financial firms.

The Fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates. The Fee does not cover clearing, settlement and custody charges that may be charged by custodians other than JPMS. The Fee also does not cover certain costs or charges that may be imposed by JPMS or third parties, including margin interest, costs associated with exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Fee does not cover "mark-ups," "mark-downs" or "dealer spreads" that other broker-dealers may receive when JPMS, acting as agent for the client in the Program, effects a transaction with an unaffiliated dealer acting as principal (i.e., for the dealer's own account). Such mark-ups on securities bought by the client, mark-downs on securities sold by the client and dealer spreads (the difference between the bid price and offer price) are generally incorporated into the net price that the client pays or receives in the transaction. The Fee also does not include dealer spreads that JPMS, its affiliates or other broker-dealers may receive when acting as principal in certain transactions. The Fee does not cover the annual fee that JPMS charges IRA accounts or certain other retirement plans; however, JPMS may, in its discretion, agree to waive such annual fee.

Because the Fee is typically charged on all assets in the account, in a low interest rate environment, a client may earn less interest on assets held in the account as cash or cash alternatives such as money market funds than the amount of the Fee the client is paying JPMS with respect to such assets, and therefore the client's net yield with respect to such assets may be negative.

Except as otherwise agreed to in writing by JPMS, accounts are charged the Fee with respect to all assets in the account regardless of whether the client has previously paid or incurred commissions, sales charges or "loads," mark-ups, mark-downs, dealer spreads, or other costs, charges, fees or expenses in connection with the client's previous purchase of some or all of the assets in a brokerage account or otherwise outside of the Program.

Funds in the Program have various internal fees and expenses, which are paid by the Funds but are ultimately borne by clients as Fund shareholders; such fees and expenses are in addition to the Fee and generally will not be deducted from the Fee. Assets of Program clients may be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other share classes of the fund. JPMS and its affiliates also receive compensation in addition to the Fee in connection with the operation and/or sale of

Funds to clients in Horizon, which may include investment management fees paid by certain Funds to affiliates of JPMS, distribution fees paid by certain Funds to JPMS and its affiliates pursuant to Rule 12b-1 under the Investment Company Act of 1940, and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a Fund of a JPMorgan index) from certain Funds, to the extent permitted by applicable law. Clients should review the applicable prospectuses for Funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the Funds. Certain Funds may not permit shares to be transferred outside of Horizon and in certain circumstances may in their sole discretion redeem fund shares held by clients, which may have tax consequences for clients.

The Program Securities may be available to investors directly from the issuers of the Program Securities or a broker-dealer, as applicable, pursuant to the terms of their prospectuses and without paying the Horizon Fee. Further, to the extent that cash used for investment in Horizon comes from redemptions of investments outside of Horizon, there may be tax consequences or additional cost from sales charges previously paid and/or redemption fees incurred. Any such sales charges and applicable redemption fees incurred by clients in connection with the liquidation of mutual funds or other securities for investment of the proceeds in Horizon are in addition to the Fee.

A portion of the Fee is generally paid to the J.P. Morgan Securities Advisory Representative servicing the client's Horizon account, who also may have recommended that the client participate in Horizon. ***Because the amount received by an Advisory Representative as a result of a client's participation in Horizon may be more than the Advisory Representative would receive if the client participated in another J.P. Morgan Securities investment advisory program or paid separately for investment advice, brokerage and other services covered by the Fee, the Advisory Representative may have a financial incentive to recommend Horizon over other programs or services.***

JPMS or its affiliates may retain, as compensation for the performance of services, an account's proportionate share of any interest earned on aggregate cash balances held by JPMS or its affiliates with respect to "assets awaiting investment or other processing." This amount, known as "float," is earned by JPMS or its affiliates through investment in a number of short-term investment products and strategies, including without limitation loans to customers and investment securities, with the amount of such earnings retained by JPMS or its affiliates, due to the short-term nature of the investments, being generally at the prevailing one-month LIBOR interest rate ("LIBOR," or London Interbank Offered Rate, is the most widely-used benchmark for short-term interest rates), less FDIC insurance and other associated costs, if any. "Assets awaiting investment or other processing" for these purposes includes, to the extent applicable, new deposits to the account, including interest and dividends, as well as any uninvested assets held in the account caused by an instruction to purchase and sell securities. JPMS or its affiliates will generally earn float until such time as such funds may be automatically swept into a "sweep" vehicle or otherwise reinvested. "Assets awaiting investment or other processing" may also arise when JPMS facilitates a distribution from the account. Thus, pursuant to standard processes for check disbursement, cash is generally debited from the account on the date on the face of the check (also called the payable date). Such cash is deposited in a non-interest bearing omnibus deposit account held by JPMS or its affiliates, where it remains until the earlier of the date the check is presented for payment or the date payment on the check is stopped at Client's instruction (in which case the underlying funds are returned to the account). JPMS or its affiliates derive earnings (float) from their use of funds that may be held in this manner, as described above.

JPMS may effect trades on behalf of Program accounts through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, "Trading Systems"), including Trading Systems in which JPMS or its affiliates may have a direct or indirect ownership interest. JPMS or its affiliates may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest. Currently, JPMS and/or its affiliates have an ownership interest in certain Trading Systems, including: (i) BATS Global Markets; (ii) BIDS Trading; (iii) Chicago Stock Exchange; and (iv) Boston Options Exchange. Clients authorize JPMS to effect trades on behalf of Program accounts through all such Trading Systems, affiliated and unaffiliated, and all such other Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS may determine to trade in the future. An up-to-date list of all Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS might trade can be found at <https://www.jpmorgansecurities.com/pages/am/securities/legal/ecn>. Such Trading Systems (and the extent of JPMS's or its affiliates' ownership interest in any Trading System) may change from time to time.

JPMS and its affiliates may pay from time to time for certain order flow in the form of discounts, rebates, reductions of fees or credits. Conversely, as a result of sending orders to certain trading centers, JPMS and its affiliates receive payment for order flow in the form of discounts, rebates, reductions of fees or credits. Under some circumstances, the amount of such remuneration may exceed the amount that JPMS and its affiliates are charged by such trading centers. This does not alter JPMS's policy to route customer orders to the trading center where it believes clients will receive the best execution, taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service, speed, and efficiency.

JPMS may earn additional compensation through brokerage-related services it provides, such as extending margin loans to clients and holding free-credit balances. Certain Advisory Representatives may receive production-based bonuses that take into account these amounts in addition to investment advisory fees (including the Fee paid by clients in the Program) and other revenue generated by the Advisory Representative. These bonuses may create a conflict of interest for those Advisory Representatives in that they have a financial incentive to recommend that Program accounts incur additional or higher fees for these services by, for example, incurring additional or larger margin loans. In addition, because the rate of fees charged for these brokerage-related services is negotiable, this compensation may give these Advisory Representatives a financial incentive to charge clients higher rates for these services.

In general, any margin debit balances held by the client cannot be held in a Program account. This is significant because, for purposes of the calculation of the Fee, the net market value of the assets on which the Fee is based generally will *not* be reduced by the amount of any margin debit balances held by the client in any account outside of the Program – even if some or all of the proceeds of the loan represented by the margin debit balances are held in the client’s Program account(s) or were used to purchase securities held in the client’s Program account(s) and even if some or all of the assets in the client’s Program account(s) are used to collateralize or secure the loan represented by the margin balances. JPMS and the Advisory Representative have a financial incentive for the client to incur margin debt to buy securities in the client’s Program account(s) because: (1) the client will be required to pay JPMS interest and fees on the debt (a portion of which JPMS may pay to the Advisory Representative); and (2) the net market value of the Program account will be increased by the value of the additional securities purchased with the proceeds of the margin loan (and will not be offset by the amount of the client’s margin debit held in the account outside of the Program), resulting in a higher Fee. In addition, any interest and fees paid by the client in connection with any margin debit balances held by the client in any account outside of the Program will not be taken into account in the calculation of the net equity or performance of the client’s Program account(s), as reflected in account statements, written performance reviews or otherwise.

## **Item 5**

### **Account Requirements and Types of Clients**

JPMS requires that all clients who wish to open and maintain an account in the Program enter into the Client Agreement, which sets forth the services that JPMS will provide to the client and the Fee that the client will pay. The specific terms of the Client Agreement will govern the handling of the client’s account in the Program and the investment advisory relationship between the client and JPMS.

The minimum amount of total assets required to open an account in Horizon is typically \$25,000, although JPMS may, in its discretion, waive or reduce the minimum account opening size for certain clients or accounts. JPMS also may impose certain other requirements with respect to accounts in the Program, such as a minimum number of Program Securities in an account and a maximum level of cash or cash alternatives (such as money market funds) in an account.

Beginning in October 2015, clients opening new accounts in Horizon will be required to include a minimum of three Program Securities in their Target Allocation, and existing clients holding, or who come to hold, three or more Program Securities will not be permitted to reduce the number of Program Securities to fewer than three.

Also beginning in October 2015, Horizon accounts will be subject to a maximum Target Allocation to cash of 10%. Existing clients with cash allocations greater than 10% as of October 2015 will be notified of the new requirement and asked to reduce the allocation to 10% or less within a specified time period.

Horizon is intended for investment purposes and is not intended to be used for market timing or excessive trading of Program Securities. The types of clients participating in Horizon generally include individuals, trusts, retirement plans (including IRAs), estates, corporations and other business entities, foundations and endowments. Investment companies, banks and thrift institutions generally do not participate in Horizon.

The accounts of employee benefit plans (as defined in ERISA) and retirement plans (as defined in Section 4975(e)(1) of the Internal Revenue Code), which includes IRAs, may be subject to certain JPMS policies, restrictions and other terms and conditions that are different from those applicable to other accounts in the Program. Such policies, restrictions and other terms and conditions may affect, for example, the securities that may be available for investment in such accounts, the manner in which transactions may be effected in such accounts, the ability of such accounts to trade on margin, and the fees and expenses that may be charged to such accounts. As a result, application of the policies, restrictions and other terms and conditions may result in the performance of employee benefit plan and retirement plan accounts being worse than it would have been absent such policies, restrictions and terms and conditions. In addition, if the Client Agreement for such an account is terminated or such an account is removed from Horizon, the account may be restricted by JPMS to unsolicited liquidating or “sell” orders only.

JPMS may decline to accept a particular client or account in the Program at any time and for any reason.

## **Item 6**

### **Portfolio Manager Selection and Evaluation**

JPMS does not select, recommend or make available portfolio managers in Horizon. JPMS identifies, reviews and makes available a universe of Program Securities, which in most or all cases are shares of Funds that have engaged their own portfolio managers to manage the Funds' assets. In this Item, therefore, JPMS discusses its processes with respect to the selection and review of Program Securities.

#### **i. Selection of Program Securities**

JPMS selects only certain securities as Program Securities available to clients through Horizon. JPMS reviews (or arranges for the review of) Funds and may review other types of securities to determine whether they should be Program Securities. JPMS may engage one or more third parties (including affiliates of JPMS) to perform initial and periodic reviews of Program Securities (each, a "Review Vendor") and/or perform such periodic reviews itself. A Review Vendor may also make recommendations to JPMS about which Funds or other securities to include as Program Securities in Horizon.

There are two groups of Program Securities in Horizon: "Select" and "Choice." Different processes are used to determine the Program Securities that are available in each group. To determine which Program Securities are available as Select, JPMS or a Review Vendor generally does both quantitative and qualitative reviews, which typically include a review of the organization, investment process, service, and performance of the Program Security and/or its investment adviser, if any (e.g., in the case of a Fund, the Fund's portfolio manager). To determine which Program Securities are available as Choice, JPMS uses proprietary quantitative screens of Program Security data typically collected by a third-party vendor. The quantitative reviews (or portions thereof) conducted with respect to Select Program Securities and Choice Program Securities may differ. JPMS typically includes Program Securities that it has elected to review and have met the quantitative screens on the Choice list, but may exclude certain Program Securities at its discretion for any reason, including, for example, if it determines that there is a problem with the underlying data. Not all Choice Program Securities meet the criteria used to determine the Select Program Securities and not all Select Program Securities meet the criteria used to determine the Choice Program Securities. If a Program Security meets both sets of criteria, typically it will be included on only one list. In the discretion of JPMS, a Program Security may be included on the Choice list even if it does not meet all of the quantitative screens typically applied to securities reviewed for inclusion as a Choice Program Security. There are usually fewer Program Securities on the Select list than on the Choice list because fewer Program Securities typically meet the Select list selection criteria. JPMS may provide different information about Program Securities on the Select list, including the Program Security profiles, than it provides about Program Securities on the Choice list.

At the client's request, JPMS will identify Program Securities to the client for the Target Allocation to be adopted by the client. JPMS's selection of the particular Program Securities to identify to particular clients is typically based on the information the client has provided regarding his or her financial circumstances, investment objectives and risk tolerance.

JPMS generally does not recommend the replacement of a particular Program Security for a particular client unless JPMS removes the Program Security from Horizon, in which event JPMS will notify affected clients of the removal and may designate another Program Security as the default replacement Program Security for the Horizon Assets invested in the removed Program Security. If JPMS designates such a default replacement Program Security, each affected client will be notified in writing that, unless the client, by the date specified by JPMS, affirmatively selects, in writing, a replacement Program Security, the client's assets in the removed Program Security will automatically be re-invested into the designated replacement Program Security, without further notice to or consent of the client. In designating a default replacement Program Security (if any), JPMS will consider the appropriateness of the Program Securities available in the Program as suitable replacements for the removed Program Security. JPMS also may assist the client in identifying a suitable replacement Program Security in cases where JPMS does not designate a default replacement Program Security or where the client wishes to consider alternatives to the default replacement Program Security designated by JPMS; such assistance is typically based on the same types of factors used by JPMS to identify Program Securities for Horizon clients in the first instance. If a Program Security is removed from the Program and JPMS does not designate a default replacement Program Security, the client's assets invested in the removed Program Security will automatically be re-invested into an ETF available in the Program, selected by JPMS, that is in an asset class or employs an investment strategy similar (as determined by JPMS) to that of the removed Program Security, unless the client affirmatively selects, in writing, a replacement Program Security of the client's own choosing by the date specified by JPMS. Regardless of whether JPMS designates a default replacement for a removed Program Security, the sale of the client's assets in the removed Program Security may have tax consequences for the client.

Advisory Representatives who learn of JPMS's decision to remove a Program Security from the Program may take or recommend action on the basis of such knowledge (i) with respect to certain clients and accounts (inside or outside of the Program) before others or (ii) before JPMS's written notice of the removal decision has been sent to all affected Program clients.

ii. **Review of Program Securities**

JPMS or a Review Vendor reviews the Program Securities available through Horizon on a periodic basis. Currently, all Program Securities on the Select list are reviewed by the Manager Selection due diligence group ("Manager Selection") in the J.P. Morgan Wealth Management division; Manager Selection is comprised of employees of JPMorgan Chase Bank, N.A. and other affiliates. JPMS administers the quantitative screens applied to Program Securities on the Choice list. JPMS may add or remove Program Securities to or from either the Select list or the Choice list, in its sole discretion. JPMS may also move a Program Security from one list to the other.

If a Program Security is removed from Horizon, JPMS will notify affected clients and may designate another Program Security as the default replacement Program Security for the Horizon Assets invested in the removed Program Security. If JPMS designates such a default replacement Program Security, each affected client will be notified in writing that, unless the client, by the date specified by JPMS, affirmatively selects, in writing, a replacement Program Security, the client's assets in the removed Program Security will automatically be re-invested into the designated replacement Program Security, without further notice to or consent of the client. In designating a default replacement Program Security (if any), JPMS will consider the appropriateness of the Program Securities available in the Program as suitable replacements for the removed Program Security. JPMS also may assist the client in identifying a suitable replacement Program Security in cases where JPMS does not designate a default replacement Program Security or where the client wishes to consider alternatives to the default replacement Program Security designated by JPMS; such assistance is typically based on the same types of factors used by JPMS to identify Program Securities for Horizon clients in the first instance. If a Program Security is removed from the Program and JPMS does not designate a default replacement Program Security, the client's assets invested in the removed Program Security will automatically be re-invested into an ETF available in the Program, selected by JPMS, that is in an asset class or employs an investment strategy similar (as determined by JPMS) to that of the removed Program Security, unless the client affirmatively selects, in writing, a replacement Program Security of the client's own choosing by the date specified by JPMS. Regardless of whether JPMS designates a default replacement for a removed Program Security, the sale of the client's assets in the removed Program Security may have tax consequences for the client.

The review of a Program Security and/or other information and events also may result in a Program Security being closed to new investors pending further review. During such status, clients may not select the Program Security for the first time, but clients already holding the Program Security when it was closed to new investors are permitted to purchase more of it, through systematic rebalancing or otherwise. Clients holding an affected Program Security will be notified in writing that it has been closed to new investors. Further review of the Program Security may result in a re-opening to new investors.

JPMS may provide clients with information about Program Securities. The information may be prepared by JPMS or by a third party and is based on and/or incorporates information from prospectuses, annual reports and other third-party sources. JPMS believes that this information is accurate; however, JPMS does not independently verify or guarantee the accuracy or completeness of the information. JPMS shall have no liability with respect to information provided by third parties. Program Security performance information – typically relating to Funds in the Program – may be included in the information provided by JPMS. ***This performance is calculated by the Funds or by third parties and neither JPMS nor a third party engaged by it reviews the performance information for JPMS to determine or verify its accuracy or its compliance with presentation standards. The performance information may not be calculated on a uniform and consistent basis.***

In addition to Program Security performance information clients may receive that presents performance calculated by Funds and/or third parties, each Program client typically receives a written quarterly performance review prepared by JPMS summarizing the investment performance of the client's Horizon account for the prior quarter. (As explained in Item 4 above, certain clients may not receive such a performance review.) In preparing such reviews for Program clients, JPMS uses various industry and non-industry standards to measure account performance. In addition to account performance, the written performance reviews for Horizon clients also may include performance data for the specific Funds held in the account during the covered time period. The performance data for specific Funds included by JPMS in the periodic written performance reviews is typically calculated by JPMS using information obtained from third parties. ***Neither JPMS nor any third party engaged by it reviews the account or specific Fund performance information to determine or verify its accuracy or compliance with presentation standards, and the information may not be calculated on a uniform and consistent basis. Clients receiving periodic written performance reviews from JPMS should review carefully the disclosures, definitions and other information contained in the reviews.***



Performance reviews are not a substitute for regular monthly or quarterly account statements or Form 1099, and should not be used to calculate the Fee or to complete income tax returns. JPMS and its affiliates are entitled to rely on the financial and other information that clients or any third party provides to JPMS. The client is solely responsible for any information that the client provides to JPMS, and JPMS shall not be liable in connection with its use of any information provided by the client or a third party in the periodic review. JPMS does not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter.

Subject to JPMS's policies and procedures and applicable law, the periodic written performance review typically provided to Program clients may include information about assets in other accounts maintained by the client with the J.P. Morgan Securities division of JPMS (including other investment advisory accounts and brokerage accounts) as well as other assets identified to JPMS by the client. By including assets in the written performance review, JPMS is not undertaking to provide or be responsible for providing any services with respect to those assets.

In preparing account statements and performance reviews, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available from JPMS upon request.

Before investing in a Fund through Horizon, clients should review the Fund's prospectus carefully and consider all of the information in it. A Fund's prospectus contains important information about the Fund, including the Fund's investment objectives, risks, charges and expenses. Each Fund is solely responsible for the truthfulness, completeness, and accuracy of its own prospectus.

JPMS is not responsible for the performance of any Program Security or the compliance of any Program Security or its issuer or adviser with its prospectus, applicable laws and regulations or other matters within the control of the Program Security or its issuer or adviser. Each Program Security's adviser is solely responsible for the management of the Program Security as described in the Program Security's prospectus. Without limiting the generality of the foregoing, JPMS shall not be responsible for any act or omission of any Program Security or any party acting on behalf of the Program Security or any misstatement or omission contained in any document prepared by or with the approval of any Program Security or any party acting on behalf of the Program Security, or any loss, liability, claim, damage, or expense, whatsoever, as incurred, arising out of or attributable to such misstatement or omission.

### **iii. Related Person Program Securities**

Certain Program Securities and their issuers and/or advisers are affiliated with JPMS. More specifically, some of the Funds available to clients in Horizon are sponsored by affiliates of JPMS and/or have engaged investment advisers affiliated with JPMS, including J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management) ("JPMIM"), to manage their investment portfolios.

JPMS has a conflict of interest in including such Funds in Horizon, in conducting (or having an affiliated Review Vendor conduct) periodic reviews of such Funds for inclusion in Horizon, in identifying such Funds to clients in Horizon, and in designating such Funds as default replacement Program Securities for Horizon Assets invested in Program Securities that are removed from the Program because (1) if a client selects (or is automatically re-invested into) a Fund sponsored by an affiliate of JPMS, the Fund will benefit from the client's investment and (2) if a client selects (or is automatically re-invested into) a Fund managed by JPMIM or another affiliate of JPMS, the affiliated manager will receive more in investment management fees from the Fund (which fees are ultimately borne by the client as a shareholder of the Fund and are in addition to the Horizon Fee). Accordingly, JPMS and its affiliates receive greater aggregate compensation when a client in Horizon selects (or is automatically re-invested into) a J.P. Morgan-affiliated Fund than when the client selects (or is automatically re-invested into) an unaffiliated Fund.

JPMS believes that this conflict is addressed by the fact that neither the persons responsible for the initial and periodic review of Funds for inclusion in Horizon and for possible designation as default replacement Program Securities, nor the Advisory Representatives who identify specific Funds to clients, receive any direct financial benefit (such as additional compensation) from the investment of Horizon Assets in J.P. Morgan-affiliated Funds rather than in unaffiliated Funds. Moreover, because Advisory Representatives are typically compensated in the Program through the receipt of a portion of the Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to identify Funds they believe will increase the value of the account, regardless of whether or not the Fund is affiliated with JPMS. In addition, as a matter of policy, JPMS will not designate a J.P. Morgan-affiliated Fund as the default replacement Program Security for retirement plan accounts (including IRAs and accounts subject to ERISA) invested in a Program Security that has been removed from the Program; if such a Fund has been designated as the default replacement Program Security for non-retirement plan accounts, JPMS will designate a different, unaffiliated Fund, or will not designate any default replacement Program Security, for retirement plan accounts.

Funds in the Program that are affiliated with JPMS are subject to the same selection and review processes as the other Program Securities in the Program.

#### **Item 7**

##### **Client Information Provided to Portfolio Managers**

Clients in Horizon select from a universe of Program Securities, not portfolio managers. JPMS does not provide the Program Securities or their issuers and investment managers with information about clients in Horizon.

#### **Item 8**

##### **Client Contact with Portfolio Managers**

Clients in Horizon select from a universe of Program Securities, not portfolio managers. JPMS does not place any restrictions on clients' ability to contact and consult with the issuers and investment managers of Program Securities. However, the issuers and investment managers do not have investment advisory relationships directly with clients in Horizon, and may themselves restrict such contact and consultation.

#### **Item 9**

##### **Additional Information**

###### **i. Disciplinary Information**

JPMS has been involved in the following material legal or disciplinary events during the last ten years. With respect to the periods before the merger of J.P. Morgan Securities Inc. into Bear, Stearns & Co. Inc. (and the naming of the surviving entity as J.P. Morgan Securities Inc., now J.P. Morgan Securities LLC) on October 1, 2008, and the merger of Chase Investment Services Corp. ("CISC") into J.P. Morgan Securities LLC on October 1, 2012, the events include those involving any of the three entities.

1) In March 2009, 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 the appropriate breakpoints would be delivered to customers, and paid a monetary fine of \$32,500.

2) Between June 2009 and October 2011, JPMorgan Chase & Co., on behalf of itself and its subsidiaries (including JPMS and CISC), entered into substantially similar settlements with the securities regulators of all but three states in connection with investigations concerning alleged misrepresentations and omissions in connection with the marketing, sales and distribution of auction rate securities ("ARS"). The principal allegations were that the relevant JPMorgan entities 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 the JPMorgan entities had represented them to be and were unable to sell the ARS. Without admitting or denying the allegations, JPMorgan Chase & Co. entered into consent decrees pursuant to which the relevant JPMorgan entities repurchased ARS from certain customers and paid fines, penalties, disgorgement and restitution in amounts that varied from state to state.

3) In November 2009, J.P. Morgan Securities Inc. submitted, and the SEC accepted, an Offer of Settlement in connection with allegations by the SEC that in 2002 and 2003 JPMS had made certain payments to firms whose principals or employees were friends of Jefferson County, Alabama public officials in connection with \$5 billion in County bond underwriting and interest rate swap agreement business awarded to JPMS, without disclosing the payments or conflicts of interest in the swap agreement confirmations or bond offering documents. The SEC also alleged that JPMS incorporated certain of the costs of the payments into higher swap interest rates it charged the County, thereby increasing the swap transaction costs to the County and its taxpayers. The SEC found that the alleged conduct violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933, Section 15B(c)(1) of the Securities Exchange Act of 1934, and Municipal Securities Rulemaking Board Rule G-17. Without admitting or denying any of the SEC's substantive findings, JPMS consented to the SEC's entry of an administrative order that included a censure of JPMS, an order to cease and desist from violations of the aforementioned statutes and rules, and an order requiring payment of disgorgement of \$1 and a civil money penalty of \$25 million. In addition, JPMS undertook to make a \$50 million payment to the County and to terminate any obligations of the County to make any payments to JPMS under certain swap agreements.

4) In December 2010, CISC submitted an 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.

5) In June 2011, J.P. Morgan Securities LLC agreed with the SEC to resolve the SEC’s inquiry regarding certain collateralized debt obligations (CDOs). Specifically, JPMS agreed to a settlement of allegations that it was negligent in not providing additional disclosure in marketing materials for a CDO called Squared CDO 2007-1, Ltd (“Squared”). The SEC’s complaint alleged that JPMS represented in marketing materials that the collateral manager selected the investment portfolio for Squared but failed to disclose that the hedge fund that purchased the subordinated notes (or “equity”) issued by Squared, and which also took the short position on roughly half of the portfolio’s assets, played a significant role in the selection process. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the Southern District of New York. The Final Judgment permanently restrains and enjoins JPMS from violating Sections 17(a)(2) and (3) of the Securities Act of 1933 in the offer or sale of any security or security-based swap agreement, orders JPMS to pay disgorgement of \$18.6 million, together with prejudgment interest thereon in the amount of \$2 million, and a civil penalty in the amount of \$133 million, and orders JPMS to comply with certain undertakings related to the review and approval of offerings of certain mortgage securities.

6) In July 2011, J.P. Morgan Securities LLC resolved an SEC investigation regarding conduct alleged to have taken place on the firm’s municipal derivatives desk. The SEC alleged that prior to at least 2005, JPMS made misrepresentations and omissions in connection with bidding on certain municipal reinvestment instruments, which the SEC alleged affected the prices of certain reinvestment instruments, deprived certain municipalities of a presumption that the reinvestment instruments were purchased at fair market value, and/or jeopardized the tax-exempt status of certain securities. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the District of New Jersey. The Final Judgment permanently enjoins JPMS from violating Section 15(c)(1)(A) of the Securities Exchange Act of 1934 and orders it to pay \$51.2 million to certain municipalities and other tax-exempt issuers.

In coordination with the SEC settlement, JPMorgan Chase & Co. (“JPMC”) and certain of its affiliates, including JPMS, also entered into settlements with other agencies to resolve concurrent investigations regarding conduct alleged to have taken place on the firm’s municipal derivatives desk relating to certain municipal derivative transactions occurring in or prior to 2006. Those settlements are as follows: JPMorgan Chase Bank, N.A. entered into a Formal Agreement and a Consent Order for a Civil Money Penalty with the Office of the Comptroller of the Currency and agreed to pay \$35 million; JPMC, JPMS, and JPMorgan Chase Bank, N.A. entered into a Closing Agreement of Final Determination of Tax Liability and Specific Matters with the Internal Revenue Service and agreed to pay \$50 million; and JPMC entered into written agreements with the Antitrust Division of the U.S. Department of Justice, the Federal Reserve Bank of New York, and 25 State Attorneys General. JPMC agreed to pay \$75 million in connection with its agreement with the State Attorneys General. Of the total funds to be paid, \$129.7 million will be eligible for distribution to municipalities and other tax-exempt issuers. The Firm also consented to implement various remedial measures, including enhanced compliance policies and procedures.

7) In October 2011, 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.

8) In November 2011, CISC submitted an 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 the 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.

9) In November 2012, the SEC filed a complaint against J.P. Morgan Securities LLC and several of its affiliates in the District Court for the District of Columbia. The complaint related primarily to Bear Stearns’ alleged failure to disclose information regarding settlements entered into by a Bear Stearns affiliate with originators of loans that had been securitized into residential mortgage-backed securities (“RMBS”) trusts beginning in or about 2005. The complaint also alleged that JPMS, in connection with an RMBS offering by a J.P. Morgan affiliate in 2006, failed to include in the RMBS prospectus supplement’s delinquency disclosures approximately 620 loans that the SEC asserted were more than 30 days delinquent at the cut-off date for the offering. Based on the alleged misconduct described above, the complaint alleged that the defendants violated Sections 17(a)(2) and (3) of the Securities Act of 1933. In settlement of the action, the defendants submitted an executed Consent agreeing to the entry of judgment, without admitting or denying allegations made in the proceeding (other than those relating to the jurisdiction of the District Court over it and the subject matter). In January 2013, the

District Court entered a judgment against the defendants that enjoined them from violating, directly or indirectly, Sections 17(a)(2) and (3) of the Securities Act. Additionally, the judgment required the defendants to pay disgorgement in the amount of \$177,700,000, prejudgment interest in the amount of \$38,865,536, and a civil monetary penalty of \$84,350,000.

10) On December 18, 2015, J.P. Morgan Securities LLC (“JPMS”) and JPMorgan Chase Bank, N.A. (“JPMCB”, together “Respondents”) entered into a settlement with the Securities and Exchange Commission (“SEC”) resulting in the SEC issuing an order (“Order”). The Respondents consented to the entry of the Order that finds that JPMS violated Sections 206(2), 206(4), and 207 of the Investment Advisers Act of 1940 and Rule 206(4)-7 and JPMCB violated Sections 17(a)(2) and 17(a)(3) of the Securities Act of 1933. The Order finds that JPMCB negligently failed to adequately disclose (a) from February 2011 to January 2014, a preference for affiliated mutual funds in certain discretionary investment portfolios (the “Discretionary Portfolios”) managed by JPMCB and offered through J.P. Morgan’s U.S. Private Bank (the “U.S. Private Bank”) and the Chase Private Client lines of business; (b) from 2008 to 2014, a preference for affiliated hedge funds in certain of those portfolios offered through the U.S. Private Bank; and (c) from 2008 to August 2015, a preference for retrocession-paying third-party hedge funds in certain of those portfolios offered through the U.S. Private Bank. With respect to JPMS, the Order finds that, from May 2008 to 2013, JPMS negligently failed to adequately disclose, including in documents filed with the SEC, conflicts of interest associated with its use of affiliated mutual funds in the Chase Strategic Portfolio (“CSP”) program, specifically, a preference for affiliated mutual funds, the relationship between the discounted pricing of certain services provided by an affiliate and the amount of CSP assets invested in affiliated products, and that certain affiliated mutual funds offered a lower-cost share class than the share class purchased for CSP. In addition, the Order finds that JPMS failed to implement written policies and procedures adequate to ensure disclosure of these conflicts of interest. Solely for the purpose of settling these proceedings, the Respondents consented to the Order, admitted to the certain facts set forth in the Order and acknowledged that certain conduct set forth in the Order violated the federal securities laws. The Order censures JPMS and directs the Respondents to cease-and-desist from committing or causing any violations and any future violations of the above-enumerated statutory provisions. Additionally, the Order requires the Respondents to pay a total of \$ 266,815,000 in disgorgement, interest and civil penalty.

Concurrently, on December 18, 2015, JPMCB reached a settlement agreement with the Commodity Futures Trading Commission (“CFTC”) to resolve its investigation of JPMCB’s disclosure of certain conflicts of interest to discretionary account clients of J.P. Morgan Private Bank’s U.S.-based wealth management business. In connection with the settlement, the CFTC issued an order (“Order”) finding that JPMCB violated Section 4o(1)(B) of the Commodity Exchange Act (“CEA”) and Regulation 4.41(a)(2) by failing to fully disclose to certain clients its preferences for investing certain discretionary portfolio assets in certain commodity pools or exempt pools, namely (a) investment funds operated by JPMorgan Asset Management and (b) third-party managed hedge funds that shared management and/or performance fees with an affiliate of JPMCB. The Order directs JPMCB to cease-and-desist from violating Section 4o(1)(B) of the CEA and Regulation 4.41(a)(2). Additionally, JPMCB shall pay \$40 million as a civil penalty to the CFTC and disgorgement of \$60 million satisfied by disgorgement to be paid to the SEC by JPMCB and an affiliate in a related and concurrent settlement with the SEC.

11) On July 27, 2016, J.P. Morgan Securities LLC (“JPMS”) and JPMorgan Chase Bank, N.A. (“JPMCB”, together “Respondents”) entered into a Consent Agreement (“Agreement”) with the Indiana Securities Division (“ISD”). The Respondents consented to the entry of the Agreement that alleged that certain conduct of the Respondents was outside the standards of honesty and ethics generally accepted in the securities trade and industry, in violation of 710 Ind. Admin. Code § 4-10-1(23) (2016). Specifically, the Agreement alleged that, between 2008 and 2013, JPMS failed to disclose to Indiana investors that certain proprietary mutual funds purchased for Chase Strategic Portfolio (“CSP”) clients offered institutional shares that were less expensive than the institutional shares JPMS chose for CSP clients. In addition, the Agreement alleged that, from February 2011 to January 2014, no account opening document or marketing materials disclosed to Indiana investment management account clients or Indiana J.P. Morgan Investment Portfolio clients that JPMCB preferred to invest client assets in proprietary mutual funds, and that between 2008 and January 2014, JPMCB did not disclose its preference for investing certain investment management account assets in certain proprietary hedge funds to Indiana clients. Lastly, the Agreement alleged that JPMCB did not disclose its preference for placement-agent-fee-paying third-party hedge fund managers in certain investment management accounts to Indiana clients until August 2015. Solely for the purpose of settling these proceedings, the Respondents consented to the Agreement, with no admissions as to liability. In the Agreement, the Respondents agreed to pay a total of \$950,000 to resolve the ISD’s investigation, which was paid on August 1, 2016.

## **ii. Other Financial Industry Activities and Affiliations**

### **a. Broker-Dealer Registrations**

JPMS is registered with the SEC as a broker-dealer as well as an investment adviser. Some of JPMS’s management personnel and all of the Advisory Representatives and their supervisors in the Program are registered with the Financial Industry Regulatory Authority (“FINRA”) as registered representatives of JPMS in its capacity as a broker-dealer.

**b. Futures/Commodities-Related Registrations**

In addition, JPMS is registered with the CFTC as a futures commission merchant and also acts as a commodity pool operator exempt from registration as such with the CFTC. Some of JPMS's management personnel, and a small number of the Advisory Representatives and/or their supervisors in the Program, are registered with the CFTC as associated persons of JPMS in its capacity as a futures commission merchant.

**c. Material Relationships with Related Persons**

JPMS has several relationships or arrangements with related persons that are material to its advisory business or to its advisory clients in the Program.

**1. Affiliated Sponsors and Advisers of Funds**

Horizon clients typically invest their Program accounts in Program Securities consisting of Funds that have various internal fees and expenses, which are paid by the Funds but are ultimately borne by the Program client as investor. The sponsors and/or general partners of certain such Funds are affiliated with JPMS (potentially including those in which JPMS or its affiliates have a minority and/or non-controlling interest), and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such Funds.

A client's investment of Horizon Assets in J.P. Morgan-affiliated Funds or a client's selection of such a Fund as the vehicle for the temporary investment (i.e., "sweeping") of available cash balances benefits those Funds and their J.P. Morgan-affiliated sponsors and/or general partners. In addition, several affiliates of JPMS manage J.P. Morgan-affiliated Funds and receive an investment management fee for doing so. Although the management fee is paid by the Fund itself, ultimately it is borne by investors in the fund. Therefore, to the extent a client invests Horizon Assets in such Funds or the client selects a J.P. Morgan-affiliated Fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets. The affiliates of JPMS that provide such investment management services to Funds that may be included as Program Securities in Horizon include:

- JPMIM;
- J.P. Morgan Private Investments Inc.;
- J.P. Morgan Alternative Asset Management, Inc.;
- JF International Management, Inc.; and
- Security Capital Research & Management Incorporated.

The portion of the investment management fee received by JPMS's affiliate that is borne by each Program client is not covered by, and is in addition to, the Fee paid to JPMS by the client.

As a result, because JPMS and its affiliates will in the aggregate receive more compensation when Program assets are invested in J.P. Morgan-affiliated Funds than they would receive were the client instead invested in unaffiliated Funds, JPMS has a conflict of interest in:

- selecting J.P. Morgan-affiliated Funds for inclusion as Program Securities in Horizon;
- reviewing (or having an affiliate review) them for ongoing inclusion as Program Securities;
- identifying them to particular Horizon clients for the client's Target Allocation; and
- making only (or primarily) affiliated Funds available to Program clients for the "sweeping" of available cash balances.

JPMS believes that this conflict is addressed in the following ways:

- J.P. Morgan-affiliated Funds are subject to the same criteria as other Funds in JPMS's processes for the selection of Program Securities for inclusion in Horizon and the review of Program Securities for ongoing inclusion as Program Securities.
- Advisory Representatives responsible for the identification of Program Securities to clients for the client's Target Allocation do not receive any direct financial benefit (such as additional compensation) from clients' ultimate selection and purchase of J.P. Morgan-affiliated Funds rather than unaffiliated Funds. Moreover, because Advisory Representatives are typically compensated on the basis of the net market value of Program accounts, they are to that

extent incentivized to identify Funds they believe will increase the value of the account, regardless of whether the Funds are affiliated or unaffiliated with JPMS.

- JPMS policy generally prohibits the identification by JPMS or the purchase by Horizon clients of J.P. Morgan-affiliated Funds for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) unless the client already held the Fund at issue in his or her Horizon account at the time of the acquisition of JPMS (then known as Bear, Stearns & Co. Inc.) by JPMorgan Chase & Co. in 2008, in which event the client typically may purchase additional shares of the Fund consistent with the account's Target Allocation. In addition, the only "sweep" vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed below) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of its selection by retirement plan clients as the "sweep" vehicle for their accounts.

Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the Funds.

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

In the Client Agreement, clients in the Program generally authorize JPMS, to the extent permitted by applicable law, to invest (i.e., "sweep") available cash balances in the JPMorgan Chase Bank, N.A. ("JPMCB") Deposit Account or one or more money market mutual funds that are typically affiliated with JPMS. JPMCB is affiliated with JPMS. The Deposit Account is the default "sweep" option for Program clients who reside in the U.S.; that is, if the client does not affirmatively indicate the selection of one of the available alternatives, the client is deemed to have selected the Deposit Account.

Cash balances "swept" into the Deposit Account are remitted for deposit by JPMS, acting as the client's agent, into a Money Market Deposit Account maintained at JPMCB. Balances in the Deposit Account are covered by Federal Deposit Insurance Corporation ("FDIC") insurance, subject to applicable limits, terms and conditions, but are not protected by the Securities Investor Protection Corporation. Clients who authorize the "sweeping" of their cash balances into the Deposit Account receive the J.P. Morgan Deposit Account Disclosure, which provides further information about the Deposit Account, including the limits, terms and conditions of FDIC insurance coverage.

Although there is no charge, fee or commission to clients imposed with respect to the Deposit Account, JPMCB benefits from Program clients' selection of the Deposit Account as their "sweep" option because, through the Deposit Account, JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits made by customers who select the Deposit Account to fund current and new businesses, 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 Deposit Account, and the interest rate and other income earned by JPMCB on the loans and investments made with the deposits. The income that JPMCB has the opportunity to earn through its lending and investing activities is usually greater than the fee earned by all JPMorgan Chase-affiliated entities from managing and distributing the money market mutual funds that may be available to Program clients as an alternative cash "sweep" for their Program accounts.

JPMS has a conflict of interest in making the Deposit Account the default "sweep" option for Program clients residing in the U.S. because JPMCB has a financial interest in Program clients' use of the Deposit Account. JPMS believes that the conflict is addressed through:

- the client's ability to affirmatively select another available "sweep" option in the Client Agreement and to change the "sweep" option selection to an available alternative at any time;
- the J.P. Morgan Deposit Account Disclosure provided to the client; and
- the client's ability to obtain the prospectus for each money market mutual fund that is an available alternative to the Deposit Account as a "sweep" vehicle.

All or substantially all registered representatives in J.P. Morgan Securities, including all Advisory Representatives in the Program, also are employees of JPMCB. In their capacities as employees of JPMCB and outside of the Program, Advisory Representatives may market and sell to clients products and services of JPMCB (including discretionary portfolio management services), and be compensated in connection with such sales.

## **3. Revenue Sharing Arrangements with Affiliates**

In addition, JPMS is party to certain revenue sharing arrangements pursuant to which it may receive compensation from certain affiliates in connection with referrals or introductions of investors by registered representatives in J.P. Morgan Securities (including Advisory Representatives in the Program) to the affiliates for the provision by the affiliates of products and services to the investors. The investors referred to affiliates may be existing investment advisory clients of J.P. Morgan Securities, including clients in the Program. When J.P. Morgan Securities makes such a referral of one of its existing investment advisory clients to an affiliate, the revenue sharing arrangement creates a conflict of interest with the client because:

- JPMS has a financial incentive to make the referral because it will be entitled to compensation from the affiliate if the referred client becomes a client or customer of the affiliate;
- JPMS does not necessarily base such referrals on any review or due diligence of the affiliate or its personnel, products or services;
- JPMS does not necessarily conduct an assessment of the suitability of the affiliate's products or services for referred clients; and
- it may not be in the referred client's best interest to become a client or customer of the affiliate.

JPMS believes that this conflict is addressed in the following ways:

- Typically, the referred client is not charged more for the product or service provided by the affiliate by virtue of the fact that the affiliate will compensate JPMS for the referral.
- Clients referred to affiliates by JPMS have no obligation to become clients or customers of those affiliates, and their declining to do business with the affiliate to which they were referred will not affect their relationship with JPMS.

**d. Recommendation or Selection of Other Investment Advisers**

JPMS does not recommend or select other investment advisers for its clients in Horizon. However, because most or all of the Program Securities are Funds whose performance is dependent on the performance of the Funds' own investments, and Funds typically engage investment advisers to act as their portfolio managers, the identity and performance of those portfolio managers is generally material to Horizon clients.

In addition to the fact that certain Funds in the Program and their sponsors and portfolio managers are affiliated with JPMS, certain other Funds in the Program and their sponsors and portfolio managers may have business relationships outside of the Program with JPMS and/or its affiliates, including relationships in which JPMS and/or its affiliates provide the sponsor or portfolio manager with trading, lending, prime brokerage and/or custody services for compensation. As a result of these relationships, JPMS has a conflict of interest in the selection and review (or the review by an affiliated Review Vendor) of Funds for inclusion in the Program, the identification of Funds to particular clients for their Target Allocations, and the designation of Funds as default replacement Program Securities for accounts invested in Program Securities removed from the Program (or, in the event JPMS does not designate a default replacement, selection of an ETF into which the client's Horizon Assets in the removed Program Security will automatically be re-invested if the client does not affirmatively select a replacement of the client's own choosing by the date specified by JPMS) because JPMS may have a financial incentive to favor those Funds (or those Funds sponsored or managed by parties) with which JPMS and/or its affiliates have other business relationships. JPMS believes that this conflict is addressed by the fact that neither the persons responsible for the initial and periodic review of Funds for inclusion as Program Securities in the Program and for possible designation as default replacement Program Securities for Program Securities removed from the Program (or, if JPMS does not designate a default replacement, for selection of an ETF as described above) nor the Advisory Representatives who identify Funds to particular clients (assuming they are aware of which Funds, sponsors and managers have other business relationships with JPMS and/or its affiliates) receive any direct financial benefit (such as additional compensation) from the investment of Horizon Assets with certain Funds instead of others. Moreover, because Advisory Representatives are typically compensated in the Program through the receipt of a portion of the Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to identify Funds they believe will increase the value of the account, regardless of whether or not the Funds or their sponsors or portfolio managers have other business relationships with JPMS and/or its affiliates.

In addition, outside of and separate from the Program, JPMS acts as a solicitor (sometimes also called a "finder" or "referrer") of prospective clients for certain other investment advisers, which may include one or more advisers acting as portfolio managers for Funds included as Program Securities in Horizon. Under its solicitation agreements with those advisers, JPMS is entitled to a specified portion of the advisory fees received by the advisers from the investors that were referred to them by JPMS. The investors referred to other advisers by JPMS may be existing investment advisory clients of JPMS, including clients in the Program. When JPMS makes a referral of one of its

existing investment advisory clients to another adviser under a solicitation arrangement, the arrangement creates a material conflict of interest with the client because:

- JPMS has a financial incentive to make the referral because it will be entitled to compensation from the other adviser if the referred client becomes a client of the other adviser;
- JPMS does not base such referrals on any review or due diligence of the other advisers or their personnel or investment strategies;
- JPMS does not conduct an assessment of the suitability of the other advisers' services for referred clients; and
- it may not be in the referred client's best interest to become a client of the other adviser.

JPMS addresses this conflict in the following ways:

- The other advisers' payments of solicitation fees to JPMS are typically subject to certain legal requirements and conditions, including the delivery by JPMS to the referred client, at the time of the referral, of a written document that discloses, among other things, the relationship between JPMS and the other adviser, the fact that JPMS will be compensated for the referral, the terms of the compensation arrangement, and the amount (if any) in addition to the advisory fee that the referred client will be charged by the other adviser for the cost of obtaining the client's business.
- Clients referred to other advisers by JPMS have no obligation to become clients of those advisers, and their declining to do business with the adviser to which they were referred will not affect their relationship with JPMS.

**iii. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**a. Code of Ethics**

Advisory Representatives in the Program are bound by the J.P. Morgan Securities Investment Adviser Code of Ethics, adopted by JPMS in accordance with Rule 204A-1 under the Investment Advisers Act of 1940.

The Code of Ethics describes the general standards of business conduct applicable to JPMS's investment advisory representatives, including Advisory Representatives in the Program, and the fiduciary obligations owed by JPMS and its investment advisory representatives to clients in its investment advisory programs. More specifically, the Code of Ethics addresses the following subjects:

- the maintenance of personal securities accounts by JPMS's investment advisory representatives;
- the reporting to JPMS Compliance personnel of certain personal securities holdings and transactions by certain of JPMS's investment advisory representatives;
- certain trading restrictions and holding periods applicable to personal securities transactions of certain of JPMS's investment advisory representatives;
- trading by investment advisory representatives while in possession of material non-public information;
- periodic certification by certain of JPMS's investment advisory representatives of their review, understanding and compliance with the Code of Ethics;
- JPMS's administration and enforcement of the Code of Ethics; and
- the keeping of certain records relating to the Code of Ethics and its administration and enforcement by JPMS.

*JPMS will provide a copy of the J.P. Morgan Securities Investment Adviser Code of Ethics to any client or prospective client upon request.*

**b. Securities in Which JPMS or a Related Person Has a Material Financial Interest**

In the Program, JPMS may identify to clients, for their Target Allocations, Program Securities in which JPMS or a related person has a material financial interest.

**1. Affiliated Sponsors and Advisers of Funds**

Horizon clients typically invest their Program accounts in Program Securities consisting of Funds that have various internal fees and expenses, which are paid by the Funds but are ultimately borne by the Program client as investor. The sponsors and/or general partners of certain such Funds are affiliated with JPMS (potentially including those in which JPMS or its affiliates have a minority and/or non-



controlling interest), and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such Funds.

A client's investment of Horizon Assets in J.P. Morgan-affiliated Funds or a client's selection of such a Fund as the vehicle for the temporary investment (i.e., "sweeping") of available cash balances benefits those Funds and their J.P. Morgan-affiliated sponsors and/or general partners. In addition, several affiliates of JPMS manage J.P. Morgan-affiliated Funds and receive an investment management fee for doing so. Although the management fee is paid by the Fund itself, ultimately it is borne by investors in the Fund. Therefore, to the extent a client invests Horizon Assets in such Funds or the client selects a J.P. Morgan-affiliated Fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets.

The portion of the investment management fee received by JPMS's affiliate that is borne by each Program client is not covered by, and is in addition to, the Fee paid to JPMS by the client. As a result, because JPMS and its affiliates will in the aggregate receive more compensation when Program assets are invested in J.P. Morgan-affiliated Funds than they would receive were the client instead invested in unaffiliated Funds, JPMS has a conflict of interest in:

- selecting J.P. Morgan-affiliated Funds for inclusion as Program Securities in Horizon;
- reviewing (or having an affiliate review) them for ongoing inclusion as Program Securities;
- identifying them to particular Horizon clients for the client's Target Allocation; and
- making only (or primarily) affiliated Funds available to Program clients for the "sweeping" of available cash balances.

JPMS believes that this conflict is addressed in the following ways:

- J.P. Morgan-affiliated Funds are subject to the same criteria as other Funds in JPMS's processes for the selection of Program Securities for inclusion in Horizon and the review of Program Securities for ongoing inclusion as Program Securities.
- Advisory Representatives responsible for the identification of Program Securities to clients for the client's Target Allocation do not receive any direct financial benefit (such as additional compensation) from clients' ultimate selection and purchase of J.P. Morgan-affiliated Funds rather than unaffiliated Funds. Moreover, because Advisory Representatives are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to identify Funds they believe will increase the value of the account, regardless of whether the Funds are affiliated or unaffiliated with JPMS.
- JPMS policy generally prohibits the identification by JPMS or the purchase by Horizon clients of J.P. Morgan-affiliated Funds for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) unless the client already held the Fund at issue in his or her Horizon account at the time of the acquisition of JPMS (then known as Bear, Stearns & Co. Inc.) by JPMorgan Chase & Co. in 2008, in which event the client typically may purchase additional shares of the Fund consistent with the account's Target Allocation. In addition, the only "sweep" vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed below) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of its selection by retirement plan clients as the "sweep" vehicle for their accounts.

Clients should review the applicable prospectuses for Funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the Funds.

## **2. Other Compensation from Funds**

In addition to the benefits received by its affiliates who act as sponsors of and investment managers for Funds included as Program Securities in Horizon, JPMS and its affiliates and other related persons may receive other forms of compensation in connection with the operation and/or sale of Funds to clients in Horizon, which may include distribution fees paid by certain Funds to JPMS and its affiliates (including JP Morgan Distribution Services, Inc.) pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue share, shareholder servicing fees and licensing fees for the use by a Fund of a JPMorgan index), to the extent permitted by applicable law. Apart from the fact that such compensation is ultimately borne by clients as shareholders of the Funds and is not included in the Horizon Fee paid by clients, the receipt of such compensation presents a conflict of interest with Program clients because it could give JPMS a financial incentive to favor Funds that pay such compensation over those that do not (or that pay less) in (1) the initial selection and ongoing review of Funds for inclusion as Program Securities, (2) the identification of particular Funds to particular Program clients, and (3) the designation of default replacement Program Securities for Program Securities that are removed from the Program. JPMS believes that this conflict is addressed in part by the fact that JPMS policy is for JPMS to credit back to

clients in the Program all Rule 12b-1 fees it receives from Funds in connection with Fund transactions in Program accounts. In addition, although JPMS receives non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a Fund of a JPMorgan index) from certain Funds in connection with shares of those Funds held in Horizon accounts that are not retirement plan accounts (e.g., IRAs and accounts subject to ERISA), which compensation is *not* credited back to Horizon clients, JPMS typically does not receive such non-Rule 12b-1 compensation in connection with shares of Funds held in Horizon retirement plan accounts.

JPMS typically does not receive compensation from ETFs in connection with purchases of such Funds in Horizon accounts. Therefore, because JPMS receives and ultimately retains non-Rule 12b-1 compensation from certain mutual funds in connection with shares purchased in Horizon non-retirement plan accounts, JPMS has a potential conflict of interest as a result of its financial incentive to favor mutual funds that pay such non-Rule 12b-1 compensation over ETFs and those mutual funds that do not pay such compensation (or that pay less) in (1) the initial selection and ongoing review of Funds for inclusion as Program Securities, (2) the identification of particular Funds to particular non-retirement plan Horizon clients for their Target Allocations, and (3) the designation of default replacement Program Securities for Program Securities that are removed from the Program, because JPMS may receive and ultimately retain more compensation when non-retirement plan Horizon Assets are invested in a Fund paying such non-Rule 12b-1 compensation. JPMS believes that this conflict is addressed by the fact that the persons responsible for the selection and review of Funds for inclusion in the Program and for designation of default replacement Program Securities, and the Advisory Representatives responsible for identifying specific Funds to the clients for their Target Allocations – to the extent such persons and Advisory Representatives actually know which Funds pay such non-Rule 12b-1 compensation and how much – do not receive any portion of the compensation received by JPMS from such Funds in connection with shares purchased in Horizon accounts, and therefore have no direct financial incentive to favor such Funds over Funds that do not pay such compensation (or that pay less).

### **3. Principal and “Agency Cross” Transactions**

In connection with effecting transactions for accounts in the Program, JPMS and its affiliates 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. For a discussion of the conflicts of interest that arise when JPMS or an affiliate acts either as principal or as agent for both the client and the party on the other side of the transaction (known as an “agency cross transaction”), and how JPMS addresses those conflicts of interest, please refer to Item 9.iii.b in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

In Horizon, however, because most or all of the Program Securities are Funds, which are generally not traded on a principal or agency cross basis, JPMS and its affiliates will rarely if ever effect transactions for Horizon clients on such a basis.

#### **c. When JPMS or a Related Person Invests in the Same Securities That It Recommends to or Buys/Sells for Clients**

JPMS and its affiliates and other related persons may invest in the same securities that JPMS includes as Program Securities in Horizon and identifies to Horizon clients for their Target Allocations. In such circumstances, the interests of JPMS and its related persons conflict with those of Program clients in several respects:

- JPMS or a related person may benefit from (1) clients buying securities that JPMS or the related person then sells or (2) clients selling securities that JPMS or the related person then buys, because client purchases may increase the market price of a security JPMS or the related person owns or borrows and then sells, and client sales may reduce the market price of a security JPMS or the related person then buys.
- JPMS or a related person may benefit from (1) buying securities that clients will later buy (because the subsequent client purchases may increase the market price of the security JPMS or the related person already bought and owns) or (2) selling securities that clients will later sell (because subsequent client sales may decrease the market price of the security JPMS or the related person already sold).
- JPMS or a related person may benefit from principal transactions in which it sells a security directly from its own account to a client account or buys a security into its own account directly from a client account. For example, when a client instructs JPMS to buy a Program Security for the client’s Program account, JPMS may have a financial incentive to execute the order through a principal (instead of agency) transaction if it owns the Program Security in its own account, the security is thinly traded or illiquid, and JPMS believes it will decline in value or wants to sell it for another reason.

JPMS believes that these conflicts are addressed by:

- the maintenance of policies (including in the Code of Ethics) prohibiting JPMS employees from engaging in conduct intended to manipulate the price of securities and procedures designed to prevent and/or detect such conduct;
- the maintenance of information barrier procedures designed to control the flow of information between JPMS's and its affiliates' proprietary trading operations and other business units, including J.P. Morgan Securities; and
- the restrictions on principal transactions with Program accounts described in Item 9.iii.b in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

**d. When JPMS or a Related Person Buys/Sells Securities for Itself at or About the Same Time It Recommends or Buys/Sells the Same Securities to/for Clients**

JPMS and its affiliates and other related persons may invest in securities at or about the same time that JPMS identifies the same securities (as Program Securities) to Horizon clients for their Target Allocations.

In such circumstances, the interests of JPMS and its related persons conflict with those of JPMS's Program clients in all of the respects described in the preceding section, each of which typically involves not only trading in the same securities that clients do, but also trading in them at or about the same time that clients do. Please refer to Item 9.iii.c above for a description of those conflicts and how they are addressed.

JPMS may, but is not required to, aggregate orders for the sale or purchase of a Program Security for the client's account with orders for the same security for other clients, including orders for JPMS's or its affiliates' employees and related persons. Aggregated orders will generally be filled at an average price, with a pro rata share of transaction costs (if applicable). A client order that is not aggregated with one or more other client orders may be executed at a less favorable price and incur greater transaction costs than an aggregated order.

JPMS may have a conflict of interest in connection with the aggregation of orders by multiple Program clients for the purchase or sale of the same security. On occasion, an aggregated order will not be fully executed, or "filled." A partial "fill" of an aggregated order must be allocated among the affected clients' accounts. When the affected accounts include a proprietary or personal account for JPMS or any of its affiliates or other related persons (including Advisory Representatives), or an account that JPMS or its affiliates may have some other reason to favor (because it typically pays JPMS more compensation, for example), JPMS may have an interest in allocating more shares or units from the partial "fill" to such an account, leaving fewer shares or units for the accounts of other affected clients. JPMS addresses this conflict by processes designed to ensure that the allocation of a partially filled order is fair and equitable in accordance with applicable law. Factors that may affect allocations include, for example, available cash in each account, the size of each account and order, client-imposed or other restrictions on investments in each account, and the desirability of avoiding odd lots. Providing a comparatively favorable allocation to a proprietary or personal account of JPMS or its affiliates or other related persons, however, would not constitute a fair and equitable allocation.

JPMS may execute transactions in Program Securities for Program accounts later than the day on which the client instructs JPMS to effect the transaction, and may execute them at a price higher or lower than the price quoted to the client at the time of such instruction.

**iv. Review of Accounts**

**a. Nature and Frequency of Program Account Reviews**

JPMS reviews client accounts in the Program on an ongoing basis.

The Advisory Representative to whom a Program account is assigned is responsible for reviewing the account on an ongoing basis on behalf of JPMS. Primary responsibility for the ongoing supervision of activity in the Program accounts lies with the J.P. Morgan Securities Supervisory Manager responsible for supervising activity in accounts handled by the Advisory Representative generally. The ongoing supervisory review of Program accounts by the Supervisory Managers includes review of the transactions effected in them.

Certain Program accounts may also be reviewed by appropriate personnel on other than an ongoing basis. Among the factors that might trigger such a review are:

- a change in market conditions;
- a change of securities position(s);
- a change in the client's investment objective;
- a request by the client for a meeting or the occurrence of such meeting;

- a complaint by the client;
- a concern expressed by the Advisory Representative's supervisor or a member of J.P. Morgan Securities management or Compliance; and
- the application of internal policies of JPMS.

**b. Reports to Program Clients**

JPMS or one of its affiliates will provide Program clients with separate written confirmations of all transactions executed through JPMS or its affiliates. Each client receives written account statements on at least a quarterly basis that show all transactions in the account, all contributions to and withdrawals from the account, and all fees and expenses charged to the account.

Additionally, each Program client typically receives a written quarterly performance review summarizing the investment performance of their portfolio for the prior quarter. However, certain clients may not receive such performance reviews; in its discretion, JPMS may not provide a client with written performance reviews for a Program account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

In preparing account statements, reviews and/or reports, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available upon request.

**v. Client Referrals and Other Compensation**

**a. Compensation from Non-Clients to JPMS for JPMS's Provision of Advisory Services**

To the best of its knowledge, JPMS does not receive economic benefits from non-clients for providing investment advice or other advisory services to its clients.

JPMS and its affiliates do receive economic benefits from certain Funds when JPMS's clients' assets in investment advisory accounts are invested in them. Although these benefits are attributable to sales of the Funds to JPMS's investment advisory clients and the investment of investment advisory assets in the Funds, they are not benefits the Funds provide to JPMS or its affiliates in exchange for JPMS's provision of investment advisory services to the clients. For a discussion of the benefits and the conflicts of interest they raise, please refer to Items 4, 9.ii and 9.iii above.

As discussed in Item 9.ii above, JPMCB also receives economic benefits when JPMS's investment advisory clients select the J.P. Morgan Chase Bank Deposit Account as the vehicle for the "sweeping" of available cash balances in their accounts. Again, while these benefits are attributable to the investment of the assets of JPMS's investment advisory clients in the Deposit Account, they are not benefits JPMCB receives in exchange for JPMS's provision of investment advisory services to the clients.

In addition, JPMS and its affiliates may from time to time enter into joint marketing activities with investment managers and/or sponsors of mutual funds offered in JPMS's investment advisory programs, including Funds included as Program Securities in the Program. These managers and/or sponsors may pay some or all of the cost of the marketing activities, which payment may take the form of reimbursement of JPMS. Because of the willingness of these managers and/or sponsors to provide financial support for such activities, JPMS has an incentive to allow these managers and/or sponsors (as opposed to other investment managers and/or sponsors who are unwilling to provide such financial support) to participate in such joint marketing activities. However, the payments by the fund managers and/or sponsors are not made in exchange for JPMS's provision of investment advisory services to its clients.

Please refer to Item 9.ii above for a discussion of (1) revenue sharing arrangements between JPMS and certain of its affiliates pursuant to which JPMS may receive compensation from the affiliates in connection with referrals or introductions of clients by JPMS to the affiliates for the provision by the affiliates of products and services to the clients and (2) solicitation arrangements in which JPMS acts as solicitor for other investment advisers and receives compensation from the other advisers for the referral of clients to them. In such cases the compensation is in exchange for JPMS's referral of clients to other investment advisers – not for JPMS's own provision of investment advisory services to its clients.

**b. Compensation from JPMS to Unsupervised Persons for Client Referrals**

In addition to compensating certain *supervised* persons (including Advisory Representatives) for their provision of investment advisory services to clients on behalf of JPMS and/or for their referral or introduction of investors who become investment advisory clients of JPMS, JPMS compensates certain persons *not* supervised by it for their referral of investors to JPMS who become clients in JPMS's investment advisory programs, including the Program.

JPMS has engaged certain unaffiliated parties to act as solicitors (sometimes also called "finders" or "referrers") of prospective clients for JPMS's investment advisory programs. The solicitors engaged by JPMS are typically themselves registered investment advisers. JPMS does not supervise either the solicitors' activities generally or their solicitation activities. Under these solicitation arrangements, JPMS agrees to pay each solicitor a specified portion of the advisory fees received by JPMS from each client referred to it by the solicitor.

The clients referred to JPMS do not incur any additional fee or charge by JPMS as a result of JPMS's arrangements with the solicitors or its payment of the solicitation fees to the solicitors. Therefore, because JPMS's sharing of certain advisory fees with solicitors reduces the net advisory fee retained by JPMS, Program accounts for clients referred to JPMS by a solicitor may be less profitable for JPMS than other Program accounts, other things being equal. This creates a conflict of interest between JPMS and the referred clients because, as a result, JPMS and the Advisory Representatives (whose own compensation is typically tied to the amount of advisory fees received by JPMS from clients) could have a financial incentive to disfavor Program clients referred by solicitors in, for example, the allocation of trades among accounts and in the receipt of the Advisory Representative's time, attention and best investment ideas. JPMS believes that this conflict is addressed in the following ways:

- JPMS uses processes designed to ensure that the allocation of partially filled orders is fair and equitable in accordance with applicable law.
- Because the Fee paid by clients in the Program may, in JPMS's discretion, be negotiated and can vary among clients, and the absolute amount of such Fee is typically dependent on the size of the client's account, it is not necessarily the case that the account of a client referred to JPMS by a compensated solicitor will be less profitable for JPMS or the Advisory Representative than other Program accounts.

**vi. Financial Information**

There is no financial condition that is reasonably likely to impair JPMS's ability to meet contractual commitments to its clients.

## **J.P. Morgan Securities Unified Managed Account Program (UMA)**

### **Item 4**

#### **Services, Fees and Compensation**

J.P. Morgan Securities LLC (“JPMS”) is a wholly-owned subsidiary of JPMorgan Chase & Co. In the J.P. Morgan Securities Unified Managed Account Program (“UMA” or “Program”) offered by J.P. Morgan Securities, a brand name for a wealth management business of JPMS, JPMS provides consulting services to clients and an unaffiliated portfolio manager, Envestnet Asset Management, Inc. (formerly known as Placemark Investments, Inc.) (“Overlay Manager”), manages client accounts on a discretionary basis using each client’s selection of model portfolios provided by other advisers and/or investment strategies co-managed by other portfolio managers in addition to the client’s own selection of specific securities made available through UMA. The specific securities available for client selection in UMA are typically mutual funds and exchange-traded funds (“ETFs” and, collectively with mutual funds, “Funds”) but from time to time also may include other types of securities (all securities offered through UMA at a point in time being collectively referred to in the UMA section of this Brochure as “Program Securities”). The discretionary management of client assets by the Overlay Manager and any co-portfolio managers according to one or more model portfolios and/or co-managed investment strategies selected by the client and the investment of assets in specific Program Securities selected by the client take place in a single, unified J.P. Morgan Securities account. Clients pay an asset-based wrap fee that covers JPMS’s consulting services, the services of the Overlay Manager and the providers of the model portfolios and/or co-portfolio managers, and execution of transactions and custody through JPMS and its affiliates.

**The investment advisory services described in this Brochure are not insured by the Federal Deposit Insurance Corporation (FDIC), are not a deposit or other obligation of, or guaranteed by, JPMorgan Chase Bank, N.A. or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.**

#### **i. Services**

Clients determine how much money to invest through UMA (“UMA Assets”) after consulting with a JPMS advisory representative (each, an “Advisory Representative”). In connection with opening a UMA account, clients select the investment objective listed on the account opening paperwork that most closely matches the client’s goals, objectives and tolerance for risk for the account. Each listed investment objective has a recommended range for asset class weightings associated with it.

The client then selects a target asset allocation (“Target Allocation”) for the account based on the selected investment objective. At the client’s request, JPMS will assist the client with developing the Target Allocation. The client may deviate from the recommended asset class weightings for the selected investment objective. However, if the client selects a Target Allocation outside of the suggested ranges, the client’s account may be subject to greater risk, volatility and investment losses, and the client’s ability to achieve his or her stated objective may be adversely impacted.

The client then selects investment strategies that correspond to the Target Allocation to create the “Target Portfolio.” The investment strategies available through UMA are implemented in three different ways: (1) the Overlay Manager’s discretionary management of UMA Assets according to specific model portfolios (“Models”) provided by third-party model portfolio providers (“MPPs”) and selected by the client; (2) discretionary management of UMA Assets by the Overlay Manager and third-party portfolio managers (“Joint Discretion Managers”), jointly, according to investment strategies (“Joint Discretion Strategies”) selected by the client; and/or (3) specific Program Securities selected by the client. Most or all of the Program Securities are Funds. The investment styles for the selected Models, Joint Discretion Strategies and/or Program Securities generally correspond to the Target Allocation.

In addition, if the client requests, JPMS will identify and present the client with specific Models, Joint Discretion Strategies and Program Securities to create the Target Portfolio. JPMS provides this assistance based on the information the client provides to JPMS, including the investment objective selected by the client for the UMA account.

JPMS determines which Overlay Manager, Models, Joint Discretion Strategies and Program Securities are available through UMA, and reviews (or arranges for the review of) the Overlay Manager, Models, Joint Discretion Strategies and Program Securities on a periodic basis to determine whether they will continue to meet the investment needs of UMA clients. Accordingly, from time to time JPMS may change the Overlay Manager and add and remove specific Models, Joint Discretion Strategies and Program Securities to and from UMA.

Even though JPMS will identify suitable Models, Joint Discretion Strategies and/or Program Securities at the client's request, the client is solely responsible for selecting the Models, Joint Discretion Strategies and/or Program Securities for their accounts. The client is also solely responsible for selecting the Target Allocation and the Target Portfolio.

In the event it removes a Model, Joint Discretion Strategy or Program Security from the Program, JPMS may designate another Model, Joint Discretion Strategy or Program Security as the default replacement for the UMA Assets invested in the removed Model, Joint Discretion Strategy or Program Security. If JPMS designates such a default replacement, each affected client will be notified in writing that, unless the client affirmatively selects, in writing, a replacement Model, Joint Discretion Strategy or Program Security by the date specified by JPMS, the client's assets in the removed Model, Joint Discretion Strategy or Program Security will automatically be re-invested into the designated default replacement Model, Joint Discretion Strategy or Program Security, without further notice to or consent of the client. In designating a default replacement Model, Joint Discretion Strategy or Program Security (if any), JPMS will consider the appropriateness of the Models, Joint Discretion Strategies and Program Securities available in the Program as suitable replacements for the removed Model, Joint Discretion Strategy or Program Security. If a Model, Joint Discretion Strategy or Program Security is removed from the Program and JPMS does not designate a default replacement Model, Joint Discretion Strategy or Program Security, the client's UMA Assets invested according to the removed Model or Joint Discretion Strategy or in the removed Program Security will automatically be re-invested into an ETF available in the Program, selected by JPMS, that is in an asset class or employs an investment strategy similar (as determined by JPMS) to that of the removed Model, Joint Discretion Strategy or Program Security, unless the client affirmatively selects, in writing, a replacement Model, Joint Discretion Strategy or Program Security of the client's own choosing by the date specified by JPMS. Regardless of whether JPMS designates a default replacement for a removed Model, Joint Discretion Strategy or Program Security, the sale of the client's assets in the removed Model, Joint Discretion Strategy or Program Security may have tax consequences for the client.

JPMS will notify the Overlay Manager of the client's Target Portfolio and will give the Overlay Manager information about the client, including any investment restrictions the client wishes to place on the investments in the account.

Clients who select one or more Models authorize the Overlay Manager to manage the UMA Assets allocated to those Models on a discretionary basis in accordance with each Model selected. Typically, the Overlay Manager will initially invest the UMA Assets the client has allocated to each Model in a manner consistent with that Model. As the MPP makes changes to the Model and communicates those changes to the Overlay Manager, the Overlay Manager generally will manage the account to reflect those changes. However, the Overlay Manager may deviate, at any time and in its sole discretion, from the Model. Thus, the performance between Models and the strategies as implemented in UMA accounts will vary.

The Overlay Manager has a direct investment advisory relationship with the client and is not an agent or sub-adviser of JPMS in the Program. Similarly, each Joint Discretion Manager has a direct investment advisory relationship with the clients that participate in such Joint Discretion Strategy, and is not an agent or sub-adviser of JPMS in the Program. However, UMA clients do *not* have investment advisory relationships with the MPPs (which provide their Models to the Overlay Manager for the Overlay Manager to use in its discretion) or with the issuers of Program Securities or such issuers' advisers.

The actual allocation of the account may change over time due to fluctuations in the market value of the UMA Assets and/or additions to or withdrawals from the account by the client. In addition, a change in the client information provided to JPMS or other circumstances may warrant a change to a client's Target Allocation or Target Portfolio. Each client is solely responsible for monitoring its investment objective, including whether the management of the UMA Assets conforms to the investment objective. Each client is further responsible for monitoring the actual allocation of the account on an ongoing basis and determining whether to instruct the Overlay Manager to rebalance and/or reallocate the UMA Assets. It may take up to ten business days to implement a request from a client to change a Model, Joint Discretion Strategy or Program Security.

If elected by the Client, the Overlay Manager will implement tax management services for securities held in accordance with Models and/or Joint Discretion Strategies in the account. In providing tax management services, the Overlay Manager will, subject to client-imposed restrictions and investment guidelines accepted by the Overlay Manager, consider the tax consequences of transactions in the account and implement the selected Models and/or Joint Discretion Strategies in the context of such consequences ("Tax Management Services"). Restrictions and investment guidelines accepted by the Overlay Manager will take precedence over tax management services and therefore may impact the ability of the Overlay Manager to improve after-tax returns. The Overlay Manager may, in light of other considerations in an account, effect transactions even though they may generate tax liabilities, including short-term taxable income, or exceed or violate any of the limits or mandates identified by the client. The Overlay Manager makes no guarantee that tax liability in the account will be reduced or that any indicated limits or mandates will be met. The Overlay Manager does not provide tax management with respect to Program Securities, although any additional Fee charged for Tax Management Services will be applied to all assets in the account, including Program Securities. Accordingly, Tax Management Services are more appropriate and likely to prove more effective

for an account that is more heavily concentrated in Models and/or Joint Discretion Strategies than in Program Securities. Tax Management Services are available for U.S. taxable clients but not for tax-exempt clients.

If the client discontinues Tax Management Services, the Overlay Manager will begin managing the account as if it never were tax managed, which may result in the recognition of significant short-term taxable gains. The Overlay Manager will not be responsible for any such gains that may be realized in managing the client's account after the termination of Tax Management Services. The Overlay Manager will generally accept specific tax gain and loss requests for taxable accounts that are not enrolled in Tax Management Services, but the extent to which the Overlay Manager implements such a request may be affected by its qualitative assessment of market liquidity; typically, after December 15 of each calendar year, the Overlay Manager may experience reduced liquidity in the market and determine that executing a client's tax gain or loss request in such an environment would not be in the client's best interest. For this reason, the client should typically make tax-related trading requests before December 15 of each calendar year. In general, specific tax gain and loss requests are not appropriate for accounts enrolled in Tax Management Services, but may be implemented on an exception basis in the discretion of the Overlay Manager.

The client may elect to have the Overlay Manager rebalance the account at a time frequency of quarterly, semi-annually, annually or not at all. The client also may request an *ad hoc* rebalancing review to be implemented as soon as practicable upon receipt by the Overlay Manager. The Overlay Manager will evaluate the account at the interval selected by the client to determine if the account should be considered for rebalancing. Accounts for which quarterly rebalancing is selected will be evaluated after being managed for one full calendar quarter; accounts for which semi-annual rebalancing is selected will be evaluated after being managed for two full calendar quarters; and accounts for which annual rebalancing is selected will be evaluated after being managed for four full calendar quarters. Rebalancing takes into consideration the weight of each Model, Joint Discretion Strategy and Program Security in the account at the time and represents a weighting of the Account Target Portfolio. In general:

- If any investment strategy's target weight within the Target Portfolio is <25% of the account and there is a 3% or greater deviation from the defined target weight for that strategy, the account typically will be rebalanced.
- If any investment strategy's target weight within the Target Portfolio  $\geq$ 25% of the account and there is a 5% or greater deviation from the defined target weight for that strategy, the account typically will be rebalanced.

Each of the variances of 3% and 5% mentioned above represents a variance from the target weight in absolute percentage points – not a percentage of the target weight percentage. For example, if a mutual fund's target weight is 20% and the applicable variance is therefore 3%, the mutual fund's actual weight as of the end of the applicable period would have to be at least 23% of the account or less than or equal to 17% of the account to trigger a rebalancing evaluation.

Upon evaluating the account for rebalancing, the Overlay Manager may decide not to rebalance the Account, in whole or in part, if in its discretion it would be in the account's best interest not to do so. In addition, if a rebalancing would entail the purchase of additional shares of a Program Security that has been scheduled for removal from the Program, the account may not be rebalanced. If the Overlay Manager determines that the account should be rebalanced, it will initiate transactions with a goal of restoring the account as closely as practicable to the Target Portfolio. Large cash contributions and/or withdrawals may cause the Overlay Manager to seek to invest such contributions or to raise proceeds to fund withdrawals, as the case may be, in a manner so as to bring the account in closer alignment with the Target Portfolio. For clients who elect to receive Tax Management Services, the Overlay Manager will evaluate the trade-off between rebalancing the account and the tax consequences in light of any constraints or tax mandates identified by the client; such considerations may cause the Overlay Manager not to rebalance the account. Further, accounts enrolled in Tax Management Services may not be restored as closely to their respective Target Portfolios as accounts without Tax Management Services if, in the Overlay Manager's opinion, doing so would generate excessive tax liabilities. For clients whose accounts are not tax-exempt, rebalancing may result in possibly substantial taxable gains or losses. JPMS will not be liable for any tax consequences of rebalancing or other transactions in UMA accounts. The Overlay Manager may disregard certain smaller positions in Program Securities when making rebalancing decisions; in addition, the rebalancing of the account is typically subject to any Program Security's availability and any minimum purchase requirement set forth in the Program Security's prospectus.

Clients are solely responsible for monitoring the Overlay Manager's adherence to or consistency with the client's investment objective, Target Allocation, Target Portfolio, any tax gain or loss requests and mandates, and any investment restrictions, guidelines, policies and/or other requests for modified implementation of an investment strategy that have been submitted by the client and accepted by the Overlay Manager. JPMS has no responsibility for monitoring particular UMA accounts for any such adherence or consistency, even if JPMS assisted the client with determining the Target Allocation, identified Models, Joint Discretion Strategies and Program Securities for the client's Target Portfolio and/or assisted the client in developing restrictions, guidelines, policies and/or other requests for modified implementation of a strategy. In addition, unless specifically agreed to by JPMS, JPMS is not obligated to provide ongoing advice with respect to the client's selection of any Model, Joint Discretion Strategy or Program Security, and clients are solely responsible for



determining whether a change in the client's circumstances may warrant a change to the client's Target Allocation or selection of Models, Joint Discretion Strategies and/or Program Securities. The Overlay Manager is solely responsible, and JPMS is not responsible, for the management of UMA accounts, including the conformity of the management of each account to any information provided by the client, except with respect to UMA Assets invested in Joint Discretion Strategies, as to which the Overlay Manager and the selected Joint Discretion Managers are jointly responsible.

If a UMA client's investment in a Fund is in a share class that is replaced with a different share class of the same Fund, and JPMS determines that the terms and conditions of the new share class (including those relating to fees and expenses) are no less favorable to the client than those of the prior share class, JPMS may substitute the new share class for the prior share class in the client's account without prior notice to or consent of the client.

Typically, in the Client Agreement clients authorize and instruct JPMS, upon the termination of the Client Agreement or the removal of the client's account from the Program, to the extent that the mutual fund shares in the account are an institutional or other share class not eligible to be held by the client in a brokerage account or an account outside of the Program, to convert such shares to a retail or other share class. Certain mutual funds may charge a redemption fee in the event of such conversions, and conversions may have tax consequences for clients.

The client generally authorizes and directs the Overlay Manager to effect transactions for the account directly through JPMS, subject to the Overlay Manager's duty to seek best execution. For more information about the factors that the Overlay Manager considers in determining which broker or dealer to execute transactions through, please refer to the Overlay Manager's Form ADV Part 2A brochure or other applicable disclosure document. When JPMS executes transactions for Program clients, the division of JPMS that handles the execution may receive compensation (or compensation credits) from one or more other affiliates or divisions of JPMS, including from J.P. Morgan Securities, through which UMA is offered. Program clients are not charged for any such intracompany or inter-affiliate compensation.

JPMS will ordinarily provide clearing, settlement and custodial services for UMA accounts. In certain circumstances and subject to certain requirements, and in JPMS's sole discretion, JPMS may allow a client to specify in writing that a third-party custodian be used for certain accounts.

In general, JPMS also provides clients with periodic written performance reviews of their UMA accounts. Certain UMA accounts may not receive such reviews; in its discretion, JPMS may not provide a client with written performance reviews for an account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of a Model or Joint Discretion Strategy implemented and/or Program Security held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

***Exchange-Traded Funds and Index Mutual Funds.*** Shares of ETFs and index mutual funds are marketable securities that are interests in registered funds. Passive ETFs and index mutual funds are designed to track, before fees and expenses, the performance or returns of a relevant basket of assets, usually an underlying index. Unlike a mutual fund, an ETF trades like a common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. ETFs typically have higher daily liquidity and lower fees than mutual fund shares.

Physical replication and synthetic replication are two of the most common structures used in the construction of passive ETFs and index mutual funds. Physically replicated passive ETFs and index mutual funds buy all or a representative portion of the underlying securities in the index that they track. In contrast, some passive ETFs and index mutual funds do not purchase the underlying assets but gain exposure to them by use of swaps or other derivative instruments.

In addition to the general risks of investing in funds, there are specific risks to consider with respect to an investment in passive ETFs and index mutual funds. Passive ETF and index mutual fund performance may differ from the performance of the applicable index for a variety of reasons. For example, passive ETFs and index mutual funds incur operating expenses and portfolio transaction costs not incurred by the benchmark index, may not be fully invested in the securities of their indices at all times, or may hold securities not included in their indices. In addition, corporate actions with respect to the equity securities underlying passive ETFs and mutual funds (such as mergers and spin-offs) may impact the variance between the performances of the funds and applicable indices. Passive investing differs from active investing in that managers are not seeking to outperform their benchmark. As a result, managers may hold securities that are components of their underlying index, regardless of the current or projected performance of the specific security or market sector. Passive managers do not attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle's performance to be lower than if it employed an active strategy.

With respect to ETFs, shares are bought and sold in the secondary market at market prices. Although ETFs are required to calculate their net asset values (NAV) on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the Client may incur significant losses from the sale of ETF shares.

***Investing in securities involves risk of loss that clients should be prepared to bear.*** All trading in Program accounts is at the client's risk and the value of assets in Program accounts is subject to a variety of factors, such as the liquidity and volatility of the securities markets. All securities investments involve financial risk for which the client is responsible and transactions may give rise to tax liability for which the client is also responsible. Clients receive no written or oral guarantees regarding performance. Clients may lose money by investing through the Program.

## ii. Fees and Compensation

Each UMA account is charged an asset-based fee ("Fee") each calendar quarter, in advance. The Fee is comprised of the following separate components, each of which must be expressed as a flat annual rate with no more than two decimal places:

- JPMS's component of the Fee, which is a rate typically applied to the net market value of the entire account (including all cash and cash alternatives such as money market mutual funds). The maximum annual rate for JPMS's component of the Fee is 2.00%;
- the Overlay Manager's component of the Fee, which is (depending on the aggregate market value of the assets of all clients in the Program from time to time) between 0.15% and 0.20% annually of the market value of the account's Assets allocated in the Target Portfolio to Models, between 0.10% and 0.15% annually of the market value of the account's Assets allocated in the Target Portfolio to Joint Discretion Strategies, between 0.05% and 0.10% annually of the market value of the account's Assets allocated in the Target Portfolio to Program Securities and, if the client has elected to receive Tax Management Services, up to 0.10% annually of the net market value of the entire account;
- each MPP's component of the Fee, which is between 0.275% and 0.45% annually (depending upon the MPP) of the market value of the account's Assets allocated in the Target Portfolio to each Model; and
- each Joint Discretion Manager's component of the Fee, which is between 0.23% and 0.30% annually (depending upon the Joint Discretion Manager) of the market value of the account's Assets allocated in the Target Portfolio to each Joint Discretion Strategy.

As described above, the Overlay Manager's and each MPP's and Joint Discretion Manager's components of the Fee are based on the application of potentially varying fee rates to the market value at the end of each quarter of the account's *allocation in the Target Portfolio* to Models, Joint Discretion Strategies and Program Securities. As a result, the amount of the Fee could differ, perhaps significantly, from what it would be if it were instead based on application of the rates to the market value at the end of each quarter of the account's *actual allocation* to Models, Joint Discretion Strategies and Program Securities. For example, the quarterly Fee for an account with a quarter-end market value of \$100,000 and an allocation in the Target Portfolio of 25% to Models, 25% to Joint Discretion Strategies and 50% to Program Securities will be based on the application of the relevant rates to an allocation of \$25,000 to Models, \$25,000 to Joint Discretion Strategies, and \$50,000 to Program Securities – even if (because of changes in the values of the securities in the account over time) the *actual* allocation of the account's market value at quarter-end was 35% (\$35,000) to Models, 20% (\$20,000) to Joint Discretion Strategies, and 45% (\$45,000) to Program Securities. The extent to which an account's Target Portfolio allocation to the various types of investment vehicles available in the Program will differ from its actual allocation to such vehicles may depend upon the frequency of account rebalancing requested by the client; in general, clients who choose more frequent rebalancing may be expected to experience less divergence over time between an account's Target Portfolio allocation and its actual allocation.

The rate used each quarter for each component of the Fee will be approximately one-fourth of the annual rate based on the number of days in the quarter. In its sole discretion, JPMS may negotiate the amount and calculation of its component of the Fee based on a number of factors, including the type and size of the account, the size or number of trades anticipated to be effected for the account, services provided to the account, the client's other accounts with JPMS, accounts with JPMS held by members of client's family, and JPMS's assessment of the potential for future additional business with the client. In addition, JPMS's negotiation of its component of the

Fee is generally subject to certain internal guidelines based on the total value of assets invested, or expected to be invested, by the client across JPMS's various investment advisory programs.

Any change to the Target Portfolio of an existing account will not result in an adjustment of the Fee for the quarter in which the change is made; any new or different fee rate(s) for the Overlay Manager's, MPP's or Joint Discretion Manager's component(s) of the Fee will take effect the following quarter.

If a client has multiple retirement accounts in one or more of the investment advisory programs sponsored by the J.P. Morgan Securities division (which are listed and briefly described in the Supplement to this Brochure) for which the client's is the primary tax identification number, JPMS's program fee (or, for accounts in the Strategic Investment Services (STRATIS), UMA and Systematic Managed Accounts (SMA) Programs, JPMS's component of the fee) for all such accounts must be the same. Accordingly, whenever a client opens a new retirement account in one of the programs listed in the Supplement to this Brochure, or the fee for an existing retirement account in one of the programs is changed, JPMS will, if necessary, change the fee (or, for accounts in the STRATIS, UMA and SMA Programs, JPMS's component of the fee) for the client's other retirement account(s) in the programs to the retirement account fee most recently agreed to by the client, so that they are all the same. When a fee is changed for one or more of a client's other retirement accounts as a result of this process, the fee change for the other retirement accounts will take effect with the following billing period. Therefore, all retirement accounts in the J.P. Morgan Securities investment advisory programs for which Client's is the primary tax identification number will be subject to the same flat fee rate (or, as applicable, the same rate for JPMS's component of the fee), regardless of the program, the amount of assets in the account, the types of investments in the account (e.g., equities or fixed income securities) or other factors.

In valuing assets in Program accounts, JPMS uses information provided by recognized independent quotation and valuation services or will rely on information it receives from other third parties, if applicable. JPMS believes this information to be reliable but does not verify the accuracy of the information provided by these sources. If any information provided by these sources is unavailable or is believed to be unreliable, JPMS will value assets in a manner JPMS determines in good faith to reflect fair market value. JPMS may use different valuation sources for different purposes. As a result, the determination of asset values may differ for different purposes. For example, the account asset values used in the Fee calculation may not match the asset values listed on the account's custodial statements. Detailed calculations of any account asset values are available upon request.

The Client Agreement typically provides that (i) a prorated Fee will be charged on total same-day contributions to the Account (net of total same-day withdrawals from the Account) of \$25,000 or more to cover the period from the date of the net same-day contribution until the end of the quarterly billing period and (ii) a prorated Fee credit will be made for total same-day withdrawals from the Account (net of total same-day contributions to the Account) of \$25,000 or more to cover the period from the date of the net same-day withdrawal until the end of the quarterly billing period. If the Client Agreement is terminated during a billing period, JPMS will refund to the client any prepaid amount of the Fee prorated for the period of the billing period after the date of termination.

The Fee is a "wrap fee" that covers JPMS's consulting services, the Overlay Manager's investment management services (and, if elected by the client, Tax Management Services), the MPPs' provision of Models to the Overlay Manager, the Joint Discretion Managers' co-management (with the Overlay Manager) of Joint Discretion Strategies, JPMS's trade execution, clearing, settlement and custody services and, typically but not necessarily, periodic written performance reviews. By recommending the Program to clients, therefore, JPMS also is recommending itself as broker-dealer. Typically, in the Client Agreement, the client directs the Overlay Manager and each Joint Discretion Manager to direct transactions in the client's account to JPMS for execution, subject to the Overlay Manager's and each Joint Discretion Manager's duty under applicable law to seek "best execution" and JPMS's capacity and willingness to execute the transaction.

***Participation in UMA may cost the client more or less than purchasing the services provided in UMA separately.*** Many factors bear upon the relative cost of UMA to the client, including the cost of the services if provided and charged for separately, the overall effective Fee rate charged to the client in UMA (which, in turn, will typically depend on the rates that make up the components of the Fee and the relative distribution of the client's Target Portfolio among Models, Joint Discretion Strategies and Program Securities), the amount of trading activity in the client's account, and the quality and value of the services provided. The Fee paid by a client (and each component of that Fee) may be higher or lower than the Fee (and each component of the Fee) charged other clients in UMA or other investment advisory programs, the fee the client would be charged in another investment advisory program, and the cost of similar services offered through other financial firms.

Client's acceptance of a Model, Joint Discretion Strategy or Program Security designated by JPMS as the default replacement for one removed from the Program (as described in Item 4.i above) may cause Client to incur expenses or to pay an overall Fee greater than Client was incurring or paying prior to the replacement or than Client would have incurred or paid had JPMS selected a different default replacement. For example:

- If JPMS has designated a Fund as the default replacement, or has not designated any default replacement, the replacement Fund designated by JPMS or, in the absence of a designated default replacement, the ETF chosen by JPMS for the affected Assets, will incur expenses that are ultimately borne by investors in the Fund, and such expenses may be greater than those incurred by the removed Fund (if any), by other Funds that JPMS could have designated as the replacement and/or by other ETFs JPMS could have chosen in the absence of a designated replacement.
- If JPMS has designated a Model or Joint Discretion Strategy as the default replacement for a removed Fund, the MPP or Joint Discretion Manager of the replacement model portfolio or investment strategy will charge a fee that will be added as a component of the overall Fee charged to Client, and the amount of the Overlay Manager's component of the Fee will increase, such that the resultant increase in Client's overall Fee is likely to be greater than any Fund expenses Client ultimately bore as an investor in the removed Fund or would bear as an investor in another Fund that JPMS could have designated as a replacement.
- If JPMS has designated a Model or Joint Discretion Strategy as the default replacement for a Model or Joint Discretion Strategy removed from the Program, the fee charged by the default replacement MPP or Joint Discretion Manager may be greater than that charged by the MPP or Joint Discretion Manager of the removed Model or Joint Discretion Manager or than the fee that would have been charged by the MPP or Joint Discretion Manager of a different Model of Joint Discretion Strategy that JPMS could have designated as the default replacement.
- If JPMS has designated a Model as the default replacement for a removed Joint Discretion Strategy, the amount of the Overlay Manager's component of the Fee will increase.

The Fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates ("trading away"). The Overlay Manager and/or Joint Discretion Managers in UMA place all orders in fixed income or debt securities with broker-dealers other than JPMS; with respect to such trades, therefore, the client will incur a brokerage commission, mark-up, mark-down or dealer spread charged by the other broker-dealer that is not covered by the Fee. The Overlay Manager and/or Joint Discretion Managers also *may* choose to place orders in equities and other types of securities with broker-dealers other than JPMS, in which event the client will incur a brokerage commission that is not covered by the Fee. When the Overlay Manager and/or Joint Discretion Managers place orders with broker-dealers other than JPMS, the trade confirmation issued by JPMS with the details of the trade will typically show a price for the traded security that is inclusive (i.e., net) of the commission, mark-up, mark-down or dealer spread paid by the client to the other broker-dealer; therefore, the amount of any commission, mark-up, mark-down or dealer spread will generally not be broken out or otherwise shown separately. Clients can view more specific information about the "trading away" practices of the Overlay Manager and Joint Discretion Managers in UMA – which can result in additional costs for clients that are not covered by the Fee – at <https://www.jpmorgansecurities.com/pages/am/securities/legal/investment-managers-trading-away-practices>.

In addition, the Fee does not cover mark-ups, mark-downs and dealer spreads charged by dealers unaffiliated with JPMS when JPMS, acting as agent for the client in the Program, effects a transaction with an unaffiliated dealer acting as principal (i.e., for the dealer's own account), typically in connection with certain fixed income and over-the-counter securities that are traded primarily in "dealer" markets. Such mark-ups on securities bought by the client, mark-downs on securities sold by the client and dealer spreads (the difference between the bid price and offer price) are generally incorporated into the net price that the client pays or receives in the transaction.

The Fee does not cover clearing, settlement and custody charges that may be charged by custodians other than JPMS. The Fee also does not cover certain costs or charges that may be imposed by JPMS or third parties, including margin interest, costs associated with exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Fee does not cover dealer spreads that JPMS, its affiliates or other broker-dealers may receive when acting as principal in certain transactions. The Fee does not cover the annual fee that JPMS charges IRA accounts or certain other retirement plans; however, JPMS may, in its discretion, agree to waive such annual fee.

Because the Fee is typically charged on all assets in the account, in a low interest rate environment, a client may earn less interest on assets held in the account as cash or cash alternatives such as money market funds than the amount of the Fee the client is paying JPMS with respect to such assets, and therefore the client's net yield with respect to such assets may be negative.

Except as otherwise agreed to in writing by JPMS, accounts are charged the Fee with respect to all assets in the account regardless of whether the client has previously paid or incurred commissions, sales charges or "loads," mark-ups, mark-downs, dealer spreads, or other costs, charges, fees or expenses in connection with the client's previous purchase of some or all of the assets in a brokerage account or otherwise outside of the Program.

Whether selected by the client from among the Program Securities available in the Program or purchased by the Overlay Manager and/or (if the account includes one or more Joint Discretion Strategies) a Joint Discretion Manager on behalf of the client, Funds have various internal fees and expenses, which are paid by the Funds but are ultimately borne by clients as Fund shareholders; such fees and expenses are in addition to the Fee and generally will not be deducted from the Fee. Assets of Program clients may be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other share classes of the fund. JPMS and its affiliates also receive compensation in addition to the Fee in connection with the operation and/or sale of Funds to clients in UMA, which may include investment management fees paid by certain Funds to affiliates of JPMS, distribution fees paid by certain Funds to JPMS and its affiliates pursuant to Rule 12b-1 under the Investment Company Act of 1940, and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a Fund of a JPMorgan index) from certain Funds, to the extent permitted by applicable law. Clients should review the applicable prospectuses for Funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the Funds. Certain Funds may not permit shares to be transferred outside of UMA and in certain circumstances may in their sole discretion redeem shares held by clients, which may have tax consequences for clients.

The Overlay Manager and (if the account includes one or more Joint Discretion Strategies) each Joint Discretion Manager may purchase for certain accounts: (i) American Depositary Receipts ("ADRs"), which are receipts issued by a U.S. bank or trust company that evidence ownership of non-U.S. securities and are traded on a U.S. exchange or in the over-the-counter market; (ii) Global Depositary Receipts ("GDRs"), which are receipts issued generally by a non-U.S. bank or trust company that evidence ownership of non-U.S. securities; (iii) exchange-traded notes ("ETNs"), which are senior, unsecured, unsubordinated debt securities traded on an exchange and designed to provide a return that is linked to the performance of a specified index or other market benchmark; and/or (iv) Real Estate Investment Trusts ("REITs"), which are securities traded on an exchange that invest in real estate directly, either through properties or mortgages. Clients will bear, in addition to the UMA Fee, a proportionate share of any fees and expenses associated with ADRs, GDRs, ETNs, REITs, and/or other securities with similar characteristics, as applicable. Clients may also bear any fees and expenses associated with converting non-U.S. securities into ADRs or GDRs. When they assist in such conversions, JPMS and its affiliates receive some or all of such fees and expenses borne by the client. For trades in non-U.S. equity securities, the final average price includes a commission to a third-party broker-dealer for execution of the trade, applicable taxes and charges associated with transacting in a non-U.S. security and, if the trade is settled in U.S. Dollars, a service charge for the currency conversion.

JPMS and its affiliates may pay from time to time for certain order flow in the form of discounts, rebates, reductions of fees or credits. Conversely, as a result of sending orders to certain trading centers, JPMS and its affiliates receive payment for order flow in the form of discounts, rebates, reduction of fees or credits. Under some circumstances, the amount of such remuneration may exceed the amount that JPMS and its affiliates are charged by such trading centers. This does not alter JPMS's policy to route customer orders to the trading center where it believes clients will receive the best execution, taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service, speed and efficiency.

The Program Securities may be available to investors directly from the issuers of the Program Securities or a broker-dealer, as applicable, pursuant to the terms of their prospectuses and without paying the UMA Fee. Further, to the extent that cash used for investment in UMA comes from redemptions of investments outside of UMA, there may be tax consequences or additional cost from sales charges previously paid and/or redemption fees incurred. Any such sales charges and applicable redemption fees incurred by clients in connection with the liquidation of mutual funds or other securities for investment of the proceeds in UMA are in addition to the Fee.

A portion of JPMS's component of the Fee is generally paid to the J.P. Morgan Securities Advisory Representative servicing the client's UMA account, who also may have recommended that the client participate in UMA. ***Because the amount received by an Advisory Representative as a result of a client's participation in UMA may be more than the Advisory Representative would receive if the client participated in another J.P. Morgan Securities investment advisory program or paid separately for investment advice, brokerage and other services covered by the Fee, the Advisory Representative may have a financial incentive to recommend UMA over other programs or services.***

JPMS or its affiliates may retain, as compensation for the performance of services, an account's proportionate share of any interest earned on aggregate cash balances held by JPMS or its affiliates with respect to "assets awaiting investment or other processing." This amount, known as "float," is earned by JPMS or its affiliates through investment in a number of short-term investment products and strategies, including without limitation loans to customers and investment securities, with the amount of such earnings retained by JPMS or its affiliates, due to the short-term nature of the investments, being generally at the prevailing one-month LIBOR interest rate ("LIBOR," or London Interbank Offered Rate, is the most widely-used benchmark for short-term interest rates), less FDIC insurance and other associated costs, if any. "Assets awaiting investment or other processing" for these purposes includes, to the extent applicable, new deposits to the account, including interest and dividends, as well as any uninvested assets held in the account caused by an instruction to purchase and sell securities. JPMS or its affiliates will generally earn float until such time as such funds may be automatically swept into a "sweep" vehicle

or otherwise reinvested. “Assets awaiting investment or other processing” may also arise when JPMS facilitates a distribution from the account. Thus, pursuant to standard processes for check disbursement, cash is generally debited from the account on the date on the face of the check (also called the payable date). Such cash is deposited in a non-interest bearing omnibus deposit account held by JPMS or its affiliates, where it remains until the earlier of the date the check is presented for payment or the date payment on the check is stopped at Client’s instruction (in which case the underlying funds are returned to the account). JPMS or its affiliates derive earnings (float) from their use of funds that may be held in this manner, as described above.

JPMS may effect trades on behalf of Program accounts through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, “Trading Systems”), including Trading Systems in which JPMS or its affiliates may have a direct or indirect ownership interest. JPMS or its affiliates may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest. Currently, JPMS and/or its affiliates have an ownership interest in certain Trading Systems, including: (i) BATS Global Markets; (ii) BIDS Trading; (iii) Chicago Stock Exchange; and (iv) Boston Options Exchange. Clients authorize JPMS to effect trades on behalf of Program accounts through all such Trading Systems, affiliated and unaffiliated, and all such other Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS may determine to trade in the future. An up-to-date list of all Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS might trade can be found at <https://www.jpmorgansecurities.com/pages/am/securities/legal/ecn>. Such Trading Systems (and the extent of JPMS’s or its affiliates’ ownership interest in any Trading System) may change from time to time.

JPMS may earn additional compensation through brokerage-related services it provides, such as extending margin loans to clients and holding free-credit balances. Certain Advisory Representatives may receive production-based bonuses that take into account these amounts in addition to investment advisory fees (including the Fee paid by clients in the Program) and other revenue generated by the Advisory Representative. These bonuses may create a conflict of interest for those Advisory Representatives in that they have a financial incentive to recommend that Program accounts incur additional or higher fees for these services by, for example, incurring additional or larger margin loans. In addition, because the rate of fees charged for these brokerage-related services is negotiable, this compensation may give these Advisory Representatives a financial incentive to charge clients higher rates for these services.

In general, any margin debit balances held by the client cannot be held in a Program account. This is significant because, for purposes of the calculation of the Fee and each of its component fees, the market value of the assets on which the Fee is based generally will **not** be reduced by the amount of any margin debit balances held by the client in any account outside of the Program – even if some or all of the proceeds of the loan represented by the margin debit balances are held in the client’s Program account(s) or were used to purchase securities held in the client’s Program account(s) and even if some or all of the assets in the client’s Program account(s) are used to collateralize or secure the loan represented by the margin balances. JPMS and the Advisory Representative have a financial incentive for the client to incur margin debt to buy securities in the client’s Program account(s) because: (1) the client will be required to pay JPMS interest and fees on the debt (a portion of which JPMS may pay to the Advisory Representative); and (2) the market value of the Program account will be increased by the value of the additional securities purchased with the proceeds of the margin loan (and will not be offset by the amount of the client’s margin debit held in the account outside of the Program), resulting in a higher Fee. In addition, any interest and fees paid by the client in connection with any margin debit balances held by the client in any account outside of the Program will not be taken into account in the calculation of the net equity or performance of the client’s Program account(s), as reflected in account statements, written performance reviews or otherwise.

## **Item 5**

### **Account Requirements and Types of Clients**

JPMS requires that all clients who wish to open and maintain an account in the Program enter into the Client Agreement, which sets forth the services that JPMS and the Overlay Manager will provide to the client and the Fee that the client will pay. The specific terms of the Client Agreement will govern the handling of the client’s account in the Program and the investment advisory relationship between the client, on one hand, and JPMS and the Overlay Manager (and, if applicable, the Joint Discretion Manager(s)), on the other hand.

In general, no more than 70% of an account’s Target Portfolio may be allocated to Program Securities. The minimum amount of total assets required to open an account in UMA varies depending on the MPPs and/or Joint Discretion Managers selected by the client, but typically ranges from \$35,000 to \$250,000, although JPMS and each MPP and Joint Discretion Manager may, in its discretion, waive or reduce the minimum account opening size for certain clients or accounts. (However, JPMS may impose a higher minimum account opening size if the client wishes to use a custodian other than JPMS and JPMS, in its discretion, is willing to maintain the account on such a basis.)

UMA is generally intended for investors who seek to establish medium to long-term strategic investment goals, desire assistance and advice in connection with the construction of investment portfolios, and prefer the consistency of a fee-based approach. It is not typically intended for investors who seek to maintain control over trading in their accounts, who have a short-term investment horizon (or expect ongoing meaningful withdrawals), or who expect to maintain consistently high levels of cash or money market funds or highly concentrated portfolios. UMA is intended for investment purposes and is not intended to be used for market timing or excessive trading of Program Securities. The types of clients participating in UMA generally include individuals, trusts, retirement plans (including IRAs), estates, corporations and other business entities, foundations and endowments. Investment companies, banks and thrift institutions generally do not participate in UMA.

The accounts of employee benefit plans (as defined in ERISA) and retirement plans (as defined in Section 4975(e)(1) of the Internal Revenue Code), which includes IRAs, may be subject to certain JPMS policies, restrictions and other terms and conditions that are different from those applicable to other accounts in the Program. Such policies, restrictions and other terms and conditions may affect, for example, the securities that may be available for investment in such accounts, the manner in which transactions may be effected in such accounts, the ability of such accounts to trade on margin, and the fees and expenses that may be charged to such accounts. As a result, application of the policies, restrictions and other terms and conditions may result in the performance of employee benefit plan and retirement plan accounts being worse than it would have been absent such policies, restrictions and terms and conditions. In addition, if the Client Agreement for such an account is terminated or such an account is removed from UMA, the account may be restricted by JPMS to unsolicited liquidating or “sell” orders only.

JPMS and the Overlay Manager (and, if applicable, each Joint Discretion Manager selected by the client) may each decline to accept a particular client or account in the Program at any time and for any reason.

## **Item 6**

### **Portfolio Manager Selection and Evaluation**

#### **i. Selection of the Overlay Manager, Models, Joint Discretion Strategies and Program Securities**

JPMS selects the Overlay Manager and the Models, Joint Discretion Strategies and Program Securities made available in the Program.

Envestnet Asset Management, Inc. (formerly known as Placemark Investments, Inc.) (“Envestnet”) has been the Overlay Manager since the inception of the Program in 2008. JPMS selected Envestnet after considering a number of investment advisers qualified to act as the overlay manager in a unified managed account program; its selection of Envestnet was based on the totality of the results of the review process. Because there is only one Overlay Manager in UMA, JPMS’s recommendation of the Program is a recommendation of Envestnet as Overlay Manager for the client and assets at issue. JPMS’s recommendation of the Program as suitable for a particular client is typically based on the client’s financial circumstances, investment objective for the assets he or she wishes to invest and other information provided by the client.

JPMS reviews (or arranges for the review of) Models, Joint Discretion Strategies and Program Securities to determine whether they should be included in UMA. The review of Models and Joint Discretion Strategies generally includes reviewing the MPP’s or Joint Discretion Manager’s organization and the investment process and performance of the MPP and Model or Joint Discretion Manager and Joint Discretion Strategy. The review of Program Securities generally includes both quantitative and qualitative reviews, which typically include a review of the organization, investment process, service and performance of the Program Security and/or its investment adviser, if any (e.g., in the case of a Fund, the Fund’s portfolio manager). JPMS may consider and/or select for inclusion as Models, Joint Discussion Strategies and Program Securities in UMA only certain of the model portfolios or investment strategies available from a particular MPP or Joint Discretion Manager and only certain of the Program Securities issued by a particular issuer or sponsored or managed by a particular Fund sponsor or manager. JPMS may engage one or more third parties (including affiliates of JPMS) to perform initial and periodic reviews of Models, Joint Discretion Strategies and Program Securities (each, a “Review Vendor”) and/or perform such periodic reviews itself. A Review Vendor may also make recommendations to JPMS about which Models, Joint Discretion Strategies and Program Securities to include in UMA.

JPMS’s decision to include a particular Model, Joint Discretion Strategy or Program Security in UMA is based upon the totality of the results of the review process and does not necessarily reflect a rigid application of any or all of the guidelines described. JPMS may remove a particular Model, Joint Discretion Strategy or Program Security from UMA at any time for any reason and will notify clients that have selected that Model, Joint Discretion Strategy or Program Security of the removal.

JPMS identifies to UMA clients only Models, Joint Discretion Strategies and Program Securities that JPMS has decided to include in the Program. JPMS identifies suitable Models, Joint Discretion Strategies and Program Securities for a client based on investment objective(s) that the client provides for the UMA Assets and other information provided by the client. Other factors that may affect the identification of Models, Joint Discretion Strategies and/or Program Securities for a particular client include asset size, any investment restrictions the client may wish to impose, any investment guidelines or policies that the client may have or other factors that may make a particular Model, Joint Discretion Strategy or Program Security more desirable to the client. Clients are solely responsible for the selection of Models, Joint Discretion Strategies and/or Program Securities from among those identified by JPMS.

JPMS generally will not recommend the replacement of Envestnet or a Model, Joint Discretion Strategy or Program Security for a particular client unless JPMS were to replace Envestnet as the Overlay Manager in the Program, terminate the Program, or remove a Model, Joint Discretion Strategy or Program Security from the Program, in which event JPMS may designate another Model, Joint Discretion Strategy or Program Security as the default replacement for the UMA Assets invested in the removed Model, Joint Discretion Strategy or Program Security. If JPMS designates such a default replacement, each affected client will be notified in writing that, unless the client affirmatively selects, in writing, a replacement Model, Joint Discretion Strategy or Program Security by the date specified by JPMS, the client's assets in the removed Model, Joint Discretion Strategy or Program Security will automatically be re-invested into the designated replacement Model, Joint Discretion Strategy or Program Security, without further notice to or consent of the client. In designating a default replacement Model, Joint Discretion Strategy or Program Security (if any), JPMS will consider the appropriateness of the Models, Joint Discretion Strategies and Program Securities available in the Program as suitable replacements for the removed Model, Joint Discretion Strategy or Program Security. JPMS also may assist the client in identifying a suitable replacement Model, Joint Discretion Strategy or Program Security in cases where JPMS does not designate a default replacement Model, Joint Discretion Strategy or Program Security or where the client wishes to consider alternatives to the default replacement Model, Joint Discretion Strategy or Program Security designated by JPMS; such assistance is typically based on the same types of factors used by JPMS to identify Models, Joint Discretion Strategies and Program Securities for UMA clients in the first instance. If a Model, Joint Discretion Strategy or Program Security is removed from the Program and JPMS does not designate a default replacement Model, Joint Discretion Strategy or Program Security, the client's UMA Assets invested according to the removed Model or Joint Discretion Strategy or in the removed Program Security will automatically be re-invested into an ETF available in the Program, selected by JPMS, that is in an asset class or employs an investment strategy similar (as determined by JPMS) to that of the removed Model, Joint Discretion Strategy or Program Security, unless the client affirmatively selects, in writing, a replacement Model, Joint Discretion Strategy or Program Security of the client's own choosing prior to the date specified by JPMS in the removal notice. Regardless of whether JPMS designates a default replacement for a removed Model, Joint Discretion Strategy or Program Security, the sale of the client's assets in the removed Model, Joint Discretion Strategy or Program Security may have tax consequences for the client.

Advisory Representatives who learn of JPMS's decision to replace the Overlay Manager or to remove a Model, Joint Discretion Strategy or Program Security from the Program may take or recommend action on the basis of such knowledge (i) with respect to certain clients and accounts (inside or outside of the Program) before others or (ii) before JPMS's written notice of the decision has been sent to all affected Program clients.

## **ii. Review of the Overlay Manager, Models, Joint Discretion Strategies and Program Securities**

JPMS or a Review Vendor reviews the Overlay Manager and the Models, Joint Discretion Strategies and Program Securities available through UMA on a periodic basis. Currently, the Overlay Manager is reviewed as part of JPMS's vendor management process, and all Models, Joint Discretion Strategies and Program Securities available through UMA are reviewed by the Manager Selection due diligence group ("Manager Selection") in the J.P. Morgan Wealth Management division. Manager Selection is comprised of employees of JPMorgan Chase Bank, N.A. and other affiliates. Changes in each MPP's, Joint Discretion Manager's and Program Security's (in the case of a Fund, typically its portfolio manager's) organization, investment process, service, and performance are monitored by Manager Selection via periodic meetings with its staff and written quarterly communication.

JPMS could determine as a result of its vendor management reviews and/or other information or events that Envestnet should be replaced as the Overlay Manager in the Program or that the Program should be modified or terminated. The agreement in effect between JPMS as sponsor of the Program and Envestnet as Overlay Manager gives JPMS the right to terminate the agreement (and, thereby, to terminate Envestnet's role as Overlay Manager) for any reason at any time after April 1, 2013 on twelve months' notice to Envestnet, and the right to accelerate termination under certain circumstances. JPMS will notify clients in UMA in the event JPMS's agreement with Envestnet is terminated.

JPMS also could determine as a result of Manager Selection's reviews and/or other information or events that particular Models, Joint Discretion Strategies and/or Program Securities should be removed from UMA. If a Model, Joint Discretion Strategy or Program Security is no longer available through UMA, JPMS will notify affected clients and may designate another Model, Joint Discretion



Strategy or Program Security as the default replacement for the UMA Assets invested in the removed Model, Joint Discretion Strategy or Program Security. If JPMS designates such a default replacement, each affected client will be notified in writing that, unless the client affirmatively selects, in writing, a replacement Model, Joint Discretion Strategy or Program Security by the date specified by JPMS, the client's assets in the removed Model, Joint Discretion Strategy or Program Security will automatically be re-invested into the designated replacement Model, Joint Discretion Strategy or Program Security, without further notice to or consent of the client. In designating a default replacement Model, Joint Discretion Strategy or Program Security (if any), JPMS will consider the appropriateness of the Models, Joint Discretion Strategies and Program Securities available in the Program as suitable replacements for the removed Model, Joint Discretion Strategy or Program Security. JPMS also may assist the client in identifying a suitable replacement Model, Joint Discretion Strategy or Program Security in cases where JPMS does not designate a default replacement Model, Joint Discretion Strategy or Program Security or where the client wishes to consider alternatives to the default replacement Model, Joint Discretion Strategy or Program Security designated by JPMS; such assistance is typically based on the same types of factors used by JPMS to identify Models, Joint Discretion Strategies and Program Securities for UMA clients in the first instance. If a Model, Joint Discretion Strategy or Program Security is removed from the Program and JPMS does not designate a default replacement Model, Joint Discretion Strategy or Program Security, the client's UMA Assets invested according to the removed Model or Joint Discretion Strategy or in the removed Program Security will automatically be re-invested into an ETF available in the Program, selected by JPMS, that is in an asset class or employs an investment strategy similar (as determined by JPMS) to that of the removed Model, Joint Discretion Strategy or Program Security, unless the client affirmatively selects, in writing, a replacement Model, Joint Discretion Strategy or Program Security of the client's own choosing prior to the date specified by JPMS in the removal notice. Regardless of whether JPMS designates a default replacement for a removed Model, Joint Discretion Strategy or Program Security, the sale of the client's assets in the removed Model, Joint Discretion Strategy or Program Security may have tax consequences for the client.

Manager Selection's review of a Model, Joint Discretion Strategy or Program Security and/or other information and events also may result in a Model, Joint Discretion Strategy or Program Security being closed to new investors pending further review. During such status, clients may not select the Model, Joint Discretion Strategy or Program Security for the first time, but clients with Program assets already being managed according to the Model or Joint Discretion Strategy or invested in the Program Security when it was closed to new investors are permitted to contribute additional assets to the Model or Joint Discretion Strategy or to purchase more of the Program Security, by systematic rebalancing or otherwise. Clients invested according to the Model or Joint Discretion Strategy or in the Program Security will be notified in writing that it has been closed to new investors. Further review of the Model, Joint Discretion Strategy or Program Security by Manager Selection may result in a re-opening to new investors.

JPMS may provide clients with information about the Overlay Manager, MPPs, Models, Joint Discretion Managers, Joint Discretion Strategies and Program Securities. The information may be prepared by JPMS or by a third party and is based on and/or incorporates information provided by the Overlay Manager, MPPs, Joint Discretion Managers and issuers of or advisers to Program Securities or information from prospectuses, annual reports and other third-party sources. JPMS believes that this information is accurate; however, JPMS does not independently verify or guarantee the accuracy or completeness of the information. JPMS shall have no liability with respect to information provided by the Overlay Manager, MPPs, Joint Discretion Managers, issuers of or advisers to Program Securities, or third parties. Performance information may be included in the information provided by JPMS. ***This performance is calculated by the Overlay Manager, MPPs, Joint Discretion Managers, Funds or other issuers of or advisers to Program Securities or by third parties and neither JPMS nor a third party engaged by it reviews the performance information for JPMS to determine or verify its accuracy or its compliance with presentation standards. The performance information may not be calculated on a uniform and consistent basis.***

In addition to Overlay Manager, MPP, Model, Joint Discretion Manager, Joint Discretion Strategy and Program Security performance information clients may receive that presents performance calculated by the Overlay Manager, MPPs, Joint Discretion Managers, Funds or other issuers of or advisers to Program Securities and/or third parties, each Program client typically receives a written quarterly performance review prepared by JPMS summarizing the investment performance of the client's UMA account for the prior quarter. (As explained in Item 4 above, certain clients may not receive such a performance review.) In preparing such reviews for Program clients, JPMS uses various industry and non-industry standards to measure account performance. In addition to account performance, the written performance reviews for UMA clients also may include performance data for the specific Program Securities held in the account during the covered time period. The performance data for specific Funds included by JPMS in the periodic written performance reviews is typically calculated by JPMS using information obtained from third parties. ***Neither JPMS nor any third party engaged by it reviews the account or specific Program Security performance information to determine or verify its accuracy or compliance with presentation standards, and the information may not be calculated on a uniform and consistent basis. Clients receiving periodic written performance reviews from JPMS should review carefully the disclosures, definitions and other information contained in the reviews.***

Performance reviews are not a substitute for regular monthly or quarterly account statements or Form 1099, and should not be used to calculate the Fee or to complete income tax returns. JPMS and its affiliates are entitled to rely on the financial and other

information that clients or any third party provides to JPMS. The client is solely responsible for any information that the client provides to JPMS, and JPMS shall not be liable in connection with its use of any information provided by the client or a third party in the periodic review. JPMS does not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter.

Subject to JPMS's policies and procedures and applicable law, the periodic written performance review typically provided to Program clients may include information about assets in other accounts maintained by the client with J.P. Morgan Securities (including other investment advisory accounts and brokerage accounts) as well as other assets identified to JPMS by the client. By including assets in the written performance review, JPMS is not undertaking to provide or be responsible for providing any services with respect to those assets.

In preparing account statements and performance reviews, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available from JPMS upon request.

Clients will receive the Overlay Manager's and (if the client has selected one or more Joint Discretion Strategies) each Joint Discretion Manager's Form ADV Part 2A or other applicable disclosure document. Clients should review it carefully for important information about the Overlay Manager and (if applicable) each Joint Discretion Manager. The Overlay Manager and each Joint Discretion Manager is solely responsible for the truthfulness, completeness, and accuracy of its own Form ADV or other applicable disclosure document.

Before investing in a Program Security through UMA, clients should review the Program Security's prospectus (if any) carefully and consider all of the information in it. For example, a Fund's prospectus contains important information about the Fund, including the Fund's investment objectives, risks, charges and expenses. Each Fund and other issuers of Program Security are solely responsible for the truthfulness, completeness, and accuracy of their own prospectuses.

JPMS is not responsible for the performance of the Overlay Manager or any Model, Joint Discretion Strategy or Program Security or the compliance of the Overlay Manager, any MPP, Joint Discretion Manager or any Program Security or its issuer or adviser with its Form ADV or other applicable disclosure document or prospectus (as the case may be), applicable laws and regulations or other matters within the control of the Overlay Manager, MPP, Joint Discretion Manager, or Program Security or its issuer or adviser. Each Program Security's adviser is solely responsible for the management of the Program Security as described in the Program Security's prospectus, if any. Without limiting the generality of the foregoing, JPMS shall not be responsible for any act or omission of the Overlay Manager, any MPP, Joint Discretion Manager or any Program Security or party acting on behalf of the Program Security, or any misstatement or omission contained in any document prepared by or with the approval of any them, or any loss, liability, claim, damage, or expense, whatsoever, as incurred, arising out of or attributable to such misstatement or omission.

Certain portfolio managers seek to execute transactions for institutional and other non-wrap fee program accounts prior to those for wrap fee program (e.g., UMA) accounts. This could have an adverse impact on the execution price UMA clients receive if prior trades for institutional and other non-wrap fee program accounts impact the market and trading volume of the securities sought to be purchased or sold for UMA clients' accounts. Please review the Overlay Manager's and each Joint Discretion Manager's Form ADV Part 2A or other applicable disclosure document for more information on the Overlay Manager's and each Joint Discretion Manager's trading and execution practices.

### **iii. Related Person Program Securities**

Certain Program Securities and their issuers and/or advisers are affiliated with JPMS. More specifically, some of the Funds available to clients in UMA are sponsored by affiliates of JPMS and/or have engaged investment advisers affiliated with JPMS, including J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management) ("JPMIM"), to manage their investment portfolios.

JPMS has a conflict of interest in including such Funds in UMA, in conducting (or having an affiliated Review Vendor conduct) periodic reviews of such Funds for inclusion in UMA, in identifying such Funds to clients in UMA, and in designating such Funds as default replacement Program Securities for UMA Assets invested in Models, Joint Discretion Strategies and Program Securities that are removed from the Program because (1) if a client selects (or is automatically re-invested into) a Fund sponsored by an affiliate of JPMS, the Fund will benefit from the client's investment and (2) if a client selects (or is automatically re-invested into) a Fund managed by JPMIM or another affiliate of JPMS, the affiliated manager will receive more in investment management fees from the Fund (which fees are ultimately borne by the client as a shareholder of the Fund and are in addition to the UMA Fee). Accordingly, JPMS and its affiliates

receive greater aggregate compensation when a client in UMA selects (or is automatically re-invested into) a J.P. Morgan-affiliated Fund than when the client invests the same assets in an unaffiliated Fund.

JPMS believes that this conflict is addressed by the fact that neither the persons responsible for the initial and periodic review of Funds for inclusion in UMA and for possible designation as default replacement Program Securities, nor the Advisory Representatives who identify specific Funds to clients receive any direct financial benefit (such as additional compensation) from the investment of UMA Assets in J.P. Morgan-affiliated Funds rather than in unaffiliated Funds. Moreover, because Advisory Representatives are typically compensated in the Program through the receipt of a portion of JPMS's component of the Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to identify Funds they believe will increase the value of the account, regardless of whether or not the Fund is affiliated with JPMS. In addition, as a matter of policy, JPMS will not designate a J.P. Morgan-affiliated Fund as the default replacement Program Security for retirement plan accounts (including IRAs and accounts subject to ERISA) invested in a Model, Joint Discretion Strategy, or Program Security that has been removed from the Program; if such a Fund has been designated as the default replacement Program Security for non-retirement plan accounts, JPMS will designate a different, unaffiliated default replacement, or will not designate any default replacement, for retirement plan accounts.

Funds in the Program that are affiliated with JPMS are subject to the same selection and review processes as the other Program Securities in the Program.

Neither JPMS nor any of its supervised or related persons acts as Overlay Manager, MPP or Joint Discretion Manager in the Program.

## **Item 7**

### **Client Information Provided to Portfolio Managers**

JPMS will collect information about the client's investment time horizon, financial circumstances (including net worth and annual income), investment objective and risk tolerance for the UMA account, and any reasonable restrictions the client wishes to impose on the management of the account in writing. Certain information about the client may be set forth in a client profile. JPMS will generally provide the Overlay Manager with the client profile and other relevant client information and any changes to the information that the client provides. In turn, the Overlay Manager will generally provide such information to any Joint Discretion Managers selected by the client. JPMS, the Overlay Manager and (if applicable) the Joint Discretion Managers will rely on the information provided by the client. JPMS will have no liability for a client's failure to provide JPMS with accurate or complete information or to inform JPMS promptly of any change in the information previously provided.

The investment objective identified by the client for an account in the Program will apply to the account as long as the account is in the Program (unless the client subsequently changes the investment objective in writing), notwithstanding any different investment objective previously identified by the client for the account when it was a brokerage account or an account in one of the other investment advisory programs offered by the J.P. Morgan Securities division of JPMS. If the Client Agreement is terminated and the account becomes a brokerage account outside the Program, the investment objective previously identified by the client for the account as a brokerage account will again apply to the account.

***Clients are responsible for notifying JPMS promptly, in writing, of any changes to the information the client previously provided to JPMS (including financial information and the investment objective for the account), and for providing JPMS with additional information as it may request from time to time to assist it in providing services under the Program. At least annually, JPMS contacts each client in the Program to determine whether there have been any changes in the client's financial situation or investment objective for the account and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing conditions. At least quarterly, JPMS notifies each client in writing to contact the Advisory Representative if there have been any changes in the client's financial situation or investment objective or if the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing restrictions.***

Clients may seek to impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. JPMS will communicate any requested restrictions to the Overlay Manager, which in turn will communicate them to any Joint Discretion Managers selected by the client. The Overlay Manager or (if applicable) the Joint Discretion Manager may reject the restriction or the account if it deems the restriction to be unreasonable.

A client also may request that the Overlay Manager and any Joint Discretion Managers selected by the client agree to manage the client's account in accordance with client-specified investment guidelines or policies or otherwise implement a strategy in the client's account in a manner that may differ from that in which the Overlay Manager and (if applicable) Joint Discretion Manager would otherwise

implement the strategy in the account. JPMS will generally communicate such requests to the Overlay Manager, which in turn will communicate them to any applicable Joint Discretion Manager(s). Investment policies and guidelines and requests for modified implementation of an investment strategy submitted by clients for Program accounts are subject to the Overlay Manager's and any applicable Joint Discretion Managers' acceptance in the sole discretion of each of them; if any of them declines to accept an investment policy or guidelines, or to modify the implementation of a strategy, for a Program account, the client may choose either to agree that the account will be managed in the Program without reference to the investment policy or guidelines or to decide not to maintain the account in the Program.

Any client-imposed investment restrictions, guidelines or policies and/or requests for modified implementation of an investment strategy may cause the Overlay Manager and any applicable Joint Discretion Manager(s) to deviate from the investment decisions they would otherwise make in managing the account in the Program, and as a result may negatively affect the performance of the account.

JPMS and the Overlay Manager do not provide the MPPs or the Program Securities or their issuers and investment managers with information about clients in UMA.

## **Item 8**

### **Client Contact with Portfolio Managers**

JPMS places no restrictions on clients' ability to contact and consult with the Overlay Manager, MPPs, Joint Discretion Managers or issuers and investment managers of the Funds and other Program Securities. Clients should review the Overlay Manager's and each Joint Discretion Manager's Form ADV Part 2A or other applicable disclosure document for any restrictions placed by the Overlay Manager and each Joint Discretion Manager. Further, unlike the Overlay Manager and Joint Discretion Managers selected by the client, the MPPs and the issuers and investment managers of the Funds and other Program Securities do not have investment advisory relationships directly with clients in UMA, and may themselves restrict such contact and consultation.

## **Item 9**

### **Additional Information**

#### **i. Disciplinary Information**

Please refer to Item 9.i in the section of this Brochure on the J.P. Morgan Securities Horizon Program.

#### **ii. Other Financial Industry Activities and Affiliations**

##### **a. Broker-Dealer Registrations**

JPMS is registered with the SEC as a broker-dealer as well as an investment adviser. Some of JPMS's management personnel and all of the Advisory Representatives and their supervisors in the Program are registered with the Financial Industry Regulatory Authority ("FINRA") as registered representatives of JPMS in its capacity as a broker-dealer.

##### **b. Futures/Commodities-Related Registrations**

In addition, JPMS is registered with the CFTC as a futures commission merchant and also acts as a commodity pool operator exempt from registration as such with the CFTC. Some of JPMS's management personnel, and a small number of the Advisory Representatives and/or their supervisors in the Program, are registered with the CFTC as associated persons of JPMS in its capacity as a futures commission merchant.

##### **c. Material Relationships with Related Persons**

JPMS has several relationships or arrangements with related persons that are material to its advisory business or to its advisory clients in the Program.

#### **1. Affiliated Sponsors and Advisers of Funds**

Most or all of the Program Securities JPMS may identify to clients and clients may select from in UMA consist of Funds that have various internal fees and expenses, which are paid by the Funds but are ultimately borne by the Program client as investor. The sponsors and/or general partners of certain such Funds are affiliated with JPMS (potentially including those in which JPMS or its affiliates

have a minority and/or non-controlling interest), and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such Funds. In addition, the Overlay Manager (and, if applicable, Joint Discretion Manager(s)), may invest UMA Assets in such J.P. Morgan-affiliated Funds in the course of its discretionary management of UMA Assets according to one or more Models and/or Joint Discretion Strategies that JPMS may identify to clients and clients may select from, and JPMS may designate such J.P. Morgan-affiliated Funds as default replacements for Models, Joint Discretion Strategies or Program Securities removed from the Program.

The investment of UMA Assets in J.P. Morgan-affiliated Funds or a client's selection of such a Fund as the vehicle for the temporary investment (i.e., "sweeping") of available cash balances benefits those Funds and their J.P. Morgan-affiliated sponsors and/or general partners. In addition, several affiliates of JPMS manage J.P. Morgan-affiliated Funds and receive an investment management fee for doing so. Although the management fee is paid by the Fund itself, ultimately it is borne by investors in the fund. Therefore, to the extent the Overlay Manager (and, if applicable, Joint Discretion Manager(s)) or the client invests UMA Assets in such Funds or the client selects a J.P. Morgan-affiliated Fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets. The affiliates of JPMS that provide such investment management services to Funds that may be included as Program Securities in UMA include:

- JPMIM;
- J.P. Morgan Private Investments Inc.;
- J.P. Morgan Alternative Asset Management, Inc.;
- JF International Management, Inc.; and
- Security Capital Research & Management Incorporated.

The portion of the investment management fee received by JPMS's affiliate that is borne by each Program client is not covered by, and is in addition to, the Fee paid by the client. As a result, because JPMS and its affiliates will in the aggregate receive more compensation when Program assets are invested in J.P. Morgan-affiliated Funds than they would receive were the assets instead invested in unaffiliated Funds, JPMS has a conflict of interest when the Overlay Manager (and any Joint Discretion Manager selected by the client) invests UMA Assets in J.P. Morgan-affiliated Funds in its implementation of Models and/or Joint Discretion Strategies on discretion, and has a further conflict of interest in:

- selecting J.P. Morgan-affiliated Funds for inclusion as Program Securities in UMA;
- reviewing (or having an affiliate review) them for ongoing inclusion as Program Securities;
- identifying them to particular UMA clients for the client's Target Portfolio;
- designating them as default replacements for Models, Joint Discretion Strategies and Program Securities that are removed from the Program; and
- making only (or primarily) affiliated Funds available to Program clients for the "sweeping" of available cash balances.

JPMS believes that the conflict with respect to the Overlay Manager's (and any Joint Discretion Manager's) discretionary investment of UMA Assets in J.P. Morgan-affiliated Funds is addressed by the following:

- Neither JPMS nor any of its affiliates controls or recommends specific securities transactions for UMA Assets managed on discretion by the Overlay Manager and any Joint Discretion Manager(s).
- Because the Overlay Manager and any Joint Discretion Manager(s) are compensated on the basis of the market value of the UMA Assets they manage, they are to that extent incentivized to exercise their discretion to select Funds they believe will increase the value of those Assets, regardless of whether the Funds are affiliated or unaffiliated with JPMS.

JPMS believes that the conflict with respect to J.P. Morgan-affiliated Funds as Program Securities, default replacements for Models, Joint Discretion Strategies and Program Securities that are removed from the Program, and "sweep" vehicles for UMA accounts is addressed by the following:

- J.P. Morgan-affiliated Funds are subject to the same criteria as other Funds in JPMS's processes for the selection of Program Securities for inclusion in UMA and the review of Program Securities for ongoing inclusion as Program Securities.
- Advisory Representatives responsible for the identification of Program Securities to clients for the client's Target Portfolio do not receive any direct financial benefit (such as additional compensation) from clients' ultimate selection and purchase of J.P. Morgan-affiliated Funds rather than unaffiliated Funds. Moreover, because Advisory Representatives are typically compensated on the basis of the net market value of Program accounts, they are to that

extent incentivized to identify Funds they believe will increase the value of the account, regardless of whether the Funds are affiliated or unaffiliated with JPMS.

- As a matter of policy, JPMS will not designate a J.P. Morgan-affiliated Fund as the default replacement for retirement plan accounts (including IRAs and accounts subject to ERISA) invested in or according to a Model, Joint Discretion Strategy or Program Security that has been removed from the Program; if such a Fund has been designated as the default replacement for non-retirement plan accounts, JPMS will designate a different, unaffiliated default replacement, or will not designate any default replacement, for retirement plan accounts.
- JPMS policy generally prohibits the identification by JPMS or the purchase by UMA clients of J.P. Morgan-affiliated Funds for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) unless the client already held the Fund at issue in his or her UMA account at the time of the acquisition of JPMS (then known as Bear, Stearns & Co. Inc.) by JPMorgan Chase & Co. in 2008, in which event the client typically may purchase additional shares of the Fund consistent with the account's Target Portfolio. In addition, the only "sweep" vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed below) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of its selection by retirement plan clients as the "sweep" vehicle for their accounts.

Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the Funds.

## **2. JPMorgan Chase & Co. and Other Affiliated Issuers of Securities**

In addition to the mutual funds and other pooled investment vehicles sponsored and managed by affiliates of JPMS, JPMS's ultimate parent company, JPMorgan Chase & Co., is a publicly traded corporation, the common stock of which is listed and trades on the NYSE. Other affiliates of JPMS also may issue securities through public or private distributions.

JPMS and its affiliates and other related persons could have an interest in JPMS's investment advisory clients (including clients in the Program) buying (or not selling) securities that JPMorgan Chase & Co. and other affiliates of JPMS (including entities in which JPMS or its affiliates have a minority and/or non-controlling interest) have issued. For example, JPMS and its affiliates and other related persons (including Advisory Representatives who personally own or may own shares of JPMorgan Chase & Co. common stock, through the issuance of shares and/or stock options to them as part of their employment compensation or otherwise) could benefit in certain respects from an increase in the securities' market price resulting from increased demand for the securities. These financial interests conflict with the interest of Program clients in buying and holding securities issued by affiliates of JPMS based solely on the furtherance of the clients' investment objectives in the Program. JPMS addresses this conflict in the following ways:

- Most or all of the Program Securities that JPMS identifies to UMA clients are Funds. To the extent JPMS identifies one or more J.P. Morgan-affiliated Funds to a client or designates such a Fund as the default replacement for a Model, Joint Discretion Strategy or Program Security removed from the Program, the conflict of interest is addressed in the ways described in Item 9.ii.c.1 above.
- To the extent the Overlay Manager and any Joint Discretion Manager(s) selected by the client may invest UMA Assets in securities issued by JPMS or its affiliates in its implementation of Models on discretion, neither JPMS nor any of its affiliates controls or recommends the specific securities transactions that are effected for Program accounts on discretion by the Overlay Manager and any Joint Discretion Manager(s).
- Because the Overlay Manager and any Joint Discretion Manager(s) selected by the client are compensated on the basis of the market value of the UMA Assets they manage, they are to that extent incentivized to exercise their discretion to select investments they believe will increase the value of the Assets, regardless of whether the issuer is affiliated with JPMS.

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

Please refer to Item 9.ii.c.2 in the section of this Brochure on the J.P. Morgan Securities Horizon Program.

## **4. Revenue Sharing Arrangements with Affiliates**

Please refer to Item 9.ii.c.3 in the section of this Brochure on the J.P. Morgan Securities Horizon Program.

**d. Recommendation or Selection of Other Investment Advisers**

Envestnet and certain MPPs, Joint Discretion Managers and/or Program Securities (or their sponsors or portfolio managers) in the Program have (or may in the future have) business relationships outside of the Program with JPMS and/or its affiliates, including relationships in which JPMS and/or its affiliates provide one or more of them with trading, lending, prime brokerage and/or custody services for compensation. As a result of these relationships, JPMS has a conflict of interest in selecting and conducting (or having an affiliated Review Vendor conduct) reviews of Envestnet, the Models provided by MPPs, the Joint Discretion Strategies of Joint Discretion Managers, and Program Securities for inclusion in the Program, in identifying Models, Joint Discretion Strategies and Program Securities to Program clients, and in designating Models, Joint Discretion Strategies and Program Securities as default replacements for accounts invested in Models, Joint Discretion Strategies and Program Securities removed from the Program (or, in the event JPMS does not designate a default replacement, selection of an ETF into which the client's UMA Assets in the removed Model, Joint Discretion Strategy or Program Security will automatically be re-invested if the client does not affirmatively select a replacement of the client's own choosing by the date specified by JPMS) because JPMS may have a financial incentive to favor Envestnet and those MPPs, Joint Discretion Managers and Program Securities (or their sponsors or portfolio managers) with which JPMS and/or its affiliates have other business relationships.

JPMS believes that this conflict is addressed by the fact that neither the persons responsible for the initial and periodic review of Envestnet, the Models provided by MPPs, the Joint Discretion Strategies of Joint Discretion Managers, and Program Securities for inclusion in the Program and for possible designation as default replacements for Models, Joint Discretion Strategies and Program Securities removed from the Program (or, if JPMS does not designate a default replacement, for selection of an ETF as described in the preceding paragraph), nor the Advisory Representatives who identify Models, Joint Discretion Strategies and Program Securities to particular clients (assuming they are aware of which MPPs and Program Securities, sponsors and managers have other business relationships with JPMS and/or its affiliates), receive any direct financial benefit (such as additional compensation) from the inclusion of Envestnet as Overlay Manager or the investment of UMA Assets in certain Models, Joint Discretion Strategies or Program Securities instead of others in the same asset class (i.e., equity or fixed income). Moreover, because Advisory Representatives are typically compensated in the Program through the receipt of a portion of JPMS's component of the Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to identify Models, Joint Discretion Strategies and Program Securities they believe will increase the value of the account, regardless of whether or not the MPPs, Joint Discretion Managers and Program Securities (or their sponsors or portfolio managers) have other business relationships with JPMS and/or its affiliates.

In addition, outside of and separate from the Program, JPMS acts as a solicitor (sometimes also called a "finder" or "referrer") of prospective clients for certain other investment advisers, which may include one or more advisers acting as portfolio managers in the Program. Under its solicitation agreements with those advisers, JPMS is entitled to a specified portion of the advisory fees received by the advisers from the investors that were referred to them by JPMS. The investors referred to other advisers by JPMS may be existing investment advisory clients of JPMS, including clients in the Program. When JPMS makes a referral of one of its existing investment advisory clients to another adviser under a solicitation arrangement, the arrangement creates a material conflict of interest with the client because:

- JPMS has a financial incentive to make the referral because it will be entitled to compensation from the other adviser if the referred client becomes a client of the other adviser;
- JPMS does not base such referrals on any review or due diligence of the other advisers or their personnel or investment strategies;
- JPMS does not conduct an assessment of the suitability of the other advisers' services for referred clients; and
- it may not be in the referred client's best interest to become a client of the other adviser.

JPMS addresses this conflict in the following ways:

- The other advisers' payments of solicitation fees to JPMS are typically subject to certain legal requirements and conditions, including the delivery by JPMS to the referred client, at the time of the referral, of a written document that discloses, among other things, the relationship between JPMS and the other adviser, the fact that JPMS will be compensated for the referral, the terms of the compensation arrangement, and the amount (if any) in addition to the advisory fee that the referred client will be charged by the other adviser for the cost of obtaining the client's business.
- Clients referred to other advisers by JPMS have no obligation to become clients of those advisers, and their declining to do business with the adviser to which they were referred will not affect their relationship with JPMS.

**iii. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

**a. Code of Ethics**

Please refer to Item 9.iii.a of the section of this Brochure on the J.P. Morgan Securities Horizon Program.

**b. Securities in Which JPMS or a Related Person Has a Material Financial Interest**

**1. Affiliated Sponsors and Advisers of Funds**

Most or all of the Program Securities JPMS may identify to clients and clients may select from in UMA consist of Funds that have various internal fees and expenses, which are paid by the Funds but are ultimately borne by the Program client as investor. The sponsors and/or general partners of certain such Funds are affiliated with JPMS (potentially including those in which JPMS or its affiliates have a minority and/or non-controlling interest), and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such Funds. In addition, the Overlay Manager (and, if applicable, Joint Discretion Manager(s)) may invest UMA Assets in such J.P. Morgan-affiliated Funds in the course of its discretionary management of UMA Assets according to one or more Models and/or Joint Discretion Strategies JPMS may identify to clients and clients may select from, and JPMS may designate such J.P. Morgan-affiliated Funds as default replacements for Models, Joint Discretion Strategies or Program Securities removed from the Program.

The investment of UMA Assets in J.P. Morgan-affiliated Funds or a client's selection of such a Fund as the vehicle for the temporary investment (i.e., "sweeping") of available cash balances benefits those Funds and their J.P. Morgan-affiliated sponsors and/or general partners. In addition, several affiliates of JPMS manage J.P. Morgan-affiliated Funds and receive an investment management fee for doing so. Although the management fee is paid by the Fund itself, ultimately it is borne by investors in the Fund. Therefore, to the extent the Overlay Manager (and, if applicable, Joint Discretion Manager(s)) or the client invests UMA Assets in such Funds or the client selects a J.P. Morgan-affiliated Fund as the "sweep" vehicle for the account, the JPMS affiliate receives, and the Program client ultimately bears the cost of, an investment management fee with respect to those assets.

The portion of the investment management fee received by JPMS's affiliate that is borne by each Program client is not covered by, and is in addition to, the Fee paid by the client. As a result, because JPMS and its affiliates will in the aggregate receive more compensation when Program assets are invested in J.P. Morgan-affiliated Funds than they would receive were the assets instead invested in unaffiliated Funds, JPMS has a conflict of interest when the Overlay Manager (and any Joint Discretion Manager selected by the client) invests UMA Assets in J.P. Morgan-affiliated Funds in its implementation of Models and/or Joint Discretion Strategies on discretion and has a further conflict of interest in:

- selecting J.P. Morgan-affiliated Funds for inclusion as Program Securities in UMA;
- reviewing (or having an affiliate review) them for ongoing inclusion as Program Securities;
- identifying them to particular UMA clients for the client's Target Portfolio;
- designating them as default replacements for Models, Joint Discretion Strategies and Program Securities that are removed from the Program; and
- making only (or primarily) affiliated Funds available to Program clients for the "sweeping" of available cash balances.

JPMS believes that the conflict with respect to the Overlay Manager's (and any Joint Discretion Manager's) discretionary investment of UMA Assets in J.P. Morgan-affiliated Funds is addressed by the following:

- Neither JPMS nor any of its affiliates controls or recommends specific securities transactions for UMA Assets managed on discretion by the Overlay Manager and any Joint Discretion Manager(s).
- Because the Overlay Manager and any Joint Discretion Manager(s) are compensated on the basis of the market value of the UMA Assets they manage, they are to that extent incentivized to exercise their discretion to select Funds they believe will increase the value of the Assets, regardless of whether the Funds are affiliated or unaffiliated with JPMS.

JPMS believes that the conflict with respect to J.P. Morgan-affiliated Funds as Program Securities, default replacements for Models, Joint Discretion Strategies and Program Securities that are removed from the Program, and "sweep" vehicles for UMA accounts is addressed by the following:



- J.P. Morgan-affiliated Funds are subject to the same criteria as other Funds in JPMS's processes for the selection of Program Securities for inclusion in UMA and the review of Program Securities for ongoing inclusion as Program Securities.
- Advisory Representatives responsible for the identification of Program Securities to clients for the client's Target Portfolio do not receive any direct financial benefit (such as additional compensation) from clients' ultimate selection and purchase of J.P. Morgan-affiliated Funds rather than unaffiliated Funds. Moreover, because Advisory Representatives are typically compensated on the basis of the net market value of Program accounts, they are to that extent incentivized to identify Funds they believe will increase the value of the account, regardless of whether the Funds are affiliated or unaffiliated with JPMS.
- As a matter of policy, JPMS will not designate a J.P. Morgan-affiliated Fund as the default replacement for retirement plan accounts (including IRAs and accounts subject to ERISA) invested in or according to a Model, Joint Discretion Strategy or Program Security that has been removed from the Program; if such a Fund has been designated as the default replacement for non-retirement plan accounts, JPMS will designate a different, unaffiliated default replacement, or will not designate any default replacement, for retirement plan accounts.
- JPMS policy generally prohibits the identification by JPMS or the purchase by UMA clients of J.P. Morgan-affiliated Funds for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) unless the client already held the Fund at issue in his or her UMA account at the time of the acquisition of JPMS (then known as Bear, Stearns & Co. Inc.) by JPMorgan Chase & Co. in 2008, in which event the client typically may purchase additional shares of the Fund consistent with the account's Target Portfolio. In addition, the only "sweep" vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed in Item 9.ii.c.2 in the section of this Brochure on the J.P. Morgan Securities Horizon Program) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of its selection by retirement plan clients as the "sweep" vehicle for their accounts.

Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the Funds.

## 2. Other Compensation from Funds

In addition to the benefits received by its affiliates who act as sponsors of and investment managers for Funds purchased by the Overlay Manager (and, if applicable, Joint Discretion Manager(s)) for UMA accounts, included as Program Securities in UMA, or designated by JPMS as default replacements for Models, Joint Discretion Strategies or Program Securities removed from the Program, JPMS and its affiliates and other related persons may receive other forms of compensation in connection with the operation and/or sale of Funds to clients in UMA, which may include distribution fees paid by certain Funds to JPMS and its affiliates (including JP Morgan Distribution Services, Inc.) pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue share, shareholder servicing fees and licensing fees for the use by a Fund of a JPMorgan index), to the extent permitted by applicable law. Apart from the fact that such compensation is ultimately borne by clients as shareholders of the Funds and is not included in the UMA Fee paid by clients, the receipt of such compensation presents a conflict of interest with Program clients because it could give JPMS a financial incentive to favor Funds that pay such compensation over those that do not (or that pay less) in (1) the initial selection and ongoing review of Funds for inclusion as Program Securities, (2) the identification of particular Funds to particular Program clients, and (3) the designation of Funds as default replacements for Models, Joint Discretion Strategies and Program Securities removed from the Program. JPMS believes that this conflict is addressed in part by the fact that JPMS policy is for JPMS to credit back to clients in the Program all Rule 12b-1 fees it receives from Funds in connection with Fund transactions in Program accounts. In addition, although JPMS receives non-Rule 12b-1 compensation from certain Funds in connection with shares of those Funds held in UMA accounts that are not retirement plan accounts (e.g., IRAs and accounts subject to ERISA), which compensation is *not* credited back to UMA clients, JPMS typically does not receive such non-Rule 12b-1 compensation in connection with shares of Funds held in UMA retirement plan accounts.

JPMS typically does not receive compensation from ETFs in connection with purchases of such Funds in UMA accounts. Therefore, because JPMS may receive and ultimately retain non-Rule 12b-1 compensation from certain mutual funds in connection with shares purchased in UMA non-retirement plan accounts, JPMS has a potential conflict of interest as a result of its financial incentive to favor mutual funds that pay such non-Rule 12b-1 compensation over ETFs and those mutual funds that do not pay such compensation (or that pay less) in (1) the initial selection and ongoing review of Funds for inclusion as Program Securities, (2) the identification of particular Funds to particular non-retirement plan clients, and (3) the designation of default replacements for Models, Joint Discretion Strategies and Program Securities that are removed from the Program, because JPMS may receive and ultimately retain more compensation when non-retirement plan UMA Assets are invested in a Fund paying such non-Rule 12b-1 compensation. JPMS believes that this conflict is addressed by the fact that the persons responsible for the selection and review of Funds for inclusion in the Program and for designation of default replacements, and the Advisory Representatives responsible for assisting clients with the development of their Target Allocations

and identifying specific Funds to the clients for their Target Allocations – to the extent such persons and Advisory Representatives actually know which Funds pay such non-Rule 12b-1 compensation and how much – do not receive any portion of the compensation received by JPMS from such Funds in connection with shares purchased in UMA accounts, and therefore have no direct financial incentive to favor such Funds over Funds that do not pay such compensation (or that pay less).

### **3. Principal and “Agency Cross” Transactions**

In connection with effecting transactions for accounts in the Program, JPMS and its affiliates 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. For a discussion of the conflicts of interest that arise when JPMS or an affiliate acts either as principal or as agent for both the client and the party on the other side of the transaction (known as an “agency cross transaction”), and how JPMS addresses those conflicts of interest, please refer to Item 9.iii.b in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

### **4. Other Securities Issued by JPMS and Its Affiliates**

In addition to the mutual funds and other pooled investment vehicles sponsored and managed by affiliates of JPMS, JPMS’s ultimate parent company, JPMorgan Chase & Co., is a publicly traded corporation the common stock of which is listed and trades on the NYSE. JPMS and its other affiliates also may issue securities through public or private distributions.

JPMS and its affiliates and other related persons could have an interest in JPMS’s investment advisory clients (including clients in the Program) buying (or not selling) securities that JPMS or its affiliates (including entities in which JPMS or its affiliates have a minority and/or non-controlling interest) have issued. For example, JPMS and its affiliates and other related persons (including Advisory Representatives who personally own or may own shares of JPMorgan Chase & Co. common stock, through the issuance of shares and/or stock options to them as part of their employment compensation or otherwise) could benefit in certain respects from an increase in the securities’ market price resulting from increased demand for the securities. These financial interests conflict with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients’ investment objectives in the Program. JPMS addresses this conflict in the following ways:

- Most or all of the Program Securities that JPMS identifies to UMA clients are Funds. To the extent JPMS identifies one or more J.P. Morgan-affiliated Funds to a client or designates such a Fund as the default replacement for a Model, Joint Discretion Strategy or Program Security removed from the Program, the conflict of interest is addressed in the ways described in Item 9.iii.b.1 above.
- To the extent the Overlay Manager and any Joint Discretion Manager(s) selected by the client may invest UMA Assets in securities issued by JPMS or its affiliates in their implementation of Models and/or Joint Discretion Strategies on discretion, neither JPMS nor any of its affiliates controls or recommends the specific securities transactions that are effected for Program accounts on discretion by the Overlay Manager and any Joint Discretion Manager(s).
- Because the Overlay Manager and any Joint Discretion Manager(s) selected by the client are compensated on the basis of the market value of the UMA Assets they manage, they are to that extent incentivized to exercise their discretion to select investments they believe will increase the value of the Assets, regardless of whether the issuer is JPMS or one of its affiliates.

#### **c. When JPMS or a Related Person Invests in the Same Securities That It Recommends to or Buys/Sells for Clients**

JPMS and its affiliates and other related persons may invest in the same securities that JPMS includes as Program Securities in UMA, identifies to UMA clients for their Target Portfolios, or designates as default replacements for Models, Joint Discretion Strategies and Program Securities removed from the Program. In addition, while JPMS does not recommend specific securities or securities transactions for UMA Assets managed by the Overlay Manager (and, if applicable, Joint Discretion Manager(s)) on discretion according to Models and Joint Discretion Strategies, JPMS or a related person, acting as broker-dealer, may effect transactions for Program accounts in the same securities that it or a related person invests in.

In such circumstances, the interests of JPMS and its related persons conflict with those of Program clients in several respects:

- JPMS or a related person may benefit from (1) clients buying securities that JPMS or the related person then sells or (2) clients selling securities that JPMS or the related person then buys, because client purchases may increase the market

price of a security JPMS or the related person owns or borrows and then sells, and client sales may reduce the market price of a security JPMS or the related person then buys.

- JPMS or a related person may benefit from (1) buying securities that clients will later buy (because the subsequent client purchases may increase the market price of the security JPMS or the related person already bought and owns) or (2) selling securities that clients will later sell (because subsequent client sales may decrease the market price of the security JPMS or the related person already sold).
- JPMS or a related person may benefit from principal transactions in which it sells a security directly from its own account to a client account or buys a security into its own account directly from a client account. For example, when a client instructs JPMS to buy a Program Security for the client's Program account, JPMS may have a financial incentive to execute the order through a principal (instead of agency) transaction if it owns the Program Security in its own account, the security is thinly traded or illiquid, and JPMS believes it will decline in value or wants to sell it for another reason.

JPMS believes that these conflicts are addressed by:

- the fact that neither JPMS nor any of its related persons controls or recommends specific securities transactions for UMA Assets managed on discretion by the Overlay Manager and, if applicable, Joint Discretion Manager(s).
- the maintenance of policies (including in the Code of Ethics) prohibiting JPMS employees from engaging in conduct intended to manipulate the price of securities and procedures designed to prevent and/or detect such conduct;
- the maintenance of information barrier procedures designed to control the flow of information between JPMS's and its affiliates' proprietary trading operations and other business units, including J.P. Morgan Securities; and
- the restrictions on principal transactions with Program accounts described in Item 9.c.ii in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

**d. When JPMS or a Related Person Buys/Sells Securities for Itself at or About the Same Time It Recommends or Buys/Sells the Same Securities to/for Clients**

JPMS and its affiliates and other related persons may invest in securities at or about the same time that JPMS identifies the same securities (as Program Securities) to UMA clients for their Target Portfolios or designates them as default replacements for Models, Joint Discretion Strategies and Program Securities removed from the Program. In addition, while JPMS does not recommend specific securities or securities transactions for UMA Assets managed by the Overlay Manager (and, if applicable, Joint Discretion Manager(s)) on discretion according to Models and Joint Discretion Strategies, JPMS or a related person, acting as broker-dealer, may effect transactions for Program accounts at or about the same time that JPMS or a related person buys or sells the same securities for its or a related person's own account.

In such circumstances, the interests of JPMS and its related persons conflict with those of JPMS's Program clients in all of the respects described in the preceding section, each of which typically involves not only trading in the same securities that clients do, but also trading in them at or about the same time that clients do. Please refer to Item 9.iii.c above for a description of those conflicts and how they are addressed.

JPMS may, but is not required to, aggregate orders for the sale or purchase of securities for the client's account with orders for the same security for other clients, including orders for JPMS's or its affiliates' employees and related persons. Aggregated orders will generally be filled at an average price, with a pro rata share of transaction costs (if applicable). A client order that is not aggregated with one or more other client orders may be executed at a less favorable price and incur greater transaction costs than an aggregated order.

JPMS may have a conflict of interest in connection with the aggregation of orders by multiple Program clients for the purchase or sale of the same security. On occasion, an aggregated order will not be fully executed, or "filled." A partial "fill" of an aggregated order must be allocated among the affected clients' accounts. When the affected accounts include a proprietary or personal account for JPMS or any of its affiliates or other related persons (including Advisory Representatives), or an account that JPMS or its affiliates may have some other reason to favor (because it typically pays JPMS more compensation, for example), JPMS may have an interest in allocating more shares or units from the partial "fill" to such an account, leaving fewer shares or units for the accounts of other affected clients. JPMS addresses this conflict by processes designed to ensure that the allocation of a partially filled order is fair and equitable in accordance with applicable law. Factors that may affect allocations include, for example, available cash in each account, the size of each account and order, client-imposed or other restrictions on investments in each account, and the desirability of avoiding odd lots. Providing a comparatively favorable allocation to a proprietary or personal account of JPMS or its affiliates or other related persons, however, would not constitute a fair and equitable allocation. For more information about the Overlay Manager's and any Joint Discretion Manager's aggregation and allocation policies, please refer to its Form ADV Part 2A or other applicable disclosure document. In addition, a Joint Discretion Manager whose investment strategy is available to clients in both UMA and another investment advisory program sponsored by JPMS – such as the

Strategic Investment Services (STRATIS) Program and the Investment Counseling Service (ICS) Program – may not aggregate orders for the sale or purchase of a security for clients in both programs; therefore, UMA clients with assets invested according to such a strategy may receive execution of the order before or after, and therefore receive a different price than, JPMS clients invested according to the same strategy in the other program.

JPMS may execute transactions in Program Securities for Program accounts later than the day on which the client instructs JPMS to effect the transaction, and may execute them at a price higher or lower than the price quoted to the client at the time of such instruction.

**iv. Review of Accounts**

**a. Nature and Frequency of Program Account Reviews**

JPMS reviews client accounts in the Program on an ongoing basis.

The Advisory Representative to whom a Program account is assigned is responsible for reviewing the account on an ongoing basis on behalf of JPMS. Primary responsibility for the ongoing supervision of activity in the Program accounts lies with the J.P. Morgan Securities Supervisory Manager responsible for supervising activity in accounts handled by the Advisory Representative generally. The ongoing supervisory review of Program accounts by the Supervisory Managers includes review of the transactions effected in them.

Certain Program accounts may also be reviewed by appropriate personnel on other than an ongoing basis. Among the factors that might trigger such a review are:

- a change in market conditions;
- a change of securities position(s);
- a change in the client's investment objective;
- a request by the client for a meeting or the occurrence of such meeting;
- a complaint by the client;
- a concern expressed by the Advisory Representative's supervisor or a member of J.P. Morgan Securities management or Compliance; and
- the application of internal policies of JPMS.

**b. Reports to Program Clients**

JPMS or one of its affiliates will provide Program clients with separate written confirmations of all transactions executed through JPMS or its affiliates, or clients may instead elect to receive a periodic statement of all transactions executed through JPMS for Program accounts in lieu of separate transaction confirmations, and to have a copy of the confirmations instead sent to the Overlay Manager. (Notwithstanding such an election by a client, JPMS may in its discretion choose to provide the client with separate written confirmations of some or all of the transactions in the Account.) Each client receives written account statements on at least a quarterly basis that show all transactions in the account, all contributions to and withdrawals from the account, and all fees and expenses charged to the account.

Additionally, each Program client typically receives a written quarterly performance review summarizing the investment performance of their portfolio for the prior quarter. However, certain clients may not receive such performance reviews; in its discretion, JPMS may not provide a client with written performance reviews for a Program account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

In preparing account statements, reviews and/or reports, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available upon request.

**v. Client Referrals and Other Compensation**

**a. Compensation from Non-Clients to JPMS for JPMS's Provision of Advisory Services**

To the best of its knowledge, JPMS does not receive economic benefits from non-clients for providing investment advice or other advisory services to its clients.

JPMS and its affiliates do receive economic benefits from certain Funds when JPMS's clients' assets in investment advisory accounts are invested in them. Although these benefits are attributable to sales of the Funds to JPMS's investment advisory clients and the investment of investment advisory assets in the Funds, they are not benefits the Funds provide to JPMS or its affiliates in exchange for JPMS's provision of investment advisory services to the clients. For a discussion of the benefits and the conflicts of interest they raise, please refer to Items 4, 9.ii and 9.iii above.

As discussed in Item 9.ii.c.2 in the section of this Brochure on the J.P. Morgan Securities Horizon Program, JPMCB also receives economic benefits when JPMS's investment advisory clients select the J.P. Morgan Chase Bank Deposit Account as the vehicle for the "sweeping" of available cash balances in their accounts. Again, while these benefits are attributable to the investment of the assets of JPMS's investment advisory clients in the Deposit Account, they are not benefits JPMCB receives in exchange for JPMS's provision of investment advisory services to the clients.

In addition, JPMS and its affiliates may from time to time enter into joint marketing activities with investment managers and/or sponsors of mutual funds offered in JPMS's investment advisory programs, including Funds included as Program Securities in the Program, MPPs whose Models are included in the Program and Joint Discretion Managers that co-manage Joint Discretion Strategies included in the Program. These managers, sponsors, MPPs and/or Joint Discretion Managers may pay some or all of the cost of the marketing activities, which payment may take the form of reimbursement of JPMS. Because of the willingness of these managers, sponsors, MPPs and/or Joint Discretion Managers to provide financial support for such activities, JPMS has an incentive to allow them (as opposed to others that are unwilling to provide such financial support) to participate in such joint marketing activities. However, the payments by the fund managers, sponsors, MPPs and/or Joint Discretion Managers are not made in exchange for JPMS's provision of investment advisory services to its clients.

Please refer to Item 9.ii.c.3 of the section of this Brochure on the J.P. Morgan Horizon Program for a discussion of (1) revenue sharing arrangements between JPMS and certain of its affiliates pursuant to which JPMS may receive compensation from the affiliates in connection with referrals or introductions of clients by JPMS to the affiliates for the provision by the affiliates of products and services to the clients and (2) solicitation arrangements in which JPMS acts as solicitor for other investment advisers and receives compensation from the other advisers for the referral of clients to them. In such cases, the compensation is in exchange for JPMS's referral of clients to other investment advisers – not for JPMS's own provision of investment advisory services to its clients.

**b. Compensation from JPMS to Unsupervised Persons for Client Referrals**

In addition to compensating certain *supervised* persons (including Advisory Representatives) for their provision of investment advisory services to clients on behalf of JPMS and/or for their referral or introduction of investors who become investment advisory clients of JPMS, JPMS compensates certain persons *not* supervised by it for their referral of investors to JPMS who become clients in JPMS's investment advisory programs, including the Program.

JPMS has engaged certain unaffiliated parties to act as solicitors (sometimes also called "finders" or "referrers") of prospective clients for JPMS's investment advisory programs. The solicitors engaged by JPMS are typically themselves registered investment advisers. JPMS does not supervise either the solicitors' activities generally or their solicitation activities. Under these solicitation arrangements, JPMS agrees to pay each solicitor a specified portion of the advisory fees received by JPMS from each client referred to it by the solicitor.

The clients referred to JPMS do not incur any additional fee or charge by JPMS as a result of JPMS's arrangements with the solicitors or its payment of the solicitation fees to the solicitors. Therefore, because JPMS's sharing of certain advisory fees with solicitors reduces the net advisory fee retained by JPMS, Program accounts for clients referred to JPMS by a solicitor may be less profitable for JPMS than other Program accounts, other things being equal. This creates a conflict of interest between JPMS and the referred clients because, as a result, JPMS and the Advisory Representatives (whose own compensation is typically tied to the amount of advisory fees received by JPMS from clients) could have a financial incentive to disfavor Program clients referred by solicitors in, for example, the allocation of trades among accounts and in the receipt of the Advisory Representative's time, attention and best investment ideas. JPMS believes that this conflict is addressed in the following ways:

- With respect to UMA Assets invested through the Overlay Manager's and any Joint Discretion Manager's implementation of Models and Joint Discretion Strategies on discretion, the Overlay Manager and Joint Discretion Manager – and not JPMS or the Advisory Representatives – are responsible for making investment decisions.
- JPMS uses processes designed to ensure that the allocation of partially filled orders is fair and equitable in accordance with applicable law.

- Because the Fee paid by clients in the Program may, in JPMS's discretion, be negotiated and can vary among clients, and the absolute amount of such Fee is typically dependent on the size of the client's account, it is not necessarily the case that the account of a client referred to JPMS by a compensated solicitor will be less profitable for JPMS or the Advisory Representative than other Program accounts.

**vi. Financial Information**

There is no financial condition that is reasonably likely to impair JPMS's ability to meet contractual commitments to its clients.

## J.P. Morgan Securities Systematic Managed Accounts Program (SMA)

### Item 4

#### Services, Fees and Compensation

In the J.P. Morgan Securities Systematic Managed Accounts Program (“SMA” or the “Program”), a single third-party portfolio manager, O’Shaughnessy Asset Management LLC (“OSAM”), provides clients with discretionary investment management services and JPMS provides non-discretionary consulting services. Clients in SMA pay JPMS an asset-based wrap fee that covers OSAM’s discretionary investment management services, JPMS’s consulting services and the execution of transactions and custody of assets by JPMS and its affiliates.

***Effective March 31, 2009, SMA was closed to new participants.*** Clients participating in the Program as of that date may, subject to the terms of their SMA Client Agreements, continue to participate in the Program and may open new accounts in SMA, to the extent the OSAM-managed investment strategies available through SMA in which they are invested or wish to invest continue(s) to be available in the Program.

**The investment advisory services described in this Brochure are not insured by the Federal Deposit Insurance Corporation (FDIC), are not a deposit or other obligation of, or guaranteed by, JPMorgan Chase Bank, N.A. or any of its affiliates, and are subject to investment risks, including possible loss of the principal amount invested.**

#### **i. Services**

Clients determine how much money to invest through SMA (“SMA Assets”) after consulting with a J.P. Morgan Securities Advisory Representative (each, an “Advisory Representative”). At the client’s request, JPMS identifies and presents each client with one or more strategies that appear to be suitable for the SMA Assets. JPMS identifies the strategy or strategies based on the information the client provides to JPMS, including the investment objective(s) for the SMA Assets provided by the client. At the client’s request, JPMS will also assist the client in allocating the SMA Assets among multiple selected strategies.

Although JPMS will identify suitable strategies, clients are responsible for selecting the strategies for their accounts. If more than one strategy is selected, the client is also responsible for allocating the SMA Assets between or among strategies. JPMS will notify OSAM of the client’s selection and provide it with information about the client. After receiving the information, OSAM may in its sole discretion accept or reject the account(s). If OSAM accepts an account, it will manage it on a discretionary basis according to the selected investment strategy. JPMS may in its sole discretion refuse to allow a client to utilize a particular investment strategy through SMA.

Each client is responsible for monitoring the client’s SMA account(s). This monitoring includes reviewing any asset allocation between or among investment strategies on an ongoing basis and determining whether to rebalance and/or reallocate the SMA Assets. The actual allocation of the SMA Assets may change over time due to fluctuations in the market value of the SMA Assets and/or additions to or withdrawals by the client. In addition, clients are responsible for determining whether a change in the client’s circumstances may warrant a change to the client’s investment strategy selection.

Clients are also responsible for monitoring OSAM’s adherence to or consistency with any investment restrictions, guidelines or policies and/or other requests for modified implementation that have been submitted by the client for the account and accepted by OSAM. JPMS has no responsibility for monitoring SMA accounts, even if JPMS assisted the client in determining an asset allocation or in developing investment restrictions, guidelines or policies and/or other requests for modified implementation of a strategy. Unless specifically agreed to by JPMS, JPMS is not obligated to provide ongoing advice with respect to the client’s selection of any strategy. JPMS is not responsible for the management of any SMA account, including the consistency of the management of any account with the client’s investment objective for the account or any other information provided by the client.

Clients generally authorize and direct OSAM to effect transactions for the account(s) directly through JPMS, subject to OSAM’s duty to seek best execution. For more information about the factors that OSAM considers in determining which broker or dealer to execute transactions through, please refer to its Form ADV Part 2A brochure or other applicable disclosure document. When JPMS executes transactions for Program clients, the division of JPMS that handles the execution may receive compensation (or compensation credits) from one or more other affiliates or divisions of JPMS, including from J.P. Morgan Securities, through which SMA is offered. Program clients are not charged for any such intracompany or inter-affiliate compensation.

JPMS will ordinarily provide clearing, settlement and custodial services with respect to transactions and assets in SMA accounts. In certain circumstances and subject to certain requirements, and in JPMS's sole discretion, JPMS may allow a client to specify in writing that a third-party custodian be used for the provision of such services.

In general, JPMS also provides clients with periodic written performance reviews of their SMA accounts. Certain SMA accounts may not receive such reviews; in its discretion, JPMS may not provide a client with written performance reviews for an account if, for example, the account's assets are not custodied by JPMS or JPMS concludes that the nature of the investment strategy used or securities held in the account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

***Investing in securities involves risk of loss that clients should be prepared to bear.*** All trading in Program accounts is at the client's risk and the value of assets in Program accounts is subject to a variety of factors, such as the liquidity and volatility of the securities markets. All securities investments involve financial risk for which the client is responsible and transactions may give rise to tax liability for which the client is also responsible. Clients receive no written or oral guarantees regarding performance. Clients may lose money by investing through the Program.

## **ii. Fees and Compensation**

JPMS will charge each SMA account an asset-based fee ("Fee") each calendar quarter, in advance. The Fee is comprised of two separate components: JPMS's component and OSAM's component. Each component of the Fee must be a flat annual rate expressed as a percentage with no more than two decimal places. The maximum annual rate for JPMS's component of the Fee is 2.00%.

OSAM's component of the Fee is typically an amount equal to 0.45% annually of the combined net market value of all client accounts managed by OSAM in SMA. On a case-by-case basis, OSAM may agree to apply a lower fee rate with respect to individual client accounts in the Program with over \$5,000,000 in assets.

The rate used each quarter will be approximately one-fourth of the annual rate based on the number of days in the quarter, and will typically be applied to the net market value of the assets (including all cash and cash alternatives such as money market mutual funds) in the account. In its discretion, JPMS may negotiate the amount and calculation of its component of the Fee based on a number of factors, including the type and size of the account, the size or number of trades anticipated to be effected for the account, services provided to the account, the client's other accounts with JPMS, accounts with JPMS held by members of client's family, and JPMS's assessment of the potential for future additional business with the client. In addition, JPMS's negotiation of its component of the Fee is generally subject to certain internal guidelines based on the total value of assets invested, or expected to be invested, by the client across JPMS's various investment advisory programs.

If a client has multiple retirement accounts in one or more of the investment advisory programs sponsored by the J.P. Morgan Securities division (which are listed and briefly described in the Supplement to this Brochure) for which the client's is the primary tax identification number, JPMS's program fee (or, for accounts in the STRATIS, Unified Managed Account (UMA) and Systematic Managed Accounts (SMA) Programs, JPMS's component of the fee) for all such accounts must be the same. Accordingly, whenever a client opens a new retirement account in one of the programs listed in the Supplement to this Brochure, or the fee for an existing retirement account in one of the programs is changed, JPMS will, if necessary, change the fee (or, for accounts in the STRATIS, UMA and SMA Programs, JPMS's component of the fee) for the client's other retirement account(s) in the programs to the retirement account fee most recently agreed to by the client, so that they are all the same. When a fee is changed for one or more of a client's other retirement accounts as a result of this process, the fee change for the other retirement accounts will take effect with the following billing period. Therefore, all retirement accounts in the J.P. Morgan Securities investment advisory programs for which Client's is the primary tax identification number will be subject to the same flat fee rate (or, as applicable, the same rate for JPMS's component of the fee), regardless of the program, the amount of assets in the account, the types of investments in the account (e.g., equities or fixed income securities) or other factors.

In valuing assets in Program accounts, JPMS uses information provided by recognized independent quotation and valuation services or will rely on information it receives from other third parties, if applicable. JPMS believes this information to be reliable but does not verify the accuracy of the information provided by these sources. If any information provided by these sources is unavailable or is believed to be unreliable, JPMS will value assets in a manner JPMS determines in good faith to reflect fair market value. JPMS may use different valuation sources for different purposes. As a result, the determination of asset values may differ for different purposes. For example, the account asset values used in the Fee calculation may not match the asset values listed on the account's custodial statements. Detailed calculations of any account asset values are available upon request.



The Client Agreement typically provides that (i) a prorated Fee will be charged on total same-day contributions to the Account (net of total same-day withdrawals from the Account) of \$25,000 or more to cover the period from the date of the net same-day contribution until the end of the quarterly billing period and (ii) a prorated Fee credit will be made for total same-day withdrawals from the Account (net of total same-day contributions to the Account) of \$25,000 or more to cover the period from the date of the net same-day withdrawal until the end of the quarterly billing period. If the Client Agreement is terminated during a billing period, JPMS will refund to the client any prepaid amount of the Fee prorated for the period of the billing period after the date of termination.

The Fee is a “wrap fee” that covers JPMS's consulting services, OSAM's investment management services, JPMS's trade execution, clearing, settlement and custody services and, typically but not necessarily, periodic written performance reviews. By recommending the Program to clients, therefore, JPMS also is recommending itself as broker-dealer. Typically, in the Client Agreement clients instruct OSAM to direct transactions in the client's account to JPMS for execution, subject to OSAM's duty under applicable law to seek “best execution.”

***Participation in SMA may cost the client more or less than purchasing the services provided in SMA separately.*** Many factors bear upon the relative cost of SMA to the client, including the cost of the services if provided and charged for separately, the Fee rate charged to the client in SMA, the amount of trading activity in the client's account, and the quality and value of the services provided. The Fee (or component of the Fee) paid by a client may be higher or lower than the fees JPMS charges other clients in SMA or other investment advisory programs, the fees JPMS would charge the client in another investment advisory program, and the cost of similar services offered through other financial firms.

The Fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates (“trading away”). OSAM may choose to place orders with broker-dealers other than JPMS, in which event the client will incur a brokerage commission that is not covered by the Fee. When OSAM places orders with broker-dealers other than JPMS, the trade confirmation issued by JPMS with the details of the trade will typically show a price for the traded security that is inclusive (i.e., net) of the commission, mark-up, mark-down or dealer spread paid by the client to the other broker-dealer; therefore, the amount of any commission, mark-up, mark-down or dealer spread will generally not be broken out or otherwise shown separately. Clients can view more specific information about the “trading away” practices of OSAM in SMA – which can result in additional costs for clients that are not covered by the Fee – at <https://www.jpmorgansecurities.com/pages/am/securities/legal/investment-managers-trading-away-practices>.

In addition, the Fee does not cover mark-ups, mark-downs and dealer spreads charged by dealers unaffiliated with JPMS when JPMS, acting as agent for the client in the Program, effects a transaction with an unaffiliated dealer acting as principal (i.e., for the dealer's own account), typically in connection with certain fixed income and over-the-counter securities that are traded primarily in “dealer” markets. Such mark-ups on securities bought by the client, mark-downs on securities sold by the client and dealer spreads (the difference between the bid price and offer price) are generally incorporated into the net price that the client pays or receives in the transaction.

The Fee does not cover clearing, settlement and custody charges that may be charged by custodians other than JPMS. The Fee also does not cover certain costs or charges that may be imposed by JPMS or third parties, including margin interest, costs associated with exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law. The Fee does not cover “dealer spreads” that JPMS, its affiliates or other broker-dealers may receive when acting as principal in certain transactions. The Fee does not cover the annual fee that JPMS charges IRA accounts or certain other retirement plans; however, JPMS may, in its discretion, agree to waive such annual fee.

Because the Fee is typically charged on all assets in the account, in a low interest rate environment, a client may earn less interest on assets held in the account as cash or cash alternatives such as money market funds than the amount of the Fee the client is paying JPMS with respect to such assets, and therefore the client's net yield with respect to such assets may be negative.

Except as otherwise agreed to in writing by JPMS, accounts are charged the Fee with respect to all assets in the account regardless of whether the client has previously paid or incurred commissions, sales charges or “loads,” mark-ups, mark-downs, dealer spreads, or other costs, charges, fees or expenses in connection with the client's previous purchase of some or all of the assets in a brokerage account or otherwise outside of the Program.

OSAM may invest SMA Assets in mutual funds (including money market funds), closed-end funds, exchange-traded funds (“ETFs”) and/or other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but ultimately are borne by clients as fund shareholders; such fees and expenses are in addition to the Fee and generally will not be deducted from the Fee. Assets of Program clients may be invested in a share class of a mutual fund with internal fees and expenses that are higher than one or more other share classes of the fund. JPMS and its affiliates also may receive compensation in addition to the Fee in connection with the

operation and/or sale of shares of affiliated or unaffiliated funds to clients in SMA, which may include investment management fees paid by certain funds to affiliates of JPMS and distribution fees paid by certain funds to JPMS and its affiliates pursuant to Rule 12b-1 under the Investment Company Act of 1940 and non-Rule 12b-1 compensation (including revenue sharing, shareholder servicing fees, and licensing fees for the use by a fund of a JPMorgan index) from certain funds, to the extent permitted by applicable law. Certain investment companies may not permit shares to be transferred outside of SMA and in certain circumstances may in their sole discretion redeem fund shares held by clients; the liquidation of these fund shares may have tax consequences to clients. Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the funds.

OSAM may purchase for certain accounts: (i) American Depositary Receipts ("ADRs"), which are receipts issued by a U.S. bank or trust company that evidence ownership of non-U.S. securities and are traded on a U.S. exchange or in the over-the-counter market; (ii) Global Depositary Receipts ("GDRs"), which are receipts issued generally by a non-U.S. bank or trust company that evidence ownership of non-U.S. securities; (iii) exchange-traded notes ("ETNs"), which are senior, unsecured, unsubordinated debt securities traded on an exchange and designed to provide a return that is linked to the performance of a specified index or other market benchmark; and/or (iv) Real Estate Investment Trusts ("REITs"), which are securities traded on an exchange that invest in real estate directly, either through properties or mortgages. Clients will bear, in addition to the SMA Fee, a proportionate share of any fees and expenses associated with ADRs, GDRs, ETNs, REITs, and/or other securities with similar characteristics, as applicable. Clients may also bear any fees and expenses associated with converting non-U.S. securities into ADRs or GDRs. When they assist in such conversions, JPMS and its affiliates receive some or all of such fees and expenses borne by the client. For trades in non-U.S. equity securities, the final average price includes a commission to a third-party broker-dealer for execution of the trade, applicable taxes and charges associated with transacting in a non-U.S. security and, if the trade is settled in U.S. Dollars, a service charge for the currency conversion.

JPMS and its affiliates may pay from time to time for certain order flow in the form of discounts, rebates, reductions of fees or credits. Conversely, as a result of sending orders to certain trading centers, JPMS and its affiliates receive payment for order flow in the form of discounts, rebates, reductions of fees or credits. Under some circumstances, the amount of such remuneration may exceed the amount that JPMS and its affiliates are charged by such trading centers. This does not alter JPMS's policy to route customer orders to the trading center where it believes clients will receive the best execution, taking into account, among other factors, price, transaction cost, volatility, market depth, quality of service, speed, and efficiency.

A portion of JPMS's component of the Fee is generally paid to the J.P. Morgan Securities Advisory Representative servicing the client's SMA account(s), who also may have recommended that the client participate in SMA. ***Because the amount received by an Advisory Representative as a result of a client's participation in SMA may be more than the Advisory Representative would receive if the client participated in another J.P. Morgan Securities investment advisory program or paid separately for investment advice, brokerage and other services covered by the Fee, the Advisory Representative may have a financial incentive to recommend SMA over other programs or services.***

JPMS or its affiliates may retain, as compensation for the performance of services, an account's proportionate share of any interest earned on aggregate cash balances held by JPMS or its affiliates with respect to "assets awaiting investment or other processing." This amount, known as "float," is earned by JPMS or its affiliates through investment in a number of short-term investment products and strategies, including without limitation loans to customers and investment securities, with the amount of such earnings retained by JPMS or its affiliates, due to the short-term nature of the investments, being generally at the prevailing one-month LIBOR interest rate ("LIBOR," or London Interbank Offered Rate, is the most widely-used benchmark for short-term interest rates), less FDIC insurance and other associated costs, if any. "Assets awaiting investment or other processing" for these purposes includes, to the extent applicable, new deposits to the account, including interest and dividends, as well as any uninvested assets held in the account caused by an instruction to purchase and sell securities. JPMS or its affiliates will generally earn float until such time as such funds may be automatically swept into a "sweep" vehicle or otherwise reinvested. "Assets awaiting investment or other processing" may also arise when JPMS facilitates a distribution from the account. Thus, pursuant to standard processes for check disbursement, cash is generally debited from the account on the date on the face of the check (also called the payable date). Such cash is deposited in a non-interest bearing omnibus deposit account held by JPMS or its affiliates, where it remains until the earlier of the date the check is presented for payment or the date payment on the check is stopped at Client's instruction (in which case the underlying funds are returned to the account). JPMS or its affiliates derive earnings (float) from their use of funds that may be held in this manner, as described above.

JPMS may effect trades on behalf of Program accounts through exchanges, electronic communications networks, alternative trading systems and similar execution systems and trading venues (collectively, "Trading Systems"), including Trading Systems in which JPMS or its affiliates may have a direct or indirect ownership interest. JPMS or its affiliates may receive indirect proportionate compensation based upon its ownership percentage in relation to the transaction fees charged by such Trading Systems in which it has an ownership interest. Currently, JPMS and/or its affiliates have an ownership interest in certain Trading Systems, including: (i) BATS

Global Markets; (ii) BIDS Trading; (iii) Chicago Stock Exchange; and (iv) Boston Options Exchange. Clients authorize JPMS to effect trades on behalf of Program accounts through all such Trading Systems, affiliated and unaffiliated, and all such other Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS may determine to trade in the future. An up-to-date list of all Trading Systems in which JPMS or its affiliates have a direct or indirect ownership interest and through which JPMS might trade can be found at <https://www.jpmorgansecurities.com/pages/am/securities/legal/ecn>. Such Trading Systems (and the extent of JPMS's or its affiliates' ownership interest in any Trading System) may change from time to time.

JPMS may earn additional compensation through brokerage-related services it provides, such as extending margin loans to clients and holding free-credit balances. Certain Advisory Representatives may receive production-based bonuses that take into account these amounts in addition to investment advisory fees (including the Fee paid by clients in the Program) and other revenue generated by the Advisory Representative. These bonuses may create a conflict of interest for those Advisory Representatives in that they have a financial incentive to recommend that Program accounts incur additional or higher fees for these services by, for example, incurring additional or larger margin loans. In addition, because the rate of fees charged for these brokerage-related services is negotiable, this compensation may give these Advisory Representatives a financial incentive to charge clients higher rates for these services.

In general, any margin debit balances held by the client cannot be held in a Program account. This is significant because, for purposes of the calculation of the Fee, the net market value of the assets on which the Fee is based generally will *not* be reduced by the amount of any margin debit balances held by the client in any account outside of the Program – even if some or all of the proceeds of the loan represented by the margin debit balances are held in the client's Program account(s) or were used to purchase securities held in the client's Program account(s) and even if some or all of the assets in the client's Program account(s) are used to collateralize or secure the loan represented by the margin balances. JPMS and the Advisory Representative have a financial incentive for the client to incur margin debt to buy securities in the client's Program account(s) because: (1) the client will be required to pay JPMS interest and fees on the debt (a portion of which JPMS may pay to the Advisory Representative); and (2) the net market value of the Program account will be increased by the value of the additional securities purchased with the proceeds of the margin loan (and will not be offset by the amount of the client's margin debit held in the account outside of the Program), resulting in a higher Fee. In addition, any interest and fees paid by the client in connection with any margin debit balances held by the client in any account outside of the Program will not be taken into account in the calculation of the net equity or performance of the client's Program account(s), as reflected in account statements, written performance reviews or otherwise.

## **Item 5**

### **Account Requirements and Types of Clients**

JPMS requires that all clients who wish to open and maintain an account in the Program enter into the Client Agreement, which sets forth the services that JPMS, its affiliates and OSAM will provide to the client and the fee that the client will pay JPMS. The specific terms of the Client Agreement will govern the handling of the client's account in the Program by JPMS, its affiliates and OSAM and the investment advisory relationship between the client on the one hand and JPMS and OSAM on the other.

The minimum amount of assets required to open an account in SMA is typically \$250,000 per account, although JPMS and OSAM may, in the discretion of each of them, waive or reduce the minimum account opening size for certain clients or accounts. In general, a separate account is required for each separate investment strategy selected by the client.

A client's selection of an investment strategy for an SMA account is subject to JPMS's and OSAM's acceptance of the client's account in each of their sole discretion. JPMS and OSAM may decline to accept a particular client or account in the Program at any time and for any reason.

SMA is generally intended for investors who seek to establish medium to long-term strategic investment goals, desire assistance and advice in connection with the construction of investment portfolios, and prefer the consistency of a fee-based approach. It is not typically intended for investors who seek to maintain control over trading in their accounts, who have a short-term investment horizon (or expect ongoing meaningful withdrawals), or who expect to maintain consistently high levels of cash or money market funds or highly concentrated portfolios. The types of clients participating in SMA generally include individuals, trusts, retirement plans (including IRAs), estates, corporations and other business entities, foundations and endowments. Investment companies, banks and thrift institutions generally do not participate in SMA.

Clients should understand that the accounts of employee benefit plans (as defined in ERISA) and retirement plans (as defined in Section 4975(e)(1) of the Internal Revenue Code), which includes IRAs, may be subject to certain JPMS policies, restrictions and other terms and conditions that are different from those applicable to other accounts in the Program. Such policies, restrictions and other terms and conditions may affect, for example, the securities that may be available for investment in such accounts, the manner in which transactions may be effected in such accounts, the ability of such accounts to trade on margin, and the fees and expenses that may be

charged to such accounts. As a result, application of the policies, restrictions and other terms and conditions may result in the performance of employee benefit plan and retirement plan accounts being worse than it would have been absent such policies, restrictions and terms and conditions. In addition, if the Client Agreement for such an account is terminated or such an account is removed from SMA, the account may be restricted by JPMS to unsolicited liquidating or “sell” orders only.

*Effective March 31, 2009, SMA was closed to new participants.* Clients participating in the Program as of that date may, subject to the terms of their SMA Client Agreements, continue to participate in the Program and may open new accounts in SMA, to the extent the investment strategies available through SMA in which they are invested or wish to invest continue(s) to be available in the Program.

## **Item 6**

### **Portfolio Manager Selection and Evaluation**

#### **i. Selection of the Portfolio Manager**

OSAM is the only portfolio manager in SMA. Prior to the formation of OSAM in 2007, the sponsor of the Program and the only portfolio manager in the Program was Bear Stearns Asset Management Inc. (“BSAM”), an affiliate of JPMS. In 2007, certain senior employees and members of the Systematic Equity Group of BSAM principally responsible for managing client accounts in SMA left BSAM to form OSAM, an independent investment adviser registered with the SEC. Upon the formation of OSAM, BSAM acquired a minority equity ownership interest in OSAM, and subsequently appointed OSAM as a sub-adviser to BSAM in SMA so that the former members of the Systematic Equity Group could continue to manage SMA Assets. In October 2008, BSAM sold its minority equity ownership interest back to OSAM. Also in October 2008, BSAM assigned its sponsorship of the Program to JPMS and its investment management rights and responsibilities in the Program to OSAM, both effective January 1, 2009. Accordingly, as of January 1, 2009: (1) JPMS, which previously had been the provider of non-discretionary consulting services to clients in SMA, also became the sponsor of the Program; (2) OSAM, which previously had managed SMA Assets as sub-adviser to BSAM, began managing those assets as direct adviser to Program clients; and (3) BSAM ceased to have any role in the Program. The investment strategies currently available to existing clients in SMA have been implemented since inception of the Program.

Because OSAM is the only portfolio manager in SMA, JPMS’s recommendation of the Program is a recommendation of OSAM as portfolio manager for the client and assets at issue. JPMS’s recommendation of the Program and its identification of one or more SMA strategies as suitable for a particular client are typically based on the client’s investment objective(s) for the assets he or she wishes to invest and other information provided by the client.

JPMS identifies to SMA clients only OSAM investment strategies available through the Program. Clients are solely responsible for the selection of strategies from among those identified by JPMS.

JPMS generally will not recommend the replacement of OSAM or an SMA strategy for a particular client unless JPMS were to replace OSAM as the portfolio manager in the Program, terminate the Program or remove a strategy from the Program, in which event JPMS may assist the client in identifying a suitable replacement manager and/or strategy based on the same types of factors used by JPMS to identify portfolio managers and strategies for investment advisory clients in the first instance.

Advisory Representatives who learn of any decision by JPMS to replace OSAM as the portfolio manager in the Program may take or recommend action on the basis of such knowledge (i) with respect to certain clients and accounts (inside or outside of the Program) before others or (ii) before JPMS’s written notice of the decision has been sent to all affected clients.

#### **ii. Review of the Portfolio Manager**

JPMS reviews (or arranges for the review of) OSAM and its investment strategies in the Program on a periodic basis. JPMS may engage one or more third parties (including affiliates of JPMS) to perform periodic reviews of OSAM (each, a “Review Vendor”) and/or perform such periodic reviews itself. A Review Vendor may also make recommendations to JPMS about whether OSAM should continue to act as portfolio manager in the Program and/or which of its investment strategies should be included in SMA. Currently, OSAM and all of its investment strategies in the Program are reviewed by the Manager Selection due diligence group (“Manager Selection”) in the J.P. Morgan Wealth Management division. Manager Selection is comprised of employees of JPMorgan Chase Bank, N.A. and other affiliates.

Changes in OSAM’s organization, investment process, service and performance are monitored by Manager Selection via periodic meetings with its staff and written quarterly communication. JPMS could determine as a result of Manager Selection’s reviews and/or other information and events that OSAM should be replaced as the portfolio manager in the Program, that a particular SMA strategy should

be removed from the Program, or that the Program should be terminated. The agreement in effect between JPMS as sponsor of the Program and OSAM as portfolio manager gives each party the right to terminate the agreement (and, thereby, to terminate OSAM's role as manager) for any reason on 180 days written notice to the other party, and the right to accelerate termination under certain circumstances. JPMS will notify clients in SMA in the event either JPMS or OSAM terminates the agreement. JPMS also will notify affected SMA clients in the event its or a Review Vendor's reviews and/or other information and events cause it to remove an investment strategy from the Program.

Manager Selection's review of OSAM and its SMA strategies and/or other information and events also may result in one or more of the strategies being closed to new investors pending further review. During such status, clients may not select a strategy in the Program for the first time, but clients with Program assets already being managed according to the strategy when it was closed to new investors are permitted to contribute additional assets to the strategy. Clients invested according to the strategy will be notified in writing that OSAM and/or the strategy have been closed to new investors. Further review of OSAM and/or the strategy by Manager Selection may result in a re-opening to new investors.

JPMS may provide clients with information about OSAM. The information may be prepared by JPMS or by a third party and is based on and/or incorporates information provided by OSAM and other third-party sources. JPMS believes that this information is accurate; however, JPMS does not independently verify or guarantee the accuracy or completeness of the information. JPMS shall have no liability with respect to information provided by OSAM. Performance information may be included in the information provided by JPMS or may be provided by OSAM. ***This performance is calculated by OSAM itself or by third parties and neither JPMS nor a third party engaged by it reviews portfolio manager performance information for JPMS to determine or verify its accuracy or its compliance with presentation standards. The performance information may not be calculated on a uniform and consistent basis.***

In addition to portfolio manager performance information clients may receive that presents performance calculated by OSAM and/or third parties, each Program client typically receives a written quarterly performance review prepared by JPMS summarizing the investment performance of the client's SMA account(s) for the prior quarter. (As explained in Item 4 above, certain clients may not receive such a performance review.) In preparing such reviews for Program clients, JPMS uses various industry and non-industry standards to measure account performance. ***Neither JPMS nor any third party reviews the performance information to determine or verify its accuracy or compliance with presentation standards, and the information may not be calculated on a uniform and consistent basis. Clients receiving periodic written performance reviews from JPMS should review carefully the disclosures, definitions and other information contained in the reviews.***

Performance reviews are not a substitute for regular monthly or quarterly account statements or Form 1099, and should not be used to calculate the Fee or to complete income tax returns. JPMS and its affiliates are entitled to rely on the financial and other information that clients or any third party provides to JPMS. The client is solely responsible for any information that the client provides to JPMS, and JPMS shall not be liable in connection with its use of any information provided by the client or a third party in the periodic review. JPMS does not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter.

Subject to JPMS's policies and procedures and applicable law, the periodic written performance review typically provided to Program clients may include information about assets in other accounts maintained by the client with JPMS (including other investment advisory accounts and brokerage accounts) as well as other assets identified to JPMS by the client. By including assets in the written performance review, JPMS is not undertaking to provide or be responsible for providing any services with respect to those assets.

In preparing account statements and performance reviews, JPMS may use multiple valuation sources that provide different values for a single asset. As a result, the determination of an account's asset values may differ for different purposes and different statements, reviews and reports. Detailed calculations of a client's account asset values are available from JPMS upon request.

Clients will receive OSAM's Form ADV Part 2A or other applicable disclosure document. Clients should review OSAM's disclosure document carefully for important information about it, including risks associated with the selected strategy (if applicable). OSAM is solely responsible for the truthfulness, completeness, and accuracy of its own disclosure document.

JPMS is not responsible for the performance of OSAM or OSAM's compliance with applicable laws and regulations or other matters within OSAM's control. OSAM is solely responsible for the management of SMA accounts. JPMS will effect transactions for an account only if and to the extent instructed by OSAM. Without limiting the generality of the foregoing, JPMS shall not be responsible for any act or omission of OSAM or any misstatement or omission contained in any document prepared by or with the approval of OSAM or any loss, liability, claim, damage, or expense whatsoever, as incurred, arising out of or attributable to such misstatement or omission.

Certain portfolio managers seek to execute transactions for institutional and other non-wrap fee program accounts prior to those for wrap fee program (e.g., SMA) accounts. This could have an adverse impact on the execution price SMA clients receive if prior trades for institutional and other non-wrap fee program accounts impact the market and trading volume of the securities sought to be purchased or sold for SMA clients' accounts. OSAM's trading and execution practices are described more fully in its Form ADV Part 2A or other disclosure document.

**iii. Related Person Portfolio Managers**

OSAM is the only portfolio manager in SMA and is unaffiliated with JPMS. Neither JPMS nor any of its supervised persons or related persons acts as a portfolio manager in the Program.

**Item 7**

**Client Information Provided to Portfolio Managers**

JPMS collects information about the client's investment time horizon, financial circumstances (including net worth and annual income), investment objective and risk tolerance for each account in the Program, and any reasonable restrictions the client wishes to impose on the management of the account(s) in writing. Certain information about the client may be set forth in a client profile. JPMS will generally provide OSAM with the client profile and other relevant client information and any changes to the information that the client provides. JPMS and OSAM will rely on the information provided by clients. JPMS will have no liability for a client's failure to provide JPMS with accurate or complete information or to inform JPMS promptly of any change in the information previously provided.

The investment objective identified by the client for an account in the Program will apply to the account as long as the account is in the Program (unless the client subsequently changes the investment objective in writing), notwithstanding any different investment objective previously identified by the client for the account when it was a brokerage account or an account in one of JPMS's other investment advisory programs. If the Client Agreement is terminated and the account becomes a brokerage account outside the Program, the investment objective previously identified by the client for the account as a brokerage account will again apply to the account.

Clients are responsible for notifying JPMS promptly, in writing, of any changes to the information the client previously provided to JPMS (including financial information and the investment objective for each account), and for providing JPMS with additional information as it may request from time to time to assist it in providing services under the Program. At least annually, JPMS contacts each client in the Program to determine whether there have been any changes in the client's financial situation or investment objective for the account and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing conditions. At least quarterly, JPMS notifies each client in writing to contact the Advisory Representative if there have been any changes in the client's financial situation or investment objective or if the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify any existing restrictions.

Clients may seek to impose restrictions on the investments in their accounts, including designating particular securities or types of securities that should not be purchased for an account. JPMS will communicate any requested restrictions to OSAM. OSAM may reject the restriction or the account if it deems the restriction to be unreasonable.

A client also may request that OSAM agree to manage the client's account in accordance with client-specified investment guidelines or policies or otherwise implement a strategy in the client's account in a manner that may differ from that in which the portfolio manager would otherwise implement the strategy in the account. JPMS will generally communicate such requests to OSAM. Investment policies and guidelines and requests for modified implementation of an investment strategy submitted by clients for Program accounts are subject to OSAM's acceptance in its sole discretion; if OSAM declines to accept an investment policy or guidelines, or to modify the implementation of a strategy, for a Program account, the client may choose either to agree that the account will be managed in the Program without reference to the investment policy or guidelines or to decide not to maintain the account in the Program.

Clients should be aware that any client-imposed investment restrictions, guidelines or policies and/or requests for modified implementation of a portfolio manager's investment strategy may cause the manager to deviate from the investment decisions it would otherwise make in managing the account in the Program, and as a result may negatively affect the performance of the account. In the absence of client-specified investment restrictions, guidelines or policies and/or modifications to the implementation of a strategy that have been accepted by OSAM, it is likely that OSAM will manage the account in a manner very similar to that of other clients with similar investment objectives and risk tolerances.

## **Item 8**

### **Client Contact with Portfolio Managers**

JPMS places no restrictions on SMA clients contacting or consulting directly with OSAM. Clients should review OSAM's Form ADV Part 2A or other applicable disclosure document for any restrictions placed by OSAM.

## **Item 9**

### **Additional Information**

**i. Disciplinary Information**

Please refer to Item 9.i in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

**ii. Other Financial Industry Activities and Affiliations**

Please refer to Item 9.ii in the section of this Brochure on the J.P. Morgan Securities STRATIS Program. However, please note that, unlike in STRATIS, JPMS's affiliates J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management) and J.P. Morgan Private Investments Inc. are *not* portfolio managers in SMA and therefore conflicts of interest resulting from their acting as portfolio managers in STRATIS that are discussed in the STRATIS section of this Brochure are not applicable in SMA.

In addition, in connection with the discussion in Item 9.ii.d of JPMS's activities as a solicitor of clients for other investment advisers, please note that OSAM is one of the advisers for which JPMS has agreed to act as solicitor of prospective clients. Under its solicitation agreement with OSAM, JPMS is entitled to a specified portion of the advisory fees received by OSAM from the investors referred to it by JPMS. The investors referred to OSAM by JPMS may be existing investment advisory clients of JPMS, including clients in the Program, but the solicitation arrangement is *not* applicable to SMA and JPMS does not refer clients to OSAM under the solicitation agreement for participation in SMA.

**iii. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Please refer to Item 9.iii in the section of this Brochure on the J.P. Morgan Securities STRATIS Program. However, please note that, unlike in STRATIS, JPMS's affiliates J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management) and J.P. Morgan Private Investments Inc. are *not* portfolio managers in SMA and therefore conflicts of interest resulting from their acting as portfolio managers in STRATIS that are discussed in the STRATIS section of this Brochure are not applicable in SMA.

**iv. Review of Accounts**

Please refer to Item 9.iv in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

**v. Client Referrals and Other Compensation**

Please refer to Item 9.v in the section of this Brochure on the J.P. Morgan Securities STRATIS Program.

**vi. Financial Information**

There is no financial condition that is reasonably likely to impair JPMS's ability to meet contractual commitments to its clients.

## ***Supplement to J.P. Morgan Securities LLC Form ADV***

J.P. Morgan Securities offers its customers a variety of brokerage services. In addition, J.P. Morgan Securities offers non-discretionary and discretionary investment advisory programs. A brief description of these investment advisory programs is provided below. (This Supplement does not include investment advisory programs offered by the division of JPMS consisting of the former business of Chase Investment Services Corp., which was merged into JPMS on October 1, 2012.) This attachment supplements certain information contained in JPMS's Form ADV Wrap Fee Program Brochures for the investment advisory programs offered by the J.P. Morgan Securities division of JPMS.

### **INVESTMENT ADVISORY PROGRAMS IN WHICH JPMS DOES NOT EXERCISE INVESTMENT DISCRETION**

#### **J.P. Morgan Securities Strategic Investment Services Program**

\$100,000 minimum investment (subject to waiver)

The J.P. Morgan Securities Strategic Investment Services Program ("STRATIS") is a fee-based investment advisory program through which JPMS provides certain non-discretionary consulting services. Clients can access third-party portfolio managers (which may include affiliates of JPMS) who manage their accounts on a discretionary basis. The portfolio managers provide separate account management. Clients can request JPMS to identify one or more investment managers and/or strategies. All of the third-party investment managers and strategies offered in STRATIS undergo periodic review by JPMS or a third party engaged by it (which may be affiliated with JPMS).

#### **J.P. Morgan Securities Investment Counseling Service Program**

\$100,000 minimum investment (subject to waiver)

The J.P. Morgan Securities Investment Counseling Service Program ("ICS") is a fee-based investment advisory program through which JPMS provides certain non-discretionary consulting services. Clients can access third-party portfolio managers (which may include affiliates of JPMS) who manage their accounts on a discretionary basis. The portfolio managers provide separate account management. Clients can request JPMS to identify one or more investment managers and/or strategies. JPMS will identify only portfolio managers and/or strategies that are included in the universe of portfolio managers and strategies that JPMS or a third party engaged by it (which may be affiliated with JPMS) periodically reviews (the "ICS Universe"). Clients may select a strategy not included in the ICS Universe for certain ICS Assets but JPMS will not perform periodic reviews of any such portfolio manager and/or strategy. The ICS minimum account size is subject to any larger minimum account size imposed by participating investment managers. If a strategy is included in both the ICS Universe and the J.P. Morgan STRATIS Program (described above), JPMS may in its sole discretion require the investor to participate in the strategy through STRATIS rather than ICS.

#### **J.P. Morgan Securities Systematic Managed Accounts Program**

\$250,000 minimum investment (subject to waiver)

The J.P. Morgan Securities Systematic Managed Accounts Program ("SMA") is a fee-based investment advisory program through which JPMS provides certain non-discretionary consulting services and an unaffiliated third-party portfolio manager, O'Shaughnessy Asset Management LLC, manages client accounts on a discretionary basis. The SMA Program offers diversified and targeted equity strategies. Each strategy seeks to provide long-term growth while managing risk. Effective March 31, 2009, SMA was closed to new participants. Clients participating in SMA as of that date may, subject to the terms of their SMA Client Agreements, continue to participate in the Program and may open new accounts in the Program, to the extent the strategy or strategies in which they are invested or wish to invest continue(s) to be available in the Program.

#### **J.P. Morgan Securities Unified Managed Account Program**

Minimum investment ranges from \$35,000 to \$250,000 (subject to waiver)

The J.P. Morgan Unified Managed Account Program ("UMA") is a fee-based investment advisory program through which JPMS provides certain non-discretionary consulting services. Clients can access separate account strategies of third-party model portfolio providers and portfolio managers, mutual funds and exchange-traded funds in a single unified managed account. An Overlay Portfolio Manager maintains discretion over day-to-day portfolio decisions (jointly with a third-party portfolio manager in some cases), trading and account administration and is responsible for coordinating model portfolios and mutual fund and exchange-traded fund transactions. Clients can request JPMS to identify one or more investment options and/or strategies. All of the investment options offered in UMA undergo review by JPMS or a third party engaged by it (which may be affiliated with JPMS). UMA also offers clients the opportunity to request systematic rebalancing reviews by the Overlay Manager. For an additional fee, clients may enroll in an optional active tax management service



through which the Overlay Portfolio Manager attempts to reduce taxes realized from the account while taking into consideration after-tax investment returns.

#### **J.P. Morgan Securities Horizon Program**

\$25,000 minimum investment (subject to waiver)

The J.P. Morgan Securities Horizon Program (“Horizon”) is a fee-based investment advisory program through which JPMS provides certain non-discretionary consulting services. Clients can access mutual funds and exchange-traded funds. There are two groups of such securities available through Horizon: “Select” and “Choice.” Different processes are used to determine the securities that are available in each group. To determine which securities are available as Select, JPMS or a third party engaged by it (which may be affiliated with JPMS) typically conducts both qualitative and quantitative reviews, which generally includes a review of the security’s organization, investment process, service, and performance. To determine which securities are available as Choice, JPMS ordinarily uses proprietary quantitative screens of security data typically collected by a third-party vendor. Horizon offers an option of systematic rebalancing at a frequency specified by the client.

#### **J.P. Morgan Securities Portfolio Advisor Program**

Minimum investment varies by Advisory Representative

The J.P. Morgan Securities Portfolio Advisor Program is a fee-based non-discretionary investment advisory program through which a J.P. Morgan Securities Advisory Representative assists clients in constructing investment portfolios consistent with each client’s investment objective and risk tolerance and a target asset allocation selected by the client. Advisory Representatives may offer advice and provide recommendations, but clients retain decision-making authority.

### **INVESTMENT ADVISORY PROGRAM IN WHICH JPMS EXERCISES INVESTMENT DISCRETION**

#### **J.P. Morgan Securities Portfolio Manager Program**

Minimum investment varies by Advisory Representative

The J.P. Morgan Securities Portfolio Manager Program is a fee-based discretionary investment advisory program. A J.P. Morgan Securities Advisory Representative constructs portfolios and manages client accounts on a discretionary basis. The Advisory Representative invests the account pursuant to his or her investment process and portfolios may be customized to meet the individual goals and objectives of the client.

### **BROKERAGE SERVICES**

J.P. Morgan Securities also offers a variety of brokerage services. J.P. Morgan Securities Financial Advisors are available to discuss these various options.

#### **Differences Between Our Brokerage Services and Our Advisory Services**

JPMS is dually registered as a broker-dealer and an investment adviser, and J.P. Morgan Securities provides both brokerage and investment advisory services to clients. When JPMS provides brokerage services, a client’s relationship with us and our duties to the client will be different in some important ways from the client’s relationship to us and our duties to the client when we are providing investment advisory services.

Brokerage services primarily involve assisting clients with the purchase and sale of securities, whereas investment advisory services primarily involve offering clients advice about what they may buy and sell, or helping them to retain another adviser to provide this service. In providing investment advisory services, we have a fiduciary duty to a client and thereby are required to put the client’s interest ahead of our own, to treat all of our advisory clients fairly and equitably and to disclose all material conflicts between our interests and the advisory client’s interests. Brokerage activities are regulated under different laws and rules than advisory activities and generally do not give rise to the fiduciary duties that an investment adviser has to its advisory clients. We do have obligations to certain clients when we act as their broker-dealer under rules concerning the “suitability” of our recommendations, our obligations to “know our customer” and our obligation to seek best execution of customer orders, as well as under rules imposed by self-regulatory organizations related to our conduct and sales practices, generally. We also have a duty to deal fairly with brokerage clients. However, our interests may not always be the same as those of brokerage clients, as we may be paid both by them and by other parties who compensate us based upon what the brokerage clients purchase, and our profits and salespersons’ compensation may vary by product and over time.