

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

J.P. Morgan Securities LLC

March 31, 2017

277 Park Avenue

New York, NY 10172

800-392-5749

<http://www.chase.com/advisoryprogram>

This wrap fee disclosure brochure (“**Brochure**”) provides information about the qualifications and business practices of J.P. Morgan Securities LLC (“**JPMS**”). If you have any questions about the contents of this brochure, please contact us at 800-392-5749. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about JPMS is also available on the SEC’s website at <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.

**The advisory services described in this Brochure are: not insured by the Federal Deposit Insurance Corporation (“FDIC”); 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.**

**ITEM 2 – MATERIAL CHANGES**

The following is a summary of the material changes made to this Brochure since the last annual update dated March 30, 2016:

**As of the December 2, 2016, the Portfolio Manager Program changed its name to the Advisory Program.** Item 4 was updated to describe that the Advisory Program, a separately managed account wrap fee program, includes two distinct products: the Portfolio Manager Program, which offers access to discretionary equity or fixed income investment strategies managed by affiliated and unaffiliated portfolio managers; and the Select Advisory Strategies, with investment strategies managed by J.P. Morgan Private Investments Inc., with portfolios that may leverage models of securities, including mutual funds and exchange traded funds, from affiliated and unaffiliated model managers.

**On April 1, 2017, JPMS transitioned to a new fee schedule. Clients that opened accounts prior to April 1, 2017 will have their fees transition to the new fee schedule and fee calculation methodology as of that date.** Item 4 was updated to show the new fee schedule calculated as a linear or flat tier schedule (which applies the same rate to the entire portfolio). The fee will be assessed monthly in arrears. In addition, the downside fee protection will apply at all fee schedule tiers (the fee rate will not change so long as the market value does not go below 10% of the minimum asset level required for the fee rate).

Item 4 and Item 9 were updated to reflect that J.P. Morgan Clearing Corporation (“**JPMCC**”) merged into JPMS. Upon completion of the merger, that took effect on or around October 1, 2016, JPMS assumed responsibility for the clearing services formerly performed by its affiliate, JPMCC.

Item 5 shows the initial account minimum was reduced to \$100,000 for certain fixed income accounts.

Item 6 was updated to describe the portfolio manager selection and evaluation processes with respect to JPMS’ affiliated portfolio manager, J.P. Morgan Private Investment Inc., and the inherent conflicts of interest in its role as portfolio manager and investment research provider.

Item 9 under “Disciplinary Events” was updated to disclose a disciplinary event affecting JPMS and its affiliates in the form of a settlement between the Indiana Securities Division, JPMS and JPMorgan Chase Bank, N.A.

Item 9, additional disclosures have been included to describe relationships with affiliated entities involved in the Advisory Program, as portfolio managers, model managers and mutual funds.

Item 9, additional disclosures were added concerning the use and ownership of certain trading systems.

Copies of Form ADV, Part 2A Brochure for JPMS are available at [www.chase.com/advisoryprogram](http://www.chase.com/advisoryprogram) or by contacting your investment advisory representative.

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### ITEM 4 – SERVICES, FEES AND COMPENSATION

#### Description of Firm and Advisory Services

J.P. Morgan Securities LLC (“JPMS” or the “Firm”) is a wholly-owned subsidiary of JPMorgan Chase & Co. (“JPMorgan”), a publicly-held financial services holding company. JPMorgan and its affiliates (together “J.P. Morgan”) are engaged in a large number of financial businesses worldwide, including banking, asset management, securities brokerage and investment advisory services. JPMS is registered as a broker-dealer with the U.S. Securities and Exchange Commission (“SEC”) and is a member of the Financial Industry Regulatory Authority (“FINRA”). JPMS’ investment advisory services are limited to sponsoring a variety of wrap fee accounts. JPMS offers investment advisory products through three separate sales channels: J.P. Morgan Securities, Chase Investments and Chase Private Client.

This Brochure provides information about JPMS and the Advisory Program (also referred to as the “Program”). The Advisory Program is offered only through the Chase Investments and Chase Private Client sales channels. Information about other wrap fee programs sponsored by JPMS are contained in separate Brochures, which can be obtained upon request from your JPMS investment advisory registered representative (“IAR”), or at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). JPMS also maintains a separate website, available at [www.chase.com/managed-account-disclosures](http://www.chase.com/managed-account-disclosures), that contains the wrap fee program brochures for the Program and other JPMS advisory programs.

**Investing in securities involves risk of loss that clients should be prepared to bear. The investment performance and success of any particular investment cannot be predicted or guaranteed, and the value of a client’s investments will fluctuate due to market conditions and other factors. Investments are subject to various risks, including but not limited to market, liquidity, currency, economic, and political risks, and will not necessarily be profitable. Past performance of investments is not indicative of future performance.**

## Advisory Program

### Program Description

The Advisory Program provides JPMS clients with access to a select group of professional portfolio managers (“**Portfolio Managers**”) to provide discretionary investment management in separately managed accounts, and brokerage and reporting services in connection with the accounts. Clients select the Portfolio Manager and investment strategy (“**Investment Strategy**”) from among the Portfolio Managers and Investment Strategies made available by JPMS. Program clients (“**Clients**”) pay asset-based fees that cover investment management, execution, custody and reporting services.

The Advisory Program encompasses two distinct products:

- The Portfolio Manager Program (“**PMP**”) provides Clients access to affiliated and unaffiliated Portfolio Managers, each of whom offers a specific Investment Strategy (equity and fixed income) and market sector expertise. Currently the only affiliated Portfolio Manager in PMP is J.P. Morgan Investment Management Inc. (“**JPMIM**”).
- The Select Advisory Strategies (“**SAS**”) provides access to an affiliated Portfolio Manager, J.P. Morgan Private Investments Inc. (“**JPMPI**”), with Investment Strategies that seek to address specific investment objectives, provide exposure to targeted asset classes, capture timely market opportunities and/or address specific client objectives through actively managed portfolios. These Investment Strategies may include a variety of marketable securities, such as stocks, bonds, exchange traded funds (“**ETFs**”) and mutual funds (ETFs and mutual funds are together referred to as “**Funds**”), and may leverage the expertise of other investment managers who provide models of securities for certain Investment Strategies (“**Model Managers**”). SAS is only available to clients of IARs that service Chase Private Clients.

There are two types of SAS Investment Strategies: (1) single-manager strategies (the “**Single-Manager Strategies**”) for which JPMPI seeks to invest in individual securities; and (2) multi-manager strategies (the “**Multi-Manager Strategies**”) for which JPMPI seeks to invest in one or more Funds available through JPMS, and/or in individual securities following one or more model portfolios provided by affiliated and/or unaffiliated Model Managers. The Form ADV, Part 2A for each Model Manager selected for a client’s Multi-Manager Strategy Account is available at the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Funds available through certain Investment Strategies in SAS include both Funds sponsored or managed by J.P. Morgan affiliates (the “**J.P. Morgan Funds**”), including JPMIM, and Funds managed by third-party asset managers (the “**non-J.P. Morgan Funds**”). A substantial portion of the assets in the SAS Investment Strategies are expected to be invested in J.P. Morgan Funds. In addition, unaffiliated and affiliated Model Managers will be evaluated and selected for these accounts. See “Important Information About Your Investments and Potential Conflicts of Interest” below for more information on the use of J.P. Morgan Funds and affiliated Model Managers.

### Client Profile and Account Opening

Prior to opening a Program account (“**Account**”), the IAR meets with the prospective Client to create a “Client Profile” based upon the Client’s responses to questions regarding their financial situation, investment experience, investment objectives, time horizon and risk tolerance. The information is evaluated and incorporated into an “Investment Proposal”. Based on the information in the Client Profile and Investment Proposal, the IAR will assist the Client in selecting an Investment Strategy and a Portfolio Manager. Although only a single Portfolio Manager will be selected for each of the Client’s Program Accounts, the Client can open multiple Program Accounts as part of their overall strategy.

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

to any asset allocation or the Client's investment objectives and policies. The Client retains final decision-making authority and responsibility for the selection of, and any changes made to, an asset allocation.

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

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

If a Client uses securities to fund a Program Account, JPMS or the Portfolio Manager, on a best efforts basis, will sell any securities that are not consistent with the Investment Strategy as an accommodation to the Client without charging a commission or spread on the trade. If non-US denominated securities are sold, the Client will incur currency conversion charges. If a particular security cannot be liquidated, it will not be used to fund an Account.

If a trade error is made in a Client's Account, JPMS will take action to make the Account whole. JPMS will use a firm account to correct trade errors. If bonds are erroneously sold from a Client's Account, and JPMS or the Portfolio Manager cannot find the same bonds to buy back for the Account, JPMS or the Portfolio Manager will purchase bonds that it believes are equivalent in quality and yield.

### **Custodian**

JPMS, in its capacity as an SEC-registered broker-dealer, provides clearing and trade execution services for and serves as the custodian for the Program Accounts. JPMS is a "qualified custodian" as defined in Rule 206(4)-2 under the Investment Advisers Act of 1940 (the "**Advisers Act**").

### **Model Managers**

JPMPPI may engage Model Managers to provide non-discretionary investment advice and recommendations through the provision of model portfolios that include Funds or individual securities. The Portfolio Manager retains investment discretion over Program Account investments. The Portfolio Manager can add or remove Model Managers from time to time.

### **Trade Confirmations, Statements and Performance Reporting**

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

### **Proxy Voting, Corporate Actions and Other Legal Matters**

JPMS and JPMPPI will not vote proxies (or give advice about how to vote proxies) relating to securities and other property currently or formerly held in a Client's Account. JPMS and JPMPPI will not be responsible or liable for: (1) failing to notify a Client of proxies, or (2) failing to send to the Proxy Service (defined below) or a client, as applicable, proxy materials or annual reports where JPMS or JPMPPI have not received proxies or related shareholder communications on a timely basis or at all.

Except in the case of JPMPPI, the Portfolio Manager (or its agent) to a Client's Account is designated to receive and act on Client's behalf, all shareholder communications (including, but not limited to, proxy statements and other proxy solicitation

materials, annual reports and semi-annual reports) distributed by the issuers of securities held in Client's Account and not required by law to be sent to Client. Client may revoke this consent at any time upon written notice to JPMS. Such revocation will not affect any other authority given to Portfolio Manager to provide discretionary portfolio management for Client's Account. Portfolio Manager will not be obligated to take action or render any advice involving legal action on Client's behalf with respect to securities or other investments, which become the subject of legal notices or proceedings, including bankruptcies.

For the Investment Strategies managed by JPMPI, each Client has the right to vote, and is responsible for voting, proxies for any securities and other property in the Client's Account. A Client may appoint an independent services provider designated by JPMS for purposes of voting proxies ("**Proxy Service**") as the Client's agent and attorney-in-fact, and authorize the Proxy Service, in its discretion, to vote proxies for any securities and other property in the Client's Account in accordance with the Proxy Service's proxy voting guidelines in effect from time to time, copies of which are available on request. The Proxy Service is currently Institutional Shareholder Services Inc. ("**ISS**"). Information relating to ISS' services is available on ISS' website at [www.issgovernance.com](http://www.issgovernance.com). ISS' advisory brochure is available at the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Proxy Service's role as the Client's agent applies only to proxies that the Proxy Service generally votes and does not apply to proxies with respect to which the Proxy Service declines to vote, which will not be voted. A Client that appoints the Proxy Service will not receive proxy materials or annual reports relating to securities and other property for which the Proxy Service has accepted responsibility for voting related proxies. In limited circumstances, there may be proxies that are not voted by Proxy Service. A Client may revoke its appointment of the Proxy Service upon written notice to JPMS. If a Client revokes his or her appointment of the Proxy Service, the Client will receive all proxy materials and annual reports related to securities and other property in the Client's Account, and will be responsible for voting such proxies directly or instructing any custodian that holds such securities and other property. JPMS may, in its discretion, change the Proxy Service. JPMS will not be deemed to have or exercise proxy voting responsibility or authority by virtue of any authority to hire or change the Proxy Service.

For the Investment Strategies managed by JPMPI, unless a client otherwise directs to JPMS in writing and such instruction is transmitted to JPMPI, JPMPI will receive and respond to corporate actions with respect to securities in a client's account, such as: any conversion option; execution of waivers, consents, and other instruments; and consents to any plan of reorganization, merger, combination, consolidation, liquidation, or similar plan. JPMPI may, in its sole discretion, delegate this responsibility to a service provider. Each Client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the Client's Account or the issuers thereof. Neither JPMS nor JPMPI is obligated to render any advice or take any action on a Client's behalf with respect to securities or other property held in the Client's Account, or the issuers thereof, which become the subject of any legal proceedings, including without limitation, bankruptcies and shareholder litigation, to which any securities or other investments held or previously held in the Account, or the issuers thereof, become subject. In addition, neither JPMS nor JPMPI is obligated to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, on behalf of a Client's Account, including with respect to transactions, securities or other investments held or previously held, in the Client's Account or the issuers thereof.

## **Wrap Account Fees**

### **General**

Clients pay an annual asset-based Account fee for the Program ("**Account Fee**") to JPMS pursuant to the applicable fee schedule, and subject to any applicable discounts or adjustments. The Account Fee is composed of an "**Advisory Fee**" and, for certain Accounts, a "**Manager Fee**". The Advisory Fee and Manager Fee(s) will be reflected on the Account statement issued by the custodian for the Account. Fees for partial billing periods upon the inception or termination of a Program Account will be prorated.

The Advisory Fee is an annualized asset-based fee that covers all advisory, administrative, custodial and brokerage services provided by JPMS. The Advisory Fee rates are found in the applicable fee schedule below. JPMS pays to JPMPI a share of the Advisory Fee, equal to 0.20% of the total assets in the Advisory Program for manager research and other related services in support of the Program performed by JPMPI. For qualified retirement Accounts where Manager Fees to affiliates are waived, JPMS may share a portion of the Advisory Fee with the affiliated Portfolio/Model Manager for the Account.

The Manager Fee is an annualized asset-based fee that covers the portfolio management services provided by PMP or SAS Portfolio Managers.

The Manager Fee rates for Portfolio Managers are found in the applicable fee schedules below. The Manager Fee rates depend on the Portfolio Manager, the Investment Strategy, and for some Portfolio Managers, the cumulative Program assets invested with a Portfolio Manager or in a particular Investment Strategy.

Prior to April 1, 2007, there is no Manager Fee for fixed income Investment Strategies in PMP and SAS. For these fixed income Investment Strategies, a portion of the Advisory Fee is shared with the Portfolio Manager. After April 1, 2017, please refer to the schedule below for Manager Fee rates.

For SAS, where the Investment Strategy consists of investments in mutual funds, ETFs and/or models of securities recommended by underlying Model Managers, the Manager Fee is applied only to the assets included in the model of the Model Manager (to cover the underlying Model Managers' fees). The Manager Fee rates for Model Managers are found in the applicable fee schedules below.

The Account Fee does not include brokerage and execution charges for transactions executed through a broker-dealer other than JPMS, mark-ups, mark-downs, and spreads on fixed income securities, ACAT or wire transfer fees, special requests by the Client, IRA and qualified retirement plan fees, stop payment fees, and any fees required by law or imposed by the Securities and Exchange Commission (collectively, "**Additional Fees**"). JPMS can change the Advisory Fee, Manager Fee or Additional Fees with notice to the Client.

For PMP equity Portfolio Managers affiliated with JPMS and SAS Portfolio Managers affiliated with JPMS, individual retirement accounts ("**IRAs**") and other tax-qualified plans, including plans subject to the Employee Retirement Income Security Act of 1974 ("**ERISA**"), the Manager Fee is waived or rebated to Client. In this case, JPMS may share a portion of the Advisory Fee with the affiliated Portfolio Manager. This revenue sharing arrangement will not affect the total Account Fees due by the Client.

The Advisory Fee rate and the Manager Fee rate for a Portfolio Manager and/or Model Manager are disclosed in the Investment Proposal.

Because the Program Account Fee is charged on all assets in the Account (including cash), in a low interest rate environment, a Client can earn less interest on assets held in the Account as cash or cash alternatives, such as money market funds, than the amount of the Program Account Fee the Client is paying JPMS with respect to such assets, and therefore the Client's net yield with respect to such assets can be negative.

The Account Fee for Program accounts will be computed and payable monthly in arrears based upon the market value of all assets held in the Program account (including cash) on the last business day of the prior month.

No minimum fee requirement is applied to Accounts. Program Accounts will be charged the appropriate fee percentage for the Account value or for the value of assets in managed accounts they have combined for fee calculation purposes. Unless the Client has elected to pay the Account Fee from a related JPMS managed account, if there are sufficient funds in the money market sweep fund ("**MMF**") to pay the entire amount, the fee will be paid out of the MMF within the Program Account. If the MMF does not have sufficient funds to pay the fee in its entirety, at the discretion of the Portfolio Manager, securities in the portfolio Account will be sold to pay the entire fee rather than paying any of the fee from the MMF. If, due to withdrawals, payment of fees, or otherwise, the value of the MMF falls to zero or below, at the discretion of the Portfolio Manager, sufficient securities in the portfolio Account will be sold to clear the debit and replenish the MMF to its current target amount.

Account Fees for Program Accounts are:

## ADVISORY FEES

| <b>EQUITY AND FIXED INCOME<br/>FEE SCHEDULE (Linear)<sup>1</sup></b> |                   |
|--|-------------------|
| <b>Assets</b>  | <b>Annual Fee</b> |
| 0 - \$250,000  | 1.45%             |
| \$250,000 - \$500,000  | 1.30%             |
| \$500,000 - \$1,000,000  | 1.15%             |
| \$1,000,000 - \$2,000,000  | 1.00%             |
| \$2,000,000 - \$5,000,000  | 0.75%             |
| \$5,000,000 - \$10,000,000   | 0.65%             |
| \$10,000,000 - \$15,000,000  | 0.55%             |
| \$15,000,000 - \$25,000,000  | 0.50%             |
| \$25,000,000 - \$50,000,000  | 0.40%             |
| > \$50,000,000   | 0.30%             |

<sup>1</sup> The linear fee calculation applies the same rate to the entire portfolio, and will be applied monthly in arrears.

## MANAGER FEES

| <b>PMP<br/>MANAGER FEE SCHEDULES</b>                  |                   |
|---|-------------------|
| <b>Portfolio Manager</b>                              | <b>Annual Fee</b> |
| Appleton Short-Term Municipal                         | 0.23%             |
| Appleton Intermediate-Term Municipal                  | 0.23%             |
| Baird Investment Management Mid Cap Growth*           | 0.45%             |
| Boston Partners Large Cap Value                       | 0.28%             |
| BRC Investment Management Large Cap Equity*           | 0.45%             |
| Breckinridge Short-Term Municipal*                    | 0.30%             |
| Breckinridge Intermediate-Term Municipal*             | 0.30%             |
| Brown Advisory Small Cap Growth*                      | 0.45%             |
| Capital Group International Equity*                   | 0.38%             |
| Cardinal Small Cap Value                              | 0.60%             |
| Clearbridge Dividend Leaders Strategy                 | 0.32%             |
| Clearbridge Appreciation ESG                          | 0.40%             |
| Diamond Hill Capital Management, Inc Large Cap Value* | 0.45%             |
| Earnest Partners Mid Cap Core*                        | 0.50%             |
| Earnest Partners Mid Cap Value*                       | 0.45%             |
| Federated Investors, Inc. Strategic Value Equity      | 0.34%             |
| Fred Alger Capital Appreciation Growth Equity*        | 0.45%             |
| Glenmede Investment Management Small Cap Equity*      | 0.45%             |
| Golden Capital Management, LLC Large Cap Equity*      | 0.45%             |



MANAGER FEES (continued from previous page)

| <b>PMP<br/>MANAGER FEE SCHEDULES</b>                          |                   |
|---|-------------------|
| <b>Portfolio Manager</b>                                      | <b>Annual Fee</b> |
| GW&K Enhanced Core Bond Strategy*                             | 0.35%             |
| GW&K Municipal Bond Strategy*                                 | 0.35%             |
| GW&K Short-Term Taxable Fixed Income*                         | 0.30%             |
| GW&K Small Cap Equity*  | 0.50%             |
| GW&K Total Return Bond Strategy*                              | 0.35%             |
| Harding Loevner, LP International Equity*                     | 0.45%             |
| Janus Global Healthcare Strategy                              | 0.45%             |
| John Hancock Fundamental Large Cap Core                       | 0.40%             |
| J.P. Morgan Asset Management Focused European Multinationals  | 0.45%             |
| J.P. Morgan Asset Management Intermediate Municipal           | 0.25%             |
| J.P. Morgan Asset Management U.S. Large Cap Equity*           | 0.45%             |
| Kayne Anderson Rudnick Small Cap Quality Value*               | 0.50%             |
| Loomis Sayles Large Cap Growth                                | 0.34%             |
| Lyrical U.S. Value Equity                                     | 0.75%             |
| Madison Taxable Fixed Income – Intermediate (Corporates Only) | 0.23%             |
| Nomura Japan Active Growth                                    | 0.425%            |
| Principal Mid Cap Equity                                      | 0.40%             |
| Sage Core Taxable Fixed Income*                               | 0.25%             |
| Santa Barbara Asset Management Dividend Growth*               | 0.45%             |
| Schafer Cullen International High Dividend                    | 0.40%             |
| TCW Investment Management Company Concentrated Core           | 0.40%             |
| Tributary Capital Management Small Cap Equity*                | 0.45%             |
| Uniplan Investment Council REIT Portfolio*                    | 0.45%             |
| WCM Focused Growth International                              | 0.50%             |
| Wedgewood Partners, Inc. Large Cap Focused Growth*            | 0.45%             |

\* The Manager Fee rate may be reduced depending on overall Program assets invested with the Portfolio Manager and/or the Investment Strategy. A Client's actual fees will be reflected in the Account statement issued by the custodian for the Account.



| <b>SAS<br/>EQUITY<br/>MANAGER FEE SCHEDULE</b> |                   |
|--|-------------------|
| <b>Portfolio Manager</b>                       | <b>Annual Fee</b> |
| JPMPI Focused Dividend Growth                  | 0.45%             |
| JPMPI Focused Tactical Equities                | 0.45%             |
| JPMPI Digital Evolution Strategy               | 0.45%             |
| JPMPI Consumer Recovery Strategy               | 0.65%             |

| <b>SAS<br/>EQUITY<br/>MANAGER FEE SCHEDULE</b> |                   |
|--|-------------------|
| <b>Model Manager</b>                           | <b>Annual Fee</b> |
| J.P. Morgan Asset Management                   | 0.45%             |
| The Mitchell Group                             | 0.45%             |
| SouthernSun                                    | 0.55%             |

If Portfolio Managers aggregate Program Accounts when calculating fees, Clients could pay a lower Manager Fee than the Fee shown above.

If the Account has at any time qualified for a particular fee rate based on the market value of the Account, the same fee rate shall apply so long as the market value of the Account is no lower than 10% below the minimum asset size required for the applicable fee rate. If the market value of the Account falls below 10% of the minimum asset size required for the current fee rate, the Account Fee rate will be assessed using the applicable fee rate reflected in the fee schedule.

### **Waivers, Reductions and Negotiated Fees**

A reduction in or a complete waiver of the Account Fee can be negotiated at the discretion of JPMS. Fees can be discounted for employees of JPMS or its affiliates. From time to time Program Account Fees can be increased. JPMS will promptly notify the Client whenever a fee increase is made to the Client's Program Account(s). The Account Fee includes investment management, brokerage, execution, custody and reporting services.

A client can combine assets held in certain other JPMS advisory products (together a “**household**”) to determine the applicable fee percentage. JPMS advisory accounts subject to the same fee schedule, fee calculation methodology, and under the same tax identification number are automatically linked for Account Fee calculations. Clients must submit a Managed Account Combined Fee Request Form, which is subject to approval by JPMS at its discretion, to link other related advisory accounts. When the combined assets in the linked accounts are sufficient to reach the next advisory Account Fee breakpoint, the client will benefit from a lower overall fee. The combined Account Fee is then divided ratably and assessed over all of the related advisory accounts. All linked accounts, within the same household, will have the same Advisory Fee rate applied. Subject to restrictions for retirement accounts, clients can request that one of the related accounts pay the entire Account Fee for the combined holdings.

The Program Account Fees can be more or less than the cost of paying for investment advice, trade execution, custody and reporting services separately, depending on the cost of these services if provided separately and the level of trading activity in the Client's Account. The Model/Portfolio Manager (affiliated and unaffiliated) fees in the Program may be more than fees for the same Model/Portfolio Manager services outside the Program, including when offered by affiliates.

### **Other Fees and Expenses**

Funds pay fees and expenses that are ultimately borne by Clients (including but not limited to management fees, brokerage costs, and administration and custody fees). The Account Fee does not include various additional fees that can be incurred within Client's Program Account, including, but not limited to, Fund fees and expenses, transfer taxes, electronic fund and

wire fees, IRA and retirement plan account fees, margin interest, American Depository Receipts (“**ADR**”) fees, or any other fees that would reasonably be assessed to a brokerage account. If these fees are for services performed by JPMS or their affiliates, JPMS or an affiliate will receive all or a portion of the revenue from the fee. Additionally, Funds held in a Program Account have annual investment advisory expenses, so Clients actually incur two levels of investment management fees: indirect Fund investment advisory fees to the investment adviser of each Fund, and direct Program investment advisory fees to JPMS, Portfolio Managers and Model Managers. If these fees are for services performed by JPMS or its affiliates, JPMS or its affiliates may receive some or all of the revenue from the fee. These Fund fees and expenses are in addition to any fees paid to JPMS as the Program Sponsor, any fees paid to the Portfolio Managers, and any fees received to Model Managers. Clients should review the applicable prospectuses for Funds (including Liquid Alternative Funds, as applicable) in the Program for additional information about these fees and expenses. JPMS and its affiliates collectively receive greater revenue if J.P. Morgan Funds or affiliated Model Managers are included in the Program, and therefore, JPMS and its affiliates have a conflict of interest in including J.P. Morgan Funds or affiliated Model Managers in the Program. See “Important Information About Your Investments and Potential Conflicts of Interest” below for more information on the use of J.P. Morgan Funds and affiliated Model Managers.

The Account Fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates. In general, Portfolio Managers in the Program place orders in fixed-income or debt securities with broker-dealers other than JPMS; for these trades the Client will incur a brokerage commission, mark-up or mark-down charged by the other broker-dealer that is not covered by the Account Fee. Portfolio Managers in the Program also can 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 Account Fee. When Portfolio Managers place orders with broker-dealers other than JPMS, the trade confirmation issued by JPMS with the details of the trade shows a price for the traded security that is inclusive (*i.e.*, net) of the commission, mark-up or mark-down paid by the Client to the other broker-dealer, but it does not break out or otherwise show the amount of the commission, mark-up or mark-down separately. For more information on trades away from the Firm, please refer to additional disclosures on the JPMS separate website, available at [www.chase.com/managed-account-disclosures](http://www.chase.com/managed-account-disclosures).

### **Mutual Fund Share Classes**

Currently, only SAS Investment Strategies invest in mutual funds. Mutual fund shares purchased are generally advisory or institutional class shares, or no-load or load-waived Class A shares that are sold at net asset value. Generally, JPMS seeks to make available the lowest cost share class for any Fund offered in the Program. However, for certain Funds, the share classes with the lowest fee structures may not be available in the Program, either because (1) the Fund family restricts access to these share classes, or (2) JPMS does not have an agreement with the Fund to distribute the share class in the Program. For a description of all share classes that may be available for a given Fund, please refer to the Fund’s prospectus. JPMS periodically reviews the share classes offered by Funds in the Program, but also relies on the Fund families to inform JPMS when and if these share classes will be made available. Please contact your IAR for information about any limitations on share classes available through the Program.

JPMS will invest Client Accounts in the lowest cost share class of a Fund offered through the Program. Clients should be aware that certain lower cost Fund share classes may be available outside of the Program.

JPMS may receive a distribution fee from certain Funds pursuant to Rule 12b-1 under the Investment Company Act of 1940 (“**Investment Company Act**”). Rule 12b-1 allows Funds to use Fund assets to pay the costs of marketing and distribution of the Fund’s shares. If JPMS receives 12b-1 fees on load-waived Class A shares purchased in a Client’s Account, it will credit these fees to the Client’s Account.

In addition, JPMS, directly or indirectly, receives administrative and/or shareholder servicing fees from certain Funds or their affiliates that are held in a Client’s Account. The administrative and/or shareholder servicing fees that JPMS receives generally range from 0 basis points to 40 basis points of the Fund assets in Accounts, or a rate of \$8 to \$19 per year per mutual fund position in each Account. JPMS collects the servicing or administrative fees from the Funds that pay those fees, but does not retain any portion of those fees for retirement accounts. For non-retirement Accounts, JPMS keeps the servicing or administrative fees. With respect to an Account owned by an IRA, or other Client that is a qualified retirement plan subject to the prohibited transaction provisions of Section 4975 of the Internal Revenue Code of 1986 (the “**IRC**”), the servicing or administrative fees are rebated to the Account, net any vendor sub-accounting charges, which are charged for each Fund position. The administrative and/or shareholder servicing fees that JPMS receives represent additional compensation to JPMS.

for providing services to Clients. If JPMS did not receive this compensation, JPMS would likely charge higher Account Fees or other charges to Clients for the services provided by JPMS in the Program. When evaluating the fees for, and cost of, the Program, Clients should consider the administrative and/or shareholder servicing fees that JPMS receives, in addition to the Account Fee. Details about administration and/or shareholder servicing fees and other compensation are available upon request. In addition, Clients should review the applicable Fund prospectuses for more information about these fees and expenses.

If JPMS introduces a class of shares for a Fund in the Program with a lower fee structure than the class of shares previously made available in the Program for the Fund, to the extent allowed, JPMS will effectuate an exchange of previously purchased shares of the Fund to the other share class of the same Fund with the lower fee structure. The conversion of shares of a Fund may take time, including several days or more, to complete. Operational considerations, as well as efforts by JPMS to transition share classes in a tax-efficient manner, may affect the timing of the conversion of shares, and may cause the timing or implementation of such conversions to differ between Clients.

Some of the Fund share classes available through the Program may not be available to Clients outside of the Program. Funds may prohibit Clients from continuing to hold certain share classes offered in the Program outside of Program Accounts. If so, it may be necessary to sell these shares or convert them to other share classes if a Program Account is terminated. The sale of Fund shares may create income tax consequences for the Client.

### **Rebate of Certain Fees to IRAs and Certain Other Retirement Plan Accounts**

If a Program Account owned by an IRA, or other Client that is a qualified retirement subject to the prohibited transaction provisions of Section 4975 of the IRC, is managed by an affiliated Portfolio/Model Manager and/or holds any J.P. Morgan Funds, the actual amount of the Portfolio/Model Manager Fee and/or J.P. Morgan Funds' advisory fees associated with Program Account assets will be credited to the Account Fee. The credit amount will be automatically applied against the Account Fee charged for the period and will appear as a separate line item on the Client's Program Account statement. If the amount to be credited exceeds the amount of the Account Fee, then the Account Fee will be waived in lieu of crediting the Manager Fees and/or J.P. Morgan Funds advisory fees associated with Program Account assets. The credit or offset for J.P. Morgan Funds advisory fees does not apply to other mutual fund expenses, such as transfer agency fees and shareholder servicing fees, or actual distribution, shareholder servicing, and other fees paid to JPMS and its affiliates for account investments in non-J.P. Morgan Funds. For qualified retirement Accounts where fees to affiliates are waived, JPMS may share a portion of the Advisory Fee with the affiliated manager for the Account.

### **IAR Compensation**

The Program is recommended to JPMS clients by IARs associated with JPMS. A portion of the Account Fee paid to JPMS is paid to the IAR who recommended and/or services the Program Account. The exact portion of the fee paid to the IAR varies among IARs and can also depend upon each IAR's overall revenue production. JPMS IARs have a number of opportunities for selling products or services in their capacity as JPMS broker-dealer registered representatives or insurance agents. Depending on a number of factors, including the size of the Program Account, changes in its value over time, the number of transactions, and the ability to negotiate fees and commissions, the amount of compensation a JPMS IAR receives from a Program Account can be more or less than JPMS and the IAR would receive if the client paid separately for investment advice, brokerage and other services. Since the IAR who recommends and/or services the Program Account will receive ongoing compensation as a result of Client's participation in the Program, the IAR has a financial incentive to recommend the Program, especially if the IAR believes that this compensation would be more than if the services were provided separately or if the Client had purchased a different advisory program sponsored by JPMS.

### **Margin Debit Balances**

In general, any margin debit balances held by a Client cannot be held in a Program Account. This is significant because, for purposes of the calculation of the Account Fee, the net market value of the assets on which the fee is based will generally not be reduced by the amount of any margin debit balances held by the Client in an 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 and even if some or all of the assets in the Client's Program Account are used to collateralize or secure the loan represented by the margin balances. JPMS has a financial incentive for the Client to incur margin debt to buy securities in a Program Account because: 1) the Client will be required to pay JPMS or its affiliates interest and fees on the debt; and 2) the net market value of the Program Account will be increased by the value of the additional securities purchased with the margin loan (and will not

be offset by the amount of the margin debit held by the Client in any account outside of the Program), resulting in a higher fee. In addition, any interest and fees paid by the Client in connection with any debit balances held outside the Program Account will not be taken into account in the computation of the net equity or performance of the Client's Program Account as reflected in Account statements, performance reports or otherwise.

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

JPMS offers and sells the Program to individuals, trusts, estates, charitable organizations, and corporations and other business entities, and to a Client's assets held in certain types of retirement accounts generally provided that Accounts have a U.S. address. The Program is available to certain accounts governed by ERISA.

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

Participation in the Program generally requires a minimum \$50,000 investment for equity Accounts and \$100,000 for fixed income Accounts. Portfolio Managers can require higher minimum amounts, or change the initial Account minimums. If a Program Account falls below the Portfolio Manager initial account minimum, the Account is subject to termination at the discretion of JPMS or the Portfolio Manager. Clients whose Account address becomes a non-U.S. address generally will have their Account terminated from the Program. Under normal market conditions, it will take 2-4 days to process the investment of funds in Program Accounts (whether initial investments or additions) and requests to sell or withdraw funds from Program Accounts, but these timeframes can be longer due to market conditions and other factors.

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

### **Introduction**

The Portfolio Managers available in the Program include affiliated and non-affiliated Portfolio Managers. JPMS uses the same criteria to evaluate affiliated and non-affiliated Portfolio Managers, except in the case of its affiliate JPMPI (see "Affiliated Portfolio Managers and Conflicts" below). JPMS has a conflict of interest in including affiliated Portfolio Managers in the Program because JPMS and/or its affiliates will receive additional compensation when Clients select an affiliated Portfolio Manager. For more information, see "Important Information About Your Investments and Potential Conflicts of Interest" below.

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

JPMS may engage one or more third parties (including affiliates of JPMS) to perform initial and ongoing reviews of Portfolio Managers and Investment Strategies and/or perform such periodic reviews itself. These third party vendors may also make recommendations to JPMS about which Portfolio Managers and/or Investment Strategies to include in the Program.

JPMS has engaged JPMPI to provide manager research services to JPMS with respect to the Portfolio Managers in PMP, including affiliates such as JPMIM, as well as unaffiliated Portfolio Managers.

The Chase Wealth Management RIA Fiduciary Oversight Committee ("**Fiduciary Committee**") seeks to ensure that the Program offers suitable investment products to Clients and that assets in the Program are managed in a manner consistent with the goals of the Program and applicable law. The Fiduciary Committee is composed of members of senior management of JPMS and JPMorgan Global Wealth Management and meets at least quarterly. Among other things, the Fiduciary Committee evaluates the investment performance of the Investment Strategies and Portfolio Managers, portfolio composition and risk, fees, disclosures to Clients, conflicts of interest, and any material compliance issues affecting Portfolio Managers (including the affiliated Portfolio Managers JPMPI and JPMIM) or the Program.

## **Selection of Portfolio Managers and Investment Strategies for the Program**

JPMS reviews or arranges for the review of Portfolio Managers and their Investment Strategies to determine whether they should be included in the Program. JPMS selects Portfolio Managers and Investment Strategies for PMP based upon the research services, including recommendations, provided by JPMPI and such other information and resources that JPMS deems appropriate. The research services provided by JPMPI are described further below.

The decision to include a particular Portfolio Manager and Investment Strategy in the Program 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 processes or guidelines applied. JPMS can remove a particular Portfolio Manager and/or Investment Strategy from the Program at any time for any reason and will notify Clients that have selected that Portfolio Manager and/or Investment Strategy of the removal.

A Portfolio Manager may manage Investment Strategies that are not made available through the Program. Each Portfolio Manager available through the Program has entered into a contract with JPMS to manage Client Accounts as set forth in the Client Program advisory services agreement.

## **JPMPI's Managed Strategy Selection Process for the SAS Multi-Manager Strategies**

JPMPI, as Portfolio Manager of the Multi-Manager Strategies, is responsible for portfolio construction, including selecting Funds and Model Managers for these Investment Strategies. JPMPI's process for selecting Funds and Model Managers as available for Portfolio Managers of the Multi-Manager Strategies is described below. See "Use of J.P. Morgan Funds, and Model Managers and Potential Conflicts of Interest for the SAS Multi-Manager Strategies" below for important information on the use of J.P. Morgan Funds and affiliated Model Managers.

### ***Research Process***

JPMPI uses research from its Manager Selection Team (the "**Manager Selection Team**") to research, select, and monitor Funds and Model Managers. The Manager Selection Team is responsible for researching and selecting Funds and Model Managers, and for subjecting them to a review process. The Manager Selection Team will begin the search process by defining an applicable universe of managed strategies, which typically will include J.P. Morgan managed strategies when there is one in the desired asset class. The Manager Selection Team utilizes both quantitative and qualitative assessments during its initial review process. The Manager Selection Team then recommends particular Funds and Model Managers to an internal governance forum, which is responsible for approving or rejecting them. The Manager Selection Team is also responsible for monitoring and reevaluating approved Funds and Model Managers as part of its ongoing review process. The Manager Selection Team and internal governance forum perform substantially similar services for other clients of JPMPI and its affiliates.

### ***Strategy Approval***

The internal governance forum approves or rejects new affiliated and unaffiliated Funds and Model Managers to be made available for JPMPI to use in the Multi-Manager Strategies. There may be Funds or Model Managers that are not available in the Multi-Manager Strategies, but that are available in other programs advised by JPMPI or its affiliates. The Manager Selection Team provides a formal presentation on prospective managed strategies to the governance forum for review. The internal governance forum is expected to consider the same factors in its review and approval process for J.P. Morgan and non-J.P. Morgan managed strategies. These factors include, but are not limited to: (a) an analysis of the manager's overall investment opportunity, (b) investment thesis, (c) track record, (d) performance, (e) terms of the vehicle, (f) reputational risk, (g) potential for conflicts of interest and (h) regulatory issues.

### ***Portfolio Construction***

From the pool of strategies, JPMPI selects the combination of Funds and Model Managers that, in its view, fit each Multi-Manager Strategy's asset allocation goals and JPMPI's forward looking views in an effort to best meet the Multi-Manager Strategy's investment objectives. JPMPI may also consider other factors, including but not limited to: (a) manager capacity, (b) investment guidelines and/or (c) portfolio-specific constraints. In making portfolio construction decisions, JPMPI will consider and is permitted to prefer J.P. Morgan Funds and affiliated Model Managers.

### ***Ongoing Review of Approved Strategies***

Another internal governance forum is responsible for making decisions to maintain Funds and Model Managers as approved and available for use in the Multi-Manager Strategies, place them on probation, or terminate them as part of its ongoing monitoring and oversight responsibilities. The factors considered by the forum are expected to be the same for J.P. Morgan and non-J.P. Morgan managed strategies, and include, but are not limited to: (a) changes in the portfolio management team, (b) significant underperformance, (c) discovery of material operational risks, (d) changes in investment thesis, (e) terms of the vehicle, (f) reputational risk, (g) potential for conflicts of interest, and (h) regulatory issues.

JPMPI also may, for portfolio construction reasons, remove a Fund or Model Manager from use in a Multi-Manager Strategy.

A Fund or Model Manager that is on probation may be held in a Multi-Manager Strategy Account, but generally JPMPI may not direct new purchases until the Fund or Model Manager is removed from probation. During the probation period, the Manager Selection Team will continue to review the Fund or Model Manager. Generally, a Fund or Model Manager that is terminated will be sold in a Multi-Manager Strategy Account, and JPMPI will not direct new purchases of that Fund or Model Manager.

If JPMPI removes a Fund or Model Manager from use in a Multi-Manager Strategy, the assets held in Multi-Manager Strategy Accounts will be sold and replaced with another Fund or Model Manager that is approved for use in a Multi-Manager Strategy. When evaluating a replacement Fund or Model Manager, JPMPI is expected to consider the same factors described above.

If a Model Manager is terminated, JPMPI will determine whether to re-invest Multi-Manager Strategy Account assets in a replacement Fund or Model Manager, and JPMPI will determine the specific Fund or Model Manager in which to re-invest the assets, using the factors described above.

### **JPMPI Review Process for SAS**

The SAS Investment Strategies are subject to an initial and ongoing internal review process by JPMPI. This is different from the review process applied by JPMPI to the PMP Investment Strategies described below, and does not involve the Manager Selection Team, or follow the same JPMPI governance procedure for placing an Investment Strategy on probation or terminating ongoing monitoring and oversight responsibilities for an Investment Strategy. However, JPMPI does have a process for taking action on the SAS Investment Strategies if warranted as a result of its ongoing internal review process.

### **JPMPI Manager Research Services on PMP Investment Strategies**

In addition to the portfolio management of the SAS Investment Strategies, JPMS has separately engaged JPMPI to perform manager research services regarding the PMP Investment Strategies managed by PMP Portfolio Managers for potential inclusion in the Advisory Program. The manager research services that JPMPI performs for JPMS include: (1) recommending PMP Portfolio Managers to JPMS for potential inclusion in the Advisory Program, (2) ongoing review of the PMP Portfolio Managers selected by JPMS, and (3) recommending that PMP Portfolio Managers selected by JPMS be placed on probation or removed from the Advisory Program. The PMP Investment Strategies are managed by affiliated Portfolio Managers, including JPMIM, and unaffiliated Portfolio Managers. JPMPI uses its Manager Selection Team to provide the manager research services and make recommendations to JPMS. In providing the manager research services, JPMPI expects to generally follow a similar process to the one described above under “Research Process”, “Strategy Approval” and “Ongoing Review”.

The manager research services JPMPI provides to JPMS for the PMP Investment Strategies are not advisory services provided by JPMPI to or tailored to Clients of the Advisory Program. JPMS (not JPMPI) is solely responsible for selecting the PMP Portfolio Managers to be made available in the Advisory Program, based upon the information and recommendations provided by the Manager Selection Team and such other information and resources that JPMS deems appropriate.

JPMPI does not have the authority to place a PMP Portfolio Manager on probation or to terminate it from the Advisory Program. Rather, when the Manager Selection Team’s monitoring process uncovers a concern, it may recommend that JPMS place the PMP Portfolio Manager on probation or terminate it from the Advisory Program. JPMS (not JPMPI) is solely responsible for determining whether to place a PMP Portfolio Manager on probation or to terminate one from the Advisory Program. JPMPI may, however, terminate its manager research services on a particular PMP Portfolio Manager at any time.

## **Use of J.P. Morgan Funds and Model Managers and Potential Conflicts of Interest in the Multi-Manager SAS**

Conflicts of interest will arise whenever J.P. Morgan has an actual or perceived economic or other incentive in its management of our clients' accounts to act in a way that benefits J.P. Morgan. Conflicts will result, for example (to the extent the following activities are permitted in a client's account): (1) when J.P. Morgan invests in an investment product, such as a mutual fund, structured product, separately managed account or hedge fund issued or managed by a J.P. Morgan affiliate, such as JPMIM; (2) when a J.P. Morgan entity obtains services, including trade execution and trade clearing, from a J.P. Morgan affiliate; (3) when J.P. Morgan receives payment as a result of purchasing an investment product for a client's account; or (4) when J.P. Morgan receives payment for providing services (including shareholder servicing, recordkeeping or custody) with respect to investment products purchased for a client's account. Other conflicts will result because of relationships that J.P. Morgan has with other clients or when J.P. Morgan acts for its own account.

Investment strategies are selected from both J.P. Morgan and third-party asset managers and are subject to a review process by J.P. Morgan manager research teams. From this pool of strategies, J.P. Morgan portfolio construction teams select those strategies J.P. Morgan believes fit its asset allocation goals and forward looking views in order to meet the investment strategy's investment objective.

As a general matter, J.P. Morgan prefers J.P. Morgan managed strategies. The proportion of J.P. Morgan managed strategies in Select Advisory Strategy portfolios will be high (in fact, up to 100 percent) in strategies such as, for example, cash and high-quality fixed income, subject to applicable law and any account-specific considerations.

While J.P. Morgan's internally managed strategies generally align well with J.P. Morgan's forward looking views, and J.P. Morgan is familiar with the investment processes as well as the risk and compliance philosophy of the firm, it is important to note that J.P. Morgan receives more overall fees when internally managed strategies are included.

When J.P. Morgan selects J.P. Morgan Funds for a Client's account, J.P. Morgan may receive a fee for managing the J.P. Morgan Funds. As such, J.P. Morgan will receive more total revenue when a Client's account is invested in J.P. Morgan Funds than when it is invested in third-party funds.

All Funds have various internal fees and other expenses that are paid by managers or issuers of the Funds or by the Funds themselves, but that ultimately are borne by the investor. These fees and expenses are in addition to any fees paid to JPMS or received by JPMPI for acting as Portfolio Manager. J.P. Morgan may receive administrative and servicing fees for providing services to both affiliated and unaffiliated Funds that are held in a Client's Account. Clients should review the applicable prospectuses for Funds in the Select Advisory Strategies for more information about these fees and expenses. These payments may be made by sponsors of the Funds (including affiliates of J.P. Morgan) but not the Funds themselves, and may be based on the value of the Funds in the Client's Account. Funds or their sponsors may have other business relationships with J.P. Morgan outside of its portfolio management role or with its broker-dealer affiliates, which may provide brokerage or other services that pay commissions, fees, and other compensation.

With respect to Model Managers, when an affiliate serves as Model Manager, there is a benefit to J.P. Morgan since it increases the overall revenue of J.P. Morgan. Additionally, both affiliated and unaffiliated Model Managers may invest in products that may result in additional revenue to J.P. Morgan.

If a Program Account owned by an IRA, or other Client that is a qualified retirement plan subject to the prohibited transaction provisions of Section 4975 of the IRC, holds any J.P. Morgan Funds, the actual amount of the J.P. Morgan Funds' advisory fees associated with Program Account assets will be credited against the Account Fee. See "Rebate of Certain Fees to IRAs and Certain Other Retirement Plan Accounts" in Item 4 above, JPMPI may allocate a significant portion of the assets in a Multi-Manager Strategy to J.P. Morgan Funds. That portion varies depending on market or other conditions.

## **Potential Conflicts of Interest in the Research and Review of the SAS and PMP Strategies**

For the Program, JPMPI may recommend to JPMS strategies managed by JPMPI, JPMIM, or unaffiliated third parties. JPMPI has an incentive to recommend, and JPMS has an incentive to include, the JPMPI and JPMIM-managed strategies to JPMS because J.P. Morgan receives more overall fees when these strategies are chosen by clients. Similarly, with respect to manager termination, JPMPI has a greater incentive to recommend that JPMS terminate unaffiliated third-party managers from the Program, and JPMS has a greater incentive to terminate unaffiliated portfolio managers, particularly where the manager's strategy is similar to one offered by JPMPI or JPMIM.



In addition, with respect to the JPMPI-managed strategies (*i.e.*, SAS), the internal review process that JPMPI follows in recommending a manager to JPMS 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 or third parties that may outperform the SAS strategies made available to Program clients.

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

### **Affiliated Portfolio Managers and JPMS Conflicts**

JPMIM and JPMPI are affiliates of JPMS that act as Portfolio Managers in the Program. JPMIM is a Portfolio Manager for certain Investment Strategies in PMP. JPMPI is the sole Portfolio Manager for SAS.

JPMIM and its Investment Strategies in the Program are subject to the same selection and review processes, conducted by the Manager Selection Team, as the unaffiliated Portfolio Managers and Investment Strategies that participate in the Program. For disclosures on the distinct review process over JPMPI and its Investment Strategies in SAS and potential conflicts related to research and review processes conducted by JPMPI, see “JPMPI Review Process for SAS” and “Potential Conflicts of Interest in the Research and Review of the SAS and PMP Strategies”, above.

JPMS has a conflict of interest in: (i) including JPMIM and JPMPI in the Program; (ii) conducting, or having an affiliate research services provider (*i.e.*, JPMPI) conduct, initial and periodic reviews of affiliated and unaffiliated Portfolios and their Investment Strategies in the Program; (iii) identifying JPMIM, JPMPI and their Investment Strategies in the Program to Clients; and (iv) in designating JPMIM Investment Strategies as default replacement Investment Strategies in PMP (if applicable) for Program Accounts invested in Investment Strategies that are removed from the Program when a Client selects (or is re-invested into) one of their Investment Strategies.

JPMS and its affiliates will receive more total revenue than if the Client selected (or was re-invested into) an Investment Strategy of an unaffiliated Portfolio Manager. JPMS manages this conflict through disclosure to Clients and by subjecting affiliated Portfolio Managers to a comprehensive review process.

### **Terminating Portfolio Managers for PMP**

As a result of JPMPI’s research services and recommendations, and/or other information and events, for PMP, Portfolio Managers and/or specific Investment Strategies may be terminated or removed from the Program, in which event JPMS will notify affected Clients of the removal and will designate an Investment Strategy in the Program as the default replacement Investment Strategy for the Program Account assets invested in the removed strategy. If JPMS designates such a default replacement Investment 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 (within 30 days of notification), the Client’s assets will automatically be re-invested into the designated replacement Investment Strategy, without further notice to or consent of the Client. In designating a default replacement Investment Strategy (if any), JPMS will consider the appropriateness of the Investment Strategies available in the Program as suitable replacements for the removed Investment Strategy. JPMS also will assist the Client in identifying a suitable replacement Portfolio Manager and/or Investment Strategy in cases where JPMS does not designate a default replacement Investment Strategy or where the Client wishes to consider alternatives to the default replacement Investment Strategy designated by JPMS; such assistance is typically based on the same types of factors used by JPMS to identify Portfolio Managers and Investment Strategies for Program Clients in the first instance.

A new Portfolio Manager can decline the Account if it deems the Client’s investment restrictions unreasonable or if the Client’s Account is below the new Portfolio Manager’s minimum account size. The new Portfolio Manager can sell securities to align the Account with its Investment Strategy, which can have tax consequences.

For PMP, the Manager Selection Team’s review of a Portfolio Manager and its Investment Strategies and/or other information and events also may result in a Portfolio Manager and/or one or more of its Investment Strategies in the Program being closed to new investors pending further review. During such status, Clients cannot select the Portfolio Manager and/or Investment Strategy for the first time, but Clients with Program assets already being managed according to an affected Investment Strategy when it was closed to new investors are permitted to contribute additional assets to such Client’s Account(s). Clients invested according to an affected Investment Strategy will be notified in writing that the Portfolio

Manager and/or Investment Strategy have been closed to new investors. Further review of the affected Portfolio Manager and/or Investment Strategies by the Manager Selection Team can result in a re-opening to new investors.

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

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

JPMS identifies suitable Investment Strategies for a Client based on the investment objectives and other information provided by the Client. Once an Investment Strategy has been identified as suitable for a particular client, JPMS identifies specific Portfolio Managers for the Client to consider. These recommendations are based on asset size, any Client investment restrictions, any Client investment guidelines or policies, or other factors that make a particular Portfolio Manager and Investment Strategy suitable for the Client. Clients are solely responsible for the selection of Portfolio Managers and Investment Strategies from among those identified by JPMS. JPMS and JPMPI cannot ensure that a given SAS Investment Strategy's investment objective will be attained.

### **Important Information About Your Investments and Potential Conflicts of Interest**

The Portfolio Managers available in the Program include Portfolio Managers affiliated with JPMS. JPMS has a conflict of interest including affiliated Portfolio Managers in the Program because JPMS and/or its affiliates and parent company will receive more overall compensation when those Portfolio Managers are selected by Clients. JPMS manages this conflict through disclosure to Clients and by subjecting affiliated Portfolio Managers to a comprehensive review process. For more information on the review of affiliated Portfolio Managers, see "Affiliated Portfolio Managers and Conflicts" above.

### **Information about Portfolio Managers and Investment Strategies**

JPMS provides Clients and prospective Clients with information about Portfolio Managers, including information that has been prepared by the Manager Selection Team. The information prepared by JPMS and that is provided by the Manager Selection Team or by a third party, 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 included in the information provided by JPMS is 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 is 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 Account(s) for the prior quarter. (As explained in Item 4 above, certain Clients will 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 is not 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.***

### **Program Account Reports and Disclosures**

Performance reviews are not a substitute for regular monthly or quarterly brokerage account statements or Form 1099, and should not be used to calculate the Account 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 and its IARs do not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter. Neither JPMS nor any of its supervised persons acts as a Portfolio Manager in the Program.

Subject to JPMS's policies and procedures and applicable law, the periodic written performance review provided to Program Clients can include information about assets in other accounts maintained by the Client with the Chase Investments or Chase Private 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 Portfolio Manager Disclosure Document. Clients should review the Portfolio Manager disclosure document carefully for important information about the Portfolio Manager, including risks associated with the selected Investment 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. 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.

Portfolio Managers are responsible for obtaining best execution. To learn more about Portfolio Manager trading and execution practices, see each Portfolio Manager's Portfolio Manager Disclosure Document.

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

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

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

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

## **ITEM 9 – ADDITIONAL INFORMATION**

### **A. Disciplinary Events**

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 September 2012, JPMorgan, on behalf of itself and its subsidiaries, entered into substantially similar settlements with 47 securities regulators 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 JPMorgan entities had represented them to be and were unable to sell the ARS. Without admitting or denying the allegations, JPMorgan 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, JPMS 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, JPMS 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 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; JPMorgan, 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 JPMorgan 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. JPMorgan 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 JPMS 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, JPMS and JPMorgan Chase Bank, N.A. ("JPMCB") (together "**Respondents**") entered into a settlement with the 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 (“CFTC 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 CFTC 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.

For a copy of the Order, please go to <http://www.sec.gov/litigation/admin/2015/33-9992.pdf>.

- 11) On or about July 28, 2016, JPMS and JPMCB 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 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.

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

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

JPMS is affiliated with several other SEC registered broker-dealers, investment companies, investment advisers, insurance agencies, mortgage companies and JPMorgan Chase Bank, N.A. Other registered investment advisers, collectively referred to as “JPMorgan Asset Management”, are affiliated with JPMS under the common ownership by JPMorgan Chase & Co. Affiliated Portfolio Managers are among the Portfolio Managers available in the Program. In addition, one or more of these investment advisers serves as the investment adviser to the various J.P. Morgan Funds. Should Program Clients select an affiliated Portfolio Manager or invest in J.P. Morgan Funds within their Program Account, it is important to note that J.P.

Morgan Chase would receive more overall fees. JPMS affiliates will benefit from such selection and/or purchase as the result of receipt of the investment advisory fees. JPMS addresses this conflict through disclosure to clients.

When JPMPI selects J.P. Morgan Funds for a Client's Account, affiliates of JPMS and JPMPI receives a fee for managing the J.P. Morgan Funds. As such, J.P. Morgan will receive more total revenue when a Client's Account is invested in J.P. Morgan Funds than when it is invested in third-party funds. JPMS and JPMPI address this conflict through disclosure to Clients and through the investment process described in Item 6 above.

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

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

JPMS has several relationships or arrangements with related persons that are material to its investment advisory business. The use of affiliates to provide services to Clients creates certain conflicts of interest for JPMS and JPMPI. Among other things, there are financial incentives for JPMS and JPMPI affiliates, including its parent company, JPMorgan Chase & Co., to favor affiliated service providers over non-affiliated service providers, and compensation of supervised persons of JPMS and JPMPI may be directly or indirectly related to the financial performance of J.P. Morgan.

#### ***Affiliated Portfolio Managers***

JPMS and/or its IARs can recommend to Program Clients Portfolio Managers that are affiliated with JPMS. Should Program Clients select an affiliated Portfolio Manager, it is important to note that J.P. Morgan would receive more overall fees. JPMS addresses this through disclosure to clients.

#### ***Affiliated Mutual Fund Advisors and Model Managers***

Funds (including money market funds) pay fees and expenses that are ultimately borne by clients. Clients should review the applicable prospectuses for Funds in the Program for additional information about these fees and expenses. These fees and expenses are in addition to the Account Fee. See "Other Fees and Expenses" in Item 4 above for more information.

Affiliates of JPMS provide investment advisory and other services to the J.P. Morgan Funds for compensation. Therefore, because JPMS and its affiliates will in the aggregate receive more revenue when Program Accounts are invested in J.P. Morgan Funds than they would receive if the Program Accounts were invested in non-J.P. Morgan Funds, JPMS has a conflict of interest when Program Accounts are invested in J.P. Morgan Funds. The use of affiliated Model Managers in the Program is also a benefit to JPMS and its affiliates since it increases the overall revenue of affiliates of JPMS and their parent company. JPMS addresses this conflict through disclosure and subjecting the J.P. Morgan Funds and non-J.P. Morgan Funds to the investment process described in Item 6 above. See "Important Information About Your Investments and Potential Conflicts of Interest" in Item 6 above for more information on the use of J.P. Morgan Funds.

#### ***Distribution and Other Fees and Revenue Sharing***

JPMS may receive a distribution fee from certain Funds pursuant to Rule 12b-1 under the Investment Company Act. If JPMS receives 12b-1 fees on load-waived Class A shares, it will credit these fees to the client's Program Account. JPMS, directly or indirectly, receives servicing or administrative fees for certain Funds that are held in a client's Account. Please see the discussion of "Share Classes" in Item 4 above for more information on the receipt of administrative and servicing fees. In addition, JPMS' affiliates may receive licensing fees for their indices used by unaffiliated ETFs or other product sponsors.

JPMS has negotiated revenue sharing arrangements with a number of mutual funds and may receive revenue sharing payments for mutual funds held in brokerage accounts for which JPMS does not provide investment advisory services. Additional information about these arrangements is available at <https://www.chase.com/content/dam/chasecom/en/investments/documents/understanding-revenue-sharing.pdf>.



### ***J.P. Morgan's Use and Ownership of Trading Systems***

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 J.P. Morgan has a direct or indirect ownership interest. J.P. Morgan 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. An up-to-date list of all Trading Systems through which JPMS might trade and in which J.P. Morgan has an ownership interest can be found at <https://www.jpmorgansecurities.com/pages/am/securities/legal/ecn>. Such Trading Systems (and the extent of J.P. Morgan's ownership interest in any Trading System) may change from time to time.

### ***ADR Fees***

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

### ***Portfolio Manager Trading Practices***

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

### ***Principal Transactions***

Certain Portfolio Managers can effect securities transactions through JPMS or a related person, acting as a broker or dealer, subject to best execution obligations. In connection with transactions executed for Program Accounts, JPMS or its affiliates will, to the extent permitted by applicable law, act as principal (*i.e.*, for its own account), agent for the Client, or agent for both the Client and the party on the other side of the transaction.

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

### ***Fractional Shares***

In order to comply with principal trade restrictions, orders for the Program are routed for agency execution. Where permissible by applicable law, and after complying with applicable regulatory requirements, we will route orders for our advisory Clients for execution as principal. Fractional shares, for example, can be created as a result of the division of an account or a transfer into the Program Account from an outside firm. As an accommodation to a Client, fractional shares will be sold on a principal basis to JPMS at the same price as whole shares of the same issuer are sold to a third party.

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

Clients in the Program can authorize JPMS, to the extent permitted by applicable law, to invest (*i.e.*, “sweep”) available cash balances in the Program Account into a bank deposit account, the “Chase Deposit Sweep”, with JPMCB, an affiliate of JPMS.

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

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

Therefore, JPMS and JPMCB have a financial incentive in Program Clients’ authorization of the use of the Chase Deposit Sweep as the “sweep” option for temporary investment of available cash balances in Program Accounts. JPMS does not believe that its and its affiliates’ interest in Program Clients’ selection of the Chase Deposit Sweep presents any inherent or general material conflict with the interests of Program Clients. However, to the extent a conflict exists with respect to a particular Program Account, JPMS addresses the conflict by; (1) allowing Program Clients to select another available “sweep” option and to change the election at any time; (2) providing disclosure to Clients, including prospectuses for the available money market mutual funds available as a sweep option, and the Chase Deposit Sweep; and (3) access to information concerning the current yield of the available sweep options.

#### **D. Code of Ethics**

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

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

#### **E. Review of Accounts**

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

The information in this brochure does not include all the specific review features associated with each Investment Strategy. Clients are urged to ask questions regarding JPMS’s or JPMPI’s review process applicable to a particular Investment Strategy, to read all product-specific disclosures, and to determine whether a particular investment strategy or type of security is suitable for their Account in light of their circumstances, investment objectives, and financial situation.

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

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

Program Accounts are offered and sold only through IARs associated with JPMS. JPMS does not engage any unaffiliated third party cash solicitation or referral arrangements to refer prospective new Program Clients to JPMS. However, pursuant to an agreement between JPMS and JPMCB, an affiliate, JPMCB can compensate its employees for referring clients to JPMS for various products and services, including the Program and other advisory products and services. Any such payments to JPMCB employees shall not increase the Account Fee paid by the Client.

#### **G. Financial Information**

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