

FORM ADV, PART 2A
APPENDIX 1
WRAP FEE PROGRAM BROCHURE
J.P. MORGAN DIGITAL INVESTING

J.P. Morgan Securities LLC

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www.chase.com/personal/investments

This wrap fee brochure (“**Brochure**”) provides information about the qualifications and business practices of J.P. Morgan Securities LLC (“**JPMS**”) relating to J.P. Morgan Digital Investing, a digital investment advisory offering (the “**Program**”). If you have any questions about the contents of this Brochure, please contact us at 800-776-6061. 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

There are no material changes to this Brochure since the initial filing on December 20, 2017.

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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 (“**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 and investment adviser with the U.S. Securities and Exchange Commission (“**SEC**”) and is a member of the Financial Industry Regulatory Authority (“**FINRA**”).

This Brochure provides information about JPMS and the J.P. Morgan Digital Investing program (the “**Program**”), a digital investment advisory program sponsored by JPMS with services provided by J.P. Morgan Private Investments Inc. (“**JPMPI**”), the Program’s sub-adviser. Information about other wrap fee programs sponsored by JPMS, and sub-advisory services offered by JPMPI, can be obtained at the SEC’s website at www.adviserinfo.sec.gov.

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.

Program Description

The Program is a digital investment advisory program designed to provide clients with access to discretionary advisory services delivered through the Chase Online website and such mobile applications or digital interfaces as JPMS may from time to time use in connection with the Program (together, the “**Program Website**”). The Program provides clients with a target asset allocation and discretionary investment management services based on information about the client’s risk profile and investment goals that the client provides through the Program Website. The model portfolios that are available in the Program generally will be comprised of unaffiliated exchange-traded funds (“**ETFs**”) and cash. Although it does not currently do so, the Program may in the future expand to include affiliated ETFs, affiliated and unaffiliated mutual funds, exchange-traded notes and other securities. JPMS will invest (*i.e.*, sweep) available cash balances in Program client accounts that are pending investment, as well as any strategic cash balances allocated to cash, into a bank deposit account held with JPMorgan Chase Bank, N.A. (“**JPMCB**”), an affiliate of JPMS (the “**Deposit Sweep**”).

Clients should understand that the Program is not designed to provide a comprehensive financial plan, and is instead targeted to assist clients in meeting a specific investment goal based on the assets that are invested through the Program. In order to participate in the Program, clients are required to establish online account access through www.chase.com.

The Program may not be appropriate for all investors, and clients that are interested in other types of investment account services, such as self-directed investing or accounts supported by a financial advisor may contact JPMS at 800-776-6061 to discuss alternative arrangements.

Before investing through the Program, please read the entirety of this Brochure and contact us at 800-776-6061 if you have any questions.

Online Nature of the Program

To receive investment advisory services, clients and prospective clients will be required to complete an online account application and enter into an investment advisory agreement and other account agreements (collectively, the “**Client Agreement**”) electronically through the Program Website. These agreements along with other disclosures and notices will be delivered to clients in electronic format only, by posting the information on the Program Website where clients can access their account, and through email or other electronic means. JPMS will not send paper versions of documents to clients as part of the Program unless required by applicable law or in JPMS’ sole discretion. Clients must be willing to accept the terms of a global electronic consent, which will require that the client agrees to electronic delivery of all Program documents and communications, in order to enroll in the Program.

Clients must provide JPMS with a valid email address to enroll in the Program. Clients are required to notify JPMS immediately in the event their email address changes or becomes inaccessible by visiting the Program Website or by contacting JPMS at 800-776-6061. Clients will be alerted through the Program Website and by email when a new or amended agreement or document is available; therefore, it is important that clients maintain an accurate email address at all times. In the event that a client fails to provide or maintain accurate contact information through the Program Website, including an email address, JPMS may terminate that client’s participation in the Program. JPMS will attempt to contact clients by other means when it determines that a client’s email address is invalid. Clients must also own or have access to an electronic device with the necessary hardware and software to access the Program Website as an initial and continued condition of participating in the Program.

Please refer to the Online Service E-Sign Disclosure and Consent, which is provided at account opening, for additional terms and conditions regarding electronic delivery of Program communications.

Account Opening, Initial Investment and Rebalancing

Determining a Client or Prospective Client’s Risk Profile

Clients who participate in the Program are first required to respond to personal information requests and complete an interactive investment proposal questionnaire on the Program Website (the “**Investment Proposal Questionnaire**”). The Investment Proposal Questionnaire will ask a series of questions to determine the client’s investment goals and risk profile.

The Investment Proposal Questionnaire will ultimately form the basis of JPMS’ investment advice; therefore, it is extremely important that clients and prospective clients respond to the Investment Proposal Questionnaire accurately and revisit their responses on the Program Website in the event that any response becomes inaccurate. In the event that a client is unable to determine why a question is being asked, believes that a question is unclear, or finds it difficult to respond to a question for any reason, he or she should contact JPMS at 800-776-6061. Clients should be careful when entering responses to the Investment Proposal Questionnaire. The investment advice offered through the Program is based solely on the information that clients provide through the Program Website, and inaccurate or incomplete information will affect JPMS’ investment recommendation. JPMS does not and will not verify any information that clients and prospective clients provide through the Program Website nor will it consider any information that it may obtain or possess as a result of a participating client’s other accounts or relationships with JPMS or its affiliates. Clients should contact JPMS at 800-776-6061 in the event that they believe there are additional facts or information pertaining to their financial situation or investment objectives that JPMS should know that are not prompted by the Investment Proposal Questionnaire.

Recommendation and Selection of a Model Portfolio

Based on the responses to the Investment Proposal Questionnaire, JPMS’ proprietary algorithm will recommend a risk profile (the “**Risk Profile**”). More specifically, certain responses to the Investment Proposal Questionnaire have been accorded a numerical weighting, and when an investor completes the Investment Proposal Questionnaire, his or her responses are summed together to determine the client’s Risk Profile. JPMS will recommend a proposed target asset allocation and a model portfolio that corresponds to the client’s Risk Profile (a “**Recommended Portfolio**”). JPMS has established and maintains the inputs in the Investment Proposal Questionnaire, and the algorithms used to generate the Recommended Portfolios. JPMS, based on ongoing reviews, may determine from time to time to adjust or enhance the inputs and the proprietary algorithms.

The Program currently offers four model portfolios that correspond to four different Risk Profiles. The model portfolios are: Conservative, Balanced, Growth and Aggressive. The model portfolios are created and monitored by investment advisory personnel of JPMPI. JPMPI manages similarly named model portfolios for other advisory programs; however, the style and the securities within the models portfolios for the Program are different, and are expected to perform differently.

Clients and prospective clients should review JPMPI’s Form ADV Part 2A for the Program and the “Methods of Analysis, Investment Strategies and Risk of Loss” section of this Brochure in Item 6 below for JPMPI’s methodologies in creating and updating model portfolios and their related risks.

A client may select the Recommended Portfolio, or they may select a model portfolio that is more conservative or more aggressive than the Recommended Portfolio, subject to certain limitations (the “**Selected Portfolio**”). A client may not change his or her Selected Portfolio more than once in any thirty-day period.

The Program relies on a third-party vendor to administer certain technological, administrative and operational aspects of the Program (see “Ownership in Vendor” under Item 9 (C) below).

Client Agreement

As a condition to receiving investment management services through the Program, clients are required to enter into the Client Agreement. The Client Agreement authorizes JPMS to act as the client's investment adviser with investment discretion and trading authority over enrolled accounts, and authorizes JPMS to perform its services under the Client Agreement directly or through affiliated or unaffiliated service providers as JPMS may from time to time designate. JPMS has appointed J.P. Morgan Private Investments Inc. ("JPMPI"), an affiliate of JPMS, to serve as sub-adviser for the Program.

Among other things, the Client Agreement authorizes JPMS to invest (*i.e.*, "sweep") available cash balances in a client's Program account that are pending investment, as well as any strategic balances allocated to cash, into the Deposit Sweep.

Initial Investment

After a client has enrolled in the Program, funded his or her accounts, and designated his or her Selected Portfolio, JPMS will cause the account to be invested in accordance with the Selected Portfolio, subject to any reasonable investment restrictions the client has placed on his or her account.

Rebalancing Logic

The Program has been designed to automatically rebalance the assets in a client's Program account on a periodic basis. The Program's rebalancing logic automatically determines whether and when to buy and sell securities in a client's account. The Program's logic will cause a Program account to be rebalanced when its holdings deviate from the asset allocation targets associated with the Selected Portfolio in an amount exceeding predetermined drift thresholds, established by JPMPI and approved by JPMS. To rebalance an account, the Program's logic will generally cause the sale of ETFs that are overweight relative to the target asset allocations of a client's Selected Portfolio and purchase ETFs that are underweight.

Over time, the ETFs in the account will appreciate (or depreciate) in value at different rates, a client may decide to change their Selected Portfolio, or a client may make additions to or withdrawals from their account. Without rebalancing, the change in the percentages of each asset class held will change the level of risk from the risk level that is associated with the allocations in the Selected Portfolio.

Rebalancing may have tax implications for a client's Program accounts because it will generate purchases and sales. Clients should discuss the tax impact of rebalancing with their tax advisors before investing through the Program.

The Program's rebalancing parameters, including the manner and frequency of rebalancing, may change at any time without notice. Rebalancing of accounts may be delayed or otherwise impacted by market conditions and by operational constraints. In certain circumstances, including market instability, or in response to certain types of operational or technological errors, JPMS or JPMPI may decide not to rebalance accounts.

JPMS has delegated to JPMPI the responsibility for overseeing and revising the drift thresholds, as well as the Program's associated rebalancing logic, subject to JPMS' approval.

Withdrawals and Deposits

Clients may request a withdrawal from their account at any time through the Program Website or by telephone at 800-776-6061, subject to applicable law and the Client Agreement. In the event that a client's account's holdings are within the percentage variance of the target asset class percentages of the Selected Portfolio established by JPMPI, and cash is required in the client's account, account holdings will be sold pro rata. Under normal market conditions, it can take 2-4 business days to process the investment of funds in Program accounts (whether initial investments or additions) and requests to sell or withdraw funds from Program accounts, but these timeframes can be longer due to the size of withdrawals, market conditions and other factors.

Investment Advisory Services

JPMS has full discretionary authority, to be exercised in its exclusive judgment and consistent with the Selected Portfolio, to determine the allocation of assets among ETFs; to select, add, remove, or replace ETFs in the Program; and to revise its rebalancing logic and algorithms which are the basis for ongoing investment advice in the Program. JPMS has delegated certain of its discretionary responsibilities and authority to JPMPI. JPMPI is an affiliate of JPMS. JPMPI is responsible for determining asset allocation and portfolio construction, selecting and monitoring ETFs, and evaluating model portfolios on an ongoing basis subject to the oversight of, and pursuant to, an investment policy statement established and approved by JPMS. JPMS oversees these selections using the investment policy statement it established and remains responsible for overseeing JPMPI's performance.

Operational considerations, such as ETF concentration, prospectus delivery and capacity issues, can result in the timing or implementation of trades for a client's account differing from that of another client or group of clients of JPMS or its affiliates. It is JPMS' policy, to the extent practicable, to allocate, within its reasonable discretion, investment opportunities among clients over a period of time on a fair and equitable basis.

As described in greater detail throughout this Brochure, the Program relies on proprietary algorithms when recommending a Risk Profile based on responses to the Investment Proposal Questionnaire.

Reasonable Restrictions

Clients may place reasonable restrictions on the management of their account by designating specific ETFs that should not be purchased for their account or that should be sold if held in their account, subject to JPMS' acceptance. Requests for restrictions must be made through the Program Website. Clients may request a restriction on the purchase of individual ETFs from their account, but JPMS is not required to accept account restrictions that it deems unreasonable. The determination of whether a particular restriction is reasonable will depend on the relevant facts and circumstances, including whether the restriction is inconsistent with the nature or operation of the Program. The restriction of more than three ETFs will be deemed to be unreasonable due to the impact on model portfolio construction and the investment strategy of the Selected Portfolio.

Clients who impose restrictions on specific ETFs, especially those clients who place restrictions on more than one ETF, may be directed by the Program Website to contact JPMS by telephone. Any restrictions a client places on the management of his or her Program account generally will cause the account

to perform differently than similar, unrestricted accounts, possibly producing lower returns. In the event that a restriction request for an ETF that is currently held in a client's account is accepted, the ETF will be sold consistent with the Program's rebalancing logic, and a client may experience tax consequences. Clients cannot prohibit or restrict the investment adviser of any Program ETF from investing in specific securities or types of securities that are held within such ETF.

Brokerage and Custodian

JPMS, in its capacity as an SEC-registered broker-dealer, provides clearing and trade execution services and serves as the custodian for Program accounts. The Client Agreement incorporates a separate brokerage agreement that clients must sign electronically to enroll in the Program.

In the ordinary course, JPMS expects that all Program transactions will be executed through JPMS. This is because of the quality of JPMS' (and its affiliates') execution capabilities and because commissions charged by JPMS or its affiliates for executing transactions for Program accounts are included in the fee clients pay for participation in the Program. Clients should understand that the prices for trades executed through JPMS may not be as favorable as those that would be obtained if the trades were placed through a different broker-dealer. Not all investment advisers require their clients to direct brokerage. Subject to their respective obligations to seek best execution, JPMS and sub-advisers, including JPMPI, each have the ability to execute transactions for client accounts through other broker-dealers.

The Program is a discretionary investment advisory program, and not a self-directed brokerage service. Unlike self-directed brokerage accounts, clients will not be able to place orders to buy or sell specific securities. Rather, JPMS and JPMPI will place orders to buy and sell securities consistent with the discretionary authority they have under the Client Agreement. JPMS and JPMPI reserve the right, at any time and without notice, to delay or suspend trading activity in Program accounts in their sole discretion. In the event that JPMS or JPMPI suspends or delays trading, requests to withdraw and transfer cash from Program accounts continue to be honored. However, there may be a delay in the Program's ability to liquidate securities to cover requests for withdrawals in excess of the cash in Program accounts, or to invest existing or new cash balances.

JPMS generally aggregates (or blocks) orders for the purchase or sale of securities during each trading day for Program accounts. Trades resulting from client-initiated activity (e.g., account contributions, withdrawals, changes in a client's Selected Portfolio, and client restrictions) will typically be blocked together and trades resulting from rebalancing activity will typically be blocked together. When an order requires more than one execution, participating accounts will receive the average price for transactions in their particular block order. Although JPMS expects to send the block trades to the market at approximately the same time, Program accounts generally will receive a different execution price depending on whether the trades result from client-initiated activity or rebalancing activity. Either block can be executed first on any particular trading day. To the extent a Program account regularly trades behind other types of accounts, it is possible that the Program account will suffer from adverse effects depending on market conditions. Program trading is conducted separately from other JPMS and J.P. Morgan trading, and orders for Program accounts are not aggregated with orders placed on behalf of other J.P. Morgan clients.

Trade Errors

Trade errors and other operational mistakes occasionally occur in connection with JPMS' management of funds and client accounts. Errors can result from a variety of situations including, situations involving portfolio management (e.g., inadvertent violation of investment restrictions) trading, processing or other functions (e.g., miscommunication of information, such as wrong number of shares, wrong price, wrong account, calling the transaction a buy rather than a sell and vice versa, etc.).

JPMS generally requires that all errors affecting a client's account be resolved promptly and fairly. Under certain circumstances, JPMS may consider whether it is possible to adequately address an error through cancellation, correction, reallocation of losses and gains or other means. The intent is to restore a client account to the appropriate financial position considering all relevant circumstances surrounding the error. JPMS makes its determinations on a case-by-case basis, in its discretion, based on factors it considers reasonable.

JPMS generally does not require perfect implementation of investment management decisions, trading, processing or other functions performed by JPMS. Therefore, not all mistakes will be considered compensable to the client. Imperfections in the implementation of investment decisions, quantitative strategies, financial modeling, trade execution, cash movements, portfolio rebalancing, processing instructions or facilitation of securities settlement, imperfection in processing corporate actions, or imperfection in the generation of cash or holdings reports resulting in trade decisions may not constitute compensable errors, depending on the facts and circumstances. For example, imperfections in the implementation of investment strategies, including quantitative strategies (e.g., coding errors), that do not result in material departures from the intent of the portfolio management team will generally not be considered compensable errors. In addition, in managing accounts, JPMS may establish non-public, formal or informal internal targets, or other parameters that may be used to manage risk, manage sub-advisers or otherwise guide decision-making, and a failure to adhere to such internal parameters will not be considered an error.

Trade Confirmations, Statements, and Performance Reporting

The Program Website allows clients to access account information, including the client's holdings and performance, on an ongoing basis. Clients will electronically receive trade confirmations of all transactions. Clients will receive account statements from JPMS, as the custodian of Program accounts, at least quarterly (monthly for months when there is activity in their account) and should review these statements carefully. Clients will also be able to access quarterly performance reports for their Program accounts through the Program Website. The quarterly performance reports contain information about account performance and holdings.

Wash Sale Notice

The Program has not been designed to monitor, reduce or limit tax consequences resulting from trading in a client's Program account or other accounts, including wash sales. JPMS will not be responsible for ensuring that transactions in the same security or a substantially similar security within the Program, outside of the Program, or between Program accounts, do not create a wash sale. For more information on the wash sale rule, investors should review IRS Publication 550.

Proxy Voting, Corporate Actions and Other Legal Matters

Neither JPMS nor JPMPI will vote proxies (or give advice about how to vote proxies) relating to securities held in a client's account. Each client has the right to vote, and is solely responsible for voting proxies for any securities and other property in the client's account. JPMS will send electronic notifications to clients when proxies or similar action requests have been posted to the Program Website.

JPMPI will be responsible for evaluating and acting on 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.

Notwithstanding the prior paragraph, neither JPMPI nor JPMS will be responsible and 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.

JPMS and its affiliates will not be responsible or liable for: (1) failing to notify a client of proxies, or (2) failing to send to the client proxy materials or annual reports where JPMS or its affiliates have not received proxies or related shareholder communications on a timely basis or at all.

Wrap Account Fees

General

Clients pay an annual account fee ("**Account Fee**") to JPMS for participating in the Program subject to any applicable discounts or adjustments. The Account Fee is a single, all-inclusive (or "wrap" or "bundled") fee for investment advisory, portfolio management, brokerage, execution, custody and reporting services. The Program is currently being offered on a limited basis solely to invited participants. During this limited offering, JPMS will charge clients \$0 as an Account Fee for participation in the Program. After the limited offering has concluded, clients will be subject to a fee for participating in the Program. This Brochure and the JPMPI Form ADV will be updated prior to any increase in the Account Fee.

When applicable, JPMS will automatically cause any Account Fee and additional fees to be debited from the client's account. The Account Fee will be paid out of the Deposit Sweep. In the event the Deposit Sweep or the Program account do not have sufficient funds to pay the Account Fee or any additional fees in their entirety, then shares of ETFs in the client's account will be sold according to the process described above in the section on *Rebalancing Logic*.

JPMS charges fees that it believes are reasonable, but these fees are not always the lowest available from other firms, including affiliated ones.

Fees Paid to JPMPI

At such time JPMS increases its Account Fee, JPMS will pay to JPMPI for its services as sub-adviser, a portion of the Account Fee set forth above in the *Wrap Account Fees – General* section of this Brochure.

Waivers, Reductions, and Negotiation of Fees

At such time JPMS increases its Account Fee, JPMS, in its discretion, can waive or reduce the Account Fee. The Account Fee may be waived or discounted for employees of JPMS or its affiliates. From time to time the Account Fee can be increased. JPMS will provide clients with advanced notice prior to increasing the Account Fee.

At such time JPMS increases its Account Fee, the Account Fee will 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.

JPMS and its affiliates offer other services, products and platforms that may be available at lower (in the future) or higher fees than those charged by the Program. Clients and prospective clients may also receive these products and services from other firms, and where available, these other firms may charge fees that are more or less (in the future) than the fees charged for the Program. Clients and prospective clients should consider these other services, products and platforms available to determine the most appropriate for them. When comparing JPMS and its affiliates services, products and platforms, prospective clients should consider various factors, including, but not limited to: the type of the account (advisory or brokerage), the type of advice received (discretionary or nondiscretionary), the types of fees charged (asset-based fees or commission-based fees), the nature of the relationship (online or human), and the overall cost of investing.

Other Fees and Expenses

The Account Fee does not include internal ETF fees and expenses, transfer taxes, electronic fund and wire fees, IRA and retirement plan account fees, or any other fees that would reasonably be assessed to a brokerage account. ETFs pay fees and expenses that are ultimately borne by clients (including, but not limited to, management fees, brokerage costs, and administration and custody fees). Additionally, ETFs held in a Program account have annual investment advisory expenses, so clients incur two levels of investment management fees: one indirectly in the form of an investment advisory fee to the investment adviser of each ETF and one to JPMS for its services rendered through the Program. Clients should review the applicable prospectuses for ETFs in the Program for additional information about these fees and expenses, which are available through the Program Website.

The Account Fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates. In cases where trades are placed with unaffiliated broker-dealers, clients will incur a brokerage commission, mark-up or mark-down charged by the other broker-

dealer that is not covered by the Account Fee. For orders placed with broker-dealers other than JPMS, the trade confirmation issued by JPMS 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 JPMS, please refer to additional disclosures on the JPMS separate website, available at www.chase.com/managed-account-disclosures.

Account Termination

Clients may terminate their participation in the Program by notifying JPMS through the Secure Message Center through the Program Website or by telephone at 800-776-6061, which will become effective no later than five days after JPMS sends a notice that it has terminated its services. Upon termination, JPMS will remove the account from the Program, and the account will be converted to a non-managed brokerage account. The client may instruct JPMS to liquidate its securities or transfer them to another financial institution, but will be unable to purchase securities in his or her account.

As a result, a client may experience tax consequences as a result of a decision to terminate their participation in the Program and liquidate his or her account which should be discussed with his or her tax advisor. JPMS is not responsible for changes in prices of securities in a client's Account between the time of termination and, if requested, liquidation of the client's account. All requests will be processed according to JPMS' normal procedures and it may take several business days to process a client's request.

ITEM 5 – ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Clients generally include individuals investing through taxable accounts and retirement accounts with a U.S. address. Clients are required to establish their accounts and enroll in the Program through the Program Website. Please see the discussion on “*Online Nature of the Program*” in Item 4 above for additional information concerning the digital nature of the Program.

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.

The initial Program account minimum is \$5,000. The minimum account requirement for ongoing management of Program accounts is \$4,000. Client accounts may also be subject to termination if they fall below the \$4,000 minimum account requirement for ongoing management. JPMS reserves the right to terminate a client relationship for clients whose account address becomes a non-U.S. address. JPMS, in its sole discretion, can waive or alter either or both of the initial account minimum or the minimum account requirement for ongoing management.

ITEM 6 – PORTFOLIO MANAGER SELECTION AND EVALUATION

General Information

JPMS is the Sponsor of the Program and has delegated to JPMPI responsibility for determining asset allocation and portfolio construction, selecting and monitoring ETFs, and evaluating model portfolios on an ongoing basis subject to the oversight of, and pursuant to, an investment policy statement established and approved by JPMS through the Chase Wealth Management RIA Fiduciary Committee (“**CWM RIA Fiduciary Committee**”). Neither JPMS nor JPMPI can ensure that a given model portfolio's investment objective will be attained.

JPMS remains responsible for overseeing JPMPI's performance. The CWM RIA Fiduciary Committee seeks to ensure that the Program offers suitable investment products to clients and that assets in the Program are managed in a compliant manner with the Program's investment policy statement that fulfills JPMS' fiduciary duties, as sponsor, to Program Clients. The CWM RIA Fiduciary Committee is composed of members of management of JPMS and meets at least quarterly. Among other things, the committee reviews the Program in relation to: key risk and control parameters; underlying investment strategy performance; trade activity reporting; model portfolio composition, attribution and risk; fees; disclosures to clients; conflicts of interest; and any material compliance issues affecting the Program.

Set forth below is a general description of the primary methods of analysis that JPMPI uses for the Program. This description is qualified in its entirety by the information included in any applicable ETF's prospectus or other relevant offering documentation. Neither JPMS nor JPMPI are responsible for the performance of any ETF or its prospectus, disclosures, laws or regulations, or other matters within the ETF and their respective adviser's control. Each ETF's adviser is solely responsible for the management of the ETF.

Methods of Analysis, Investment Strategies and Risk of Loss

JPMPI's Investment Process

JPMPI is responsible for determining asset allocation and portfolio construction, selecting and monitoring ETFs, and evaluating model portfolios on an ongoing basis subject to the oversight of, and pursuant to, an investment policy statement established and approved by JPMS. Each of these is discussed more fully below.

For more information on each model portfolio and their related risks, clients and prospective clients should review JPMPI's Form ADV Part 2A for the Program, which can be obtained through the Program Website or at the SEC's website at www.adviserinfo.sec.gov. JPMS reserves the right to change the characteristics of the model portfolios at any time in its sole discretion.

Asset Allocation Process

JPMPI is responsible for establishing and updating the overall strategic and tactical asset allocations for the model portfolios. Asset allocations are based on the firm's long-term capital market assumptions as well as correlation between asset classes. Each model portfolio's asset allocation mix is selected to have the appropriate level of risk and return for its corresponding Risk Profile. These asset allocations generally are the overall basis for the process described below. The JPMPI personnel who perform these functions are shared with JPMCB, and perform substantially similar services for other clients

of the wealth management divisions of J.P. Morgan. JPMPI periodically reviews the asset allocation and performance of the model portfolios with JPMS. A wealth management internal governance committee periodically reviews JPMPI's investment activities in the Program.

Research Process

JPMPI's Manager Selection Team (the "**Manager Selection Team**") conducts due diligence of the ETFs that are available for use in the Program. The Manager Selection Team is responsible for researching and selecting ETFs, 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. The Manager Selection Team uses both quantitative and qualitative assessments during its initial review process. The Manager Selection Team then recommends particular ETFs to an internal governance forum, which is responsible for approving or rejecting them. The Manager Selection Team is also responsible for monitoring and re-evaluating approved ETFs as part of its ongoing review process. The Manager Selection Team and internal governance forum perform substantially similar services for other clients of the wealth management divisions of J.P. Morgan.

Initial ETF Review and Approval

The internal governance forum approves or rejects new ETFs to be made available for JPMI's use in model portfolios. There can be ETFs that are not available in the Program, but that are available in other programs advised by JPMPI or its affiliates. The Manager Selection Team provides a formal presentation on prospective ETFs to the governance forum for review. The internal governance forum considers a multitude of factors in its review and approval process, which may include, but is not limited to: (a) an analysis of the manager's overall investment opportunity, (b) investment objective, (c) track record, (d) performance, (e) terms of the vehicle, (f) reputational risk, (g) potential for conflicts of interest, and (h) regulatory issues.

Model Portfolio Construction

From the pool of ETFs, JPMPI selects the combination of ETFs that, in its view, fit each model portfolio's asset allocation goals and JPMPI's forward looking views in an effort to best meet the investment objectives of each respective model portfolio. JPMPI can also consider other factors, including but not limited to: (a) an ETF's liquidity, (b) an ETF's ability to track an index, and/or (c) an ETF's assets under management.

Ongoing Review of Approved ETFs

Another internal governance forum is responsible for making decisions to maintain ETFs as approved and available for the Program, place them on probation, or terminate them as part of its ongoing monitoring and oversight responsibilities. The factors considered by the forum 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. In addition, an ETF may be placed on probation when it has reached its overall concentration limit across all J.P. Morgan affiliates.

An ETF that is placed on probation will generally continue to be held in clients' accounts, but the Program's rebalancing logic will not direct new or additional purchases of such ETF for client accounts until the ETF is removed from probation and allocations to the ETF placed on probation will be made to a secondary ETF. During the probation period, the Manager Selection Team will continue to review the ETF. In the event the internal governance forum terminates an ETF from the Program, that ETF will no longer be purchased in clients' accounts and JPMPI will cause any existing positions held in clients' accounts to be sold automatically subject to the Program's rebalancing logic.

JPMPI also can, for model portfolio construction reasons, remove an ETF from the Program.

Material, Significant, or Unusual Risks Relating to the Program

Set forth below is a summary of the material risk factors that are associated with the Program, its model portfolios and the types of investments used in the Program. This is a summary only. The information included in this Brochure does not include every potential risk associated with each investment strategy or model portfolio or applicable to clients participating in the Program. Clients should not rely solely on the descriptions provided below. Clients are urged to ask questions regarding risk factors applicable to a particular strategy or investment product by calling 800-776-6061, read all relevant prospectuses and product-specific risk disclosures, and determine whether the Program is suitable for them in light of their specific circumstances and investment goals.

Risk of Loss. 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.

General Market Risk. Economies and financial markets throughout the world are becoming increasingly interconnected, which increases the likelihood that events or conditions in one country or region will adversely impact markets or issuers in other countries or regions. Securities in any one model portfolio may under perform in comparison to general financial markets, a particular financial market or other asset classes, due to a number of factors, including inflation, interest rates, global demand for particular products or resources, natural disasters or events, terrorism, regulatory events and government controls.

High Portfolio Turnover Risk. Accounts in the Program can engage in active and frequent trading due to the Program's rebalancing logic and algorithms. Frequent trading can lead to increased portfolio turnover and the possibility of increased capital gains, including short-term capital gains that are generally taxable as ordinary income. However, the Program's rebalancing logic and algorithms have been designed to rebalance accounts when their actual account holdings drift from the portfolio's stated target asset allocation by certain predetermined thresholds. This feature seeks to limit the frequency of rebalancing activity in client accounts in the Program.

Diversification Risk. The Program's asset allocation and model portfolio construction processes assume that diversification is beneficial. This concept is a generally accepted investment principle, although no amount of diversification can eliminate investment risk, and the investment returns of a diversified portfolio may be lower than a more concentrated portfolio or a single investment over a similar period.

ETF Risk. ETFs are marketable securities that are designed to track, before fees and expenses, the performance or returns of a relevant index, commodity, bonds or basket of assets, like an index fund. Unlike mutual funds, ETFs trade like common stock on a stock exchange. ETFs experience price changes throughout the day as they are bought and sold. In addition to the general risks of investing, there are specific risks to consider with respect to an investment in ETFs, including, but not limited to:

- **Variance from Benchmark Index.** ETF performance may differ from the performance of the applicable index for a variety of reasons. For example, ETFs incur operating expenses and portfolio transaction costs not incurred by the benchmark index, may not be fully invested in the securities of their indices at all times, or may hold securities not included in their indices. In addition, corporate actions with respect to the equity securities underlying ETFs (such as mergers and spin-offs) may impact the variance between the performances of the ETFs and applicable indices.
- **Passive Investing Risk.** Passive investing differs from active investing in that ETF managers are not seeking to outperform their benchmark. As a result, ETF managers may hold securities that are components of their underlying index, regardless of the current or projected performance of the specific security or market sector. Passive managers do not attempt to take defensive positions based upon market conditions, including declining markets. This approach could cause a passive vehicle's performance to be lower than if it employed an active strategy.
- **Secondary Market Risk.** ETFs shares are bought and sold in the secondary market at market prices. Although ETFs are required to calculate their net asset values ("NAV") on a daily basis, at times the market price of an ETF's shares may be more than the NAV (trading at a premium) or less than the NAV (trading at a discount). Given the differing nature of the relevant secondary markets for ETFs, certain ETFs may trade at a larger premium or discount to NAV than shares of other ETFs depending on the markets where such ETFs are traded. The risk of deviation from NAV for ETFs generally is heightened in times of market volatility or periods of steep market declines. For example, during periods of market volatility, securities underlying ETFs may be unavailable in the secondary market, market participants may be unable to calculate accurately the NAV per share of such ETFs, and the liquidity of such ETFs may be adversely affected. This kind of market volatility may also disrupt the ability of market participants to create and redeem shares in ETFs. Further, market volatility may adversely affect, sometimes materially, the prices at which market participants are willing to buy and sell shares of ETFs. As a result, under these circumstances, the market value of shares of an ETF may vary substantially from the NAV per share of such ETF, and the client may incur significant losses from the sale of ETF shares.
- **Authorized Participant Risk.** As described more fully in Item 9.C below, ETFs are issued and redeemed in Creation Units (defined below) by Authorized Participants. Authorized Participants may purchase or redeem Creation Units, which may affect the supply and demand of an ETF in the secondary market and cause prices to fluctuate.

Limited Nature of the Program. The Program has not been designed to provide a comprehensive financial plan to clients, and is instead intended to assist clients in meeting a specific investment goal based on the assets that they invest through the Program. The Program does not provide tax advice and clients may experience tax consequences as a result of a decision to participate in or terminate their participation in the Program. In addition, the Program is limited in the following ways: (i) the Program relies exclusively on the information that clients provide through the Program Website in formulating investment recommendations; (ii) JPMS does not and will not verify any information that clients and prospective clients provide through the Program Website; (iii) JPMS does not consider any information that it may obtain or possess as a result of a client or prospective client's other accounts or relationships with JPMS or its affiliates; (iv) the Program offers a limited universe of model portfolios that may not be suitable or optimal for a client; and (v) the Program may not be suitable for everyone.

Client Responsibility. Investment advice offered through the Program is highly dependent on a client's responses to the Investment Proposal Questionnaire, which forms the basis of the client's risk profile and JPMS' recommendation of a model portfolio. It is extremely important that clients and prospective clients respond to the Investment Proposal Questionnaire accurately and revisit their responses on the Program Website in the event that any response becomes inaccurate. Clients should be careful when entering responses to the Investment Proposal Questionnaire, because inaccurate information will affect JPMS' investment recommendation. JPMS does not and will not verify any information that clients and prospective clients provide through the Program Website nor will it consider any information that it may obtain or possess as a result of a client or prospective client's other accounts or relationships with JPMS or its affiliates. In addition, after completing the Investment Proposal Questionnaire, depending on client's risk profile, the Program may allow a client to select a model portfolio that is riskier or more conservative than the one recommended by the Program. Clients are responsible for determining whether such decision is suitable and consistent with their risk profile and investment objectives. JPMS will not be responsible for such decision, including, but not limited to, any difference in investment performance between the Recommended Portfolio and the Selected Portfolio.

Algorithm Risk. The Program is reliant on the use of algorithms and related computer systems in recommending model portfolios, and in rebalancing client accounts. Changes to an algorithm or a computer system's code or underlying assumptions may have unintended consequences. In addition, algorithms and computer systems may not perform as intended for a variety of reasons, including, but not limited to, incorrect assumptions, changes in the market and changes to data inputs.

Cyber Security Risk. The Program relies on the continued use and operation of various hardware and software belonging to JPMS, its affiliates and third parties. The Program is subject to the various risks inherent with online systems, including: theft; loss; misuse; improper release; corruption and destruction of, or unauthorized access to, confidential or highly restricted data relating to JPMS and its clients; and compromises or failures to systems, networks, devices and applications relating to the operations of JPMS and its service providers. Cyber security risks may result in financial losses to JPMS and its clients; the inability of JPMS to transact business with its clients; delays or mistakes in materials provided to clients; the inability to process transactions with clients or other parties; violations of privacy and other laws; regulatory fines, penalties and reputational damage; and compliance and remediation costs, legal fees and other expenses. JPMS' service providers (including its sub-advisers, administrator, transfer agent, and custodian or their agents), financial intermediaries, companies in which client accounts and funds invest, and parties with which JPMS engages in portfolio or other transactions also may be adversely impacted by cyber security risks in their own businesses, which could result in losses to JPMS or its clients. While measures have been developed which are designed to reduce the risks associated with cyber security, there is no guarantee that those measures will be effective, particularly since JPMS does not directly control the cyber security defenses or plans of its service providers, financial intermediaries and companies in which they invest or with which they do business.

Vendor Risk. The Program relies on a vendor, which J.P. Morgan has an ownership interest in, for certain operational and trading functions. By relying on a vendor, an investment adviser reduces its level of control over services rendered. If a vendor fails to perform its obligations in a timely manner or at satisfactory quality levels, the Program may be unable to provide investment advice consistent with disclosures to clients.

Model Risk. Some strategies may include the use of various proprietary quantitative or investment models. Investments selected using models may perform differently than expected as a result of changes from the factors' historical – and predicted future – trends, and technical issues in the implementation of the models, including, for example, issues with data feeds. Moreover, the effectiveness of a model may diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. A model's return mapping is based partially on historical data regarding particular economic factors and securities prices. The operation of a model, similar to other fundamental, active investment processes, may result in negative performance, including returns that deviate materially from historical performance, both actual and pro-forma. For a model driven investment process – and again similar to other, fundamental, and active investment processes, there is no guarantee that the use of models will result in effective investment outcomes for clients.

Please refer to JPMPI's Form ADV Part 2A for additional disclosures on risks related to Program and the sub-adviser.

ITEM 7 – CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

JPMS and JPMPI both receive information regarding the client's chosen investment strategy. JPMPI receives information from JPMS about any reasonable restrictions imposed by the client on his or her Program account that are accepted by JPMS. That information is updated if it becomes materially incorrect, such as in the event that the client selects a new model portfolio or changes his or her investment restrictions.

ITEM 8 – CLIENT CONTACT WITH PORTFOLIO MANAGERS

Clients can access information about their accounts through the Program Website at any time. Investment personnel knowledgeable about the management of Program accounts are available for consultation on reasonable request by telephone at 800-776-6061.

ITEM 9 – ADDITIONAL INFORMATION

A. Disciplinary Events

JPMS has been involved in the following material legal or disciplinary events during the last ten years. For 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 JPMS) on October 1, 2008, and the merger of Chase Investment Services Corp. ("CISC") into JPMS 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 CISC'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 ensure that the appropriate breakpoints would be delivered to customers, and paid a \$32,500 fine.
- 2) Between June 2009 and September 2012, JPMorgan, on behalf of itself and its subsidiaries (including JPMS and CISC), 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 CISC 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 \$100,000 fine.
- 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 U.S. 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 U.S. 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: JPMCB 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 JPMCB 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 J.P. Morgan 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. J.P. Morgan 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 CISC engaged in the investment advisory business within the State of Florida without three (3) individuals being registered as investment adviser representatives in the State of Florida. CISC paid an administrative fine of \$30,000.
- 8) In November 2011, CISC submitted an AWC to FINRA pursuant to which the CISC was fined, censured and required to provide remediation to customers who purchased certain UITs and floating rate funds. FINRA alleged that CISC 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 \$1.7 million fine 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's 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 of 1933. Additionally, the judgment required the defendants to pay disgorgement in the amount of \$177.7 million, 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 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 JPMorgan'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 JPMorgan 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 J.P. Morgan 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 27, 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, which was paid on August 1, 2016.

B. Other Financial Industry Activities and Affiliations

JPMS’ 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 is also registered as a Futures Commission Merchant with the CFTC. JPMS’ officers, managers, and investment adviser representatives (“**IARs**”) spend time conducting both broker-dealer activities and investment adviser activities.

JPMS is affiliated with several other SEC-registered broker-dealers, investment companies, investment advisers, insurance agencies and mortgage companies, as well as with JPMCB. Other registered investment advisers, collectively referred to as J.P. Morgan Asset Management, are affiliated with JPMS under the common ownership by JPMorgan. One or more of these investment advisers serve as the investment adviser to the various “**J.P. Morgan Funds**”, which are affiliated ETFs or mutual funds.

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.

Securities Allocations and Limitations

JPMS is part of a large financial services firm. In connection with providing investment advisory services to its clients, JPMS uses the products or services of its affiliates or other related persons, as described both above and below. JPMS and/or its affiliates can receive more compensation from certain accounts that use strategies similar to those used by Program accounts (“**Similar Accounts**”) than it or its affiliates receive from Program accounts. JPMS or its affiliates have a conflict of interest to the extent that JPMS or an affiliate has a proprietary investment in Similar Accounts, JPMS’ and/or its affiliates’ portfolio managers have personal investments in Similar Accounts, or the Similar Accounts are investment options in JPMS’ or its affiliates’ employee benefit plans. Potential conflicts of interest can arise with both the aggregation and allocation of securities transactions and allocation of investment opportunities because of market factors or investment restrictions imposed upon JPMS and its affiliates by law, regulation, contract, or internal policies. A potential conflict of interest also can arise if transactions in one account closely follow related transactions in a different account, such as when a purchase increases the value of securities previously purchased by another account or when a sale in one account lowers the sale price received in a sale by a second account.

JPMS and its affiliates maintain certain investment limitations on the positions in securities (including ETFs) that JPMS or its affiliates will take on behalf of its various clients due to, among other things: (i) liquidity concerns; (ii) regulatory requirements applicable to JPMS or its affiliates; and (iii) internal policies related to such concerns or requirements, in light of the management of multiple portfolios and businesses by JPMS and its affiliates. Such policies preclude JPMS or its affiliates from purchasing certain securities for clients and can cause JPMS to sell certain securities held in client accounts.

Authorized Participant

ETFs issue and redeem shares on a continuous basis at their net asset value in large aggregations (“**Creation Units**”). Creation Units are generally issued and redeemed in-kind for securities held by the ETF. Only entities that have entered into contractual arrangements with the ETF’s distributor (“**Authorized Participants**”) may purchase or redeem shares directly from the ETF. JPMS is an Authorized Participant to certain ETFs, which may or may not currently be used in the Program. JPMS or its affiliates receive compensation for its services as Authorized Participants, but the investment personnel of JPMS responsible for selecting ETFs for portfolios in the Program are subject to information barriers designed to prevent them from selecting ETFs based on JPMS’ and its affiliates receipt of compensation for serving as an Authorized Participant.

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.

Ownership in Vendor

The Program relies on a financial digital solutions vendor for certain operational and trading functions. JPMCB has an ownership interest in this vendor, which creates a conflict of interest, because the Program had an incentive to select this vendor and has an incentive to continue using this vendor for the Program. J.P. Morgan addresses this conflict by disclosing it to clients and by subjecting the vendor to due diligence. Additionally, clients are not directly responsible for payments to this vendor.

JPMorgan Chase Bank, N.A.

As discussed above, clients authorize JPMS to invest (*i.e.*, sweep) available cash balances in their Program account that are pending investment, as well as any strategic balances allocated to cash, into a deposit account held with JPMCB, an affiliate of JPMS.

Deposits with JPMCB are covered by the Federal Deposit Insurance Corporation (“FDIC”), up to applicable limits.

JPMS and JPMCB have a conflict of interest in using the Deposit Sweep for balances pending investment, as well as for the cash allocation for the model portfolios and for Program accounts. JPMCB benefits from the use of the Deposit Sweep because JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits from Program accounts 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 deposits, and the interest rate or other income JPMCB earns on loans and investments made with the deposits. JPMS addresses this conflict by monitoring the rate of interest paid on deposits made from Program accounts and by providing disclosure and information about the Deposit Sweep to clients.

D. Code of Ethics

Code of Ethics and Personal Trading

The Firm’s Code of Ethics (the “Code”) governs the conduct of IARs and other Firm employees who have access to client information. The Code requires IARs and other Firm employees with access to client information to acknowledge that they understand and are in compliance with its policies. The Code’s policies require that IARs: (1) report personal securities trades, (2) acknowledge their ongoing compliance with SEC broker-dealer and investment adviser 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 use the Program Website or telephone the Firm to request a copy of the Code.

The Code contains policies and procedures relating to:

- Account holding reports, personal trading, including reporting and pre-clearance requirements for all employees of JPMS;
- Confidentiality obligations to clients set forth in the J.P. Morgan privacy notices;
- Employee conflicts of interest, which includes guidance relating to restrictions on trading on material non-public information, gifts and entertainment, political and charitable contributions, and outside business activities; and
- Escalation guidelines for reporting violations.

In general, the personal trading rules under the Code require that accounts of employees and associated persons be maintained with an approved broker and that all trades in reportable securities for such accounts be pre-cleared and monitored by compliance personnel. The Code also prohibits certain types of trading activity, such as short-term and speculative trades. Employees of JPMS must obtain approval prior to engaging in all covered security transactions, including those issued in private placements. In addition, employees of JPMS are not permitted to buy or sell securities issued by J.P. Morgan during certain periods throughout the year. Certain “Access Persons” (defined as persons with access to non-public information regarding JPMS’ recommendations to clients, purchases, or sales of securities for client accounts and affiliated funds) are prohibited from executing personal trades in a security or similar instrument five business days before and after a client or fund managed by that Access Person transacts in that security or similar instrument. In addition, Access Persons are required to disclose household members, personal security transactions and holdings information. These disclosure obligations and restrictions are designed to mitigate conflicts of interest that may arise if Access Persons transact in the same securities as advisory clients.

Additionally, all JPMS employees are subject to the J.P. Morgan firm-wide policies and procedures including those found in the J.P. Morgan Code of Conduct (the “Code of Conduct”). The Code of Conduct sets forth restrictions regarding confidential and proprietary information, information barriers, private investments, outside business activities and personal trading. All J.P. Morgan employees, including JPMS employees, are required to familiarize themselves, comply and attest annually to their compliance with provisions of the Code of Conduct’s terms as a condition of continued employment.

Participation or Interest in Client Transactions and Other Conflicts of Interest

J.P. Morgan Acting in Multiple Commercial Capacities

J.P. Morgan is a diversified financial services firm that provides a broad range of services and products to its clients and is a major participant in the global currency, equity, commodity, fixed-income and other markets in which JPMS’ client accounts invest or may invest. J.P. Morgan is typically entitled to compensation in connection with these activities and the Program’s clients will not be entitled to any such compensation. In providing services and products to clients other than JPMS’ clients, J.P. Morgan, from time to time, faces conflicts of interest with respect to activities recommended to or performed for JPMS’ client on one hand and for J.P. Morgan’s other clients on the other hand. For example, J.P. Morgan has, and continues to seek to develop banking and other financial and advisory relationships with numerous U.S. and non-U.S. persons and governments. J.P. Morgan also advises and represents potential buyers and sellers of businesses worldwide. JPMS’ client accounts have invested in, or in the future may invest in, such entities represented by J.P. Morgan or with which J.P. Morgan has a banking, advisory or other financial relationship. In addition, certain clients of J.P. Morgan, including JPMS’ clients, may invest in entities in which J.P. Morgan holds an interest, including a J.P. Morgan Fund or J.P. Morgan ETF. In providing services to its clients and as a participant in global markets, J.P. Morgan from time to time recommends or engages in activities that compete with or otherwise adversely affect a JPMS client account or its investments. It should be recognized that such relationships can preclude JPMS’ clients from engaging in certain transactions and can also restrict investment opportunities that may be otherwise available to JPMS clients. For example, J.P. Morgan

is often engaged by companies as a financial adviser, or to provide financing or other services, in connection with commercial transactions that are potential investment opportunities for JPMS' clients. There are circumstances in which advisory accounts are precluded from participating in such transactions as a result of J.P. Morgan's engagement by such companies. J.P. Morgan reserves the right to act for these companies in such circumstances, notwithstanding the potential adverse effect on JPMS' clients. In addition, J.P. Morgan derives ancillary benefits from providing investment advisory, custody, administration, prime brokerage, transfer agency, fund accounting and shareholder servicing and other services to JPMS' clients, and providing such services to JPMS' clients may enhance J.P. Morgan's relationships with various parties, facilitate additional business development, and enable J.P. Morgan to obtain additional business and generate additional revenue.

The following are descriptions of certain additional conflicts of interest and potential conflicts of interest that may be associated with the financial or other interests that JPMS and J.P. Morgan may have in transactions effected by, with, or on behalf of its clients. In addition to the specific mitigants described further below, JPMS has adopted policies and procedures reasonably designed to appropriately prevent, limit or mitigate conflicts of interest. In addition, many of the activities that create these conflicts of interest are limited and/or prohibited by law, unless an exception is available.

For additional disclosures on conflicts related to JPMPI and the Program, including "Important Information About Funds Registered Under the Investment Company Act of 1940," please read JPMPI's Form ADV Part 2A.

Use of Index Products

JPMS or one of its affiliates may develop or own and operate stock market and other indexes based on investment and trading strategies developed by JPMS or its affiliates or assist unaffiliated entities in creating indexes that are tracked by certain ETFs utilized by JPMS or an affiliate. Some of the ETFs for which an affiliate of JPMS acts as investment adviser (the "JPM ETFs") seek to track the performance of these indexes. JPMS and its affiliates may, from time to time, manage client accounts that invest in these JPM ETFs. In addition, JPMS and its affiliates may manage client accounts which track the same indexes used by the JPM ETFs or which may be based on the same, or substantially similar, strategies that are used in the operation of the indexes and the JPM ETFs. The operation of the indexes, the JPM ETFs and client accounts in this manner may give rise to potential conflicts of interest. For example, client accounts that track the same indexes used by the JPM ETFs may engage in purchases and sales of securities relating to index changes prior to the implementation of index updates or the time as of which the JPM ETFs engage in similar transactions because the client accounts may be managed and rebalanced on an ongoing basis, whereas the JPM ETFs' portfolios are only rebalanced on a periodic basis corresponding with the rebalancing of an index. These differences may result in the client accounts having more favorable performance relative to that of the index and the JPM ETFs or other client accounts that track the index. Other potential conflicts include the potential for unauthorized access to index information, allowing index changes that benefit JPMS or other client accounts and not the investors in the JPM ETFs. JPMS and its affiliates have established certain information barriers and other policies to address the sharing of information between different businesses within JPMS and its affiliates, including with respect to personnel responsible for maintaining the indexes and those involved in decision-making for the JPM ETFs. In addition, as described above, JPMS has adopted a code of ethics.

Investing in Securities which JPMS or a Related Person Has a Material Financial Interest

Recommendation or Investments in Securities that the Adviser or Its Related Persons may also Purchase or Sell

JPMS and its related persons may recommend or invest securities on behalf of its clients that JPMS and its related persons may also purchase or sell. As a result, positions taken by JPMS and its related persons may be the same as or different from, or made contemporaneously or at different times than, positions taken for clients of JPMS. As these situations involve actual or potential conflicts of interest, JPMS has adopted policies and procedures relating to personal securities transactions, insider trading and other ethical considerations. These policies and procedures are intended to identify and mitigate actual and perceived conflicts of interest with clients and to resolve such conflicts appropriately if they do occur. The policies and procedures contain provisions regarding pre-clearance of employee trading, reporting requirements and supervisory procedures that are designed to address potential conflicts of interest with respect to the activities and relationships of related persons that might interfere or appear to interfere with making decisions in the best interest of clients, including the prevention of front-running. In addition, JPMS has implemented monitoring systems designed to ensure compliance with these policies and procedures.

J.P. Morgan's Proprietary Investments

JPMS, J.P. Morgan, and any of their directors, partners, officers, agents or employees, also buy, sell or trade securities for their own accounts or the proprietary accounts of JPMS and/or J.P. Morgan. JPMS and/or J.P. Morgan, within their discretion, may make different investment decisions and take other actions with respect to their proprietary accounts than those made for client accounts, including the timing or nature of such investment decisions or actions. Further, JPMS is not required to purchase or sell for any client account securities that it, J.P. Morgan, and any of their employees, principals or agents may purchase or sell for their own accounts or the proprietary accounts of JPMS, or J.P. Morgan. JPMS, J.P. Morgan, and their respective directors, officers and employees face a conflict of interest as they will have income or other incentives to favor their own accounts or the proprietary accounts of JPMS or J.P. Morgan.

Payment for Order Flow

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

Conflicts of Interest Created by Contemporaneous Trading

Positions taken by a certain client account may also dilute or otherwise negatively affect the values, prices or investment strategies associated with positions held by a different client account. For example, this may occur when investment decisions for one client are based on research or other information that is also used to support portfolio decisions by JPMS or an affiliate for a different client following the same, similar or different investment strategies or by an affiliate of JPMS in managing its clients' accounts. When a portfolio decision or strategy is implemented for an account ahead of, or

contemporaneously with, similar portfolio decisions or strategies for JPMS or an affiliate's other client (whether or not the portfolio decisions emanate from the same research analysis or other information), market impact, liquidity constraints or other factors could result in one account being disadvantaged or receiving less favorable investment results than the other account, and the costs of implementing such portfolio decisions or strategies could be increased.

In addition, it may be perceived as a conflict of interest when activity in one account closely correlates with the activity in a similar account, such as when a purchase by one account increases the value of the same securities previously purchased by another account, or when a sale in one account lowers the sale price received in a sale by a second account. Furthermore, if JPMS or an affiliate manages accounts that engage in short sales of securities in which other accounts invest, JPMS or an affiliate could be seen as harming the performance of one account for the benefit of the account engaging in short sales if the short sales cause the market value of the securities to fall. Also, certain private funds managed by JPMS or its affiliates hold exclusivity rights to certain investments and therefore, other clients are prohibited from pursuing such investment opportunities.

Other Compensation from ETFs

Certain ETFs in which account assets may be invested in for the Program may execute transactions for their portfolios through JPMS or an affiliate as broker-dealer, and JPMS or an affiliate may receive traditional brokerage compensation and fees from the ETFs in connection with these transactions. Such compensation presents a conflict of interest between JPMS and Program clients because JPMS may have a financial incentive to invest Program account assets in such ETFs: (1) in the hope or expectation that increasing the amount of assets invested with the ETFs will increase the number and/or size of transactions placed by the ETFs for execution by JPMS or an affiliate or other related person, and thereby result in increased compensation to JPMS and its affiliates and other related persons in the aggregate; and (2) to benefit the ETFs and thereby preserve and foster valuable brokerage relationships with the ETFs.

E. Review of Accounts

Clients can access the Program Website on an ongoing basis to review their account information, account holdings and investment performance. Clients will electronically receive account statements from the custodian at least quarterly and will be able to access quarterly performance reports through the Program Website. At least quarterly, JPMS will contact clients to urge them to ensure the accuracy of their account information maintained on the Program Website. JPMS also contacts clients at least 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 Program account. Clients are solely responsible for notifying JPMS in the event that any information that JPMS maintains about them is inaccurate or becomes inaccurate.

Neither investment personnel from JPMS nor JPMPI will monitor individual client accounts. The Program has instead been designed to continuously monitor and rebalance clients' accounts to keep them aligned with the model portfolio's target asset allocation subject to JPMS' rebalancing logic and algorithms. As discussed above, Program accounts are generally rebalanced when their actual account holdings drift from the model portfolio's stated target asset allocation by certain predetermined thresholds or client-initiated activity (e.g., account contributions, withdrawals, changes in a client's Selected Portfolio, and client restrictions). In addition, JPMS maintains certain controls to review client accounts to ensure that the Program and its rebalancing logic is operating as intended.

JPMS or JPMPI may determine to cancel or delay rebalancing activity for a given day or days in its sole discretion.

Please see Item 4 above under the section *Rebalancing Logic* for additional information describing the Program's ongoing review of client accounts through its rebalancing logic.

F. Client Referrals and Other Compensation

Program accounts are offered exclusively online. JPMS does not currently compensate any employee or third party for referrals of clients or prospective clients.

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.