

**FORM ADV, PART 2A**  
**APPENDIX 1**  
**WRAP FEE PROGRAM BROCHURE**  
**PORTFOLIO MANAGER PROGRAM**  
**(Offered through Chase Investments and Chase Private Client)**

J.P. Morgan Securities LLC

March 31, 2015

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

Additional information about J.P. Morgan Securities LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

**ITEM 2 – MATERIAL CHANGES**

The following is a summary of the material changes made to this Brochure since the last annual update dated March 2014:

- We have added a discussion of the circumstances in which JPMS would use another broker-dealer to execute trades in client accounts. Please see Item 4, “Program Description”, beginning on page 2.
- We have added a discussion of our trade error correction process. Please see Item 4, “Program Description”, beginning on page 2.

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

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## **ITEM 4 – SERVICES, FEES AND COMPENSATION**

### **DESCRIPTION OF FIRM AND ADVISORY SERVICES**

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

This Wrap Fee Brochure provides information about JPMS and the Portfolio Manager Program (“PMP” or the “Program”). PMP is offered only through the Chase Investments and Chase Private Client sales channels. The J.P. Morgan Securities division of JPMS offers a wrap program also named “Portfolio Manager Program” that has different features and is described in a separate Wrap Fee Brochure. Information about other wrap fee programs sponsored by JPMS are contained in separate Wrap Fee Brochures, which can be obtained upon request from your Financial Advisor.

### **Portfolio Manager Program**

#### **Program Description**

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

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

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

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

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

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

If a Client uses securities to fund a Program account, JPMS or the Portfolio Manager will sell any securities that are not consistent with the investment style as an accommodation to the Client without charging a commission or spread on the trade. If non US denominated securities are sold, the Client will incur currency conversion charges.

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

### **Custodian**

J.P. Morgan Clearing Corporation ("JPMCC"), an SEC registered NYSE member broker-dealer, provides clearing and trade execution services for and serves as the custodian for the Program accounts. JPMCC is a "qualified custodian" as defined in Rule 206(4)-2 under the Investment Advisers Act of 1940 (the "Advisers Act"). JPMCC is an affiliate of JPMS.

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

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

### **Wrap Account Fees**

#### **General**

Clients pay an annual asset-based account fee for the Program ("Account Fee"). The Account Fee is composed of an Advisory Fee and, for certain accounts, a Manager Fee.

The Advisory Fee is an annualized asset-based fee that covers all advisory, administrative, Custodial and brokerage services provided by JPMS. The Advisory Fee is found in the applicable Fee Schedule below.

The Manager Fee is an annualized asset-based fee that covers the portfolio management services provided by Equity Portfolio Managers, and is found below. There is no Manager Fee for Fixed Income Accounts. IRAs and other tax-qualified plans, including ERISA plans, are not charged a Manager Fee by Equity Portfolio Managers affiliated with JPMS.

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

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

The Account Fee for Program accounts will be computed and payable quarterly in advance based upon the market value of Program account assets on the last day of the preceding quarter or portion thereof. Fees for partial quarters upon the inception or termination of a Program account will be prorated. In addition, deposits to and withdrawals from the account in amounts of \$10,000 or more on any single day will result in an adjustment of the Account Fee to be based on the market value of the additions to or withdrawals from the Account. No minimum fee requirement is applied to accounts. Program accounts will be charged the appropriate fee percentage for the account value or for the value of assets in managed accounts they have combined for fee calculation purposes. Unless the Client has elected to pay the account fee from a related JPMS managed account, if there are sufficient funds in the money market sweep fund ("MMF") to pay the entire amount, the quarterly fee will be paid out of the MMF within the Program account. If the MMF does not have sufficient funds to pay the fee in its entirety, at the discretion of the Portfolio Manager, securities in the portfolio will be sold to pay the entire fee rather than paying any of the fee from the MMF. If, due to withdrawals, payment of fees, or otherwise, the value of the MMF falls

to zero or below, at the discretion of the Portfolio Manager, sufficient securities in the portfolio will be sold to clear the debit and replenish the MMF to its current target amount. If a Program account is terminated during a quarter for which a fee has been paid in advance, JPMS will refund a prorated portion of the account fee attributable to the remainder of the quarter. Account fees for Program accounts are:

<b>FIXED INCOME ADVISORY FEE SCHEDULE</b>	
Assets	Annual Fee
First \$500,000	1.50%
Next \$500,000	1.35%
Next \$1,000,000	1.10%
Next \$2,000,000	0.85%
More than \$4,000,000	0.85%

<b>EQUITY ADVISORY FEE SCHEDULE Assets Less Than \$1 Million</b>	
Asset Size < \$1 Million	Annual Fee
On the first \$250,000	1.60%
On the next \$250,000	1.35%
On the next \$500,000	1.10%

<b>EQUITY ADVISORY FEE SCHEDULE Assets Equal to or Greater Than \$1 Million</b>	
Asset Size $\geq$ \$1 Million	Annual Fee
On the first \$1 million	1.00%
On the next \$4 million	0.70%
On the next \$5 million	0.50%
Over \$10 million	0.25%

MANAGER FEE SCHEDULE EQUITY STRATEGY	Annual Fee
<b>US Large Cap Core</b>	
BRC Investment Management Large Cap Equity	0.45%
Golden Capital Management, LLC Large Cap Equity	0.45%
J.P. Morgan Asset Management U.S. Large Cap Equity	0.45%
Santa Barbara Asset Management Dividend Growth	0.45%
Sterling Capital Management Special Opportunities	0.45%
<b>US Large Cap Growth</b>	
Fred Alger Capital Appreciation Growth Equity	0.45%
Wedgewood Partners, Inc. Large Cap Focused Growth	0.45%
TCW Investment Management Company Concentrated Core	0.40%
<b>US Large Cap Value</b>	
Federated Investors, Inc. Strategic Value Equity*	0.41%
Robeco Investment Management Large Cap Value	0.45%
Diamond Hill Capital Management, Inc Large Cap Value	0.45%
<b>US Mid Cap Core</b>	
Earnest Partners Mid Cap Core	0.50%
<b>US Mid Cap Growth</b>	
Baird Investment Management Mid Cap Growth	0.45%
<b>US Mid Cap Value</b>	
Earnest Partners Mid Cap Value	0.45%
<b>US Small Cap Core</b>	
Glenmede Investment Management Small Cap Equity	0.45%
Tributary Capital Management Small Cap Equity	0.45%
<b>US Small Cap Growth</b>	
Brown Advisory Small Cap Growth	0.45%
<b>US Small Cap Value</b>	
Kayne Anderson Rudnick Small Cap Quality Value	0.50%
<b>Developed Non-US Equity</b>	
Capital Group International Equity	0.50%
Harding Loevner, LP International Equity	0.45%
<b>REIT</b>	
Uniplan Investment Counsel REIT Portfolio	0.45%
*as of 6/30/2014	

Managers may aggregate Program Accounts when calculating fees. As a result, a client may pay a lower Manager Fee than the Fee shown above.

If the total market value of the assets in an Equity Account is equal to or greater than \$1 million at any time when the Account Fee is calculated (including Account inception, quarterly Account billing, or any billing adjustment calculation due to a contribution or withdrawal of \$10,000 or more in one day), and then falls below \$1 million during a subsequent billing period or periods, the Advisory Fee for Equity Accounts (as determined pursuant to the applicable rates and tiers in the Fee Schedule above) will be capped at \$10,000 for the subsequent billing period(s), for so long as the total market value of the assets in the Account continuously remains between \$1 million and \$738,600. If the total market value of the assets in the Account falls below \$738,600 at the time any Account Fee is calculated, or the total market value of managed assets in the client relationship has never equaled or exceeded \$1 million, the Advisory Fee will be assessed using the applicable rates and tiers in the Fee Schedule above, for so long as the total market value of the managed assets in the client relationship remains below \$1 million.

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

A reduction in or a complete waiver of the Account Fee may be negotiated at the discretion of JPMS. Fees may be discounted for employees of JPMS or its affiliates. From time to time Program Account Fees may be increased. JPMS will promptly notify the Client whenever a fee increase is made to the Program. The Account Fee includes investment management, brokerage, execution, custody and reporting services. Client may combine assets held in certain other JPMS advisory products to determine the applicable fee percentage. Advisory Accounts under the same social security number are

automatically linked for fee calculations; Client must submit a Householding Request Form to link other related advisory accounts. When the combined assets in the linked accounts are sufficient to reach the next advisory fee breakpoint, the Client will benefit from a lower overall fee. The combined fee is then divided ratably and assessed over all of the related advisory accounts. Client may request that one of the related accounts pay the entire fee for the combined holdings.

The Program Account Fees may be more or less than the cost of paying for investment advice, trade execution, custody and reporting services separately, depending on the cost of these services if provided separately and the level of trading activity in the Client's account.

### **Other Fees and Expenses**

The Account Fee does not include various additional fees that may be incurred within Client's Program account, including, but not limited to, Fund fees and expenses, transfer taxes, electronic fund and wire fees, IRA and retirement plan account fees, margin interest, ADR fees, or any other fees that would reasonably be assessed to a brokerage account. If these fees are for services performed by JPMS or their affiliates, JPMS or an affiliate may receive all or a portion of the revenue from the fee.

The Account Fee does not cover brokerage commissions or other charges resulting from transactions not effected through JPMS or its affiliates. In general, Portfolio Managers in the Program place orders in fixed-income or debt securities with broker-dealers other than JPMS; for these trades the Client will incur a brokerage commission, mark-up or mark-down charged by the other broker-dealer that is not covered by the Account Fee. Portfolio Managers in the Program also *may* choose to place orders in equities and other types of securities with broker-dealers other than JPMS, in which event the Client will incur a brokerage commission that is not covered by the Account Fee. When Portfolio Managers place orders with broker-dealers other than JPMS, the trade confirmation issued by JPMS with the details of the trade shows a price for the traded security that is inclusive (i.e., net) of the commission, mark-up or mark-down paid by the Client to the other broker-dealer, but it does not break out or otherwise show the amount of the commission, mark-up or mark-down separately.

### **IAR Compensation**

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

### **Margin Debit Balances**

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

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

JPMS offers and sells the Program to individuals, trusts, estates, charitable organizations, and corporations and other business entities, and to a Client's assets held in certain types of retirement accounts. PMP is available to certain accounts governed by ERISA.

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

Participation in the Program generally requires a minimum \$100,000 investment for Equity Accounts and \$250,000 for Fixed Income Accounts. Certain Portfolio Managers may require higher minimum amounts. If a Program account falls below the minimum, the account is subject to termination at the discretion of JPMS or the Portfolio Manager. Under normal market conditions, it may take 2-4 days to process the investment of funds in Program accounts (whether initial investments or additions) and requests to sell or withdraw funds from Program accounts, but these timeframes may be longer due to market conditions.

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

### **Introduction**

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

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

JPMS has engaged an affiliate, JPMorgan Chase Bank, N.A. Global Wealth Management Manager Selection ("Manager Selection Team"), to perform due diligence on affiliated and unaffiliated Portfolio Managers for potential inclusion in the Program, and to select Portfolio Managers for the Program, monitor the selected Portfolio Managers and terminate Portfolio Managers. Manager Selection Team will review its actions quarterly with the JPMS Oversight Committee (the "Committee"), an internal committee comprised of senior management of JPMS.

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

Manager Selection Team evaluates Portfolio Managers using quantitative and qualitative factors. Portfolio Managers for the Program are selected based upon the information and recommendations provided by Manager Selection Team and such other information and resources it deems appropriate.

### **Ongoing Monitoring Portfolio Managers**

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

### **Terminating Portfolio Managers**

When the ongoing Portfolio Manager monitoring process uncovers a concern, Manager Selection Team may recommend that the Portfolio Manager be terminated from the Program. A Portfolio Manager may be terminated because of personnel turnover, organizational changes, disconnect between investment philosophy and process, loss of competitive advantage, inconsistent or unexplainable performance, and capacity constraints. If a Portfolio Manager is terminated, affected Clients will be notified and asked to select a new Portfolio Manager available in that asset class. If a Client does not select a new Portfolio Manager within 30 days of notification, JPMS will designate a new Portfolio Manager. A new Portfolio Manager may decline the account if it deems the Client's investment restrictions unreasonable or if the Client's account is below the new Portfolio Manager's minimum account size. The new Portfolio Manager may sell securities to align the account with its investment style, which may have tax consequences.

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

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

Taxable Fixed Income. Based upon the Client's asset class selection, the IAR will provide the Client with information about the Portfolio Managers available in the Program in the selected asset class and assist Client in selecting a Portfolio Manager.

### **Information about Portfolio Managers**

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

### **Potential Conflicts of Interest**

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

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

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

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

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

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

### **ITEM 9 – ADDITIONAL INFORMATION**

#### **A. Disciplinary Events**

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

- 1) March 2006, the SEC and NYSE announced a settlement with Bear, Stearns & Co. Inc. and its clearing affiliate in connection with the firms' alleged facilitation, in violation of various federal securities laws, of late trading and deceptive market timing in the trading of mutual funds by certain clients of the firms between 1999 and 2003. Without admitting or denying any of the SEC's substantive findings, Bear Stearns consented to the SEC's entry of an administrative order, in which the firm was censured, ordered to cease and desist from violations of Section 17(a) of the Securities Act of 1933, Sections 10(b), 15(c) and 17(a) of the Securities Exchange Act of 1934, and certain rules promulgated under those Acts and the Investment Company Act of 1940, ordered to pay \$160 million in disgorgement and \$90 million in civil penalties, and ordered to comply with certain undertakings including the retention of independent consultants to review aspects of the firm's mutual fund trading.
- 2) In November 2006, CISC submitted an AWC to the NASD in connection with allegations that, from January 2002 through August 2004, the Firm failed to establish systems and procedures to supervise the sales of 529 college savings plans. Without admitting or denying the allegations, CISC consented to the entry of the NASD's findings and paid a monetary fine of \$500,000 and agreed to compensate customers disadvantaged by the alleged supervisory failures.
- 3) In March 2009, CISC submitted an AWC to FINRA in connection with alleged deficiencies related to the completion of the Firm's self-assessment of mutual fund breakpoint discount compliance required pursuant to previously imposed FINRA (then NASD) requirements. Without admitting or denying the allegations, CISC consented to findings that it



failed to deliver breakpoint discounts during a later review period and continued to fail to have reasonable written supervisory procedures to assure the appropriate breakpoints would be delivered to customers, and paid a monetary fine of \$32,500.

- 4) Between June 2009 and September 2012, JPMorgan Chase & Co., on behalf of itself and its subsidiaries, entered into substantially similar settlements with 47 securities regulators in connection with investigations concerning alleged misrepresentations and omissions in connection with the marketing, sales and distribution of auction rate securities (“ARS”). The principal allegations were that the relevant JPM 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 JPM entities had represented them to be and were unable to sell the ARS. Without admitting or denying the allegations, JPMorgan Chase & Co. entered into consent decrees pursuant to which the relevant JPM entities repurchased ARS from certain customers and paid fines, penalties, disgorgement and restitution in amounts that varied from state to state.
- 5) 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.
- 6) In December 2010, CISC submitted an AWC to FINRA pursuant to which the Firm was censured, fined and required to provide remediation to customers who purchased unit investment trusts (“UITs”) and did not receive applicable sales charge discounts. Additionally, CISC’s UIT purchase confirmations failed to disclose that a deferred sales charge may be imposed. Without admitting or denying the allegations, CISC consented to the findings and paid a monetary fine of \$100,000.
- 7) In June 2011, J.P. Morgan Securities LLC agreed with the SEC to resolve the SEC’s inquiry regarding certain collateralized debt obligations (CDOs). Specifically, JPMS agreed to a settlement of allegations that it was negligent in not providing additional disclosure in marketing materials for a CDO called Squared CDO 2007-1, Ltd (“Squared”). The SEC’s complaint alleged that JPMS represented in marketing materials that the collateral manager selected the investment portfolio for Squared but failed to disclose that the hedge fund that purchased the subordinated notes (or “equity”) issued by Squared, and which also took the short position on roughly half of the portfolio’s assets, played a significant role in the selection process. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the Southern District of New York. The Final Judgment permanently restrains and enjoins JPMS from violating Sections 17(a)(2) and (3) of the Securities Act of 1933 in the offer or sale of any security or security-based swap agreement, orders JPMS to pay disgorgement of \$18.6 million, together with prejudgment interest thereon in the amount of \$2 million, and a civil penalty in the amount of \$133 million, and orders JPMS to comply with certain undertakings related to the review and approval of offerings of certain mortgage securities.
- 8) In July 2011, J.P. Morgan Securities LLC resolved an SEC investigation regarding conduct alleged to have taken place on the firm’s municipal derivatives desk. The SEC alleged that prior to at least 2005, JPMS made misrepresentations and omissions in connection with bidding on certain municipal reinvestment instruments, which the SEC alleged affected the prices of certain reinvestment instruments, deprived certain municipalities of a presumption that the reinvestment instruments were purchased at fair market value, and/or jeopardized the tax-exempt status of certain securities. Without admitting or denying the allegations, JPMS consented to the entry of a final judgment against it by the United States District Court for the District of New Jersey. The Final Judgment permanently enjoins JPMS from violating Section 15(c)(1)(A) of the Securities Exchange Act of 1934 and orders it to pay \$51.2 million to certain municipalities and other tax-exempt issuers.

In coordination with the SEC settlement, JPMorgan Chase & Co. (“JPMC”) and certain of its affiliates, including JPMS, also entered into settlements with other agencies to resolve concurrent investigations regarding conduct alleged to have taken place on the firm’s municipal derivatives desk relating to certain municipal derivative transactions

occurring in or prior to 2006. Those settlements are as follows: JPMorgan Chase Bank, N.A. entered into a Formal Agreement and a Consent Order for a Civil Money Penalty with the Office of the Comptroller of the Currency and agreed to pay \$35 million; JPMC, JPMS, and JPMorgan Chase Bank, N.A. entered into a Closing Agreement of Final Determination of Tax Liability and Specific Matters with the Internal Revenue Service and agreed to pay \$50 million; and JPMC entered into written agreements with the Antitrust Division of the U.S. Department of Justice, the Federal Reserve Bank of New York, and 25 State Attorneys General. JPMC agreed to pay \$75 million in connection with its agreement with the State Attorneys General. Of the total funds to be paid, \$129.7 million will be eligible for distribution to municipalities and other tax-exempt issuers. The Firm also consented to implement various remedial measures, including enhanced compliance policies and procedures.

- 9) In October 2011, CISC consented to the entry of an order of the Florida Office of Financial Regulation in connection with allegations that the Firm engaged in the investment advisory business within the State of Florida without three (3) individuals being registered as investment advisor representatives in the State of Florida. CISC paid an administrative fine in the amount of \$30,000.
- 10) In November 2011, CISC submitted an AWC to FINRA pursuant to which the Firm was fined, censured and required to provide remediation to customers who purchased certain unit investment trusts ("UITs") and floating rate funds. FINRA alleged that the Firm failed to establish systems and procedures adequate to supervise the sales of such UITs and floating rate funds. Without admitting or denying the allegations, CISC consented to the entry of FINRA's findings, paid a monetary fine of \$1,700,000 and agreed to compensate customers that suffered losses as a result of the alleged supervisory failures.
- 11) In November 2012, the SEC filed a complaint against J.P. Morgan Securities LLC and several of its affiliates in the District Court for the District of Columbia. The complaint related primarily to Bear Stearns' alleged failure to disclose information regarding settlements entered into by a Bear Stearns affiliate with originators of loans that had been securitized into residential mortgage-backed securities ("RMBS") trusts beginning in or about 2005. The complaint also alleged that JPMS, in connection with an RMBS offering by a J.P. Morgan affiliate in 2006, failed to include in the RMBS prospectus supplement's delinquency disclosures approximately 620 loans that the SEC asserted were more than 30 days delinquent at the cut-off date for the offering. Based on the alleged misconduct described above, the complaint alleged that the defendants violated Sections 17(a)(2) and (3) of the Securities Act of 1933. In settlement of the action, the defendants submitted an executed Consent agreeing to the entry of judgment, without admitting or denying allegations made in the proceeding (other than those relating to the jurisdiction of the District Court over it and the subject matter). In January 2013, the District Court entered a judgment against the defendants that enjoined them from violating, directly or indirectly, Sections 17(a)(2) and (3) of the Securities Act. Additionally, the judgment required the defendants to pay disgorgement in the amount of \$177,700,000, prejudgment interest in the amount of \$38,865,536, and a civil monetary penalty of \$84,350,000.

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

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

JPMS is affiliated with several other SEC registered broker-dealers, investment companies, investment advisers, insurance agencies, mortgage companies and JPMorgan Chase Bank, N.A. Other registered investment advisers, collectively referred to as JPMorgan Asset Management, are affiliated with JPMS under the common ownership by JPMorgan Chase & Co. Affiliated Portfolio Managers are subject to the same selection and review process as non-affiliated Portfolio Managers. One or more of these investment advisers are among the Portfolio Managers available in the Program and may serve as the investment adviser to the various JPMorgan Funds. Should Program Clients select an affiliated Portfolio Manager or invest in JPMorgan Funds within their Program account, JPMS affiliates will benefit from such selection and/or purchase as the result of receipt of the investment advisory fees received for their portfolio management services. JPMS addresses this conflict through disclosure to clients and by evaluating both affiliated and non-affiliated Portfolio Managers by the same standards.

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

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

JPMS has several relationships or arrangements with related persons that are material to its investment advisory business.

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

JPMS and/or its IARs may recommend to Program clients Portfolio Managers that are affiliated with JPMS. Selection of an affiliated Portfolio Manager is an indirect benefit to JPMS since it increases the overall revenue of its affiliates and parent company. JPMS manages these conflicts through disclosure to clients and evaluating both affiliated and non-affiliated Portfolio Managers by the same standards.

#### ***ADR Fees***

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

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

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

#### ***Principal Transactions***

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

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

#### ***J.P. Morgan Clearing Corp.***

JPMS has an arrangement with its broker-dealer affiliate, J.P. Morgan Clearing Corp. ("JPMCC") pursuant to which JPMCC provides the following services for Client accounts in the Program: trade execution, clearing and settlement services, service bureau requirements, and securities custody and processing.

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

Clients in the Program may authorize JPMS and JPMCC, to the extent permitted by applicable law, to invest (i.e., "sweep") available cash balances in the Program account into a bank deposit account, the "Chase Deposit Sweep", with JPMorgan Chase Bank, N.A. ("JPMCB"), an affiliate of JPMS.

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

JPMCB benefits from Program clients' selection of the Chase Deposit Sweep because JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits made by clients who select the Chase Deposit Sweep to fund current and new business, including lending activities and investments. The profitability on such lending activities and investments is generally measured by the difference, or "spread", between the interest rate paid on the deposits and other costs associated with the Chase Deposit Sweep, and the interest rate or other income earned by JPMCB on loans and

investments made with the deposits. The income that JPMCB has the opportunity to earn through its lending and investment activities is usually greater than the fees earned by all JPMorgan Chase-affiliated entities from managing and distributing money market mutual funds that may be available to Program clients as an alternative cash “sweep” for their Program accounts.

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

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

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

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

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

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

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

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

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

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

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