

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

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

**J.P. MORGAN SECURITIES PORTFOLIO ADVISOR PROGRAM**

J.P. MORGAN SECURITIES LLC  
SEC File No. 801-3702

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March 16, 2012

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

**This wrap fee program brochure provides information about the qualifications and business practices of J.P. Morgan Securities LLC. If you have any questions about the contents of this brochure, please contact us at (800) 999-2000. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.**

**Additional information about J.P. Morgan Securities LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

## **Item 2**

### **Material Changes**

The following is a summary of the material changes made to this Brochure since its last annual update dated March 31, 2011:

- In Item 9.i, the Brochure adds discussion of two legal or disciplinary events involving J.P. Morgan Securities LLC (“JPMS”) that were resolved in 2011: (1) a settlement of allegations by the Securities and Exchange Commission that JPMS was negligent in not providing additional disclosure in marketing materials for a collateralized debt obligation called Squared CDO 2007-1, Ltd.; and (2) a settlement of allegations by the Securities and Exchange Commission that JPMS made misrepresentations and omissions in connection with bidding on certain municipal reinvestment instruments, together with settlements by JPMS and certain of its affiliates 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.

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## **Item 4**

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

#### **i. Services**

The J.P. Morgan Securities Portfolio Advisor Program (the “Program”) is offered by J.P. Morgan Securities, a division of J.P. Morgan Securities LLC (“JPMS”).

The Program is intended for investors who seek to establish strategic investment goals and to receive ongoing advice with respect to certain investment strategies and asset classes, but who retain discretion over the trading activity in their accounts and are looking to implement a medium- to long-term investment plan. The Program is not intended for investors who maintain consistently high levels of cash, money market mutual funds or other short-term securities. The Program also is not intended for clients who engage in trading activity that is not consistent with the investment advice provided through the Program.

One or more J.P. Morgan Securities advisory representatives (each, an “Advisory Representative”), who are employees and registered representatives of JPMS, will advise the client’s account in the Program on a nondiscretionary basis and provide information and advice in accordance with the client’s investment objectives and/or any written investment guidelines or policies that the client has provided and JPMS has accepted. This advice may include recommendations to purchase or sell assets in the account; however, the client retains sole discretion for investment decisions, including selecting securities in which to invest and quantities to purchase and/or sell, and clients are solely responsible (and JPMS has no responsibility) for monitoring and ensuring the account’s adherence to any investment guidelines or policies provided to JPMS by the client. Because Program accounts are advised on a nondiscretionary basis, the client’s Advisory Representative will purchase, sell or otherwise trade securities or other investments for the account only after the client has instructed JPMS to effect the transaction.

Upon the client’s request, JPMS may: (i) assist the client in the review, evaluation and/or formulation of the client’s investment objective and any investment guidelines or policy; and/or (ii) identify for the client a target asset allocation for the account based on information the client provides to JPMS and assist the client in connection with portfolio construction. The client is solely responsible for making all decisions regarding the adoption and implementation of the client’s investment objective and any investment guidelines or policy or target asset allocation. If the client adopts a particular target asset allocation, the actual asset allocation of the client’s Program account may change over time due to fluctuations in the market value of account assets, client additions or withdrawals and/or investment decisions by the client that deviate from JPMS’s advice or the target allocation. A change in the information provided to JPMS or other circumstances may warrant a change to the client’s investment objective or any target asset allocation or investment guidelines or policy. The client is solely responsible for monitoring the client’s investment objective and any investment guidelines or policy, including whether the target and/or actual asset allocation of the account conforms to the investment objective and any applicable investment guidelines or policy. The client also is solely responsible for monitoring both the target and actual asset allocation of the account and for determining whether to rebalance the account. Unless specifically agreed to by JPMS, JPMS is not obligated to monitor the account or review, update or provide any other ongoing advice with regard to the client’s investment objective, any investment guidelines or policy, or the target and/or actual asset allocation. The client retains final decision-making authority and responsibility for the selection of, and any changes to, the investment objective, any investment guidelines or policy, the target and/or actual asset allocation, and the particular securities and other assets held in the account.

In keeping with the “wrap fee” nature of the Program, JPMS typically provides Program clients not only with investment advice but also with trade execution and, through its broker-dealer affiliate J.P. Morgan Clearing Corp. (“JPMCC”), clearing, settlement and custodial services. In other words, JPMS in its capacity as a broker-dealer generally executes the trades for Program accounts and JPMCC generally provides trade clearing and settlement services and maintains custody of client assets in the Program, which includes receiving and crediting to Program accounts all interest, dividends and other distributions that JPMCC receives on assets in the accounts. When provided by JPMS and JPMCC, these ancillary trade execution, clearing, settlement and custodial services are included in the Program fee paid by the client. When they are provided by another executing broker-dealer or custodian – either because applicable law requires it or upon the client’s request and JPMS’s consent – they are not included in the Program fee, and the other broker-dealer and/or custodian are entirely responsible for the execution, clearing, and/or settlement of the transaction and/or custody of the client’s Program account assets.

In general, JPMS also provides clients with periodic written performance reviews of their accounts in the Program, which are also included in the Program fee paid by the client. Certain Program accounts may not receive such reviews; in its discretion, JPMS may not provide a client with written performance reviews for a Program account if, for example, the account’s assets are not custodied by JPMCC, or JPMS concludes that the nature of the investment strategy used or securities held in the

account makes valuation, performance measurement or performance benchmarking too difficult, infeasible or insufficiently valid or useful to the client.

**ii. Fees and Compensation**

**a. Wrap Fee**

The Program is known as a “wrap fee” investment advisory program because, as noted in the description above of the services provided to clients, clients in the Program pay JPMS a fee (“Wrap Fee”) that covers JPMS’s investment advice, JPMS’s execution of transactions, JPMCC’s clearing and settlement of trades and custody of clients’ assets and, typically, periodic written performance reviews.

Typically, for the services provided by JPMS and JPMCC, each account in the Program is charged a Wrap Fee each calendar quarter, in advance, on the net market value of the assets in the account in the Program (including all cash, money market mutual funds and other short-term securities).

The standard Wrap Fee schedule is as follows:

<u>Asset Value</u>	<u>Annual Fee</u>
First \$500,000	2.00%
Next \$500,000	1.50%
Over \$1,000,000	1.00%
Over \$2,000,000	0.75%

**b. Negotiability of Fees**

In its discretion, JPMS may negotiate the amount and calculation of the Wrap Fee and any other fees charged by JPMS for services not covered by the Wrap Fee based on a number of factors, including the type and size of the account, the size or number of trades anticipated to be effected for the account, services provided to the account, the client’s other accounts with JPMS, accounts with JPMS held by members of client’s family, and JPMS’s assessment of the potential for future additional business with the client. The Wrap Fee to be charged to each client will be specified in the written Client Agreement or other investment advisory agreement entered into between JPMS and the client (“Client Agreement”). The Wrap Fee charged may be higher or lower than the Wrap Fee JPMS charges other clients in this or other investment advisory programs, the fees JPMS would charge the client in another investment advisory program, and the cost of similar services offered through other financial firms.

**c. Portion of Fees Paid to Advisory Representatives**

JPMS typically pays a portion of the Wrap Fee it receives from each client in the Program to the Advisory Representative for that client. The exact portion of such fees paid by JPMS to the Advisory Representative varies among the Advisory Representatives and also may depend on each Advisory Representative’s overall annual revenue production, but is most commonly within a range from 40% to 50%.

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

**d. Comparative Cost of the Program**

*Participation in the Program may cost the client more or less than purchasing the services provided in the Program separately.* The factors that bear upon the relative cost of the Program include:

- the cost of the services if provided and charged for separately;
- the Wrap Fee charged to the client in the Program;
- the trading activity in the client’s account; and
- the quality and value of the services provided.

For example, Advisory Representatives may utilize a “buy-and-hold” investment strategy that generally seeks investments intended to be held on a long-term basis. Program accounts invested in such a strategy may experience less trading activity and lower turnover than accounts invested in a shorter-term strategy. Therefore, because the client pays the full Wrap Fee regardless of the low number of transactions in the account, such an account increases the likelihood that the client would pay less for the Program’s services (including brokerage services) on a separate, “unbundled” basis than on the Program’s wrap fee basis, other things being equal.

**e. Fees in Addition to the Wrap Fee**

The Wrap Fee does not cover brokerage commissions or other charges resulting from transactions not executed by JPMS or clearing, settlement and custody services provided by a custodian other than JPMCC. The Wrap Fee also does not cover certain costs or charges that may be imposed by JPMS or third parties, including costs associated with exchanging foreign currencies, borrowing fees on short sales, odd-lot differentials, activity assessment fees, transfer taxes, exchange fees, wire transfer fees, postage fees, auction fees, foreign clearing, settlement and custodial fees, and other fees or taxes required by law.

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

Similarly, the Wrap Fee does not cover “dealer spreads” that JPMS or its affiliates may charge when JPMS or an affiliate, to the extent permitted by applicable law, itself acts as principal in effecting a transaction in a Program account. However, JPMS and its affiliates will not charge, and the net price paid or received by the client will not incorporate, any “mark-up” or “mark-down” in connection with such principal transaction.

The Wrap Fee also does not cover the annual fee that JPMS charges Individual Retirement Accounts (“IRAs”) or certain other retirement plans; however, JPMS may, in its discretion, agree to waive such annual fee.

In addition, clients will pay the public offering price on any securities purchased from an underwriter or dealer involved in a distribution, a portion of which may be paid to JPMS as an underwriting or other fee that is not included in the Wrap Fee.

Costs associated with using margin, including margin interest, are not covered by the Wrap Fee and will result in additional compensation to JPMS and, in some cases, the Advisory Representative.

JPMS may recommend that Program clients invest account assets in open-end mutual funds (including money market funds), closed-end funds, exchange-traded funds (“ETFs”), and other pooled investment vehicles that have various internal fees and expenses, which are paid by such funds but ultimately are borne by the client as fund shareholder. These internal fees and expenses are in addition to the Wrap Fee JPMS receives from the client in respect of the value of the client’s assets invested in the funds in the client’s Program account, and the Program client is not entitled to any refund of the funds’ internal fees and expenses ultimately borne by the client or other offset against the Wrap Fee. JPMS and its affiliates also may receive compensation in addition to the Wrap Fee in connection with the operation and/or sale of shares of affiliated or unaffiliated funds to Program clients, which may include investment management fees paid by certain funds to affiliates of JPMS acting as the funds’ portfolio managers and distribution fees paid by certain funds to JPMS and its affiliates pursuant to Rule 12b-1 under the Investment Company Act of 1940, to the extent permitted by applicable law; as a matter of policy, however, JPMS and JPMCC credit back to clients in the Program any Rule 12b-1 fees they receive from funds in connection with fund transactions in Program accounts. Clients should review the applicable prospectuses for funds in their Program accounts for additional information about the internal fees and expenses ultimately borne by investors in the funds.

Certain classes of shares of mutual funds entail the payment by the client of a contingent deferred sales charge (also known as a “CDSC” or “back-end load”) upon the client’s sale or redemption of the fund shares. Such share classes are not eligible for purchase by clients in the Program. However, to the extent a client transfers such shares into a Program account, any CDSC or back-end load charged to a client selling such shares in the Program account is in addition to the Wrap Fee.

Advisory Representatives also may employ strategies that entail recommendations to clients that they purchase for Program accounts: (i) American Depositary Receipts (“ADRs”), which are receipts issued by a U.S. bank or trust company that evidence ownership of non-U.S. securities and are traded on a U.S. exchange or in the over-the-counter market; (ii) Global

Depository Receipts ("GDRs"), which are receipts issued generally by a non-U.S. bank or trust company that evidence ownership of non-U.S. securities; (iii) World Equity Benchmark Shares ("WEBS"), which are shares of Foreign Fund, Inc., an open-end investment company organized in series, each of which invests primarily in non-U.S. common stocks in an effort to track the performance of a specified foreign country equity market index compiled by Morgan Stanley Capital International (MSCI); (iv) exchange-traded notes ("ETNs"), which are senior, unsecured, unsubordinated debt securities traded on an exchange and designed to provide a return that is linked to the performance of a specified index or other market benchmark; (v) real estate investment trusts ("REITs"); and (vi) closed-end investment companies that invest a substantial portion of their assets in the securities of specified foreign countries ("closed-end country funds"). In addition to the Wrap Fee, clients in the Program will bear a proportionate share of any fees and expenses associated with ADRs, GDRs, WEBS, ETNs, REITs and closed-end country funds, if applicable, in which account assets are invested, and any fees and expenses associated with converting non-U.S. securities into ADRs or GDRs, if applicable.

**f. General Fee and Compensation Issues**

The Wrap Fee is generally charged every calendar quarter in advance; however, certain accounts may be charged in arrears and/or on other than a quarterly basis (e.g., monthly), as set forth in the Client Agreement. The Wrap Fee is typically expressed as an annual rate on the fee schedule set forth in the Client Agreement. If the Wrap Fee rate varies based on the level of assets in the account, the overall Wrap Fee rate will be blended, meaning that as the value of the assets held in the account reaches the various thresholds (known as "breakpoints"), the assets above each breakpoint will be charged successively lower percentages. The quarterly rate will be approximately one-fourth of the annual rate. The account will be subject to any minimum Wrap Fee specified in the Client Agreement. The Wrap Fee charged generally will be based upon the agreed-upon Wrap Fee rate and will not be affected by the services the client receives or the number of transactions actually executed during a quarter; however, such factors may be taken into account in negotiating new Fee rates.

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

Certain accounts maintained or controlled by a client and the client's related or affiliated persons may, at the client's option and subject to JPMS's acceptance, be combined for purposes of determining JPMS's fees and service charges applicable to the assets held in each of the combined accounts. Terminating the participation of any combined account in a JPMS program or service may change the fee applicable to assets remaining in the non-terminated account(s).

The client may designate certain securities as "Excluded Securities" in the Client Agreement or an Addendum to the Client Agreement. Excluded Securities are held in the Program account with the consent of JPMS, but they are not part of the portfolio on which JPMS provides advice in the Program. Accordingly, JPMS is not obligated to provide any advice with respect to Excluded Securities, including making any recommendation to the client with respect to the sale or holding of the Excluded Securities or providing JPMS's assessment of the suitability of the Excluded Securities and the risks presented by the Excluded Securities. Excluded Securities will not be included in calculations of the Wrap Fee, although transactions in Excluded Securities will be subject to commissions and other transaction charges that may or may not be discounted from standard rates. Excluded Securities will be considered brokerage assets and not advisory assets and, as a consequence, a client's rights and JPMS's duties and obligations to the client with respect to Excluded Securities will differ from those rights, duties and obligations with respect to the client's other Program assets.

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



For purposes of the calculation of the Wrap Fee, the net market value of the client's assets on which the Fee is based generally will *not* be reduced by the amount of any margin debit balances held by the client in any account outside of the Program, even if some or all of the proceeds of the loan represented by the margin debit balances are held in the client's Program account or were used to purchase securities held in the client's Program account, and even if some or all of the assets in the Program account are used to collateralize or secure the loan represented by the margin balances. Similarly, any interest and fees paid by the client in connection with any margin debit balances held by the client in any account outside of the Program will not be taken into account in the calculation of the net equity or performance of the client's Program account, as reflected in account statements, performance reviews, or otherwise. The Advisory Representative will not receive compensation in respect of interest and fees paid by the client on margin debit balances held in the client's Program account; however, the Advisory Representative may receive compensation in respect of interest and fees paid by the client on margin debit balances held by the client in any account outside the Program, including where some or all of the proceeds of the loan represented by the margin debit balances are held in the client's Program account or were used to purchase securities in the client's Program account. As a result, JPMS and the Advisory Representative have a financial incentive for the client to incur margin debt to buy securities in the client's Program account because the client will be required to pay JPMS interest and fees on the debt, and they have a further financial incentive for the client's margin debit balance to be held in an account outside of the Program because in that case (1) the Wrap Fee paid by the client on the Program account will be higher than it would be if the margin debit balance was held in the Program account and (2) the Advisory Representative may receive compensation from JPMS in respect of the margin interest and fees paid by the client that he or she would not receive if the margin debit balance was held in the Program account.

## **Item 5**

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

#### **i. Account Requirements**

JPMS requires that all clients who wish to open and maintain an account in the Program execute the Client Agreement. The specific terms of the Client Agreement will govern the handling of the client's account in the Program and the investment advisory relationship between the client and JPMS with respect to the account.

There is no across-the-board minimum account size for participating in the Program. However, each Advisory Representative advising accounts in the Program may apply his or her own minimum account size for Program accounts advised by him or her. In addition, an Account Representative may apply different minimum account sizes to the different investment strategies he or she recommends in the Program. Each Advisory Representative may change or waive the minimum account size he or she applies at any time in his or her discretion. Therefore, the existence, amount and application of a minimum account size will vary by Advisory Representative and may change over time.

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

JPMS may decline to accept any client or account in the Program at any time and for any reason, in its sole discretion.

#### **ii. Types of Clients**

The types of clients to whom JPMS provides investment advice in the Program generally include individuals, trusts, retirement plans (including IRAs and pension plans), estates, corporations and other business entities, foundations and endowments.

JPMS generally does not provide advice in the Program to investment companies, banks or thrift institutions.

## **Item 6**

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

Because the Program is an investment advisory program in which the advice provided to clients is exclusively nondiscretionary, the Program does not entail the recommendation, selection, evaluation or use of “portfolio managers.” In this Item, therefore, JPMS addresses its selection and evaluation of the Advisory Representatives who individually provide nondiscretionary advice to Program accounts on behalf of JPMS.

#### **i. Selection of Advisory Representatives for the Program**

The J.P. Morgan Securities Portfolio Manager/Portfolio Advisor Review Committee (“Review Committee”) is responsible for the selection of Advisory Representatives to advise client accounts in the Program. Typically, JPMS and the Review Committee do not affirmatively seek to identify registered representatives for selection as Advisory Representatives to advise accounts in the Program. In general, registered representatives are themselves responsible for expressing an interest in advising client accounts in the Program, either in connection with their transition to JPMS from other firms where they might have advised client accounts in investment advisory programs or arising out of their existing brokerage and advisory client relationships at JPMS. Some registered representatives are put forward as candidates for selection as Advisory Representatives in the Program by their supervisors after discussions between them. Others might express their interest directly to members of the Portfolio Manager/Portfolio Advisor Group (the “PA Group”), which is responsible for the initial review of candidates and for presenting candidates to the Review Committee for its consideration.

The PA Group’s review of an Advisory Representative candidate for the Program typically includes one or more conferences with the candidate and a review of various factors, which may include:

- the nature and length of the candidate’s experience in the securities industry;
- the candidate’s successful completion of required examinations, such as the Series 65 examination if required;
- the types of brokerage and investment advisory services previously provided to clients by the candidate;
- the candidate’s disciplinary history and history of client complaints;
- the investment strategy or strategies the candidate proposes to recommend to clients in the Program;
- the candidate’s knowledge and understanding of relevant investment concepts and of the markets and securities in which the candidate proposes to recommend the investment of client assets;
- the nature and size of the candidate’s existing clientele and the anticipated number and size of the candidate’s client accounts expected to participate in the Program; and
- the opinion of the candidate’s supervisors concerning the candidate’s qualifications for the Program and the likelihood that participation in the Program will enhance the candidate’s effective servicing of clients and the growth of his or her book of business.

Upon the conclusion of its review of a candidate, the PA Group makes a presentation to the Review Committee that summarizes its review of the candidate and typically includes a recommendation of approval or rejection of the candidate for the Program. Upon consideration and discussion of the presentation, the Review Committee decides formally to approve or reject the candidate.

Once approved as an Advisory Representative in the Program, the Advisory Representative may offer his or her services, where suitable, to existing and prospective clients with whom he or she has or develops relationships. Accordingly, JPMS ordinarily does not recommend or select Advisory Representatives *for particular clients* – even if a different Advisory Representative or his or her investment strategy may be better suited for the achievement of the investment objectives of a particular client or prospective client than the Advisory Representative with whom the investor has a relationship or who has marketed his or her Program services to that investor.

If an Advisory Representative leaves the firm or is otherwise unable to continue to handle his or her JPMS client accounts, JPMS typically reassigns the Program accounts to one or more existing Advisory Representatives for continued participation in the Program. The selection of which Advisory Representative(s) should be selected as replacement(s) for which Program accounts is typically made by the supervisors of the replaced Advisory Representative in consultation with the PA Group. Typically, when possible, JPMS endeavors to reassign the accounts to one or more suitable Advisory Representatives in

the same branch office or geographical area. Other factors that may affect the selection of the replacement Advisory Representative(s) include:

- the similarity between the investment strategies recommended by the prior and replacement Advisory Representatives;
- whether multiple replacement Advisory Representatives will be needed to accommodate different subsets of accounts invested in different investment strategies recommended by the prior Advisory Representative; and
- the qualifications and resources of other available Advisory Representatives to assume responsibility for advising the Program accounts of the prior Advisory Representative.

Alternatively, JPMS may terminate the accounts' participation in the Program, in which event they cease to be investment advisory in nature and become nondiscretionary brokerage accounts.

In any event, there is no assurance at any time that any client's participation in the Program will continue. Either the client or JPMS may terminate the Client Agreement and the client's participation in the Program at any time, for any reason, on written notice to the other party.

## **ii. Review of Advisory Representatives in the Program**

Primary responsibility for the day-to-day supervision of each Advisory Representative advising accounts in the Program lies with a J.P. Morgan Securities Regional Supervisory Manager, who is usually (but not in every case) located in the same branch office as the Advisory Representative. The Regional Supervisory Manager's ongoing review typically includes reviewing Program accounts holding a significant amount of assets in cash, money market mutual funds and other short-term securities, Program accounts presenting a certain risk level, unsolicited trades in Program accounts, and Program accounts with little or no trading activity.

The PA Group performs periodic reviews of each Advisory Representative in the Program. The Group's reviews generally include an examination of the implementation of each Advisory Representative's recommended investment strategy or style across a sample of the Program accounts he or she advises and the aggregate performance of each Advisory Representative's Program accounts. The Group generally reviews each Advisory Representative on a revolving annual basis; however, the Group may review some Advisory Representatives more or less frequently, depending on factors that may include each Advisory Representative's background, experience and tenure in the Program, the aggregate number and size of each Advisory Representative's Program accounts, and risk-based assessments of each Advisory Representative's advising of Program accounts. The Group communicates the substance of its periodic reviews of each Advisory Representative to the Review Committee. An Advisory Representative may be asked to withdraw from the Program as a result of one or more reviews by the PA Group or facts brought to the attention of JPMS management, the Advisory Representative's supervisor, the PA Group or the Review Committee.

The PA Group uses various industry and non-industry standards to measure the performance of each Advisory Representative's Program accounts for purposes of the Group's and the Review Committee's internal periodic reviews of Advisory Representatives. The investment returns of the accounts advised by each Advisory Representative are compared to the returns of indexes, or "benchmarks," over the same time period. The benchmarks used are indexes (or a blend of multiple indexes) commonly used in the securities industry as measures of market performance against which the performance of accounts invested according to specific investment strategies may be compared. The particular index (or blend of multiple indexes) against which the performance of an Advisory Representative's Program accounts will be compared may vary from strategy to strategy, and typically depends principally on the nature of the investment style (e.g., equity, income-oriented, balanced), the specific strategy being implemented (e.g., a "balanced" strategy, a "large cap equity" strategy) and the types of securities purchased (e.g., individual stocks, equity ETFs, U.S. Government bonds, municipal bonds, corporate bonds).

The performance information calculated and used by the PA Group in its internal reviews of Advisory Representatives is based in part on subjective assessments and judgments (in some cases, for example, in the selection of the applicable benchmark). Furthermore, neither JPMS nor any third party reviews the performance information calculated and used by the PA Group in its internal reviews to determine or verify its accuracy or its compliance with performance presentation standards, and the information may not be calculated on a uniform and consistent basis.

In addition to the performance measurements used by JPMS internally, each Program client typically receives a written quarterly performance review summarizing the investment performance of his or her Program portfolio for the prior quarter. (As explained in Item 4 above, certain clients may not receive such a performance review.) In preparing such reviews for Program clients, JPMS uses various industry and non-industry standards to measure account performance. Performance reviews are not a

substitute for regular monthly or quarterly account statements or Form 1099, and should not be used to calculate the Wrap Fee or to complete income tax returns. If JPMS does not receive information about the original cost of a security from the client, the market value of the security on a date set by JPMS may be used in lieu of original cost in certain circumstances. JPMS and its affiliates are entitled to rely on the financial and other information that clients or any third party provides to JPMS. ***Neither JPMS nor any third party reviews the performance information to determine or verify its accuracy or compliance with presentation standards, and the information may not be calculated on a uniform and consistent basis.*** The client is solely responsible for any information that the client provides to JPMS, and JPMS shall not be liable in connection with its use of any information provided by the client or a third party in the periodic review. JPMS does not provide tax advice, and nothing in the performance review should be construed as advice concerning any tax matter.

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

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

Clients receiving periodic written performance reviews from JPMS should review carefully the disclosures, definitions and other information contained in the reviews.

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

Except the Advisory Representatives, none of JPMS's related persons acts as a portfolio advisor in the Program. Each Advisory Representative in the Program is an employee, registered representative and investment advisory representative of JPMS and is subject to substantially the same selection and review processes and criteria, described in the preceding sections of this Item, as the other Advisory Representatives in the Program.

Some of the Advisory Representatives in the Program also act as discretionary portfolio managers of client accounts in the J.P. Morgan Securities Portfolio Manager Program sponsored by JPMS. Clients should understand that, to the extent an Advisory Representative has clients in both programs and intends to buy or sell a security for clients in the discretionary Portfolio Manager Program at or about the same time he intends to recommend the same transaction to clients in the Program, the Advisory Representative will generally execute the transaction for the discretionary accounts in the Portfolio Manager Program *before* executing it for non-discretionary investment advisory accounts like those in the Program. This could have a negative effect on the performance of accounts in the Program.

### **iv. Advisory Business**

In addition to the Program, JPMS offers other types of investment advisory services through the wrap fee investment advisory programs briefly summarized in the *Supplement to Form ADV* at the end of this Brochure. JPMS does not hold itself out as specializing in a particular type of investment advisory service.

JPMS does not provide investment advice in the Program or its other investment advisory programs with respect to futures and commodities. JPMS may provide advice with respect to, and may recommend that Program accounts invest in, other investments and securities of any kind, including U.S. and foreign equity and income-oriented securities, shares of open- and closed-end investment companies and ETFs (including those that invest in futures and commodities), interests in limited partnerships (including master limited partnerships) and other pooled investment vehicles, derivatives, covered and uncovered options, REITs, foreign currency and foreign currency options, and cash.

JPMS tailors its investment advisory services to the individual needs of clients. Each Advisory Representative typically advises his or her clients' Program accounts in accordance with the Advisory Representative's individual investment style and strategy, taking into consideration each client's financial situation and investment objective for the Program account. The degree of consistency or uniformity with which an Advisory Representative recommends a particular investment strategy across all of the Program accounts he or she advises according to the strategy varies from Advisory Representative to Advisory Representative and strategy to strategy; in all cases, however, the client's individual situation and needs are considered by the

Advisory Representative in his or her initial assessment of whether any of his or her strategies is suited to the client's financial circumstances and achievement of the client's objective and, if so, which one(s).

The client's imposition of restrictions on investing in certain securities or types of securities is not applicable to accounts in the Program. Because all of the advice provided to clients in the Program is nondiscretionary and the client remains exclusively responsible for all investment decisions, the client is effectively able to apply his or her own restrictions, if any, to each transaction recommended by the Advisory Representative.

JPMS does not provide the type of investment advisory services it provides in the Program in any other wrap fee program.

**v. Performance-Based Fees and Side-By-Side Management**

Neither JPMS nor any of its supervised persons currently accepts performance-based fees in connection with Program accounts.

**vi. Methods of Analysis, Investment Strategies and Risk of Loss**

**a. Methods of Analysis and Investment Strategies**

In formulating investment advice and recommending transactions in the Program, JPMS (through the Advisory Representatives) uses various methods of analysis, including:

- fundamental analysis, typically an effort to measure the intrinsic value of a security through analysis of the issuer itself, its financial statements and condition, its management and competitive advantages, and its competitors and markets;
- technical analysis, typically involving the study of data generated by market activity, such as past security prices and volume, in an effort to identify patterns and trends that may suggest a security's future price performance; and
- cyclical analysis, generally involving the examination of macroeconomic and market trends as a guide to forecasting security prices.

The method(s) of analysis used for purposes of advising a Program client varies from Advisory Representative to Advisory Representative and depends on the individual practice and investing philosophy of the Advisory Representative. There is no assurance that a particular Advisory Representative will use any of the methods of analysis identified above.

Similarly, each Advisory Representative uses his or her own investment style(s) and strategy or strategies in advising Program accounts, and there is no assurance that a particular Advisory Representative will use or make available to clients or prospective clients any particular investment style or strategy. The principal investment styles used by different Advisory Representatives in the Program are:

- Equity;
- Income-oriented;
- Balanced, typically representing a mixed portfolio of equities and income-oriented securities with a target asset allocation of at least 20% of one and no more than 80% of the other.

The following investment strategies are among those that may be used by different Advisory Representatives in each of the foregoing styles:

- Equity strategies: Large Cap Core, All Cap Core;
- Income-oriented strategies: US Tax-Exempt Short-Term Fixed Income, US Taxable Fixed Income Intermediate, US Tax-Exempt Fixed Income Intermediate;
- Balanced strategies: 60/40 US Equity/Tax-Exempt Fixed Income, 80/20 All Cap Equity/Taxable Fixed Income.

Descriptions of some of the particular types of investments and investment tactics that may be recommended by certain Advisory Representatives in their implementation of certain investment styles and strategies, and some of the risks presented by such investments and tactics, are provided below.

**Small Capitalization Stocks.** Certain Advisory Representatives may recommend that Program clients invest a significant portion of an account's assets in stocks of companies with smaller market capitalizations. While these stocks may provide significant potential for appreciation, they can involve higher risks in some respects than investments in stocks of larger companies. For example, prices of small-capitalization and even some medium-capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small-capitalization stocks, these stocks may be relatively illiquid.

**Foreign Investments.** Certain Advisory Representatives may recommend that Program clients invest account assets in securities of non-U.S. companies and/or securities denominated in U.S. dollars and currencies other than U.S. dollars. These may include securities issued by companies in, and traded in, so-called "emerging markets." Non-U.S. investing, and investing in emerging markets in particular, will subject a client to certain risks not typically associated with investing in securities in the United States. Foreign securities may be affected by changes in currency rates. A decline in the exchange rate of the foreign currency in which a portfolio security is quoted or denominated relative to the U.S. dollar would reduce the value of the portfolio security in U.S. dollars proportionally. Many foreign securities markets are not as developed or efficient as those in the United States and may be more volatile than U.S. markets. The costs and expenses of investing in foreign markets are generally higher than in the United States. There generally is less publicly available information about foreign companies than about domestic companies, which will make it more difficult for the Advisory Representative to keep informed of corporate actions that may affect the price of a particular security. Additionally, some foreign economies are less stable than the U.S. economy, due to, among other things, volatile political environments, less stable monetary systems and/or external political risks.

Certain Advisory Representatives may recommend that clients invest in instruments derived from foreign securities, including: (i) ADRs, which are receipts issued by a U.S. bank or trust company that evidence ownership of non-U.S. securities and are traded on a U.S. exchange or in the over-the-counter market; (ii) GDRs, which are receipts issued generally by a non-U.S. bank or trust company that evidence ownership of non-U.S. securities; (iii) WEBS, which are shares of Foreign Fund, Inc., an open-end investment company organized in series, each of which invests primarily in non-U.S. common stocks in an effort to track the performance of a specified foreign country equity market index compiled by Morgan Stanley Capital International (MSCI); and (iv) closed-end investment companies that invest a substantial portion of their assets in the securities of specified foreign countries ("closed-end country funds"). There may be fees and expenses, in addition to the Wrap Fee, associated with investing in ADRs, GDRs and WEBS and with converting non-U.S. securities into ADRs or GDRs. ADRs and GDRs may not be: (i) subject to U.S. securities registration, disclosure or accounting requirements; (ii) listed or traded on any U.S. stock exchange or the NASDAQ/NMS market; or (iii) registered for sale with securities regulatory authorities in the United States.

**Derivatives.** Certain Advisory Representatives may recommend a variety of derivative instruments to Program clients. Derivatives are financial instruments or arrangements in which the risk and return are related to changes in the value of other assets such as stocks, interest rates, or securities indices. They can provide a form of "leverage" in that they permit a client's portfolio to speculate on fluctuations in the prices of securities indices or other assets while investing only a small percentage of the value of the underlying securities or other assets. Trading and investing in derivatives can be highly speculative and may entail greater risks than investing in other securities.

**Options.** Certain Advisory Representatives may recommend that Program clients invest assets in or trade options on specific securities and options on securities indices. Assets may be used to buy or sell ("write") both call options and put options. When clients write options, they may do so on either a "covered" or "uncovered" basis. A covered option is an option position that is fully hedged by a long or short position in the underlying asset. Covered options transactions may be part of a hedging strategy (i.e., offsetting the risk involved in another securities position). Uncovered options are unhedged options positions. Uncovered options transactions are generally a speculative use of leverage whereby a client's portfolio has the right to benefit from price movements in a large number of securities with a small commitment of capital. Trading uncovered options involves significant risks. Buying uncovered options may result in a total loss of the purchase price if the options expire "out-of-the-money." The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position, and may incur large losses if the value of the underlying instrument increases above the exercise price. The risk of writing uncovered put options is substantial, and may far exceed the premiums received. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. The writer of uncovered options must post margin. If the value of the underlying instrument moves against an uncovered writer's options position, additional margin payments may be required. If the client is unable to meet such margin calls, positions in the account may be liquidated at substantial losses with little or no prior notice and render the client unable to benefit from any rebound in the value of the investments that were liquidated.

**Private Placements.** Certain Advisory Representatives may recommend that Program clients invest in private placements. Investments in private placements may entail significant risks. The securities offered through private placements are not available for sale to the general public, and are therefore illiquid. The federal securities laws heavily restrict the resale of private placement securities and a public market may never develop for such securities. Therefore, clients may have difficulty disposing of private placement securities. Because private placement issuers are typically not required to register with the SEC or to publicly report financial information and other important company information, the amount of information available about private placement issuers may be limited.

**Leveraged and Inverse ETFs and Mutual Funds.** Certain Advisory Representatives may recommend that Program clients invest in leveraged ETFs and mutual funds, which seek to deliver multiples of the performance of the index or benchmark they track for a specified period (typically daily). Inverse ETFs and mutual funds are generally “short” funds, meaning that they seek to deliver the opposite of the performance of the index or benchmark they track. Like traditional ETFs and mutual funds, leveraged and inverse ETFs and mutual funds may track broad indices, track specific sectors, or be linked to commodities or currencies. Inverse ETFs and mutual funds are often marketed as a way for investors to profit from, or at least hedge their exposure to, downward moving markets. Some ETFs and mutual funds are both short and leveraged, meaning that they seek to achieve a return that is a multiple of the inverse performance of the underlying index or benchmark. Most leveraged and inverse ETFs “reset” daily, meaning that they are designed to achieve their stated objective on a daily basis. Due to the effects of compounding and “decay,” their performance over longer periods of time can differ significantly from the performance (or inverse of the performance) of the underlying index or benchmark during the same period of time, especially in volatile markets.

**Master Limited Partnerships (MLPs).** Certain Advisory Representatives may recommend that clients invest in MLPs, which are limited partnerships that issue publicly traded investment units. The partnership structure of MLPs and other factors give rise to unique tax treatment and investment risks.

MLPs are not taxed at the corporate level, meaning tax liabilities and benefits are passed on to its unit holders. An investor receives K-1 tax statements (instead of Form 1099s) detailing his or her share of the partnership's net income. In order to qualify as an MLP under certain tax laws, a firm must earn 90% of its income through activities relating to natural resources, commodities or real estate. Investors or unit holders of MLPs are paid quarterly required distributions (QRDs) instead of corporate dividends. MLPs may offer potential tax advantages to certain investors through partial tax-deferral of these distributions. However, clients may face state income tax liability in states where an MLP generates earnings and where a client may not otherwise be subject to taxation. In addition, MLP distributions for tax-exempt investors, including IRAs, pension and profit-sharing plans, endowments and charitable remainder trusts (CRTs), are generally taxable as “unrelated business taxable income” (UBTI). CRTs are subject to a 100% federal excise tax on UBTI. Due to tax treatment considerations, MLPs generally should not be held in retirement accounts (including IRAs and accounts subject to ERISA). Clients should discuss any proposed investment in MLPs with their tax advisers.

In general, MLP units also can present investment risks that differ from those involved in an investment in a corporation's common stock. The following are some of the risks that clients should consider before investing in MLPs:

- Short-term price dislocations can be found in the MLP asset class from time to time.
- Smaller, thinly traded MLPs may be price sensitive in the event of a large position sale or purchase.
- Equity offerings by an issuer have tended to cause a drop in the price of the issuer's MLP units.
- MLPs may experience negative correlation to rising interest rates.
- MLPs typically pay their partners from operating cash flows, and therefore rely on capital markets for access to equity and debt financing in order to fund projects and acquisitions.
- MLP values are typically dependent in part to commodity price exposure and/or sector volatility.
- Tax deferral and tax liabilities vary by MLP.
- A more restrictive tax policy can change the attractiveness and value of MLPs.
- Holders of MLP units have limited voting rights on matters affecting the MLP.
- Holders of MLP units could be exposed to liability for the obligations of the MLP as a result of certain legal proceedings relating to the rights of unit holders or compliance with state partnership laws.

**Concentration of Investments.** Certain Advisory Representatives may at times recommend that Program clients concentrate account assets in one, or relatively few, industry sectors. In addition to the potential concentration of accounts in one or more sectors, certain accounts may be advised to hold concentrated positions in specific securities. Therefore, at times, an account may be advised to hold a relatively small number of securities positions, each representing a relatively large portion of

assets in the account. Losses in one or more large positions, or a downturn in one or more industry or market sectors, in which account assets are concentrated could materially adversely affect a client's performance for a particular period and could have a materially adverse effect on a client's overall portfolio.

**Short Sales.** Certain Advisory Representatives may recommend that clients sell securities short as a regular part of their investing activities. In a short sale, an individual sells securities it does not own. Advisory Representatives may recommend that the client sell short in the hope that the market price will decline and that the client will be able to buy replacement securities later at a lower price. To accomplish this, the client borrows the securities from JPMS, and "closes" the position by "returning" the security (buying a replacement security on behalf of the lender) whenever the lender chooses. As collateral for this obligation to "close" its short position, the client is required to leave the proceeds of its short sale with JPMS, and deliver an additional amount of cash or other collateral required by margin regulations. Because of the repayment obligation, a short sale theoretically involves the risk of unlimited loss: the price at which the client must buy "replacement" securities could increase without limit. There can be no assurance that the client will not experience losses on short positions and, if such losses occur, that those losses will be offset by gains on any long positions to which they may relate. Short sales also may be effected by causing an account to deliver borrowed securities to settle a sale of securities already in the account (so-called selling "short against the box"). One purpose of selling short "against the box" is to lock in the value of securities owned when selling the securities owned is not permitted.

**Leverage.** Certain Program clients may seek to leverage their investment positions by borrowing funds (e.g., through the use of margin) from JPMS or JPMCC, other broker-dealers, banks or others. Use of leverage increases both the possibilities for profit and the risk of loss. Borrowings will usually be from JPMCC and typically will be secured by the client's securities and other assets. Under certain circumstances, JPMCC (as the lending broker-dealer) may demand an increase in the collateral that secures the client's obligations (commonly known as a "margin call") and, if the client is unable to provide additional collateral, JPMS may liquidate assets held in the client's account to satisfy the client's obligations. Liquidation in that manner could result in significant losses, and render the client unable to benefit from any rebound in the value of the investments that were liquidated. In addition, the amount of the client's borrowings (if any) and the interest rates on those borrowings, which may fluctuate, will have a significant effect on account performance.

**Short-Term Trading.** Certain Advisory Representatives may recommend that Program clients engage in short-term trading of securities. Short-term trading could cause clients to incur the realization of taxable capital gains, including short-term capital gains, which are generally taxed at ordinary income tax rates.

**Idle Assets.** While Advisory Representatives generally recommend that Program clients keep their account assets invested, at any time and for a substantial length of time an Advisory Representative may recommend that the client hold a significant portion of assets in cash, money market mutual funds and other short-term securities. Investments in such assets may cause a client to miss out on upswings in the markets. Program account assets consisting of cash, money market mutual funds and other short-term securities are included in the net market value of the account's assets for purposes of calculation of the Wrap Fee.

Clients should consult their own tax advisers in order to understand the potential tax consequences associated with the particular investment strategy or tactic an Advisory Representative recommends for use in the client's Program account. Neither JPMS nor the Advisory Representatives provide tax advice.

**b. Risk of Loss**

The investment styles and strategies recommended by different Advisory Representatives, and the particular investments and transactions they recommend to Program accounts, entail varying degrees of risk. Each client is urged to consult with his or her own Advisory Representative to discuss the risks associated with the particular investment style, strategy, investments and transactions recommended for in the client's Program account. There is no assurance that implementation of an Advisory Representative's particular investment style or strategy will be successful or that the client will not suffer losses. Results generated by each Advisory Representative's advice in the Program will differ, and the results of an Advisory Representative's advice will differ from client to client. Investment performance is not guaranteed, and the past performance of JPMS's or an Advisory Representative's advice and recommendations with respect to a client's account or other accounts does not predict future performance with respect to the client's account.

***Investing in securities involves risk of loss that clients should be prepared to bear.*** All trading in Program accounts is at the client's risk and the value of assets in Program accounts is subject to a variety of factors, such as the liquidity and volatility of the securities markets. All securities investments involve financial risk for which the client is responsible and transactions



may give rise to tax liability for which the client is also responsible. Clients receive no written or oral guarantees regarding performance. Clients may lose money by investing through the Program.

**vii. Voting Client Securities**

JPMS does not have, and will not accept, authority to vote client securities held in Program accounts. In accordance with applicable law, JPMS and/or JPMCC will forward to the client, or any third party designated by the client, all proxy-related materials, annual reports and other issuer-related materials that they receive pertaining to securities held in the client's Program account. In cases where the client has chosen to use a custodian other than JPMCC, the client may receive proxies and other solicitations from that custodian. The client may contact his or her Advisory Representative with questions about a particular proxy solicitation – but JPMS is expressly precluded from taking any action or rendering any advice to any client in the Program with respect to the voting of proxies solicited by, or with respect to, the issuers of any securities held in the client's Program account.

JPMS is not responsible for initiating any legal action or rendering any advice or taking any action on behalf of clients with respect to any legal proceedings, including class actions or bankruptcies, related to securities or other investments held in Program accounts, or the issuers thereof. Clients retain the right and obligation to take such legal action relating to the securities held in their accounts.

**Item 7**  
**Client Information Provided to Portfolio Managers**

Prior to the opening of an account in the Program, the client is asked to provide the Advisory Representative with information about the client's financial circumstances (including net worth and annual income), the client's investment objective for the account, and any written investment policy or guidelines to which the client would like to subject the account. Investment policies and guidelines submitted by clients for Program accounts are subject to JPMS's acceptance in its sole discretion; if JPMS declines to accept an investment policy or guidelines for a Program account, the client may choose either to agree that the account will be advised in the Program without reference to the investment policy or guidelines or to decide not to maintain the account in the Program. Clients should be aware that the application to a Program account of any client-imposed investment policy or guidelines may cause the Advisory Representative to deviate from the investment recommendations he or she would otherwise make for the account, and as a result may negatively affect the performance of the account.

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

Clients are responsible for notifying JPMS promptly, in writing, of any changes to the information the client previously provided to JPMS (including financial information and the investment objective for the account), and for providing JPMS with additional information as it may request from time to time to assist it in providing services under the Program. At least annually, JPMS contacts each client in the Program to determine whether there have been any changes in the client's financial situation or investment objective for the account. At least quarterly, JPMS notifies each client in writing to contact the Advisory Representative if there have been any changes in the client's financial situation or investment objective. JPMS will have no liability for a client's failure to provide JPMS with accurate or complete information or to inform JPMS promptly of any change in information previously provided by the client.

**Item 8**  
**Client Contact with Portfolio Managers**

The Advisory Representatives responsible for advising clients in the Program may be freely contacted by clients, and are reasonably available for consultation with clients, regarding their Program accounts.

## Item 9

### Additional Information

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

JPMS has been involved in the following presumptively material legal or disciplinary events during the last ten years. With respect to the period 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.) on October 1, 2008, the events include those involving either entity.

1) In April 2002, the SEC and several other securities and state regulators launched a joint investigation into research analyst conflicts of interest at various large investment banking firms, including Bear, Stearns & Co. Inc. and J.P. Morgan Securities Inc. In April 2003, ten firms, including Bear Stearns and JPMS, resolved the matter through a “global settlement.” As part of the settlement, the SEC filed complaints against the settling firms in the U.S. District Court for the Southern District of New York. The enforcement actions alleged that, from approximately mid-1999 through mid-2001 or later, all of the firms engaged in acts and practices that created or maintained inappropriate influence by investment banking over research analysts, thereby imposing conflicts of interest on research analysts that the firms failed to manage in an adequate or appropriate manner. The regulators also found supervisory deficiencies at every firm. In addition, the complaints alleged that several firms, including Bear Stearns, had issued research reports that were not based on principles of fair dealing and good faith and did not provide a sound basis for evaluating facts, contained exaggerated or unwarranted claims about the covered companies and/or contained opinions for which there were no reasonable bases, and that some firms, including Bear Stearns and JPMS, had made undisclosed payments to other firms for research coverage of their underwriting clients. Bear Stearns and JPMS each executed a Consent in which it neither admitted nor denied the substantive allegations of the SEC’s complaint and consented to the entry of a final judgment. The final judgments were entered by the Court in October 2003 and permanently enjoined Bear Stearns and JPMS from violating the National Association of Securities Dealers (“NASD”) and New York Stock Exchange (“NYSE”) rules cited in the complaint relating to just and equitable principles of trade, advertising and supervisory procedures. The judgments also ordered Bear Stearns and JPMS each to make payments totaling \$80 million and to comply with undertakings as set forth in the addenda to the final judgments, which included certain structural and other reforms intended to address research analyst conflicts of interest. Both Bear Stearns and JPMS also were among a group of firms that consented to a voluntary initiative imposing restrictions on the allocation of shares in initial public offerings to executives and directors of public companies; the voluntary initiative expired by its own terms in October 2008.

2) In October 2003, the SEC filed a complaint in the U.S. District Court for the District of Columbia alleging that during the period from March 1999 through August 2000 J.P. Morgan Securities Inc. violated (i) Rule 101 of Regulation M under the Securities Exchange Act of 1934 by attempting to induce certain institutional customers to place orders of shares in the aftermarket for certain initial public offerings (“IPOs”) it underwrote during the restricted period of such IPOs and (ii) NASD Conduct Rule 2110 by persuading one or more institutional investors to take an allocation of one “cold” IPO by promising to reward the customer with an allocation of another upcoming “hot” IPO. JPMS consented, without admitting or denying the substantive allegations of the Complaint, to the entry of a final judgment enjoining JPMS from violating Rule 101 of Regulation M and Conduct Rule 2110 and ordering it to pay a civil penalty of \$25 million.

3) In late 2004, the SEC and other securities regulators engaged in settlement discussions with J.P. Morgan Securities Inc. in connection with a joint investigation into the firm’s alleged failure to preserve all of its employees’ electronic mail communications (emails) between 1999 and 2002 relating to its business as a broker-dealer, in alleged violation of Section 17(a) of the Securities Exchange Act of 1934 and Rule 17a-4 thereunder. As a result of the settlement discussions, in December 2004 JPMS executed an Offer of Settlement in which it neither admitted nor denied any substantive findings and consented to the entry of an administrative order by the SEC. In February 2005, the SEC issued the contemplated administrative order, in which it censured JPMS, ordered it to cease and desist from violations of Section 17(a) of the Exchange Act and Rule 17a-4, and ordered it to comply with certain undertakings including the payment of penalties and fines totaling \$2.1 million and reviewing its procedures with respect to the preservation of emails for compliance with the federal securities laws and regulations and the rules of the NASD and NYSE.

4) In 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.

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 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.

7) 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.

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

a. **Broker-Dealer Registrations**

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

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

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

c. **Material Relationships with Related Persons**

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

1. **J.P. Morgan Clearing Corp.**

JPMS has an arrangement with its broker-dealer subsidiary, J.P. Morgan Clearing Corp. ("JPMCC"), pursuant to which JPMCC typically provides the following services for client accounts in the Program: trade execution, clearing and settlement services; service bureau requirements (including the generation and maintenance of required records); securities custody and processing; financing of customer positions and accounts as necessary; and the maintenance of securities in good possession and control locations.

By recommending the Program to clients, therefore, JPMS also is recommending itself and JPMCC as broker-dealers. Clients should understand that this directed brokerage arrangement may deprive the client of any savings on trade execution costs that JPMS otherwise might be able to negotiate with other, unaffiliated broker-dealers, such as reduced execution costs that may result from using alternative trading systems. Clients should consider the possible costs and disadvantages of JPMS's use of a directed brokerage arrangement in connection with Program accounts. Clients in the Program also should understand that, because they maintain sole authority over the management of their Program accounts and the selection of the broker-dealer through which to execute transactions, JPMS is relieved of its duty to seek best execution of such transactions under the Investment Advisers Act of 1940.

In connection with transactions executed, cleared or settled by it for accounts in the Program, JPMCC 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) in accordance with applicable law, JPMCC may charge the Program client a "dealer spread" (i.e., the difference between the bid price and 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 JPMCC are not covered by, and are in addition to, the Wrap Fee. Therefore, because by acting in a principal capacity JPMCC may earn additional amounts at the expense of the client, JPMCC and its parent company JPMS have a financial interest in JPMCC acting in such capacity in connection with transactions in Program accounts that conflicts with the client's interest in avoiding the payment of dealer spreads. JPMS addresses this conflict in several ways, including:

- For either JPMS or JPMCC knowingly to act as principal in connection with a transaction for a client in the Program, the law generally requires that before the completion of each such transaction JPMS must disclose

to the client in writing that it or JPMCC will be acting in a principal capacity and obtain the client's consent to the transaction.

- As a matter of policy, JPMS generally prohibits Advisory Representatives from effecting transactions for Program clients where JPMS or any of its affiliates (including JPMCC) will act as principal. Exceptions may be permitted when the proposed transaction cannot readily be effected on an agency basis, the Advisory Representative has determined that the transaction is in the best interests of the client, and all legal disclosure and consent requirements are satisfied.
- Also as a matter of policy, JPMS prohibits Advisory Representatives from effecting transactions for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) where JPMS or any of its affiliates (including JPMCC) will act as principal under any circumstances.
- While JPMS and its affiliates may receive a dealer spread in the net price when acting as principal in connection with a transaction for a client in the Program, they will not receive commissions, "mark-ups" or "mark-downs."

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

- For either JPMS or JPMCC knowingly to effect a transaction for a client in the Program where JPMS or JPMCC acts as agent for the other side of the transaction, the law generally requires that JPMS satisfy certain conditions, including the client's prospective written authorization of such agency cross transactions, the right of the client to revoke such authorization at any time in writing, and the provision of certain written disclosure to the client.
- JPMS policy generally prohibits Advisory Representatives from intentionally effecting agency cross transactions for Program clients. Exceptions may be permitted under certain circumstances if all legal requirements are satisfied.
- JPMS policy also prohibits Advisory Representatives from effecting agency cross transactions for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) under any circumstances.

In addition, certain affiliated and unaffiliated funds that Advisory Representatives recommend to clients for the investment of Program account assets may execute transactions for their portfolios through JPMCC or another affiliate of JPMS as broker-dealer, and JPMCC or another affiliate may receive compensation from the funds 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 recommend that Program clients invest account assets in such funds in the hope or expectation that increasing the amount of assets invested with the funds will increase the number and/or size of transactions placed by the funds for execution by JPMCC or another affiliate, and thereby result in increased compensation to JPMS and its affiliates in the aggregate. Assuming that Advisory Representatives in the Program are aware of which funds execute through JPMCC or another affiliate and which do not, JPMS believes that this conflict is addressed by the fact that the Advisory Representatives, who are responsible for recommending investments for Program accounts, do not receive any direct financial benefit (such as additional compensation) from the client's investment of Program assets in, or the "sweeping" of available cash balances into, funds that execute transactions through JPMCC or an affiliate rather than funds that do not. Moreover, because Advisory Representatives are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to recommend funds they believe will increase the value of the account, regardless of whether or not the funds execute transactions through JPMCC or other affiliate.

JPMCC and other affiliates also may receive other forms of compensation in connection with the operation and/or sale of shares of affiliated or unaffiliated funds to Program clients, which may include distribution fees paid by certain funds pursuant to Rule 12b-1 under the Investment Company Act of 1940, to the extent permitted by applicable law. As a matter of policy, however, JPMS and JPMCC credit back to clients in the Program any Rule 12b-1 fees they receive from mutual funds in connection with fund transactions in Program accounts.

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

Advisory Representatives may recommend that clients invest Program account assets in open-end mutual funds (including money market funds), closed-end funds, ETFs, and other pooled investment vehicles that have various internal fees and expenses, which are paid by the funds but which are ultimately borne by the Program client as investor. The sponsors and/or

general partners of certain such funds are affiliated with JPMS, and JPMS and its affiliates may provide investment management and other services to, and receive compensation from or in connection with, such funds.

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

- J.P. Morgan Investment Management Inc. (a/k/a J.P. Morgan Asset Management);<sup>1</sup>
- J.P. Morgan Private Investments Inc.;
- J.P. Morgan Alternative Asset Management, Inc.;
- J.P. Morgan Partners, LLC; and
- Highbridge Capital Management, LLC.

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

- Advisory Representatives, who are responsible for recommending investments for Program accounts, do not receive any direct financial benefit (such as additional compensation) from the client's investment of Program assets in, or the "sweeping" of available cash balances into, affiliated funds rather than unaffiliated funds. Moreover, because Advisory Representatives are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to recommend funds they believe will increase the value of the account, regardless of whether the funds are affiliated or unaffiliated with JPMS.
- JPMS policy prohibits the purchase of affiliated funds by retirement plan accounts in the Program (including IRAs and accounts subject to ERISA). In addition, the only "sweep" vehicle other than the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed below) that is available to retirement plan accounts in the Program is an unaffiliated money market mutual fund from which JPMS and its affiliates receive no additional compensation by virtue of retirement plan clients' selection of the fund as the "sweep" vehicle for their accounts.

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

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

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

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<sup>1</sup> JPMS's affiliates J.P. Morgan Investment Management Inc. ("JPMIM"), J.P. Morgan Private Investments Inc. ("JPMPI") and Security Capital Research & Management Incorporated ("Security Capital"), in addition to numerous portfolio managers not affiliated with JPMS, also act as separate account portfolio managers in other wrap fee investment advisory programs sponsored by JPMS: the J.P. Morgan Securities Strategic Investment Services ("STRATIS") Program and/or the J.P. Morgan Securities Investment Counseling Service ("ICS") Program. If a client in the STRATIS Program selects JPMIM, JPMPI or Security Capital to manage all or part of the portfolio, JPMS pays JPMIM, JPMPI or Security Capital (as applicable) a portion of the advisory fee JPMS receives from the client on the assets managed by JPMIM, JPMPI or Security Capital, respectively. If a client in the ICS Program selects JPMIM or Security Capital as a manager, JPMIM or Security Capital (as applicable) receives its fee directly from the client and separately from the fee paid to JPMS by the client. The arrangements between JPMS and JPMIM, JPMPI and Security Capital in the STRATIS and/or ICS Programs are not material to clients in the Portfolio Advisor Program.

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

- As a matter of policy, JPMS prohibits Advisory Representatives from soliciting purchases of equity and fixed income securities issued by JPMS's affiliates (including JPMorgan Chase & Co. common stock) in Program accounts.
- If, notwithstanding JPMS's policy, an equity or fixed income security issued by an affiliate of JPMS comes to be held in a Program account (because, for example, a client transfers the security into a Program account from a non-Program account, the security was purchased in the account before it became a Program account, or the client purchased the security in the Program account on an unsolicited basis) for the first time on or after October 1, 2009, JPMS (if it consents to the security being held in the Program account) will typically treat the security as an Excluded Security as to which JPMS will not advise the client and will not charge the Wrap Fee. In such cases, JPMS's treatment of the security is communicated to the Program client. Please refer to Item 4 above for a general discussion of Excluded Securities.

Program clients should understand that, as a result of JPMS's policy described above, Advisory Representatives will typically be unable to solicit or otherwise recommend purchases of equity and fixed income securities issued by an affiliate of JPMS in Program accounts even where the recommendation is unmotivated by any desire by the Advisory Representative to benefit JPMS, its affiliates or the Advisory Representative and even though the prospective purchase would be in furtherance of the client's investment objective for the account. Accordingly, this policy could have a negative impact on the performance of Program accounts.

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

In the Client Agreement, clients in the Program generally authorize JPMS and JPMCC, to the extent permitted by applicable law, to invest (i.e., "sweep") available cash balances in the JPMorgan Chase Bank, N.A. ("JPMCB") Deposit Account or one or more money market mutual funds that are typically affiliated with JPMS. JPMCB is affiliated with JPMS.

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

JPMS and JPMCC benefit from Program clients' authorization to invest available cash balances in the Deposit Account. JPMCC receives a fee from JPMCB that, in the aggregate, is no more than 0.25% annually of customers' average daily Deposit Account balances. All or substantially all of the fee is paid to JPMS. The amount of the fee may vary from time to time, and JPMCC may waive all or part of it. However, there is no charge, fee or commission to clients imposed with respect to the Deposit Account.

JPMCB benefits from Program clients' selection of the Deposit Account as their "sweep" option because, through the Deposit Account, JPMCB receives a stable, cost-effective source of funding. JPMCB intends to use deposits made by customers who select the Deposit Account to fund current and new businesses, including lending activities and investments. The profitability on such lending activities and investments is generally measured by the difference, or "spread," between the interest rate paid on the deposits and other costs associated with the Deposit Account, and the interest rate and other income earned by JPMCB on the loans and investments made with the deposits. The income that JPMCB has the opportunity to earn through its lending and investing activities is usually greater than the fee earned by all JPMorgan Chase-affiliated entities from managing and distributing the money market mutual funds that may be available to Program clients as an alternative cash "sweep" for their Program accounts.

Therefore, JPMS, JPMCC and JPMCB have a financial interest in Program clients' authorization of the use of the Deposit Account as the "sweep" option for the temporary investment of available cash balances in Program accounts. In the Client Agreement, the Deposit Account is the default "sweep" option for Program clients; that is, if the client does not affirmatively indicate the selection of one of the available alternatives, the client is deemed to have selected the Deposit Account. JPMS does not believe that its and its affiliates' interest in Program clients' selection of the Deposit Account presents any inherent or general material conflict with the interests of Program clients in the temporary investment of their available cash balances. However, to the extent a conflict may exist with respect to a particular Program client or account, JPMS addresses the conflict through:

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

All or substantially all registered representatives of JPMS, including all Advisory Representatives, also are employees of JPMCB. In their capacities as employees of JPMCB and outside of the Program, Advisory Representatives may market and sell to clients products and services of JPMCB, and be compensated in connection with such sales.

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

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

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

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

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

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

In the Program, JPMS does not recommend or select other investment advisers for clients. JPMS is the only investment adviser in the Program, and all investment advice in the Program is provided through the Advisory Representatives.

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



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

JPMS addresses this conflict in the following ways:

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

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

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

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

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

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

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

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

In some cases, JPMS or a related person recommends to investment advisory clients, or buys or sells for investment advisory client accounts (including accounts in the Program), securities in which JPMS or a related person has a material financial interest.

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

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

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

- For JPMS or any of its affiliates knowingly to act as principal in connection with a transaction for a client in the Program, the law generally requires that before the completion of each such transaction JPMS must disclose to the client in writing that it or its affiliate will be acting in a principal capacity and obtain the client’s consent to the transaction.
- As a matter of policy, JPMS generally prohibits Advisory Representatives from effecting transactions for Program clients where JPMS or any of its affiliates will act as principal. Exceptions may be permitted when the proposed transaction cannot readily be effected on an agency basis, the Advisory Representative has determined that the transaction is in the best interests of the client, and all legal disclosure and consent requirements are satisfied.
- Also as a matter of policy, JPMS prohibits Advisory Representatives from effecting transactions for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) where JPMS or any of its affiliates will act as principal under any circumstances.
- While JPMS and its affiliates may receive a dealer spread in the net price when acting as principal in connection with a transaction for a client in the Program, they will not receive commissions, “mark-ups” or “mark-downs.”

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

- For JPMS or any of its affiliates knowingly to effect a transaction for a client in the Program where JPMS or its affiliate acts as agent for the other side of the transaction, the law generally requires that JPMS satisfy certain conditions, including the client’s prospective written authorization of such agency cross transactions, the right of the client to revoke such authorization at any time in writing, and the provision of certain written disclosure to the client.
- JPMS policy generally prohibits Advisory Representatives from intentionally effecting agency cross transactions for Program clients. Exceptions may be permitted under certain circumstances if all legal requirements are satisfied.
- JPMS policy also prohibits Advisory Representatives from effecting agency cross transactions for retirement plan accounts in the Program (including IRAs and accounts subject to ERISA) under any circumstances.

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

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

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

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

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

- Advisory Representatives, who are responsible for recommending investments for Program accounts, do not receive any direct financial benefit (such as additional compensation) from the client's investment of Program assets in, or the "sweeping" of available cash balances into, affiliated funds rather than unaffiliated funds. Moreover, because Advisory Representatives are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value and/or performance of Program accounts, Advisory Representatives are to that extent incentivized to recommend funds they believe will increase the value of the account, regardless of whether the funds are affiliated or unaffiliated with JPMS.
- JPMS policy prohibits the purchase of affiliated funds by retirement plan accounts in the Program (including IRAs and accounts subject to ERISA). In addition, if retirement plan clients do not want the J.P. Morgan Chase Bank, N.A. Deposit Account (discussed in Item 9.ii above) as the "sweep" vehicle for available cash balances in their Program accounts, they can instead select an unaffiliated money market mutual fund from which JPMS and its affiliates receive no compensation by virtue of retirement plan clients' selection of the fund as their "sweep" vehicle.

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

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

Certain affiliated and unaffiliated funds that Advisory Representatives recommend to clients for the investment of Program account assets may execute transactions for their portfolios through JPMS or an affiliate as broker-dealer, and JPMS or an affiliate or other related person (including Advisory Representatives acting in their capacity as registered representatives of JPMS as broker-dealer) may receive compensation from the funds in connection with these transactions. Such compensation presents a conflict of interest between JPMS and Program clients because JPMS and/or Advisory Representatives may have a financial incentive to recommend that Program clients invest account assets in such funds: (1) in the hope or expectation that increasing the amount of assets invested with the funds will increase the number and/or size of transactions placed by the funds 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 funds and thereby preserve and foster valuable brokerage relationships with the funds. Assuming that a Program client's Advisory Representative is aware of which funds execute through JPMS or an affiliate or other related person and which do not, JPMS believes that this conflict is addressed in the following ways:

- Unless the Advisory Representative is individually involved in the execution of portfolio transactions for a fund, he or she does not receive any direct financial benefit (such as additional compensation) from the investment of Program assets in funds that execute transactions through JPMS or an affiliate or other related person rather than funds that do not. Moreover, because Advisory Representatives are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to recommend funds they believe will increase the value of the account, regardless of whether or not the funds execute transactions through JPMS or an affiliate or other related person.
- Advisory Representatives' advising of Program accounts is subject to supervision designed to ensure that the accounts are advised in accordance with clients' investment objectives for the accounts and that Advisory Representatives are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS.

JPMS and its affiliates and other related persons also may receive other forms of compensation in connection with the operation and/or sale of shares of affiliated or unaffiliated funds, which may include distribution fees paid by certain funds pursuant to Rule 12b-1 under the Investment Company Act of 1940, to the extent permitted by applicable law. As a matter of policy, however, JPMS and JPMCC credit back to clients in the Program any Rule 12b-1 fees they receive from funds in connection with fund transactions in Program accounts.

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

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

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

- As a matter of policy, JPMS prohibits Advisory Representatives from soliciting purchases of equity and fixed income securities issued by JPMS or its affiliates (including JPMorgan Chase & Co. common stock) in Program accounts.
- If, notwithstanding JPMS's policy, an equity or fixed income security issued by JPMS or its affiliates comes to be held in a Program account (because, for example, a client transfers the security into a Program account from a non-Program account, the security was purchased in the account before it became a Program account, or the client purchased the security in the Program account on an unsolicited basis) for the first time on or after October 1, 2009, JPMS (if it consents to the security being held in the Program account) will typically treat the security as an Excluded Security as to which JPMS will not advise the client and will not charge the Wrap Fee. In such cases, JPMS's treatment of the security is communicated to the Program client. Please refer to Item 4 above for a general discussion of Excluded Securities.

Program clients should understand that, as a result of JPMS's policy described above, Advisory Representatives will typically be unable to solicit or otherwise recommend purchases of equity and fixed income securities issued by JPMS or its affiliates in Program accounts even where the recommendation is unmotivated by any desire by the Advisory Representative to benefit JPMS, its affiliates or the Advisory Representative and even though the prospective purchase would be in furtherance of the client's investment objective for the account. Accordingly, this policy could have a negative impact on the performance of Program accounts.

#### **5. Securities Issued by Investment Banking and Other Customers of JPMS and Its Affiliates**

In its capacity as a broker-dealer, JPMS engages in investment banking activities, including the underwriting of offerings of securities. JPMS receives compensation for its investment banking services from issuers of the underwritten

securities and other investment banking clients. JPMS's financial interest in engaging in and increasing its investment banking business conflicts with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients' investment objectives in the Program.

In connection with its investment banking activities, JPMS and its related persons may receive underwriting fees and other compensation from issuers of securities bought, held or sold in clients' Program accounts. Advisory Representatives who, in their capacity as registered representatives of JPMS as broker-dealer, introduce or refer issuers to JPMS's investment banking unit may receive a portion of such fees and other compensation received by JPMS. Such issuers with which JPMS has an investment banking relationship could have an interest in Program accounts buying (or not selling) securities they have issued. For example, the issuers and their employees could benefit in certain respects from an increase in the securities' market price resulting from increased demand for the securities. Because JPMS has a financial incentive to preserve and foster valuable investment banking relationships with issuers, JPMS could have an incentive to increase demand for the issuers' securities, and thereby contribute to maintaining or increasing the market price, by recommending that clients buy (or not sell) such securities in Program accounts. This financial interest conflicts with the interest of Program clients in buying and holding securities based solely on the furtherance of the clients' investment objective in the Program. JPMS believes that this conflict is addressed in the following ways:

- Information barrier procedures designed to control the flow of "inside" and proprietary information between investment banking operations and other business units of JPMS, including J.P. Morgan Securities, are maintained.
- Advisory Representatives do not receive any direct financial benefit (such as additional compensation) from the investment of Program assets in securities issued by investment banking customers of JPMS. Moreover, because Advisory Representatives are compensated in the Program through the receipt of a portion of the Wrap Fee, which is typically tied to the value of Program accounts, Advisory Representatives are to that extent incentivized to recommend securities they believe will increase the value of the account, regardless of whether or not the issuers are investment banking customers of JPMS.
- Advisory Representatives' advising of Program accounts is subject to supervision designed to ensure that the accounts are advised in accordance with clients' investment objectives for the accounts and that Advisory Representatives are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS.

JPMS and its affiliates and other related persons (including Advisory Representatives) also may receive other fees or commissions from the issuers of certain securities purchased for the accounts of Program clients when such issuers are brokerage, investment advisory, commercial banking or other customers of JPMS or an affiliate. Such relationships and compensation to JPMS and Advisory Representatives from such customers present a conflict of interest between JPMS and Program clients similar to that described above with respect to JPMS's receipt of investment banking fees from issuers. Assuming that the Advisory Representative is aware that the issuer is a brokerage or other customer of JPMS or its affiliates, JPMS believes that the conflict is addressed for reasons corresponding to those in the second and third bullet points above. (For a discussion of the conflict presented by the specific situation of JPMS or an affiliate acting as executing broker of portfolio transactions for a mutual fund or ETF, the shares of which Advisory Representatives may recommend to Program clients, please refer to Item 9.iii.b.3 above.)

In the course of its investment banking and other activities, JPMS and its affiliates may acquire confidential or material non-public information about certain securities or issuers. Clients should understand that JPMS will not be free to divulge such information to clients or to base advice to clients on such information.

Shares in initial and subsequent ("follow-on") public offerings generally are not made available to accounts in the Program. In addition, clients should understand that there may be periods when JPMS is not able to recommend or effect certain types of transactions in securities of issuers for which JPMS or its affiliates are performing investment banking or other services – even when the shares or units the Advisory Representative would otherwise like to recommend that the Program account buy or sell are not themselves part of a public offering. For example, during certain periods when JPMS is engaged in an underwriting of an offering or other distribution of securities of a company, it may be prohibited from recommending the purchase or sale of any securities of that company for any of its Program clients.

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

JPMS and its related persons (including Advisory Representatives) may recommend that clients (including clients in the Program) buy or sell securities, or may buy or sell securities for clients, that JPMS or a related person buys or sells for itself.

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

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

JPMS addresses these conflicts in the following ways:

- the maintenance of policies (including in the Code of Ethics) prohibiting JPMS employees from engaging in conduct intended to manipulate the price of securities and procedures designed to prevent and/or detect such conduct;
- the general prohibition in the Code of Ethics on the personal trading by any JPMS "Advisory Access Person" (including all Advisory Representatives in the Program) on the opposite side of the market in any security that was traded for any of the Advisory Representative's investment advisory client accounts five (5) trading days before and five (5) trading days after the trade in the client's advisory account;
- the maintenance of information barrier procedures designed to control the flow of information between JPMS's and its affiliates' proprietary trading operations and other business units, including J.P. Morgan Securities;
- supervision of Advisory Representatives' handling of Program accounts designed to ensure that the accounts are advised in accordance with clients' investment objectives for the accounts and that Advisory Representatives are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS;
- the imposition of trading restrictions with respect to certain time periods and/or lists of issuers that are designed to prevent investment personnel (including Advisory Representatives) from unfairly benefiting from unreleased research reports and recommendations;
- the requirement in the Code of Ethics that Advisory Representatives in the Program periodically report personal securities holdings and transactions to JPMS Compliance personnel; and
- the policy and legal restrictions on principal transactions with Program accounts described in Item 9.iii.b above.

Clients should understand that Advisory Representatives are not required to follow or otherwise consider or adhere to research reports, analyses and opinions published or otherwise communicated by other employees of JPMS or its affiliates, including J.P. Morgan research analysts, economists and market strategists, and the advice of Advisory Representatives to clients in the Program may differ from (and be diametrically opposed to) the content of such reports, analyses and opinions.

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

JPMS and its related persons (including Advisory Representatives) may recommend that clients (including clients in the Program) buy or sell securities, or may buy or sell securities for clients, *at or about the same time* that JPMS or a related person buys or sells the same securities for its (or a related person's) own account.

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

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

However, the aggregation of different clients' orders also may be to the detriment of a particular client. The execution of aggregated orders may be subject to delay for certain reasons, including but not limited to the time required for JPMS to review proposed orders for compliance with investment restrictions, guidelines or policies that clients may have provided to JPMS and which have been accepted by JPMS. Accordingly, the aggregation of the client's order with other client orders may cause the client's order to be executed later, and at a different price, than it would have been had the client's order not been aggregated with other client orders.

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

**iv. Review of Accounts**

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

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

Each Advisory Representative is responsible for reviewing the Program accounts advised by him or her on an ongoing basis. Primary responsibility for the ongoing supervision of activity in the Program accounts advised by each Advisory Representative lies with the J.P. Morgan Securities Regional Supervisory Manager responsible for supervising activity in accounts handled by that Advisory Representative generally. The ongoing supervisory review of Program accounts by the Regional Supervisory Managers includes review of the performance of the accounts and the transactions effected in them.

The PA Group performs periodic reviews of Program accounts, typically on an Advisory Representative-by-Advisory Representative basis. The Group's reviews generally include an examination of the implementation of each Advisory Representative's recommended investment strategy across the Program accounts he or she advises and the aggregate performance of each Advisory Representative's Program accounts. The Group generally reviews each Advisory Representative's advising of Program accounts on a revolving annual basis; however, the Group may review some Advisory Representatives' Program accounts more or less frequently, depending on factors that may include each Advisory Representative's background, experience and tenure in the Program, the aggregate number and size of each Advisory Representative's Program accounts, and risk-based assessments of each Advisory Representative's advising of Program accounts. The PA Group communicates the substance of its periodic reviews of each Advisory Representative's advising of Program accounts to the Review Committee.

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

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

**b. Reports to Program Clients**

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

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

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

In addition to the written confirmations and account statements, reviews and/or reports described above, the Advisory Representatives are reasonably available for consultation with clients regarding their accounts.

**v. Client Referrals and Other Compensation**

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

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

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

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

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



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

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

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

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

The clients referred to JPMS do not incur any additional fee or charge by JPMS as a result of JPMS's arrangements with the solicitors or its payment of the solicitation fees to the solicitors. Therefore, because JPMS's sharing of certain advisory fees with solicitors reduces the net advisory fee retained by JPMS, Program accounts for clients referred to JPMS by a solicitor may be less profitable for JPMS than other Program accounts, other things being equal. This creates a conflict of interest between JPMS and the referred clients because, as a result, JPMS and the Advisory Representatives (whose own compensation is typically tied to the amount of advisory fees received by JPMS from clients) could have a financial incentive to disfavor Program clients referred by solicitors in the allocation or sequencing of trades among accounts and in the receipt of the Advisory Representative's time, attention and best investment ideas. JPMS addresses this conflict through supervision of Advisory Representatives' handling of Program accounts designed to ensure that Advisory Representatives are acting in accordance with their fiduciary duty to place the interests of Program clients before their own and those of JPMS. In addition, because the Wrap Fee paid by clients in the Program may, in JPMS's discretion, be negotiated and can vary among clients, and the absolute amount of the Wrap Fee is typically dependent on the size of the client's account, it is not necessarily the case that the account of a client referred to JPMS by a compensated solicitor will be less profitable for JPMS or the Advisory Representative than other Program accounts.

**vi. Financial Information**

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

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

The J.P. Morgan Securities division of J.P. Morgan Securities LLC (“JPMS”) offers its customers a full range of brokerage services. In addition, J.P. Morgan Securities offers non-discretionary and discretionary investment advisory programs. A brief description of these investment advisory programs is provided below. This attachment supplements certain information contained in JPMS’s Form ADV Wrap Fee Program Brochures.

### **NON-DISCRETIONARY INVESTMENT ADVISORY OFFERINGS**

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

\$100,000 minimum investment

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

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

\$100,000 minimum investment

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

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

\$250,000 minimum investment

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

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

\$250,000 minimum investment

The J.P. Morgan Unified Managed Account Program (“UMA”) is a fee-based investment advisory program through which JPMS provides certain non-discretionary consulting services. Clients can access separate account strategies of third-party model portfolio providers (which may include affiliates of JPMS), mutual funds and exchange-traded funds in a single unified managed account. An Overlay Portfolio Manager maintains discretion over day-to-day portfolio decisions, trading and account administration and is responsible for coordinating model portfolios and mutual fund and exchange-traded fund transactions. Clients can request JPMS to identify one or more investment options and/or strategies. All of the investment options offered in UMA undergo screening by the J.P. Morgan Private Bank due diligence team. UMA also offers clients the opportunity to request systematic rebalancing reviews by the Overlay Portfolio Manager. For an additional fee, clients may enroll in an optional active tax management service through which the Overlay Portfolio Manager attempts to reduce taxes realized from the account while taking into consideration after-tax investment returns.

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

\$25,000 minimum investment

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

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

Minimum investment varies by Advisory Representative

The J.P. Morgan Securities Portfolio Advisor Program is a fee-based non-discretionary investment advisory program through which a J.P. Morgan Securities Advisory Representative assists clients in constructing investment portfolios. Advisory Representatives may offer advice and provide recommendations, but clients retain decision-making authority. The Advisory Representative advises clients according to their individual goals and objectives.

**DISCRETIONARY INVESTMENT ADVISORY OFFERING****J.P. Morgan Securities Portfolio Manager Program**

Minimum investment varies by Advisory Representative

The J.P. Morgan Securities Portfolio Manager Program is a fee-based discretionary investment advisory program. A J.P. Morgan Securities Advisory Representative constructs portfolios and manages client accounts on a discretionary basis. The Advisory Representative invests the account pursuant to his or her investment process and portfolios may be customized to meet the individual goals and objectives of the client.

**BROKERAGE OFFERINGS**

J.P. Morgan Securities also offers a variety of brokerage services. J.P. Morgan Securities Financial Advisors are available to discuss these various options.

**Differences Between Our Brokerage Services and Our Advisory Services**

JPMS is dually registered as a broker-dealer and an investment adviser, and the J.P. Morgan Securities division of JPMS provides both brokerage and investment advisory services to clients. When JPMS provides brokerage services, a client’s relationship with us and our duties to the client will be different in some important ways from the client’s relationship to us and our duties to the client when we are providing investment advisory services.

Brokerage services primarily involve assisting clients with the purchase and sale of securities, whereas investment advisory services primarily involve offering clients advice about what they may buy and sell, or helping them to retain another advisor to provide this service. In providing investment advisory services, we have a fiduciary duty to a client and thereby are required to put the client’s interest ahead of our own, to treat all of our advisory clients fairly and equitably and to disclose all material conflicts between our interests and the advisory client’s interests. Brokerage activities are regulated under different laws and rules than advisory activities and generally do not give rise to the fiduciary duties that an investment advisor has to its advisory clients. We do have obligations to clients when we act as their broker-dealer under rules concerning the “suitability” of our recommendations, our obligations to “know our customer” and our obligation to seek best execution of customer orders, as well as under rules imposed by self-regulatory organizations related to our conduct and sales practices, generally. We also have a duty to deal fairly with brokerage clients. However, our interests may not always be the same as those of brokerage clients, as we may be paid both by them and by other parties who compensate us based upon what the brokerage clients purchase, and our profits and salespersons’ compensation may vary by product and over time.