

## DISCLOSURE STATEMENT

# JPMorganChase

## JPMorgan Chase Bank, National Association

### Rate-Linked Certificates of Deposit<sup>1</sup>

We, JPMorgan Chase Bank, National Association (the "Bank"), are offering our certificates of deposit ("CDs") from time to time. We describe the terms that will generally apply to these CDs in this disclosure statement. We will describe the specific terms of any particular CDs we are offering in a term sheet or a disclosure supplement (each, a "term sheet"). If the terms described in the applicable term sheet are inconsistent with those described herein, the terms described in the relevant term sheet shall control.

The following terms may apply to particular CDs we may offer:

**INTEREST:** Unless otherwise specified in the applicable term sheet, the CDs may bear interest at a fixed rate, a rate that varies during the lifetime of the CDs or at a rate that is contingent and that may not be determined until maturity. Variable rates will be based on a combination of rates and indices or other factors specified in the applicable term sheet, may be reset at specified intervals over the life of the CDs and may be zero (corresponding to an annual percentage yield ("APY") of 0.00%).

The interest rate on a variable rate CD may increase or decrease over the life of the relevant CDs, as specified in the applicable term sheet.

Any variable interest rate may be adjusted by adding or subtracting a specified spread or margin or by applying a spread multiplier, as specified in the applicable term sheet.

Contingent interest payments on CDs may not be determined until maturity and may be zero (0.00% APY).

**REDEMPTION:** If specified in the applicable term sheet, the CDs may be callable. The CDs may be withdrawn early by you only in limited circumstances identified below or specified in the applicable term sheet.

**PAYMENTS:** Payments on the CDs may be linked to the level of a specified interest rate or rates over the term of the CDs, the value of an equity market measure or measures including, without limitation, the value of an equity market index or indices, or any combination of the foregoing levels or measures, as specified in the relevant term sheet.

**OTHER TERMS:** As specified under "Description of the CDs" and in the applicable term sheet.

**Investing in the CDs involves risks, including the risk that the interest we pay you may be less than the interest otherwise payable on conventional floating rate or fixed rate CDs issued by the Bank with similar maturities. See the section entitled "Risk Factors" on page 11.**

The CDs will be obligations of JPMorgan Chase Bank, National Association only and not obligations of your broker or any affiliate of JPMorgan Chase Bank, National Association, including J.P. Morgan Securities LLC ("JPMS") and JPMorgan Chase & Co.

The principal amount of, and any accrued and unpaid interest on, the CDs is insured by the Federal Deposit Insurance Corporation (the "FDIC") within the limits and to the extent set forth in the Federal Deposit Insurance Act and the regulations and interpretations of the FDIC, some of which are described in this disclosure statement (currently \$250,000 for the aggregate of all deposits held by a depositor in the same ownership capacity with JPMorgan Chase Bank, National Association and per participant for certain retirement accounts as described in the section entitled "Deposit Insurance" in this disclosure statement.) A depositor purchasing a principal amount of CDs that is in excess of the applicable federal deposit insurance limits or which, together with other deposits that it maintains at JPMorgan Chase Bank, National Association in the same ownership capacity, is in excess of such limits should not rely on the availability of deposit insurance with respect to such excess. Any secondary market premium paid by a depositor above the principal amount of the CDs will not be insured by the FDIC. In addition, any contingent interest will not be insured by the FDIC until such amount is determined. See the sections entitled "Risk Factors" and "Deposit Insurance" in this disclosure statement for further information.

Our affiliate, JPMS, may use this disclosure statement and the applicable term sheet in connection with offers and sales of the CDs after the date hereof. JPMS may act as principal or agent in those transactions.

J.P.Morgan

November 20, 2013

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<sup>1</sup> From time to time, we may offer CDs linked to both specified interest rates and equity market indices.

## DESCRIPTION OF THE CDS

### GENERAL

At maturity, the CDs will pay the principal amount plus interest payments, if any, which, unless otherwise provided in the applicable term sheet, will be related to the level of a specified interest rate or rates, the change in the value of one or more equity market measure or measures including, without limitation, the value of an equity market index or indices, or any combination of the foregoing levels or measures including the value of a basket which may include rates or equity market indices (a “basket”), over the term of the CDs. We refer in this disclosure statement to any relevant stock market index each as an “index,” and collectively, the “indices.” The Bank will be obligated to repay the principal amount plus the minimum return, if any, of the CDs at maturity regardless of any changes in the rate or rates, index or indices or basket, as applicable. Other terms relating to particular CDs we may offer, including any special tax considerations, will be described in the applicable term sheet.

Unless otherwise specified in the applicable term sheet, interest-bearing CDs will pay interest at a fixed rate, a variable rate or at a contingent rate. A fixed rate CD’s interest rate will remain the same over the life of the CD and will be set a rate specified in the applicable term sheet. The terms of any variable rate CD’s interest rate will be specified in the applicable term sheet.

Alternately, the applicable term sheet may specify that the CD will not bear interest and that instead, on the stated maturity date, which will be at least one year and a day from the date of settlement, you will receive the principal amount of your CD plus a single interest payment, if any. In such instance, there will be no other payments, including payments of interest, periodic or otherwise prior to the maturity date.

Unless otherwise specified in the applicable term sheet, the CDs will be denominated in U.S. dollars in denominations of \$1,000. The deposit amount for the CDs is \$1,000 and then in additional increments of \$1,000. The CDs are insured only within the limits and to the extent described herein under the section entitled “Deposit Insurance.”

**You should compare the features of the CDs to other available investments before deciding to purchase a CD. Due to the uncertainty as to whether the CDs will earn any interest payments prior to their stated maturity date, the returns which may be received with respect to the CDs may be higher or lower than the returns available on other deposits available at the Bank or through your brokers. It is suggested that you reach an investment decision only after carefully considering the suitability of an investment in the CDs in light of your particular circumstances.**

### Payments on the CDs

The maturity date for the CDs will be set forth in the relevant term sheet and is subject to adjustment as described below. We will specify, in each case if applicable, the participation rate, minimum return, maximum return and any other applicable payment terms in the relevant term sheet.

The interest rate on variable rate CDs may increase (“step up”) or decrease (“step down”) over the life of the CDs, or it may be reset at specified intervals based on the level of a particular interest rate or rates in the market or the value any index or indices, or a combination of any of the foregoing measures, as applicable, as specified in the applicable term sheet (a “floating rate”). Any floating rate may be adjusted by adding or subtracting a specified spread or margin or by applying a spread multiplier, as specified in the applicable term sheet. The dates on which rates may step up or step down or on which rates may be reset, and the basis for resetting the rates, will be set forth in the applicable term sheet. The interest rate on variable rate CDs may be zero (0.00% APY).

In addition, as specified in the applicable term sheet, interest payments, if any, on the CDs may be contingent and may be paid at any time over the term of CD, based on the level of a specified interest rate or rates and/or index or indices, or a combination of the foregoing measures, which may include a basket of such measures. If so specified in the applicable term sheet, there may be only one such interest payment, which may not be determined until the maturity of the CD and may be zero (0.00% APY). There will be no payments of interest prior to maturity on CDs with a term of one year or less, and payments on such CDs may be contingent.

Interest on CDs will be calculated on a basis specified in the applicable term sheet. Generally, interest on

interest-bearing CDs will accrue to, but not including, an interest payment date, the maturity date, or, if the CDs are callable, any call date. Interest on the interest-bearing CDs will not be compounded, unless otherwise specified in the applicable term sheet.

Any payment on the CDs, including interest and principal, will be subject to a “Business Day Convention” that will be specified in the applicable term sheet. “Business Day Convention” means the convention for adjusting any relevant date if it would otherwise fall on a day that is not a business day. The following terms, when used in conjunction with the term “Business Day Convention” and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a business day so that: (a) if the applicable term sheet specifies that the Business Day Convention is “Following”, then that date (e.g., an interest payment date, call date or maturity date) will be the first following day that is a business day; (b) if the applicable term sheet specifies that the Business Day Convention is “Modified Following”, then that date will be the first following day that is a business day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a business day; and (c) if the applicable term sheet specifies that the Business Day Convention is “Preceding”, then that date will be the first preceding day that is a business day.

Any interest payment on the CDs will be subject to an “Interest Accrual Convention” that will be specified in the applicable term sheet. “Interest Accrual Convention” means the convention related to whether or not an interest payment is adjusted in terms of the number of days in an interest period if the payment date is moved forward or postponed. If the applicable term sheet specifies that the Interest Accrual Convention is “Unadjusted”, then the amount of interest payable on any interest payment date will not change as a result of that payment date being moved forward or being postponed. If the applicable term sheet specifies that the Interest Accrual Convention is “Adjusted”, then the amount of interest payable on any interest payment date will be adjusted, subject to the provisions under “Day Count Fraction”, to reflect the amount of interest accrued during the applicable interest period based on the number of days in such interest period.

Any interest payment on the CDs will be also subject to a “Day Count Fraction”. Unless otherwise specified in the term sheet, for each \$1,000 CD, interest payable on any interest payment date will be equal to:

$$\$1,000 \times \text{Interest Rate} \times \text{Day Count Fraction}$$

Where:

“Interest Rate” shall be set forth in the applicable term sheet; and

“Day Count Fraction” means:

- if “Actual/Actual”, “Actual/Actual (ISDA)”, “Act/Act” or “Act/Act (ISDA)” is specified in the term sheet, the actual number of days in the interest period in respect of which payment is being made divided by 365 (or, if any of the interest period falls in a leap year, the sum of (i) the actual number of days in the portion of the interest period falling in a leap year divided by 366 and (ii) the actual number of days in that portion of the interest period falling in a non-leap year divided by 365); and
- if “Actual/365”, “Actual/365 (Fixed)”, “Act/365 (Fixed)”, “A/365 (Fixed)” or “A/365F” is specified, the actual number of days in the interest period in respect of which payment is being made divided by 365.

*General.* A “business day” is, unless otherwise specified in the relevant term sheet, any day, other than a Saturday, Sunday or a day on which national banking associations in each of the City of New York, New York and Columbus, Ohio are generally authorized or obligated by law, regulation or executive order to close or a day on which transactions in U.S. dollars are not conducted.

The applicable term sheet will also set forth the following information:

- the issue date of the CDs;
- the maturity date of the CDs, *provided* that in the case of CDs identified as “short-term debt instruments” for U.S. federal income tax purposes in the applicable term sheet, such maturity date shall

in no event be more than 365 days after the issue date (counting the issue date but not the maturity date);

- denominations of the CDs;
- the dates on which interest, if any, will be paid;
- how interest, if any, will be determined; and
- whether early withdrawals of the amount deposited will be permitted.

The return on the CDs will be related to the level of a specified interest rate or rates or an index or indices, as specified in the relevant term sheet. If the return on the CDs is related to more than one measure, or a combination thereof, we may refer to such measures collectively as a basket. The CDs may provide the opportunity to receive interest at regular periods, or, unlike ordinary bank deposits, the CDs may instead provide the opportunity to receive a single interest payment at maturity. At maturity you will receive a cash payment for each \$1,000 CD of \$1,000 plus accrued and unpaid interest, if any.

In no event will the return on your CDs be less than 0.00% APY.

If applicable and as specified in the relevant term sheet, any interest payment or the total return on your CDs may not be less than the minimum return, if applicable, or greater than the maximum return, if applicable. The “minimum return” or the “maximum return,” if applicable, will be a fixed dollar amount per \$1,000 principal amount CD and will be specified in the applicable term sheet.

Each component of a basket, if applicable, will be referred to in this disclosure statement as a “Basket Component.”

If applicable, the “participation rate” will be a percentage, which may be more or less than 100%, as specified in the applicable term sheet. If the participation rate is less than 100% you may participate in less than the full change in value of the underlying rates or indices, depending on the terms of your CDs. If the participation rate is greater than 100% you will participate in the change in value of the underlying rates or indices on a leveraged basis, depending on the terms of your CDs.

Unless otherwise specified in the relevant term sheet, with respect to each applicable index, the “closing level” on any trading day will equal the official closing value of such index, or any successor index thereto (as described below) published following the regular official weekday close of trading for such index on that trading day. In certain circumstances, the “closing level” for an index will be based on the alternative calculation of such index described under “General Terms of the CDs—Discontinuation of an Index; Alteration of Method of Calculation.”

Unless otherwise specified in the relevant term sheet, with respect to each applicable index, a “trading day” is a day, as determined by the calculation agent, on which trading is generally conducted on (i) the relevant exchanges (as defined below) for securities underlying such index or the relevant successor index, if applicable, and (ii) the exchanges on which futures or options contracts related to such index or the relevant successor index, if applicable, are traded, other than a day on which trading on such relevant exchange or exchange on which such futures or options contracts are traded is scheduled to close prior to its regular weekday closing time.

The maturity date will be specified in the applicable term sheet, which is subject to adjustment as described below.

**If the applicable term sheet specifies an Index Return or a Basket Return:**

If the return on the CDs depends, at least in part, on the performance or level of a specified one or more indices, interest on CDs, if applicable, may depend on an Index Return or a Basket Return, as the case may be, as well as other terms of the CDs, each as specified in the applicable term sheet.

The closing levels used to determine the Index Return or Basket Return, as the case may be, may be calculated on a single date or on several dates, each of which we refer to herein as an “Observation Date,” as

specified in the applicable term sheet.

The “Index Return,” unless otherwise set forth in the applicable term sheet, is calculated as follows:

$$\frac{\text{Ending Index Level} - \text{Starting Index Level}}{\text{Starting Index Level}}$$

The “Starting Index Level” will be set to equal the closing level of the index or such other value as specified in the applicable term sheet on the pricing date or such other date as specified in the applicable term sheet.

The “Ending Index Level” will be the closing level of the index on the Observation Date or the arithmetic average of the closing levels of the index on each of the Observation Dates if more than one Observation Date is specified in the applicable term sheet or such other date or dates specified in the applicable term sheet.

The “Basket Return,” unless otherwise set forth in the applicable term sheet, is calculated as follows:

$$\frac{\text{Ending Basket Level} - \text{Starting Basket Level}}{\text{Starting Basket Level}}$$

The “Starting Basket Level” will be set to equal 100 on the pricing date or such other value as specified in the applicable term sheet.

The “Ending Basket Level” will be the Basket Closing Level on the Observation Date or such other date or dates specified in the applicable term sheet.

On any relevant trading day, the “Basket Closing Level” will be calculated as follows:

$$100 \times [1 + \text{sum of (Component Return of each Basket Component} \times \text{Component Weighting of each such Basket Component)}]$$

Unless otherwise specified in the relevant term sheet, on any trading day, each Component Return reflects the performance of the respective Basket Component, expressed as a percentage, from its respective value on the pricing date or such other date or dates as set forth in the respective term sheet (its “initial value”) to the value on such trading day (its “final value”). Unless otherwise specified in the relevant term sheet, the “Component Return” with respect to each Basket Component will be calculated as (a) the final value for such Basket Component minus the starting value for such Basket Component divided by (b) the starting value for such Basket Component.

With respect to each Basket Component, a “Component Weighting,” is a fixed percentage or fraction as specified in the relevant term sheet, provided that the sum of the Component Weightings for all Basket Components will equal 100% or 1, as applicable. In certain cases, only one Basket Component may compose the entire basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the basket.

The relevant term sheet will specify either (i) the weight of each Basket Component in the basket, which will be fixed for the term of the CDs, or (ii) the manner in which the weight of each Basket Component will be determined. For example, if the relevant term sheet specifies that a Basket Component is weighted to compose 18% of the value of the Basket, the Component Weighting for that Basket Component is 18%. Alternatively, the relevant term sheet may specify that, for a basket consisting of two Basket Components, the Basket Component with the greater Component Return will make up 70% of the value of the basket, and the Basket Component with the lesser Component Return will make up 30% of the value of the basket.

If a market disruption event occurs on any date for which the level of an index or basket is needed to calculate any payment on the CDs, such level will be determined on the immediately succeeding trading day on which no market disruption event for such index or basket occurs. The final Observation Date, if applicable, will be the third scheduled trading day prior to the maturity date, unless the calculation agent determines that a market disruption event occurred or is continuing on that day. In that event the final Observation Date will be the first

succeeding trading day on which the calculation agent determines that a market disruption event has not occurred and is not continuing. In no event, however, shall the final Observation Date, if applicable, be postponed more than ten business days. If the final Observation Date has been postponed ten business days and the business day immediately succeeding such tenth business day is not a trading day, or if there is a market disruption event on such succeeding business day, the calculation agent will determine the level of such index or basket on such succeeding business day in accordance with the formula for and method of calculating such level last in effect prior to commencement of the market disruption event, using the closing level (or, if trading in the relevant securities has been materially suspended or materially limited, its good faith estimate of the closing level that would have prevailed but for such suspension or limitation or non-trading day) on such business day immediately succeeding such tenth business day of each security most recently constituting such index or basket, as applicable. For the avoidance of doubt, if any Observation Date is postponed as described above and there are two or more indices for which a market disruption event has occurred or is continuing, and the first trading day on which there is no market disruption event for an index is different than such trading day for one or more other indices, such Observation Date will be postponed to the latest of such trading days and the calculation agent will calculate the levels of such indices for such Observation Date on such different trading days.

If the scheduled maturity date (as specified in the applicable term sheet) is not a business day, then the maturity date will be the next succeeding business day following such scheduled maturity date. If, due to a market disruption event or otherwise, the final Observation Date, if applicable, is postponed so that it falls less than three business days prior to the scheduled maturity date, the maturity date will be the third business day following that final Observation Date, as postponed, unless otherwise specified in the applicable term sheet. We describe market disruption events under “General Terms of the CDs—Market Disruption Events.”

## **GENERAL TERMS OF THE CDS**

### **Early Call at Our Option**

If a CD is designated as a callable CD in the applicable term sheet (a “Callable CD”), the Callable CD generally will be callable at our option during the periods or on the specific dates specified in the applicable term sheet, on written notice given as provided in the applicable term sheet. Unless otherwise provided in the applicable term sheet, any such call will be effected in increments per \$1,000 principal amount Callable CD, at the call price or prices specified in the applicable term sheet (each, a “Call Price”).

If any Callable CDs are called by us prior to the stated maturity date, you will be entitled to receive only the applicable Call Price and, unless otherwise specified in the applicable term sheet, you will not receive any interest. If we do not call a Callable CD prior to the scheduled maturity date, the principal amount plus the interest, if any, that you receive on the scheduled maturity date may be less than any of the Call Prices.

In the event we were to fail between the time a call notice is given and the time you receive the Call Price, the amount of the Call Price in excess of the principal amount deposited would not be insured.

Unless otherwise specified in the applicable term sheet, notice of redemption will be given not less than five (5) Business Days prior to the Call Date.

### **Additions and Withdrawals**

#### *General*

When you purchase a CD, you agree with us to keep your funds on deposit for the term of the CD. Accordingly, no additions are permitted to be made to any CD, and no withdrawals are permitted to be made from any CD, except that withdrawal will be permitted in the event of the death of the beneficial owner of a CD, which right we refer to as the “Survivor’s Option,” or in the event of the adjudication of incompetence of the beneficial owner of the CDs by a court or other administrative body of competent jurisdiction. In such event, and unless otherwise specified in “—Survivor’s Option” with respect to the death of the owner of a CD, provided that prior written notice of such proposed withdrawal has been given to your broker and the Bank, together with appropriate documentation to support such request, the Bank will permit withdrawal of all CDs held by such beneficial owner (no partial withdrawals will be permitted). The amount payable by the Bank on any CDs upon such withdrawal will equal the principal amount of the withdrawn CDs, and unless specified in the applicable term sheet all accrued but

unpaid interest will be forfeited. For information about the amount payable by the Bank upon early withdrawal after the death of the beneficial owner of a CD and the procedures and limitations on such early withdrawals of the CDs, please see “—Survivor’s Option” below.

If the relevant term sheet provides for an election for early redemptions or withdrawals for any other reason other than the death or adjudication of incompetence of a depositor, such term sheet will set forth the method for calculating the early redemption amount you will be entitled to receive. Upon early redemption or withdrawal of a CD, the amount you receive may be less, and possibly significantly less, than the principal amount of your CD.

In the event we were to fail between an early redemption date and the time you receive the early redemption amount (as defined and specified in the relevant term sheet), the early redemption amount in excess of the principal amount of the CD, if any, may not be FDIC insured.

### ***Survivor’s Option***

The relevant term sheet will specify whether a holder of CDs will have the right to require us to repay such CDs prior to the maturity date, if requested by the authorized representative of the beneficial owner of such CDs following the death of the beneficial owner of such CDs. We refer to this right as the “Survivor’s Option.” To exercise the Survivor’s Option, the CDs must have been acquired by the deceased beneficial owner at least six months prior to the date of exercise of the Survivor’s Option. Upon valid exercise of the Survivor’s Option and the proper tender of CDs for repayment, and subject to the conditions set forth herein, we will repay such CDs, in whole or in part, on the following interest payment date (which may be the maturity date) (such date the “Repayment Date”) at a price equal to 100% of the principal amount of the deceased beneficial owner’s beneficial interest in such CDs so tendered plus accrued and unpaid interest to but excluding the Repayment Date. For purposes of this section, a beneficial owner of a CD is a person who has the right, immediately prior to such person’s death, to receive the proceeds from the disposition of that CD, as well as the right to receive payment of the principal of the CD at maturity.

To be valid, within one year of the date of death of the deceased beneficial owner, the Survivor’s Option must be exercised by, or on behalf of, the person who has authority to act on behalf of the deceased beneficial owner of the applicable CDs (including, without limitation, the personal representative or executor of the estate of the deceased beneficial owner, or the surviving joint owner with the deceased beneficial owner) under the laws of the applicable jurisdiction.

The death of a person holding a beneficial ownership interest in a CD: (a) with any person in a joint tenancy with right of survivorship; or (b) with his or her spouse in tenancy by the entirety, tenancy in common, as community property or in any other joint ownership arrangement, will be deemed the death of a beneficial owner of that CD, and the entire principal amount of the CD held in this manner will be subject to repayment by us upon request as described in this section. However, the death of a person holding a beneficial ownership interest in a CD as tenant in common with a person other than his or her spouse will be deemed the death of a beneficial owner only with respect to such deceased person’s interests in the CD, and only the deceased beneficial owner’s percentage interest in the principal amount of the CD will be subject to repayment upon a valid exercise of the Survivor’s Option.

If the ownership interest in a CD is held by a nominee for a beneficial owner or by a custodian under a Uniform Gifts to Minors Act or Uniform Transfer to Minors Act, or by a trustee of a trust that is wholly revocable by its beneficial owner, or by a guardian or committee for a beneficial owner, the death of such beneficial owner will be deemed the death of a beneficial owner for purposes of the Survivor’s Option, if the beneficial ownership interest can be established to the satisfaction of the paying agent, which is currently The Bank of New York. In any of these cases, the death or dissolution of the nominee, custodian, trustee, guardian or committee will not be deemed the death of the beneficial owner of the CD for purposes of the Survivor’s Option. For purposes of clarification, trustees of trusts originally established as irrevocable trusts are not eligible to exercise the Survivor’s Option nor may the Survivor’s Option be exercised where CDs have been transferred from the estate of the deceased owner by operation of a transfer on death.

We may, in our sole discretion, limit the aggregate principal amount of CDs issued by us as to which exercises of the Survivor’s Option will be accepted by us from authorized representatives of all deceased beneficial owners to 10% of the initial principal amount of a specific CD issuance as to which the Survivor’s Option’s is applicable, or

such greater amount as we in our sole discretion may determine from time to time. We may also, in our sole discretion, limit the aggregate principal amount of CDs issued by us as to which exercises of the Survivor's Option will be accepted by us from an authorized representative of any deceased beneficial owner in any calendar year to an amount as we in our sole discretion may determine from time to time for any calendar year. In addition, we will not permit any exercise of the Survivor's Option for a principal amount less than \$1,000, and we will not permit the exercise of the Survivor's Option if such exercise would result in a beneficial ownership interest in a CD with a principal amount of less than \$1,000 outstanding.

A valid election to exercise the Survivor's Option may not be withdrawn. Tenders of CDs pursuant to an exercise of the Survivor's Option will be processed in the order received by the paying agent, except for any CD the acceptance of which would contravene any of the limitations described in the immediately preceding paragraph. CDs accepted for repayment pursuant to exercise of the Survivor's Option will be repaid on the first interest payment date that occurs 20 or more calendar days after the acceptance date. For example, if the acceptance date of a CD is August 1, 2008, and interest on that CD is paid semi-annually every February 15 and August 15, we would redeem that CD on February 15, 2009, because the August 15, 2008 interest payment date falls less than 20 calendar days from the acceptance date. Tendered CDs that are not accepted due to the limitations described in the preceding paragraph will be deemed tendered in the next following calendar year in the order in which all such CDs were originally tendered. If a CD tendered through a valid exercise of the Survivor's Option is not accepted, the paying agent will deliver a notice to the authorized representative of the beneficial owner stating the reason that CD has not been accepted for repayment.

Because the CDs will be evidenced by one or more master certificates issued by us and held by or on behalf of DTC, DTC or its nominee will be treated as the holder of the CDs, will be the only entity that receives notices from the trustee and, on behalf of the deceased beneficial owner's authorized representative, will be the only entity that can exercise the Survivor's Option for the CDs. Accordingly, to properly tender a CD for repayment pursuant to exercise of the Survivor's Option, the deceased beneficial owner's authorized representative must provide the following documentation and evidence to the broker or other DTC participant through which the beneficial interest in the CD is held by the deceased beneficial owner:

- appropriate evidence satisfactory to the paying agent that:
  - (1) the deceased was the beneficial owner of the CD at the time of death,
  - (2) the death of the beneficial owner has occurred and the date of death, and
  - (3) the representative has authority to act on behalf of the deceased beneficial owner;
- if the beneficial interest in the CD is held by a nominee or trustee of, custodian for, or other person in a similar capacity to, the deceased beneficial owner, evidence satisfactory to the paying agent from the nominee, trustee, custodian or similar person attesting to the deceased's beneficial ownership of the tendered CD;
- a written request for repayment pursuant to the Survivor's Option signed by the authorized representative of the deceased beneficial owner with the signature guaranteed by a firm that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (generally a member of a registered national securities exchange, a member of the Financial Regulatory Authority, or a commercial bank or trust company having an office in the United States);
- tax waivers and any other instruments or documents that the paying agent reasonably requires in order to establish the validity of the beneficial ownership of the CD and the claimant's entitlement to payment; and
- any additional information the paying agent may require to evidence satisfaction of any conditions to the exercise of the Survivor's Option or to document beneficial ownership or authority to make the election and to cause the repayment of the CD.

We expect that the broker or other DTC participant will deliver in turn these documents and evidence, through the appropriate DTC participant, if applicable, and the facilities of DTC, to the paying agent and will certify to the paying agent that the broker or other DTC participant represents the deceased beneficial owner. The broker or other DTC participant will be responsible for disbursing payments received from the paying agent, through the facilities of DTC, to the authorized representative.



As described above, we retain the right, in our sole discretion, to limit the aggregate principal amount of CDs issued by us as to which exercises of the Survivor's Option will be accepted from all authorized representatives of deceased beneficial owners and from the authorized representative of any individual deceased beneficial owner in any calendar year. All other questions regarding the eligibility or validity of any exercise of the Survivor's Option generally will be determined by the paying agent, in its sole discretion, which determination will be final and binding on all parties.

### **Calculation Agent**

JPMS will act as the calculation agent. The calculation agent will determine, among other things, the payment at maturity or call date, as applicable, and the interest payable on the CDs, if any, including the applicable linked rate, index, or combination of rates and indices for each interest period and, if applicable, the number of days that the linked rate, index, or combination of rates and indices is within a specified range. The calculation agent will determine the closing levels of any indices or basket on any relevant date, as well as whether a market disruption event has occurred with respect to any index and whether any of the indices have been discontinued or whether there has been a material change in the method of calculating any index. All determinations made by the calculation agent will be at the sole discretion of the calculation agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different calculation agent from time to time after the date of this disclosure statement without your consent and without notifying you.

All calculations other than the interest rate will be rounded to the nearest ten thousandth of a percentage point, with 0.00005% rounded up to 0.0001%. All percentages resulting from any calculation of interest will be rounded to the nearest thousandth of a percentage point with 0.0005% rounded up to 0.001%. All dollar amounts paid on the aggregate number of CDs will be rounded to the nearest cent with one-half cent rounded upward.

### **Market Disruption Events**

#### *Rates Underlying(s)*

The Market Disruption Events applicable to the rate or rates referenced by your CD will be set forth in the applicable term sheet.

#### *Equity Underlying(s)*

Certain events may prevent the calculation agent from calculating the closing level of one or more of the indices on any Observation Date and consequently the Index Return or Basket Return, as the case may be, and the interest, if any, that we will pay you. These events may include disruptions or suspensions of trading on the markets as a whole. We refer to these events individually as a "market disruption event."

With respect to each index (or any relevant successor index), a "market disruption event" means:

- a suspension, absence or material limitation of trading of stocks then constituting 20 percent or more of the level of such index (or the relevant successor index) on the relevant exchanges (as defined below) for such securities for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such relevant exchange; or
- a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for stocks then constituting 20 percent or more of the level of such index (or the relevant successor index) during the one hour preceding the close of the principal trading session on such relevant exchange are materially inaccurate; or
- the suspension, absence or material limitation of trading on any major securities market for trading in futures or options contracts related to such index (or the relevant successor index) for more than two hours of or during the one hour period preceding the close of, the principal trading session on such market; or
- a decision to permanently discontinue trading in the relevant futures or options contracts;

in each case as determined by the calculation agent in its sole discretion; and

- a determination by the calculation agent in its sole discretion that the applicable event described above materially interfered with its ability or the ability of any of our affiliates to adjust or unwind all or a

material portion of any hedge with respect to the CDs.

For the purpose of determining whether a market disruption event with respect to such index (or relevant successor index) exists at any time, if trading in a security included in the index (or the relevant successor index) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the disrupted index (or relevant successor index) shall be based on a comparison of:

- the portion of the level of the disrupted index attributable to that security relative to
- the overall level of the disrupted index,

in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to such index (or the relevant successor index) has occurred, unless otherwise specified in the relevant term sheet:

- a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or the primary exchange or market for trading in futures or options contracts related to such index (or relevant successor index);
- limitations pursuant to the rules of any relevant exchange similar to New York Stock Exchange (“NYSE”) Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;
- a suspension of trading in futures or options contracts on an index (or relevant successor index) by the primary securities market trading in such contracts by reason of
  - a price change exceeding limits set by such exchange or market,
  - an imbalance of orders relating to such contracts, or
  - a disparity in bid and ask quotes relating to such contracts

will, in each such case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to that index (or relevant successor index); and

- a “suspension, absence or material limitation of trading” on any relevant exchange or on the primary market on which futures or options contracts related to the applicable index (or relevant successor index) are traded will not include any time when such market is itself closed for trading under ordinary circumstances.

“Relevant exchange” means, with respect to an index or the relevant successor index, the primary exchange or market of trading for any security (or any combination thereof) then included in such index, or successor index, as applicable.

### **Discontinuation of an Index; Alteration of Method of Calculation**

If the sponsor of an index (its “Index Sponsor”) discontinues publication of such index or and such index Sponsor or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued index (such index being referred to herein as a “successor index”), then the closing level for such index on any relevant date will be determined by reference to the level of such successor index at the close of trading on the relevant exchange for such successor index on such date.

If the Index Sponsor discontinues publication of its index prior to, and such discontinuation is continuing on, any Observation Date or other relevant date and the calculation agent determines, in its sole discretion, that no successor index for such index is available at such time, or the calculation agent has previously selected a successor index and publication of such successor index is discontinued prior to, and such discontinuation is continuing on, such Observation Date or other relevant date, then the calculation agent will determine the closing level for such index on such date. The closing level for such index will be computed by the calculation agent in accordance with the formula for and method of calculating such index or successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or

materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing such index or successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of an index or its successor index, as applicable, may adversely affect the value of the CDs.

If at any time the method of calculating an index or a successor index, or the level thereof, is changed in a material respect, or if an index or a successor index is in any other way modified so that such index or such successor index does not, in the opinion of the calculation agent, fairly represent the level of such index or such successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for such index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of an index comparable to such index or such successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for such index with reference to such index or such successor index, as adjusted. Accordingly, if the method of calculating such index or such successor index is modified so that the level of such index or such successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in such index or such successor index), then the calculation agent will adjust its calculation of such index or such successor index in order to arrive at a level of such index or such successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

### **Brokered CDs**

The CDs may be offered and sold by JPMS and other dealers in the primary market. A dealer offering the CDs to its customers is doing so pursuant to an arrangement between such dealer and JPMS. Such dealer makes no representation or warranties about the accuracy of this disclosure and makes no guarantee in any way about the financial condition of the Bank.

### **Hypothetical returns on your CDs**

The relevant term sheet may include a table, chart or graph showing various hypothetical returns on your CD based on a range of hypothetical closing levels or rates, as applicable, in each case assuming the CD is held from the issue date until the scheduled maturity date.

Any table, chart or graph showing hypothetical returns will be provided for purposes of illustration only. It should not be viewed as an indication or prediction of future investment results. Rather, it is intended merely to illustrate the impact that various hypothetical market values of the rates or indices could have on the hypothetical returns on your CD, if held to the scheduled maturity date, calculated in the manner described in the relevant terms sheet and assuming all other variables remained constant. Any payments at maturity listed in the relevant term sheet will be entirely hypothetical. They may be based on rates and closing levels on any day during the term of the CD that may vary and on assumptions that may prove to be erroneous.

The return on your CD may bear little relation to, and may be much less than, the return that you might achieve were you to invest in the securities underlying any index directly. Among other things, the return on any index and an investment in the securities underlying any index is likely to have tax consequences that are different from an investment in your CD.

We describe various risk factors that may affect the market value of your CD, and the unpredictable nature of that market value, under "Risk Factors" below.

### **Governing Law**

The CDs will be governed by and interpreted in accordance with federal laws of the United States or America, and to the extent state law applies the laws of the State of New York.

## DESCRIPTION OF CERTAIN INTEREST RATES

If the relevant term sheet indicates that any of the following interest rates are applicable to the CDs, the following terms shall apply, unless otherwise specified in such term sheet.

### USD CMS Rate

Unless otherwise specified in the relevant term sheet, with respect to the applicable Interest Reset Date or USD CMS Determination Date, as applicable, the “USD CMS Rate” refers to the rate for U.S. Dollar swaps with the applicable Designated Maturity specified in the relevant term sheet that appears on Reuters page “ISDAFIX1” (or any successor page) at approximately 11:00 a.m., New York City time, on such Interest Reset Date or USD CMS Determination Date, as applicable, as determined by the calculation agent. If, on such Interest Reset Date or USD CMS Determination Date, as applicable, the applicable USD CMS Rate cannot be determined by reference to the applicable Reuters page (or any successor page), then the calculation agent will request from five leading swap dealers in the New York City interbank market, selected by the calculation agent, mid-market semi-annual swap rate quotations in a Representative Amount and with terms equal to the Designated Maturity, at approximately 11:00 a.m., New York City time, on such Interest Reset Date or USD CMS Determination Date, as applicable. The “semi-annual swap rate” means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. Dollar interest rate swap transaction with a term equal to the applicable Designated Maturity commencing on the relevant Interest Reset Date or USD CMS Determination Date, as applicable, and in the Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the LIBOR Rate with a Designated Maturity of three months. If at least three quotations are provided as requested, the calculation agent will calculate the applicable USD CMS Rate by eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest) and taking the arithmetic mean of the remaining rates. If fewer than three quotations are provided, the USD CMS Rate will be determined by the calculation agent, acting in a commercially reasonable manner.

### EUR CMS Rate

Unless otherwise specified in the relevant term sheet, with respect to the applicable Interest Reset Date or EUR CMS Determination Date, as applicable, the “EUR CMS Rate” refers to the annual swap rate for Euro swap transactions with the applicable Designated Maturity specified in the relevant term sheet, that appears on Reuters page “ISDAFIX2” (or any successor page) under the heading “EURIBOR BASIS—EUR” and above the caption “11:00 AM Frankfurt” at approximately 11:00 a.m., Frankfurt time, on such Interest Reset Date or EUR CMS Determination Date, as applicable, as determined by the calculation agent. If, on such Interest Reset Date or EUR CMS Determination Date, as applicable, the applicable EUR CMS Rate cannot be determined by reference to the applicable Reuters page (or any successor page), then the calculation agent will request from five leading swap dealers in the Frankfurt interbank market, selected by the calculation agent, mid-market annual swap rate quotations in a Representative Amount and with terms equal to the Designated Maturity, at approximately 11:00 a.m., Frankfurt time, on such Interest Reset Date or EUR CMS Determination Date, as applicable. The “annual swap rate” means the mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating Euro interest rate swap transaction with a term equal to the applicable Designated Maturity commencing on the relevant Interest Reset Date or EUR CMS Determination Date, as applicable, and in the Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to the Euro Interbank Offered Rate, or the EURIBOR, with a Designated Maturity of six months. If five quotations are provided as requested, the calculation agent will calculate the applicable EUR CMS Rate by eliminating the highest and lowest rates and taking the arithmetic mean of the remaining rates. If at least three, but fewer than five, quotations are provided, the EUR CMS Rate will be the arithmetic mean of the quotations. If fewer than three quotations are provided, the EUR CMS Rate will be determined by the calculation agent, acting in a commercially reasonable manner.

### LIBOR Rate

Unless otherwise specified in the relevant term sheet, with respect to the applicable Interest Reset Date or LIBOR Determination Date, as applicable, the “LIBOR Rate” refers to the London Interbank Offered Rate for deposits in U.S. dollars with the applicable Designated Maturity specified in the relevant term sheet that appears on Reuters page “LIBOR01” (or any successor page) at approximately 11:00 a.m., London time, on such Interest Reset Date or LIBOR Determination Date, as applicable. If, on such Interest Reset Date or LIBOR Determination Date, the applicable LIBOR Rate cannot be determined by reference to the applicable Reuters page (or any successor page), then the calculation agent will request the principal London office of four major banks in the London

interbank market, selected by the calculation agent, for deposits in U.S. dollars in a Representative Amount and for a term equal to the Designated Maturity, at approximately 11:00 a.m., London time, on such Interest Reset Date or LIBOR Determination Date. If at least two such quotations are provided, the applicable LIBOR Rate for such Interest Reset Date or LIBOR Determination Date will be the arithmetic average of such quotations. If fewer than two such quotations are provided, the calculation agent, *provided* that the applicable Interest Reset Date or LIBOR Determination Date is also a business day, will request each of three major banks in The City of New York to provide such bank's rate to leading European banks for loans in U.S. dollars in a Representative Amount and for a term equal to the Designated Maturity, at approximately 11:00 a.m., New York City time, on such business day. If at least two such rates are provided, then the applicable LIBOR Rate for such business day will be the arithmetic average of such rates. If fewer than two such rates are provided, or if the applicable Interest Reset Date or LIBOR Determination Date is not also a business day, then the applicable LIBOR Rate for such Interest Reset Date or LIBOR Determination Date will be the applicable LIBOR Rate for the immediately preceding London Business Day.

### **CPI Rate**

Unless otherwise specified in the relevant term sheet, with respect to the applicable Interest Reset Date or Determination Date, as applicable, the "CPI Rate" refers to the change in the CPI calculated as follows:

$$CPI\ Rate = \frac{CPI_{t-x} - CPI_{t-y}}{CPI_{t-y}}$$

where:

$CPI_{t-x}$  = the level of the CPI for the "x"<sup>th</sup> calendar month prior to the Interest Reset Date or Determination Date, as applicable, where "x" will be a number specified in the relevant term sheet. For example, if "x" is two, " $CPI_{t-x}$ " will be the level of the CPI for the second calendar month prior to the Interest Reset Date or Determination Date, as applicable; and

$CPI_{t-y}$  = the level of the CPI for the "y"<sup>th</sup> calendar month prior to the Interest Reset Date or Determination Date, as applicable, where "y" will be a number specified in the relevant term sheet. For example, if "y" is twelve, " $CPI_{t-y}$ " will be the level of the CPI for the twelfth calendar month prior to the Interest Reset Date or Determination Date, as applicable.

"CPI" is the non-seasonally adjusted U.S. City Average All Items Consumer Price Index for All Urban Consumers, as published on Bloomberg page "CPURNSA" (or any successor page) or any successor index.

If by 3:00 p.m. New York City time on any Interest Reset Date, the CPI is not published on Bloomberg CPURNSA for any relevant month, but has otherwise been reported by the Bureau of Labor Statistics of the U.S. Department of Labor (the "BLS"), then the calculation agent will determine the CPI as reported by the BLS for such month using such other source as on its face, after consultation with us, appears to accurately set forth the CPI as reported by the BLS.

In calculating  $CPI_{t-x}$  and  $CPI_{t-y}$ , the calculation agent will use the most recently available value of the CPI determined as described above and in the relevant term sheet on the applicable Interest Reset Date or Determination Date, as applicable, even if such value has been adjusted from a previously reported value for the month of such Interest Reset Date or Determination Date, as applicable. However, if a value of  $CPI_{t-x}$  or  $CPI_{t-y}$  used by the calculation agent on any Interest Reset Date or Determination Date, as applicable, to determine the Interest Rate for the applicable interest period is subsequently revised by the BLS, the interest rate determined on such Interest Reset Date or Determination Date will not be revised.

If the CPI is rebased to a different year or period and the 1982-1984 CPI is no longer used, the base reference period for the CDs will continue to be the 1982-1984 reference period as long as the 1982-1984 CPI continues to be published.

If, while the CDs are outstanding, the CPI is discontinued or is substantially altered, as determined in the sole discretion of the calculation agent, the calculation agent will select a successor index, which will be that chosen by the Secretary of the Treasury for the Department of the Treasury's Inflation-Linked Treasuries as described at 62 Federal Register 846-874 (January 6, 1997) or, if no such securities are outstanding, the successor index will be determined by the calculation agent acting in a commercially reasonable manner or the calculation agent will determine CPI in good faith and a commercially reasonable manner.

## CMT Rate

Unless otherwise specified in the relevant term sheet, with respect to the applicable Interest Reset Date or CMT Determination Date, as applicable, the “CMT Rate” refers to the yield for United States Treasury securities at “constant maturity” with the applicable Designated Maturity specified in the relevant term sheet as set forth in H.15(519) under the caption “Treasury constant maturities,” as such yield is displayed on the Reuters page “FRBCMT” (or any successor page) on such Interest Reset Date or CMT Determination Date, as applicable, as determined by the calculation agent.

“H.15(519)” means the weekly statistical release designated as such, or any successor publication, published by the Board of Governors of the Federal Reserve System, available through the Web site of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/H15/> or any successor site or publication. We make no representation or warranty as to the accuracy or completeness of the information displayed on such Web site, and such information is not incorporated by reference herein and should not be considered a part of this disclosure statement.

If, on any Interest Reset Date or CMT Determination Date, as applicable, the applicable CMT Rate cannot be determined by reference to the applicable Reuters page (or any successor page), then the following procedures will be used:

- If the CMT Rate is not displayed on the applicable Reuters page by 3:30 p.m., New York City time on such Interest Reset Date or CMT Determination Date, as applicable, then the CMT Rate for such Interest Reset Date or CMT Determination Date, as applicable, will be a percentage equal to the yield for United States Treasury securities at constant maturity for a period of the Designated Maturity as set forth in H.15(519) under the caption “Treasury constant maturities” (expressed as a number and not a percentage).
- If the applicable CMT Rate or CMT Determination Date, as applicable, does not appear in H.15(519), the CMT Rate for such Interest Reset Date or CMT Determination Date, as applicable, will be the rate for a period of the Designated Maturity as may then be published by either the Federal Reserve System Board of Governors or the United States Department of the Treasury that the calculation agent determines to be comparable to the rate which would otherwise have been published in H.15-519 (expressed as a number and not a percentage).
- If neither the Board of Governors of the Federal Reserve System nor the United States Department of the Treasury publishes a yield on United States Treasury securities at a constant maturity for the maturity of the relevant CMT Rate, the CMT Rate on the relevant Interest Reset Date or CMT Determination Date, as applicable, will be calculated by the calculation agent based on the arithmetic mean of the secondary market bid prices at approximately 3:30 p.m., New York City time, on the relevant Interest Reset Date or CMT Determination Date, as applicable, received from three leading primary United States government securities dealers in The City of New York (expressed as a number and not a percentage). The calculation agent will select five such securities dealers, and will eliminate the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest), for United States Treasury securities with an original maturity equal to the maturity of the relevant CMT Rate, a remaining term to maturity of no more than one year shorter than the maturity of the relevant CMT Rate and in a principal amount equal to the Representative Amount. If two bid prices with an original maturity as described above have remaining terms to maturity equally close to the maturity of the relevant CMT Rate, the quotes for the United States Treasury security with the shorter remaining term to maturity will be used.
- If fewer than five but more than two such prices are provided as requested, the CMT Rate for the relevant Interest Reset Date or CMT Determination Date, as applicable, will be based on the arithmetic mean of the bid prices obtained and neither the highest nor the lowest of such quotations will be eliminated.
- If the calculation agent cannot obtain three United States Treasury securities quotations of the kind requested in the prior two bullet points, the calculation agent will determine the CMT Rate for the

relevant Interest Reset Date or CMT Determination Date, as applicable, to be an amount equal to the yield to maturity based on the arithmetic mean of the secondary market bid prices for United States Treasury securities, at approximately 3:30 p.m., New York City time, on the relevant Interest Reset Date or CMT Determination Date, as applicable, of three leading primary United States government securities dealers in The City of New York (expressed as a number and not a percentage). In selecting these bid prices, the calculation agent will request quotations from at least five such securities dealers and will disregard the highest quotation (or if there is equality, one of the highest) and the lowest quotation (or if there is equality, one of the lowest) for United States Treasury securities with an original maturity greater than the maturity of the relevant CMT Rate, a remaining term to maturity closest to the maturity of the relevant CMT Rate and in a Representative Amount. If two United States Treasury securities with an original maturity longer than the maturity of the relevant CMT Rate have remaining terms to maturity that are equally close to the maturity of the relevant CMT Rate, the calculation agent will obtain quotations for the United States Treasury security with the shorter remaining term to maturity.

- If fewer than five but more than two of the leading primary United States government securities dealers provide quotes as described in the prior paragraph, then the CMT Rate for the relevant Interest Reset Date or CMT Determination Date, as applicable, will be based on the arithmetic mean of the bid prices obtained, and neither the highest nor the lowest of those quotations will be eliminated.
- If fewer than three leading primary United States government securities reference dealers selected by the calculation agent provide quotes as described above, the CMT Rate for the relevant Interest Reset Date or CMT Determination Date, as applicable, will be determined by the calculation agent acting in a commercially reasonable manner.

## General Terms

Unless otherwise specified in the relevant term sheet, the “USD CMS Determination Date,” if applicable, will be, for each calendar day in an Interest Period to which the applicable USD CMS provision applies, the second U.S. Government Securities Business Day prior to such calendar day; *provided, however*, that if such calendar day is not a U.S. Government Securities Business Day, the USD CMS Determination Date will be the third U.S. Government Securities Business Day immediately preceding such calendar day. For example, if the applicable calendar day was a Saturday or Sunday, the USD CMS Determination Date would be the Wednesday preceding such calendar day (*i.e.*, the third U.S. Government Securities Business Day immediately preceding such calendar day), assuming Wednesday, Thursday and Friday were each a U.S. Government Securities Business Day. Notwithstanding the foregoing, if the relevant term sheet specifies that an Exclusion Period applies, for each calendar day in the Exclusion Period, the USD CMS Determination Date will be the U.S. Government Securities Business Day immediately preceding the first day of the Exclusion Period, unless otherwise specified in the relevant term sheet.

Unless otherwise specified in the relevant term sheet, the “EUR CMS Determination Date,” if applicable, will be, for each calendar day in an Interest Period to which the applicable EUR CMS provision applies, the second TARGET Settlement Day prior to such calendar day; *provided, however*, that if such calendar day is not a TARGET Settlement Day, the EUR CMS Determination Date will be the third TARGET Settlement Day immediately preceding such calendar day. For example, if the applicable calendar day was a Saturday or Sunday, the EUR CMS Determination Date would be the Wednesday preceding such calendar day (*i.e.*, the third TARGET Settlement Day immediately preceding such calendar day), assuming Wednesday, Thursday and Friday were each a TARGET Settlement Day. Notwithstanding the foregoing, if the relevant term sheet specifies that an Exclusion Period applies, for each calendar day in the Exclusion Period, the EUR CMS Determination Date will be the TARGET Settlement Day immediately preceding the first day of the Exclusion Period, unless otherwise specified in the relevant term sheet.

Unless otherwise specified in the relevant term sheet, the “LIBOR Determination Date,” if applicable, will be, for each calendar day in an Interest Period to which the applicable LIBOR Provision applies, the second London Business Day prior to such calendar day; *provided, however*, that if such calendar day is not a London Business Day, the LIBOR Determination Date will be the third London Business Day immediately preceding such calendar day. For example, if the applicable calendar day was a Saturday or Sunday, the LIBOR Determination Date would be the Wednesday preceding such calendar day (*i.e.*, the third London Business Day immediately preceding such calendar day), assuming Wednesday, Thursday and Friday were each a London Business Day. Notwithstanding the foregoing, if the relevant term sheet specifies that an Exclusion Period applies, for each calendar day in the Exclusion Period, the LIBOR Determination Date will be the London Business Day immediately preceding the first

day of the Exclusion Period, unless otherwise specified in the relevant term sheet.

Unless otherwise specified in the relevant term sheet, the “CMT Determination Date,” if applicable, will be, for each calendar day in an Interest Period to which the applicable CMT provision applies, the second U.S. Government Securities Business Day prior to such calendar day; *provided, however*, that if such calendar day is not a U.S. Government Securities Business Day, the CMT Determination Date will be the third U.S. Government Securities Business Day immediately preceding such calendar day. For example, if the applicable calendar day was a Saturday or Sunday, the CMT Determination Date would be the Wednesday preceding such calendar day (*i.e.*, the third U.S. Government Securities Business Day immediately preceding such calendar day), assuming Wednesday, Thursday and Friday were each a U.S. Government Securities Business Day. Notwithstanding the foregoing, if the relevant term sheet specifies that an Exclusion Period applies, for each calendar day in the Exclusion Period, the CMT Determination Date will be the U.S. Government Securities Business Day immediately preceding the first day of the Exclusion Period, unless otherwise specified in the relevant term sheet.

The “Exclusion Period,” if applicable, will be as specified in the relevant term sheet. For example, the relevant term sheet may specify that the Exclusion Period will be the period commencing on the sixth business day prior to each Interest Payment Date and ending on the business day prior to such Interest Payment Date.

The “Interest Reset Date(s)” or “Determination Date(s)”, if applicable, will be as specified in the relevant term sheet. The relevant term sheet may specify specific Interest Periods in which the Interest Reset Dates or Determination Dates are applicable. For example, the CDs may bear a fixed rate of interest for one year, and a floating rate of interest for years two through five, in which case the Interest Reset Dates and Determination Dates will be applicable for such subsequent period.

The “Representative Amount” means an amount equal to the outstanding principal amount of the CDs, as set forth in the relevant term sheet, as of the relevant date of determination.

A “U.S. Government Securities Business Day” is, unless otherwise specified in the relevant term sheet, any day other than a Saturday, Sunday or a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading U.S. government securities.

A “London Business Day” is, unless otherwise specified in the relevant term sheet, any day other than a day on which banking institutions in London are authorized or required by law, regulation or executive order to close.

“Designated Maturity” means the applicable maturity to be used to determine the applicable USD CMS Rate, EUR CMS Rate, LIBOR Rate or CMT Rate, which, in each instance, will be specified in the relevant term sheet. For example, the relevant term sheet may specify that the applicable USD CMS Rates will be 30-Year USD CMS Rate and the 10-Year USD CMS Rate, or that the applicable EUR CMS Rates will be 10-Year EUR CMS Rate and the 2-Year EUR CMS Rate, or that the applicable LIBOR Rate will be the three-month LIBOR Rate, or that the applicable CMT Rate will be the 10-Year CMT Rate.

A “TARGET Settlement Day” is, unless otherwise specified in the relevant term sheet, any business day on which the Trans-European Automated Real-time Gross settlement Express Transfer system is open.



## RISK FACTORS

### General Risks related to the CDs

#### **The CDs are not designed to be short-term trading instruments.**

The price at which you may be able to sell your CDs prior to maturity, if at all, may be at a substantial discount from the principal amount of the CDs. The CDs are most suitable for purchasing and holding to maturity and you should be prepared to hold your CDs to maturity.

#### **The CDs may differ from conventional bank deposits.**

The CDs may combine features of equity and debt and the terms of the CDs may differ from those of conventional bank deposits in that we may not pay regular interest, and the return on your investment in the CDs may be less than the amount that would be paid on an ordinary bank deposit. The interest payable, if any, may be uncertain and could be zero, depending on the terms of your CDs. The return at maturity of only the principal amount plus the minimum return, if applicable, of each CD will not compensate you for any loss in value due to inflation and other factors relating to the value of money over time.

#### **The CDs may be subject to the credit risk of JPMorgan Chase Bank, National Association.**

A depositor purchasing a principal amount of CDs, when aggregated with all other deposits held by the depositor in the same right and capacity, at JPMorgan Chase Bank, N.A., in excess of FDIC insurance limits will be subject to the credit risk of JPMorgan Chase Bank, N.A. and our credit ratings and credit spreads may adversely affect the market value of the CDs. Investors are dependent on JPMorgan Chase Bank, N.A.'s ability to pay amounts due on the CDs in excess of FDIC insurance limits at maturity or on any other relevant payment dates, and therefore investors are subject to our credit risk and to changes in the market's view of our creditworthiness. Any decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the value of the CDs. For more information, see "Deposit Insurance" in this disclosure statement.

#### **The interest rate on the CDs for any interest period may be limited by a maximum rate, if applicable.**

If the applicable term sheet specifies a maximum rate, the interest rate for any interest period will be limited by the maximum rate. The maximum rate will limit the amount of interest you may receive for each such interest period, even if the fixed or floating rate component, as adjusted by any leverage factor, if applicable, and/or a spread, if applicable, would have otherwise resulted in an interest rate greater than the maximum rate. As a result, if the interest rate for any interest period without taking into consideration the maximum rate would have been greater than the maximum rate, the CDs will provide you less interest income than an investment in a similar instrument that is not subject to a maximum interest rate.

#### **The value of a rate or level of any index applicable in determining the interest, payment at maturity or call date or other amounts payable on the CDs may be less on the applicable dates used to determine such amounts than at various other times during the term of the CDs.**

Because the value of a rate or level of an index used to calculate the interest, payment at maturity or call date or other amounts payable on the CDs may be determined on only specific dates, such value or level could be higher at other times during the term of the CDs. This difference could be particularly large if the specific terms of your CD specifies that there is only a single Observation Date, if there is a significant increase in the rate or level of the index after any date of determination, if there is a significant decrease in the rate or level of the index during the latter portion of the term of the CDs or if there is significant volatility in the rate or level of the index during the term of the CDs. Under these circumstances, you may receive a lower payment at maturity or call date or return on your than you would have received if you had invested in the component stocks of such index or contracts related to the rate or index for which there is an active secondary market.

#### **Changes in the value of the Basket Components may offset each other.**

For CDs where the interest, if any, or other amounts payable on the CDs is based on a basket composed of two or more rates or indices, price movements in the Basket Components may not correlate with each other. At a time

when the value of some of the Basket Components increases, the value of other Basket Components may not increase as much or may decline. Therefore, in calculating the interest, if any, or other amounts payable on the CDs, increases in the value of some of the Basket Components may be moderated, or more than offset, by lesser increases or declines in the value of the other Basket Components.

**If the participation rate is less than 100%, the interest, if any, or other amount payable on the CDs may be limited by the participation rate.**

For CDs where a participation rate is applicable, it will specify your percentage participation in the performance of a rate, an index, or a basket. If such participation rate is less than 100%, depending on the terms of your CDs, it may limit your interest for a particular period, your payment at maturity or call date, or another amount with respect to the CDs. Under these circumstances, the interest, payment at maturity or call date, or other amount will not fully reflect the performance of the rate, index or basket.

**If the CDs are called early, you will receive your return early.**

If the term sheet specifies your CDs are callable and the CDs are called early, you will receive the principal amount of your CDs plus accrued and unpaid interest to and including the call date. This amount may be less than you would have received had the CDs not been called early. If the CDs are called early, your CDs will terminate on the relevant Call Date. We may choose to call the CDs early or choose not to call the CDs early on any Call Date, in our sole discretion. We may choose to call the CDs early, for example, if U.S. interest rates decrease significantly or if the volatility of U.S. interest rates decreases significantly. As a result, your return may be less than the yield which the CD would have earned if it had been held to maturity, and you may not be able to reinvest your funds at the same rate as the original CD.

**For CDs with a floating rate, floating rate CDs present different investment considerations than fixed rate CDs or similar floating rate securities.**

For CDs with only floating rates, the rate of interest for each interest period paid by us on the CDs is not fixed, but will vary depending on the applicable underlying rate plus/or minus a spread, if applicable and/or a leverage factor, if applicable. Additionally, the CDs may step up or switch from floating to fixed rate or from a fixed to a floating rate during the term of the CDs. Consequently, the return on the CDs may be less than returns otherwise payable on debt securities issued by us with similar maturities. The variable interest rate on the CDs, while determined, in part, by reference to one or more of the applicable underlying rate, may not actually pay at such rates. You should consider, among other things, the overall annual percentage rate of interest to maturity as compared to other equivalent investment alternatives. We have no control over any fluctuations in the applicable underlying rates.

**Stepped rate CDs present different investment considerations than fixed rate CDs.**

The rate of interest paid by the Bank on stepped rate CDs will vary upward or downward from the initial stated rate of interest of the CD. Stepped rate CDs are also typically callable by the issuer at one or more dates prior to maturity and, therefore, contain the call risks described above. If the Bank does not call the CDs, the interest rate will step up or step down as set forth in the applicable term sheet. You should not expect to earn the last and highest scheduled rate of interest income on step up CDs because step up CDs are likely to be called prior to maturity unless general interest rates rise significantly. With step down CDs, you should expect to earn the stepped down rate of interest income after the first scheduled step down rate. Typically, the rate of interest paid at the first stepped down rate is lower than non-stepped rate callable CDs with an equivalent time to maturity or call. Step down CDs are not likely to be called prior to maturity unless general interest rates fall significantly.

**Secondary trading may be limited.**

The CDs will not be listed on an organized securities exchange. There may be little or no secondary market for the CDs. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the CDs easily.

JPMS may act as a market maker for the CDs, but is not required to do so. Because we do not expect that other market makers will participate significantly in the secondary market for the CDs, the price at which you may be able to trade your CDs is likely to depend on the price, if any, at which JPMS is willing to buy the CDs. If at any time

JPMS was not acting as a market maker, it is likely that there would be little or no secondary market for the CDs.

**Prior to maturity, the value of the CDs will be influenced by many unpredictable factors.**

Many economic and market factors will influence the value of the CDs. We expect that, generally, the applicable underlying on any day will affect the value of the CDs more than any other single factor. However, you should not expect the value of the CDs in the secondary market to vary in proportion to changes in the applicable underlying rates. The value of the CDs will be affected by a number of other factors that may either offset or magnify each other, including:

- volatility of, or the perception of expected volatility of, the applicable underlying;
- for CDs linked to a spread between two or more underlying rates, the applicable underlying yield curves;
- the time to maturity of the CDs;
- interest and yield rates in the market generally, as well as the volatility of those rates;
- if the CDs are subject to redemption by us, the likelihood, or expectation, that the CDs will be redeemed by us, based on prevailing market interest rates or otherwise;
- general economic, financial, political or regulatory conditions in the United States and globally;
- inflation and expectations concerning inflation in the United States and globally;
- economic, financial, political, regulatory and judicial events that affect the debt markets generally; and
- our creditworthiness, including actual or anticipated downgrades in our credit ratings.

You cannot predict the future performance of the applicable underlying rates based on their historical performance. The applicable underlying rates may fluctuate and may reduce the interest rate such that you may not receive any return or receive a low return on your initial investment.

**The historical performance of the applicable underlying is not an indication of their future performance.**

The historical performance of the applicable underlying is not an indication of their performance during the term of the CDs. In the past, the applicable underlying have experienced periods of volatility and such volatility may occur in the future. Fluctuations and trends in the applicable underlying that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur in the future.

Except for those interest periods, if any, for which the applicable interest rate is a fixed rate, holders of the CDs will receive interest payments that will be affected by changes in the applicable underlying. Such changes may be significant. Changes in the applicable underlying may result from the interaction of many factors over which we have no control.

**The inclusion in the original issue price of the agent's commission, commissions of affiliates of the agent and the cost of hedging our obligations under the CDs through one or more of our affiliates is likely to adversely affect the value of the CDs prior to maturity.**

While the interest, if applicable, and payment at maturity or call date will be based on the full principal amount of your CDs as described in this term sheet, the original issue price of the CDs includes the agent's commission, commissions of affiliates of the agent and the cost of hedging our obligations under the CDs through one or more of our affiliates. Such cost includes our affiliates' expected cost of providing such hedge, as well as the profit our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which JPMS will be willing to purchase CDs from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values determined by pricing models used by JPMS, as a result of such compensation or other transaction costs.

**We or our affiliates may have adverse economic interests to the holders of the CDs.**

JPMS and other affiliates of ours trade the stocks underlying the indices described herein and other financial instruments related to the indices and their component stocks on a regular basis, for their accounts and for other accounts under their management. JPMS and these affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments with returns linked to an index or a basket composed of one or more rates and the indices described herein. To the extent that we or one of our affiliates serves as issuer, agent or underwriter for such securities, our or their interests with respect to such products may be adverse to those of the holders of the CDs. Any of these trading activities could potentially affect the level of an index or indices relevant to your CD and, accordingly, could affect the value of the CDs and interest payable on the CDs, if any.

We or our affiliates may currently or from time to time engage in business with companies whose stock is included in one of the indices described herein, including extending loans to, or making equity investments in, or providing advisory services to them, including merger and acquisition advisory services. In the course of this business, we or our affiliates may acquire non-public information about the companies, and we will not disclose any such information to you. In addition, one or more of our affiliates may publish research reports about companies whose stock is included in one of the indices described herein. Any prospective purchaser of CDs should undertake an independent investigation of each company in any relevant index as in its judgment is appropriate to make an informed decision with respect to an investment in the CDs.

Additionally, we or one of our affiliates may serve as issuer, agent or underwriter for additional issuances of CDs with returns linked or related to changes in the value of any rate or rates, changes in the level of any index or indices or the stocks which comprise any index. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the value of the CDs.

We may have hedged our obligations under the CDs through certain affiliates, who would expect to make a profit on such hedge. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, such hedging may result in a profit that is more or less than expected, or it may result in a loss.

JPMS will act as the calculation agent. The calculation agent will determine, among other things, the closing levels of any index on any relevant date, the interest payable on the CDs, if any, and the amount we will pay you at maturity of the CDs. The calculation agent will also be responsible for determining whether a market disruption event has occurred, whether any of the indices have been discontinued and whether there has been a material change in the method of calculation of any of the indices. In performing these duties, JPMS may have interests adverse to the interests of the holders of the CDs, which may affect your return on the CDs, particularly where JPMS, as the calculation agent, is entitled to exercise discretion.

**Generally, if the term of the CDs is not more than one year, the CDs will be treated as short-term debt instruments for U.S. federal income tax purposes.**

Generally, if the term of the CDs is not more than one year (including either the issue date or the last possible date that the CDs could be outstanding, but not both), the CDs will be treated as "short-term" debt instruments for U.S. federal income tax purposes. In general, no statutory, judicial or administrative authority directly addresses the treatment of short-term debt instruments having terms similar to the CDs for U.S. federal income tax purposes, and no ruling is being requested from the Internal Revenue Service (the "IRS") with respect to the CDs. As a result, certain aspects of the tax treatment of an investment in such CDs are uncertain. You should review carefully the section entitled "Certain U.S. Federal Income Tax Consequences" in this disclosure statement and consult your tax adviser regarding your particular circumstances. As discussed in "Certain U.S. Federal Income Tax Consequences – No Reliance," you cannot use the tax summaries herein for the purpose of avoiding penalties that may be asserted against you under the Internal Revenue Code of 1986, as amended (the "Code").

**Generally, except as otherwise provided in the applicable term sheet, if the term of the CDs is more than one year, the CDs may be treated either as variable rate debt instruments, fixed rate debt instruments, original issue discount obligations or contingent payment debt instruments for U.S. federal income tax purposes.**

The tax treatment of the CDs will depend upon the facts at the time of the relevant offering. The applicable

term sheet will indicate whether the CDs may be treated as “variable rate debt instruments,” “fixed rate debt instruments,” “original issue discount obligations,” or “contingent payment debt instruments” for U.S. federal income tax purposes. If the CDs are treated as variable rate debt instruments or fixed rate debt instruments, interest paid on the CDs will generally be taxable to you as ordinary interest income at the time it accrues or is received in accordance with your regular method of accounting for U.S. federal income tax purposes. Upon the sale, exchange or other disposition of the CDs, you will recognize taxable gain or loss in an amount equal to the difference between the amount realized on the sale, exchange or retirement and your adjusted tax basis in the CDs. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest will be treated as interest income as described above. In general, gain or loss realized on the sale, exchange or other disposition of the CDs will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange or other disposition the CDs have been held for more than one year. The deductibility of capital losses, however, is subject to limitations.

If the CDs are treated as contingent payment debt instruments for U.S. federal income tax purposes, assuming this treatment is respected, you will generally be required to recognize interest income in each year at a “comparable yield,” adjusted to take account of the difference between actual and projected payments in that year. Interest included in income will increase your tax basis in the CDs and the projected amount of stated interest payments made to you, if any, will reduce your tax basis in the CDs. Generally, amounts received at maturity or upon an earlier sale or disposition in excess of your tax basis will be treated as additional interest income, while any loss will generally be treated as an ordinary loss to the extent of all of your previous interest inclusions with respect to the CDs, which will be deductible against other income (e.g., employment and interest income) with the balance treated as capital loss, the deductibility of which may be subject to limitations and/or special reporting requirements. Purchasers who are not initial purchasers of CDs at their issue price should consult their tax advisers with respect to the tax consequences of an investment in the CDs, including the treatment of the difference, if any between their tax basis in the CDs and the CDs’ adjusted issue price. You should review carefully the section entitled “Certain U.S. Federal Income Tax Consequences” in this disclosure statement and consult your tax adviser regarding your particular circumstances. As discussed in “Certain U.S. Federal Income Tax Consequences – No Reliance,” you cannot use the tax discussions herein for the purpose of avoiding penalties that may be asserted against you under the Code.

If the CDs are treated as original issue discount obligations for U.S. federal income tax purposes, you generally will be required to include original issue discount in your income for federal income tax purposes as it accrues in accordance with a constant-yield method based on a compounding of interest, regardless of whether or not you receive cash attributable to this income. Under this method, if you are a U.S. Holder of a CD that is treated as an original issue discount obligation, you generally will be required to include in income increasingly greater amounts of original issue discount in successive accrual periods.

**You will have limited rights to withdraw your funds prior to the stated maturity date of the CDs.**

By purchasing a CD, you will agree with the Bank to keep your funds on deposit for the term of the CD. Unless otherwise specified in the applicable term sheet, early withdrawals are permitted only in the event of the death or adjudication of incompetence of the beneficial owner of a CD. Therefore, you should not rely on this possibility for gaining access to your funds prior to the stated maturity date.

**State law limits the amount of interest that may be paid on loans (including bank certificates of deposit).**

New York State law governs the CDs. New York has certain usury laws that limit the amount of interest that may be charged and paid on loans, including bank certificates of deposit such as the CDs. Under present New York law, the maximum rate of interest is 25% per annum on a simple interest basis. This limit may not apply to instruments in which \$2,500,000 or more has been invested.

While we believe that New York law would be given effect by a state or federal court sitting outside of New York, many other states also have laws that regulate the amount of interest that may be charged to and paid by a borrower. We will promise, for the benefit of the holders of the CDs, to the extent permitted by law, not to claim voluntarily the benefits of any laws concerning usurious rates of interest.

**The FDIC's powers as receiver or conservator could adversely affect your return.**

If the FDIC were appointed as conservator or receiver of the Bank, the FDIC would be authorized to disaffirm or repudiate any contract to which the Bank is a party, the performance of which was determined to be burdensome, and the disaffirmance or repudiation of which was determined to promote the orderly administration of the Bank's affairs. It is likely that for this purpose deposit obligations, such as the CDs, would be considered "contracts" within the meaning of the foregoing and that the CDs could be repudiated by the FDIC as conservator or receiver of the Bank. Such repudiation should result in a claim by a depositor against the conservator or receiver for the principal of the CDs and any accrued but unpaid interest. No claim would be available, however, for any secondary market premium paid by a depositor above the principal amount of a CD and no claims would likely be available for any interest or return on the CDs that has not yet accrued or is otherwise contingent.

The FDIC as conservator or receiver may also transfer to another insured depository institution any of the insolvent institution's assets and liabilities, including liabilities such as the CDs, without the approval or consent of the beneficial owners of the CDs. The transferee depository institution would be permitted to offer beneficial owners of the CDs the choice of (i) repayment of the principal amount of the CDs or (ii) substitute terms which may be less favorable. If a CD is paid off prior to its stated maturity date, either by a transferee depository institution or the FDIC, its beneficial owner may not be able to reinvest the funds at the same rate of return as the rate on the original CD.

As with all deposits, if it becomes necessary for federal deposit insurance payments to be made on the CDs, there is no specific time period during which the FDIC must make insurance payments available. Accordingly, in such an event, you should be prepared for the possibility of an indeterminate delay in obtaining insurance payments.

Except to the extent insured by the FDIC as described in this disclosure statement, the CDs are not otherwise insured by any governmental agency or instrumentality or any other person.

**Interest payments on the CDs, if any, may not be protected by deposit insurance.**

If specified in the applicable term sheet, the interest payable on each interest payment date, if any, will be calculated only on a particular determination date. Because the FDIC has taken the position that an obligation of an FDIC-insured depository institution that is contingent at the time of the insolvency of the institution may not provide a basis for a claim against the FDIC as receiver for the insolvent institution, interest payments on such CDs may not be eligible for federal deposit insurance prior to the applicable determination date. The interest payable on a given interest payment date may be eligible for deposit insurance coverage only from the applicable determination date until the time the Bank makes payment.

**The full principal amount of your CDs, any minimum return, and any interest payments may not be protected by deposit insurance.**

FDIC insurance is available on the amount of CDs you purchase only within the limits and to the extent set forth in the Federal Deposit Insurance Act and in the regulations and interpretations of the FDIC, including as described below under the section entitled "Deposit Insurance." As of the date of this Disclosure Statement, in general, the FDIC insures all deposits maintained by a depositor in the same ownership capacity at the same insured depository institution, and per participant for certain retirement accounts, in an aggregate amount of \$250,000. As a general matter, holders who purchase CDs in a principal amount, that together with any return, including any interest, on the CDs and any other deposits held by the depositor in the same ownership capacity at the Bank that exceeds the applicable federal deposit insurance limit will not be insured by the FDIC for the amount exceeding such limits.

FDIC deposit insurance regulations may change from time to time in a manner that could adversely affect your eligibility for deposit insurance. For more information, see "Deposit Insurance" in this disclosure statement.

**The scope and extent of FDIC insurance coverage may change.**

Amendments to existing legislation or regulations or enactment of new legislation or regulations relating to FDIC insurance may be introduced at any time. In the event that any such change to existing law or regulation occurs, for example, a change in law that would result in termination of FDIC insurance for the CDs, holders of the CDs may be affected. We cannot predict whether new legislation will be enacted and, if enacted, the effect that it, or

any regulations, would have on holders of the CDs. JPMorgan Chase Bank, N.A. is not presently required, nor does it intend, to notify holders of the CDs of any subsequent changes in the federal deposit insurance coverage rules.

**The FDIC has the right to terminate deposit insurance under certain circumstances.**

It is possible for the FDIC insured status of the issuer to be terminated in certain circumstances, which could potentially result in the loss of FDIC insurance for the CDs. In that case an investment in the CDs would become subject to the credit risk of the Issuer with respect to the entire principal amount of the CDs as well as any returns accrued but unpaid thereon.

**For floating rate CDs, the manner in which floating rates are calculated may change in the future.**

There can be no assurance that the method by which the applicable underlying is calculated will not change. Such changes in the method of calculation could reduce the corresponding interest rate. Accordingly, the value of the CDs may be significantly reduced. If the applicable underlying rate is substantially altered, or is not quoted on the applicable Reuters or Bloomberg page, or any substitute page thereto, on the applicable interest reset date(s) or the applicable underlying determination date(s), as applicable, a substitute rate may be employed by the calculation agent to determine the reference rates and that substitution may adversely affect the value of the CDs.

**For CDs to which the applicable underlying provision relates, the applicable underlying rates and the manner in which they are calculated may change in the future.**

For CDs to which the applicable underlying rate provision relates, there can be no assurance that the method by which the applicable underlying rates are calculated will not change. Such changes in the method of calculation could reduce the level of the individual underlying rates and any corresponding interest rate. Accordingly, the value of the CDs may be significantly reduced. If the applicable underlying rate is substantially altered, or is not quoted on the applicable Reuters page, or any substitute page thereto, on the applicable determination date or reset date, a substitute rate may be employed by the calculation agent to determine the relevant underlying rate and that substitution may adversely affect the value of the CDs.

*Risks Relating to CDs Linked to both Specified Interest Rates and Equity Indices*

**Your return on the CDs will not reflect dividends on the common stocks of the companies in any index.**

Your return on the CDs will not reflect the return you would realize if you actually owned the common stocks of the companies included in an index and received the dividends paid on those stocks. This is because the calculation agent may calculate the interest or amount payable to you upon maturity, as applicable, at least in part by reference to the closing level of an index, which reflects the prices of the common stocks in such index without taking into consideration the value of dividends paid on those stocks.

**The Index Return or Component Return, as the case may be, for the CDs will not be adjusted for changes in exchange rates that might affect the index or the Basket Components.**

Although some of the stocks comprising Nikkei 225 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the FTSE<sup>™</sup> 100 Index and the Swiss Market Index SMI<sup>®</sup> are traded in currencies other than U.S. dollars, and the CDs, which may be linked to one or more of such indices, are denominated in U.S. dollars, the amount payable on the CDs at maturity will not be adjusted for changes in the exchange rate between the U.S. dollar and each of the currencies upon which the stocks comprising certain of the indices are denominated. Changes in exchange rates, however, may reflect changes in various non-U.S. economies that in turn may affect any Index Return or Component Return, as the case may be, for the CDs. The amount we pay in respect of the CDs on any interest payment date or on the maturity date will be determined solely in accordance with the procedures described in “Description of CDs—Payments on the CDs.”

**The sponsor of an index (its “Index Sponsor”) may adjust such index in a way that affects its level, and the Index Sponsor has no obligation to consider your interests.**

The Index Sponsors are responsible for calculating and maintaining their respective index or successor index. Any Index Sponsor can add, delete or substitute the stocks underlying its respective index or successor index or make other methodological changes that could change the level of such index or successor index. You should realize

that the changing of companies included in the index or successor index may affect the index or successor index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, any of the Index Sponsors may alter, discontinue or suspend calculation or dissemination of its index or successor index. Any of these actions could adversely affect the value of the CDs. The Index Sponsors have no obligation to consider your interests in calculating or revising the indices or successor indices.

**The Basket Components may not be equally weighted.**

Unless otherwise specified in the relevant term sheet, your CD may be linked to a basket composed of two or more rates and indices, each of which may have a different weight in determining the value of the basket, depending on the Component Weightings specified in the relevant term sheet. One consequence of such an unequal weighting of the Basket Components is that the same percentage change in two of the Basket Components may have a different effect on the Basket Closing Level, if applicable.

**Our parent, JPMorgan Chase & Co., is one of the companies that make up the S&P 500<sup>®</sup> Index and the Russell 1000<sup>®</sup> Index but we are not affiliated with any other company included in any of the indices. You will have no shareholder rights in the companies whose stocks comprise any of the indices.**

Our parent, JPMorgan Chase & Co., is one of the companies that make up the S&P 500<sup>®</sup> Index and the Russell 1000<sup>®</sup> Index, but we are not affiliated with any of the other companies whose stock is included in any of the indices. As a result, we will have no ability to control the actions of such other companies, including actions that could affect the value of the stocks underlying the indices, or your CDs. None of the money you pay us will go to the Index Sponsors or any of the other companies included in the indices and none of those companies will be involved in the offering of the CDs in any way. Neither they nor we will have any obligation to consider your interests as a holder of the CDs in taking any corporate actions that might affect the value of your CDs.

As a holder of the CDs, you will not have voting rights or rights to receive dividends or other distributions or other rights that holders of the securities composing the indices would have.

**Unless otherwise specified in a relevant term sheet, to our knowledge, we are not currently affiliated with any company the equity securities of which are included in any of the indices (other than the S&P 500<sup>®</sup> Index and the Russell 1000<sup>®</sup>).**

To our knowledge, we are not currently affiliated with any issuers the equity securities of which are included in any of the indices (other than the S&P 500<sup>®</sup> Index and the Russell 1000<sup>®</sup>). As a result, we will have no ability to control the actions of the issuers of such equity securities, including actions that could affect the value of the equity securities included in any of the indices (other than the S&P 500<sup>®</sup> Index and the Russell 1000<sup>®</sup>) or your CDs. None of the money you pay us will go to the index sponsor for any of the indices or any of the issuers of the equity securities included in any of the indices (other than the S&P 500<sup>®</sup> Index and the Russell 1000<sup>®</sup>) and none of those issuers will be involved in the offering of the CDs in any way. Neither those issuers nor we will have any obligation to consider your interests as a holder of the CDs in taking any corporate actions that might affect the value of your CDs.

In the event we become affiliated with any issuers the equity securities of which is included in any of the indices, we will have no obligation to consider your interests as a holder of the CDs in taking any action with respect to such issuer that might affect the value of your CDs.

**Market disruptions may adversely affect your return.**

The calculation agent may, in its sole discretion, decide that the markets have been affected in a manner that prevents it from properly valuing the closing level for any index or basket and calculating any interest or other payment that we are required to pay you. These events may include disruptions or suspensions of trading in the markets as a whole. If the calculation agent, in its sole discretion, determines that these events prevent us or any of our affiliates from properly hedging our obligations under the CDs, it is possible that the Observation Dates, if applicable, and maturity date will be postponed and your return will be adversely affected. See “Description of the CDs—General” and “General Terms of the CDs—Market Disruption Events.”



**An investment in the CDs may be subject to risks associated with non-U.S. securities markets.**

The underlying stocks that constitute the foreign equity indices such as the Nikkei 225 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the FTSE<sup>™</sup> 100 Index and the Swiss Market Index SMI<sup>®</sup> have been issued by non-U.S. companies. Investments in instruments indexed to the value of such non-U.S. equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the SEC, and generally non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

The prices of securities in non-U.S. jurisdictions may be affected by political, economic, financial and social factors in such markets, including changes in a country's government, economic and fiscal policies, currency exchange laws or other foreign laws or restrictions. Moreover, the economies in such countries may differ favorably or unfavorably from economies in the United States in such respects as growth of gross national product, rate of inflation, capital reinvestment, resources and self sufficiency. Such countries may be subjected to different and, in some cases, more adverse economic environments.

**The CDs may be linked to the Dow Jones U.S. Select Dividend Price Return Index but not the Total Return Index.**

The CDs may be linked, in whole or in part, to a price return index and not a total return index. The return on the CDs may be linked, in whole or in part, to the Dow Jones U.S. Select Dividend Return Index which is composed of 100 of the highest dividend yielding securities in the Dow Jones U.S. Total Market Index. By contrast, the Dow Jones U.S. Select Dividend Total Return Index is a "total return" index which, in addition to reflecting those returns, also reflects dividends that could be earned on the stocks which comprise the Dow Jones U.S. Select Dividend Price Return Index. Because the CDs may be linked, in whole or in part, to a "price return" index, the index used in calculating your interest, if any, or payment at maturity or call date, will not include the "total return" feature or the dividend component of the "total return" index.

**EVIDENCE OF THE CDS**

The CDs will be evidenced by one or more master certificates issued by us, each representing a number of individual CDs. These master certificates will be held by or on behalf of The Depository Trust Company ("DTC"), a sub-custodian which is in the business of performing such custodial services. No evidence of ownership, such as a passbook or a certificate, will be provided to you. Your broker, as custodian, keeps records of the ownership of each CD and will provide you with a written confirmation (the "Confirmation") of your purchase. If applicable, the applicable term sheet will set forth the proposed stated maturity date, how the interest, if any, on your CD may be calculated and paid, and the terms of any withdrawal feature. The Confirmation will also state the original principal amount of your CD, from which you can determine how much premium, if any, you paid for the CD. You should retain the Confirmation and the account statement(s) for your records. Because you will not be provided with a certificate evidencing your CD, the purchase of a CD is not recommended for persons who wish to take physical possession of a certificate.

Payments on the CDs will be remitted by us to DTC when due. Upon payment in full of such amounts to DTC, we will be discharged from any further obligation with regard to such payments. Such payments will be credited through DTC's procedures to participant firms and thereafter will be remitted to your broker, so long as such broker acts as your nominee, authorized representative, agent or custodian, and credited to your account with such broker.

Each CD constitutes a direct obligation of us and is not, either directly or indirectly, an obligation of any broker. You will have the ability to enforce your rights in a CD directly against us. No deposit relationship shall be deemed to exist prior to the receipt and acceptance of your funds by us.

If you choose to remove your broker as your agent with respect to your CD, you may (i) transfer your CD to another agent; *provided* that the agent is a member of DTC (most major brokerage firms are members; many FDIC-insured depositories are not) or (ii) request that your ownership of the CD be evidenced directly on the books of JPMorgan Chase Bank, National Association, subject to applicable law and our terms and conditions, including those related to the manner of evidencing CD ownership.

## WHERE YOU CAN FIND OUT MORE ABOUT US

This disclosure statement incorporates by reference the following documents, which have been filed previously (or may be filed in the future) with the SEC, into this disclosure statement and we encourage you to review them. SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document filed with the SEC at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms.

Because we are incorporating by reference future filings with the SEC, this disclosure statement is continually updated and those future filings may modify or supersede some of the information included or incorporated in this disclosure statement. This disclosure statement incorporates by reference the documents below and any future filings made by JPMorgan Chase & Co. ("**JPMorgan Chase**"), which is the parent company of the Bank, with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (the "**Exchange Act**") until we complete our offering of the CDs or, if later, the date on which any of our affiliates cease offering and selling the CDs:

- The annual report of JPMorgan Chase on Form 10-K for the year ended December 31, 2012 (filed on February 28, 2013);
- The quarterly reports of JPMorgan Chase on Form 10-Q for the quarter ended June 30, 2013 (filed on August 7, 2013) and for the quarter ended September 30, 2013 (filed on November 1, 2013); and
- The current reports of JPMorgan Chase on Form 8-K filed on April 9, 2013, April 12, 2013 (two reports filed), April 23, 2013, April 29, 2013, May 1, 2013, May 2, 2013, May 15, 2013, May 23, 2013, June 4, 2013, June 10, 2013, July 12, 2013, July 19, 2013, July 29, 2013 (two reports filed), August 1, 2013, August 21, 2013, September 19, 2013 (two reports filed), September 20, 2013, October 11, 2013 (two reports filed), October 16, 2013, October 23, 2013, October 25, 2013 and November 18, 2013.

In addition, this disclosure statement incorporates by reference the most recent quarterly Consolidated Reports of Condition and Income of the Bank filed with our primary federal regulator (the "**Call Reports**"), the Bank's Call Reports for the years ended December 31, 2012, 2011 and 2010, and any future Call Reports filed with our primary federal regulator until we complete our offering of the CDs, or if later, the date on which any of our affiliates ceases offering and selling the CDs. Call Reports are available at the FDIC's website at <http://www.fdic.gov>.

JPMorgan Chase makes available free of charge, through its website, annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed or furnished, pursuant to Section 13(a) or Section 15(d) of the Exchange Act, as soon as reasonably practicable after it electronically files such material with, or furnishes such material to, the SEC. You may also request, at no cost to you, a written copy of these documents and any documents incorporated by reference herein, including the most recent quarterly Call Report (other than exhibits to such documents) by writing or telephoning JPMorgan Chase at: Office of the Secretary, JPMorgan Chase, 270 Park Avenue, New York, NY 10017-2070 (Telephone: 212-270-4040).

## **JPMORGAN CHASE BANK, NATIONAL ASSOCIATION**

JPMorgan Chase Bank, National Association is a wholly owned bank subsidiary of JPMorgan Chase & Co. (“**JPMorgan Chase**” or the “**Firm**”). JPMorgan Chase is incorporated in the State of Delaware in the United States and is headquartered in New York, New York. JPMorgan Chase Bank is chartered by the Office of the Comptroller of the Currency, a bureau of the United States Department of the Treasury. JPMorgan Chase Bank’s main office is located in Columbus, Ohio. JPMorgan Chase Bank had been organized in the legal form of a banking corporation organized under the laws of the State of New York in 1968 for an unlimited duration. On November 13, 2004, JPMorgan Chase Bank converted from a New York State banking corporation to a national banking association.

JPMorgan Chase Bank is a national bank offering a wide range of banking services to its customers both domestically and internationally. Chase Bank USA, National Association is a principal bank subsidiary of JPMorgan Chase and serves as its credit card-issuing bank. JPMorgan Chase’s principal nonbank subsidiary is J.P. Morgan Securities LLC, the Firm’s U.S. investment banking firm. The bank and nonbank subsidiaries of JPMorgan Chase operate nationally as well as through overseas branches and subsidiaries, representative offices and subsidiary foreign banks. One of JPMorgan Chase’s principal operating subsidiaries in the United Kingdom is J.P. Morgan Securities Plc, a subsidiary of JPMorgan Chase Bank, National Association.

JPMorgan Chase Bank’s business is subject to examination and regulation by the Office of the Comptroller of the Currency. We are a member of the Federal Reserve System and our deposits are insured by the Federal Deposit Insurance Corporation. Our Federal Reserve Bank Identification Number is 852218.

### **Business Activities**

#### ***Principal Activities***

JPMorgan Chase’s activities are organized, for management reporting purposes, into four major reportable business segments, as well as a Corporate/Private Equity segment. The Firm’s consumer business is the Consumer & Community Banking segment. The Corporate & Investment Bank, Commercial Banking, and Asset Management segments comprise the Firm’s wholesale businesses. A description of the Firm’s business segments, and the products and services they provide to their respective client bases, follows.

#### **Consumer & Community Banking**

Consumer & Community Banking (“**CCB**”) serves consumers and businesses through personal service at bank branches and through ATMs, online, mobile and telephone banking. CCB is organized into Consumer & Business Banking, Mortgage Banking (including Mortgage Production, Mortgage Servicing and Real Estate Portfolios) and Card, Merchant Services & Auto (“**Card**”). Consumer & Business Banking offers deposit and investment products and services to consumers, and lending, deposit, and cash management and payment solutions to small businesses. Mortgage Banking includes mortgage origination and servicing activities, as well as portfolios comprised of residential mortgages and home equity loans, including the purchased credit impaired portfolio acquired in the Washington Mutual transaction. Card issues credit cards to consumers and small businesses, provides payment services to corporate and public sector clients through its commercial card products, offers payment processing services to merchants, and provides auto and student loan services.

#### **Corporate & Investment Bank**

The Corporate & Investment Bank (“**CIB**”) offers a broad suite of investment banking, market-making, prime brokerage, and treasury and securities products and services to a global client base of corporations, investors, financial institutions, government and municipal entities. Within Banking, the CIB offers a full range of investment banking products and services in all major capital markets, including advising on corporate strategy and structure, capital-raising in equity and debt markets, as well as loan origination and syndication. Also included in Banking is Treasury Services, which includes transaction services, comprised primarily of cash management and liquidity solutions, and trade finance products. The Markets & Investor Services segment of the CIB is a global market-maker in cash securities and derivative instruments, and also offers sophisticated risk management solutions, prime brokerage, and research. Markets & Investor Services also includes the Securities Services business, a leading global custodian which includes custody, fund accounting and administration, and securities lending products sold principally to asset managers, insurance companies and public and private investment funds.

## Commercial Banking

Commercial Banking (“CB”) delivers extensive industry knowledge, local expertise and dedicated service to U.S. and U.S. multinational clients, including corporations, municipalities, financial institutions and non-profit entities. CB provides financing to real estate investors and owners. Partnering with the Firm’s other businesses, CB provides comprehensive financial solutions, including lending, treasury services, investment banking and asset management to meet its clients’ domestic and international financial needs.

## Asset Management

Asset Management (“AM”) is a global leader in investment and wealth management. AM clients include institutions, high-net-worth individuals and retail investors in every major market throughout the world. AM offers investment management across all major asset classes including equities, fixed income, alternatives and money market funds. AM also offers multi-asset investment management, providing solutions to a broad range of clients’ investment needs. For individual investors, AM also provides retirement products and services, brokerage and banking services, including trust and estate, loans, mortgages and deposits. The majority of AM’s client assets are in actively managed portfolios.

## CORPORATE / PRIVATE EQUITY

The Corporate/Private Equity segment comprises Private Equity, Treasury and Chief Investment Office (“CIO”), and Other Corporate, which includes corporate staff units and expense that is centrally managed. Treasury and CIO are predominantly responsible for measuring, monitoring, reporting and managing the Firm’s liquidity, funding, capital and structural interest rate and foreign exchange risks. The corporate staff units include Central Technology and Operations, Internal Audit, Executive, Finance, Human Resources, Legal, Compliance, Global Real Estate, Operational Control, Risk Management, and Corporate Responsibility & Public Policy. Other centrally managed expense includes the Firm’s occupancy and pension-related expense that are subject to allocation to the businesses

The delivery of this disclosure statement shall not create any implication that there has been no change in our affairs since the date of this disclosure statement and the information with respect to us may only be accurate on the date of this document.

## DEPOSIT INSURANCE

The summary of FDIC deposit insurance laws and regulations contained herein are not intended to be a full restatement of applicable laws and FDIC regulations and interpretations. In addition the applicable laws and FDIC regulations and interpretations may change from time to time and, in certain instances, additional terms and conditions may apply which are not described in herein. Accordingly, the discussion herein is qualified in its entirety by applicable laws and the FDIC regulations and interpretations. The holder is urged to discuss with its attorney the insurance coverage afforded to any CD that it may purchase. Holders may also write to the following address: FDIC Office of Consumer Affairs, 550 17th Street, N.W., Washington, D.C. 20429.

The CDs are protected by federal deposit insurance provided by the Deposit Insurance Fund (the “DIF”), which is administered by the FDIC and backed by the full faith and credit of the U.S. Government, up to a maximum amount for all deposits held in the same legal capacity per depository institution (the “**Maximum Insured Amount**”), which in general is \$250,000. The maximum amount of deposit insurance available in the case of deposits in certain retirement accounts (the “**Maximum Retirement Account Amount**”) as described below under “Retirement and Employee Benefit Plans and Accounts – General,” also is \$250,000 per participant per insured depository institution. The Maximum Insured Amount and the Maximum Retirement Account Amount may be adjusted for inflation beginning April 1, 2010 and each fifth year thereafter.

Any deposits a holder maintains directly with JPMorgan Chase Bank, National Association (the “**Bank**”) in the same legal capacity as such holder maintains its CDs would be aggregated with such CDs for purposes of the Maximum Insured Amount or the Maximum Retirement Account Amount, as applicable. Although FDIC insurance coverage includes both principal and accrued interest (subject to the applicable limit), if the FDIC was appointed conservator or receiver of the Bank prior to the maturity of the CDs, the FDIC likely would take the position that

any interest for which the determination date occurs after the date the FDIC was appointed receiver or conservator was not insured because the amount of such interest is not calculated until the relevant determination date and would not be reflected as accrued interest on the books of the Bank at the time of such appointment. Accordingly, any prospective interest would not be insured by the FDIC prior to the relevant determination date. In addition, depending on the structure of the Minimum Return, if applicable, that amount also may not be subject to FDIC insurance prior to the maturity date. Any secondary market premium you pay for the CDs also will not be insured by the FDIC.

**Each holder is responsible for monitoring the total amount of its deposits in order to determine the extent of deposit insurance coverage available to it on such deposits, including the CDs. In circumstances in which FDIC insurance coverage is needed, (a) the uninsured portion of the CDs or any other deposits will constitute unsecured claims on the receivership or conservatorship and (b) neither the Bank nor any broker will be responsible for any insured or uninsured portion of the CDs or any other deposits. Persons considering the purchase, ownership or disposition of a CD should consult their legal advisors concerning the availability of FDIC insurance.**

If the CDs or other deposits of a holder at the Bank are assumed by another depository institution pursuant to a merger or consolidation, such CDs or deposits will continue to be separately insured from the deposits that such holder might have established with the acquirer until (a) for assumed CDs and time deposits that mature within six months after the assumption but are renewed at the same dollar amount and for the same term as the original deposit, the renewed maturity date of the CDs or other time deposit; (b) for assumed CDs and time deposits that mature more than six months after the assumption, the maturity date of such CDs or other time deposits or (c) with respect to deposits which are not time deposits, the expiration of a six-month period from the date of the acquisition. Thereafter any assumed deposits will be aggregated with the existing deposits with the acquirer held in the same legal capacity for purposes of federal deposit insurance. Any deposit opened at the acquired institution after the acquisition will be aggregated with deposits established with the acquirer for purposes of federal deposit insurance.

The application of the federal deposit insurance limitation per depository institution in certain common factual situations is illustrated below. Please also refer to [www.fdic.gov](http://www.fdic.gov) for a full explanation and examples of deposit coverage for the account ownership types below as the following information is a general summary and is not a complete statement of the FDIC insurance coverage limits.

*Individual Customer Accounts.* Funds owned by an individual and held in an account in the name of an agent or nominee of such individual (such as the CDs held in a brokerage account) are not treated as owned by the agent or nominee, but are added to other deposits of such individual held in the same legal capacity and are insured up to the Maximum Insured Amount in the aggregate.

*Custodial Accounts.* Funds in accounts held by a custodian, guardian or conservator (for example, under the Uniform Gifts to Minors Act) are not treated as owned by the custodian, but are added to other deposits of the minor or other beneficiary held in the same legal capacity and are insured up to the Maximum Insured Amount in the aggregate.

*Joint Accounts.* The interest of each co-owner in funds in an account held under any form of joint ownership valid under applicable state law may be insured up to the Maximum Insured Amount in the aggregate with other jointly held funds of such co-owner, separately and in addition to the Maximum Insured Amount allowed on other deposits individually owned by any of the co-owners of such account (hereinafter referred to as a "Joint Account"). Joint Accounts will be insured separately from such individually owned accounts only if each of the co-owners is an individual person has a right of withdrawal on the same basis as the other co-owners and has signed the deposit account signature card (unless the account is a CD or is established by an agent, nominee, guardian, custodian, executor or conservator). If the Joint Account meets the foregoing criteria then it will be deemed to be jointly owned as long as the account records of the Bank are clear and unambiguous as to the ownership of the account. However, if the account records are ambiguous or unclear as to the manner in which the account is owned, then the FDIC may consider evidence other than such account records to determine ownership. The names of two or more persons on a deposit account will be conclusive evidence that the account is a Joint Account unless the deposit records as a whole are ambiguous and some other evidence indicates that there is a contrary ownership capacity.

In the event an individual has an interest in more than one Joint Account and different co-owners are involved, his or her interest in all of such Joint Accounts (subject to the limitation that such individual's insurable interest in any one account may not exceed the Maximum Insured Amount divided by the number of owners of such account) is then added together and insured up to the Maximum Insured Amount in the aggregate, with the result that no individual's insured interest in the joint account category can exceed the Maximum Insured Amount. For deposit insurance purposes, the co-owners of any Joint Account are deemed to have equal interests in the Joint Account unless otherwise stated in the Bank's records.

*Entity Accounts.* The deposit accounts of any corporation, partnership or unincorporated association that is operated primarily for some purpose other than to increase deposit insurance are added together and insured up to the Maximum Insured Amount in the aggregate per depository institution.

*Revocable Trust Accounts.* Funds owned by an individual and deposited into a deposit account with respect to which the individual evidences an intention that upon his/her death the funds will belong to one or more natural persons or certain charities or non-profits (each, a "**Qualifying Beneficiary**") are insured up to the Maximum Insured Amount times the number of Qualifying Beneficiaries, separately from any other deposit accounts of the owner or any other Qualifying Beneficiary. However, if the amount in the deposit account exceeds five times the Maximum Insured Amount, and there are more than five Qualifying Beneficiaries, then the amount of insurance will equal the greater of five times the Maximum Insured Amount or the aggregate amount of all the Qualifying Beneficiaries' interests up to the Maximum Insured Amount per Qualifying Beneficiary. The owner's intention must be manifested in the title of the account, by using such terms as "in trust for" or "payable upon death to," and the Qualifying Beneficiaries must be named in the deposit account records of the depository institution. A revocable trust account established by a husband and wife that names the husband and wife as sole beneficiaries will be treated as a joint account and insured as described above under "*Joint Accounts.*"

*Irrevocable Trust Accounts.* Funds in an account for an irrevocable trust (as determined under applicable state law) will be insured for up to the Maximum Insured Amount for the interest of each beneficiary; *provided*, that the beneficiary's interest in the account is non-contingent (*i.e.*, capable of determination without evaluation of contingencies) and certain other criteria are met. The FDIC treats Coverdell education savings accounts as irrevocable trust accounts for deposit insurance purposes. The deposit insurance of each beneficiary's interest is separate from the coverage provided for other accounts maintained by the beneficiary, the grantor, the trustee or beneficiaries. The interests of a beneficiary in all irrevocable trust accounts at the Bank created by the same grantor will be aggregated and insured up to the Maximum Insured Amount. When a bankruptcy trustee commingles the funds of two or more bankruptcy estates in the same trust account, the funds of each bankruptcy estate will receive separate pass-through coverage for up to the Maximum Insured Amount.

*Retirement and Employee Benefit Plans and Accounts - Generally.* You may have interests in various retirement and employee benefit plans and accounts that are holding deposits of the Bank. The amount of deposit insurance you will be entitled to will vary depending on the type of plan or account and on whether deposits held by the plan or account will be treated separately or aggregated with the deposits of the Bank held by other plans or accounts. It is therefore important to understand the type of plan or account holding the CD. The following sections entitled "Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits" and "Aggregation of Retirement and Employee Benefit Plans and Accounts" generally discuss the rules that apply to deposits of retirement and employee benefit plans and accounts.

*Pass-Through Deposit Insurance for Retirement and Employee Benefit Plan Deposits.* Subject to the limitations discussed below, under FDIC regulations, an individual's non-contingent interest in the deposits of one depository institution held by certain types of employee benefit plans are eligible for insurance on a "pass-through" basis up to the applicable deposit insurance limits for that type of plan. This means that, instead of an employee benefit plan's deposits at one depository institution being entitled to deposit insurance based on its aggregated deposits in the Bank, each participant in the employee benefit plan is entitled to insurance of his or her interest in the employee benefit plan's deposits of up to the applicable deposit insurance limits per institution (subject to the aggregation of the participant's interests in different plans, as discussed below). The pass-through insurance provided to an individual as an employee benefit plan participant is in addition to the deposit insurance allowed on other deposits held by the individual at

the issuing institution. However, pass-through insurance is aggregated across certain types of accounts. See the section entitled “Aggregation of Retirement and Employee Benefit Plans and Accounts.”

A deposit held by an employee benefit plan that is eligible for pass-through insurance is **not** insured for an amount equal to the number of plan participants multiplied by the applicable deposit insurance limits. For example, assume an employee benefit plan that is a Qualified Retirement Account (defined below), *i.e.*, a plan that is eligible for deposit insurance coverage up to the Maximum Retirement Account Amount per qualified beneficiary, owns \$500,000 in deposits at one institution and the plan has two participants, one with a vested non-contingent interest of \$350,000 and one with a vested non-contingent interest of \$150,000. In this case, the individual with the \$350,000 interest would be insured up to the \$250,000 Maximum Retirement Account Amount limit, and the individual with the \$150,000 interest would be insured up to the full value of such interest.

Moreover, the contingent interests of employees in an employee benefit plan and overfunded amounts attributed to any employee defined benefit plan are **not** insured on a pass-through basis. Any interests of an employee in an employee benefit plan deposit which are not capable of evaluation in accordance with FDIC rules (*i.e.*, contingent interests) will be aggregated with the contingent interests of other participants and insured up to the applicable deposit insurance limits. Similarly, overfunded amounts are insured, in the aggregate for all participants, up to the applicable deposit insurance limits separately from the insurance provided for any other funds owned by or attributable to the employer or an employee benefit plan participant.

### **Aggregation of Retirement and Employee Benefit Plans and Accounts.**

*Self-Directed Retirement Accounts.* The principal amount of deposits held in Qualified Retirement Accounts, plus accrued but unpaid interest, if any, are protected by FDIC insurance up to a maximum of the Maximum Retirement Account Amount for all such deposits held by you at the issuing depository institution. “Qualified Retirement Accounts” consist of (i) any individual retirement account (“IRA”), (ii) any eligible deferred compensation plan described in section 457 of the Code, (iii) any individual account plan described in section 3(34) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts and (iv) any plan described in section 401(d) of the Code, to the extent the participants and beneficiaries under such plans have the right to direct the investment of assets held in the accounts. The FDIC sometimes generically refers to this group of accounts as “self-directed retirement accounts.” Supplementary FDIC materials indicate that Roth IRAs, self-directed Keogh Accounts, Simplified Employee Pension plans, Savings Incentive Match Plans for Employees and self-directed defined contribution plans (such as 401(k) plans) are intended to be included within this group of Qualified Retirement Accounts. Coverdell education savings accounts, Health Savings Accounts, Medical Savings Accounts, accounts established under section 403(b) of the Code and defined-benefit plans are NOT Qualified Retirement Accounts and do NOT receive the Maximum Retirement Account Amount of federal deposit insurance.

*Other Employee Benefit Plans.* Any employee benefit plan, as defined in Section 3(3) of ERISA, plan described in Section 401(d) of the Code, or eligible deferred compensation plan under section 457 of the Code, that does not constitute a Qualified Retirement Account – for example, certain employer-sponsored profit sharing plans -- can still satisfy the requirements for pass-through insurance with respect to non-contingent interests of individual plan participants, provided that FDIC requirements for recordkeeping and account titling are met (“Non-Qualifying Benefit Plans”). Defined contribution plan accounts and Keogh accounts that are not “self-directed” also generally would be treated as Non-Qualifying Benefit Plans. For Non-Qualifying Benefit Plans, the amount subject to federal deposit insurance is the Maximum Insured Amount. Under FDIC regulations, an individual’s interests in Non-Qualifying Benefit Plans maintained by the same employer or employee organization (*e.g.*, a union) which are holding deposits at the same institution will be insured up to the Maximum Insured Amount in the aggregate, separate from other accounts held at the same depository institution in other ownership capacities.

This general rule regarding pass-through insurance is subject to the following limitations and exceptions:

- *Total Coverage Might Not Equal the Maximum Retirement Account Amount Times the Number of Participants.* Each deposit held by an employee benefit plan may not necessarily be insured for an amount equal to the number of participants multiplied by the Maximum Retirement Account Amount. For example, suppose an employee benefit plan owns \$500,000 in CDs at one institution. Suppose, further, that the employee benefit plan has two participants, one with a vested non-contingent interest of \$300,000 and one with a vested non-contingent interest of \$200,000. The individual with the \$300,000 interest would be insured up to the \$250,000 Maximum Retirement Account Amount limit and the individual with the \$200,000 interest would be insured up to the full value of such interest.
- *Aggregation.* An individual's non-contingent interests in funds deposited with the same depository institution by different employee benefit plans of the same employer or employee organization are aggregated for purposes of applying this pass-through Maximum Retirement Account Amount per participant deposit insurance limit, and are insured in aggregate only up to the Maximum Retirement Account Amount per participant.
- *Contingent Interests/Overfunding.* Any portion of an employee benefit plan's deposits that is not attributable to the non-contingent interests of employee benefit plan participants is not eligible for pass-through deposit insurance coverage, and is insured, in aggregate, only up to the Maximum Insured Amount.

To the extent that a CD purchaser expects its beneficial interest in the CDs to be fully covered by FDIC insurance, such purchaser, by purchasing a CD, is deemed to represent to the Bank and its broker that its beneficial interest (or if it is an agent, nominee, custodian or other person who is purchasing a CD for its beneficial owners, that each beneficial owner's beneficial interest) in other deposits in the Bank, when aggregated with the beneficial interest in the CD so purchased, to the extent that aggregation is required in determining insurance of accounts under the federal deposit insurance regulations, does not exceed the Maximum Insured Amount (or the Maximum Retirement Account Amount per participant in the case of certain retirement accounts as described above).

No broker will be obligated to any holder for amounts not covered by deposit insurance. Neither the Bank nor any broker will be obligated to make any payments to any holder in satisfaction of any loss such holder might incur, including losses that result from (a) a delay in insurance payouts applicable to its CD, (b) its receipt of a decreased rate of return on the reinvestment of the proceeds received as a result of a payment on a CD prior to its scheduled maturity, or (c) payment in cash of the CD principal prior to maturity in connection with the liquidation of an insured institution or the assumption of all or a portion of its deposit liabilities at a lower interest rate.

#### **Insurance of Certificates of Deposits Issued By Bank One, National Association**

If you already own certificates of deposit issued by Bank One, National Association ("Bank One CDs"), which merged into the Bank on November 13, 2004, those Bank One CDs will continue to be separately insured from the CDs until May 12, 2005. Insurance for Bank One CDs existing on November 13, 2004 may be extended to Bank One CDs maturing before May 12, 2005 that roll over without any changes (such as amount, term, or title). In addition, Bank One CDs maturing after May 12, 2005, will be separately insured until their first maturity date after May 12, 2005. Bank One CDs opened on or after November 14, 2004, will be combined with all other JPMorgan Chase Bank, N.A. deposits held in the same legal capacity by the depositor to determine FDIC insurance coverage.

#### **Insurance of Certificates of Deposits Issued By Washington Mutual Bank**

If you already own certificates of deposit issued by Washington Mutual Bank ("WaMu CDs"), substantially all of the assets of which were purchased by JPMorgan Chase from the FDIC on September 25, 2008, those WaMu CDs were separately insured from JPMorgan Chase Bank, N.A. accounts until March 24, 2009. Insurance for WaMu CDs existing on September 25, 2008 may be extended to WaMu CDs maturing before March 24, 2009 that roll over without any changes (such as amount, term, or title). In addition, WaMu CDs maturing after March 24, 2009, will be separately insured until their first maturity date after March 24, 2009. WaMu CDs opened on or after September 26, 2008, will be combined with all other JPMorgan Chase Bank, N.A. deposits held in the same legal capacity by the depositor to determine FDIC insurance coverage.



## **Preference in Right of Payment**

Federal legislation adopted in 1993 provides for a preference in right of payment of certain claims made in the liquidation or other resolution of any FDIC-insured depository institution. The statute requires claims to be paid in the following order:

- first, administrative expenses of the receiver;
- second, any deposit liability of the institution;
- third, any other general or senior liability of the institution not described below;
- fourth, any obligation subordinated to depositors or general creditors not described below; and
- fifth, any obligation to shareholders or members (including any depository institution holding company or any shareholder or creditor of such company).

For purposes of the statute, deposit liabilities include any deposit payable at an office of the insured depository institution in the United States. They do not include international banking facility deposits or deposits payable at an office of the insured depository institution outside the United States.

In addition, in the view of the FDIC, any obligation of an FDIC-insured depository institution that is contingent at the time of the insolvency of the institution may not provide a basis for a claim against the FDIC as receiver for the insolvent institution. For the CDs described in this disclosure statement, this limitation on claims against the FDIC only affects the interest component, if any, payable on these instruments.

## **DISCOUNTS AND SECONDARY MARKET**

Unless otherwise disclosed in the applicable term sheet, we will sell the CDs to brokers at discounts ranging from 1% of the principal amount of such CDs to a higher percentage provided in the applicable term sheet.

Each broker, though not obligated to do so, may maintain a secondary market in the CDs. Secondary market transactions may be expected to be effected at prices which reflect then-current interest rates, supply and demand, time remaining until maturity, and general market conditions. The foregoing means that secondary market transactions may be effected at prices greater or less than \$1,000 per \$1,000 principal amount CD, and the yield to maturity on a CD purchased in the secondary market may differ from the yield at the time of original issuance. The prices at which CDs may trade in secondary markets may fluctuate more than ordinary interest-bearing CDs.

Each broker may purchase and sell CDs for its own account, as well as for the accounts of customers. Accordingly, a broker may realize profits from mark-ups on transactions for its own account, and may charge customers commissions in brokerage transactions, which mark-ups or commissions will affect the yield to maturity of such CDs. Any commission on a brokered secondary market transaction may be reflected in a holder's Confirmation.

Each broker may at any time, without notice, discontinue participation in secondary market transactions in CDs. Accordingly, a holder should not rely on the possible existence of a secondary market for any benefits, including liquidity, achieving trading profits, limiting trading or other losses, or realizing income prior to maturity.

## **HEDGING**

The original issue price of the CDs includes the compensation paid to JPMS with respect to the CDs and the cost of hedging our obligations under the CDs. We may have hedged our obligations under the CDs through certain affiliates or unaffiliated counterparties. The original issue price of the CDs will include the reimbursement of certain issuance costs and the estimated cost of hedging our obligations under the CDs. The estimated cost of hedging includes the projected profit, which in no event will exceed 4.5% per CD, that our affiliates or others expect to realize in consideration for assuming the risks inherent in hedging our obligations under the CDs. Because hedging our obligations entails risk and may be influenced by market forces beyond our control, such hedging may

result in a profit that is more or less than expected, or it may result in a loss.

On or prior to the date we sell the CDs, we, through our affiliates or others, may hedge some or all of our anticipated exposure in connection with the CDs by taking positions in any applicable index, the stocks underlying any applicable index, or instruments whose value is derived from any applicable rate or index or its underlying stocks. While we cannot predict an outcome, such hedging activity or other hedging and investment activities of ours could potentially increase the level of an applicable index, and therefore effectively establish a higher level that the applicable index must achieve for you to receive a return on your CDs that is greater than zero. From time to time, prior to the maturity of the CDs, we may pursue a dynamic hedging strategy which may involve taking long or short positions in an applicable index, the stocks underlying an applicable index, or instruments whose value is derived from an applicable rate or index or its underlying stocks. Although we have no reason to believe that any of these activities will have a material impact on the level of the applicable index or the value of the CDs, we cannot assure you that these activities will not have such an effect.

We have no obligation to engage in any manner of hedging activity and will do so solely at our discretion and for our own account. No holder of CDs shall have any rights or interest in our hedging activity or any positions we may take in connection with our hedging activity.

### **BENEFIT PLAN INVESTOR CONSIDERATIONS**

A fiduciary of a pension, profit-sharing or other employee benefit plan subject ERISA, including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, “**ERISA Plans**”) should consider the fiduciary standards of ERISA in the context of the ERISA Plan’s particular circumstances before authorizing an investment in the CDs. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, “**Plans**”), from engaging in certain transactions involving the “plan assets” with persons who are “parties in interest” under ERISA or “disqualified persons” under Section 4975 of the Code (in either case, “**Parties in Interest**”) with respect to such Plans. As a result of our business, we, and our current and future affiliates, may be Parties in Interest with respect to many Plans. Where we (or our affiliate) are a Party in Interest with respect to a Plan (either directly or by reason of our ownership interests in our directly or indirectly owned subsidiaries), the purchase and holding of the CDs by or on behalf of the Plan could be a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless exemptive relief were available under an applicable exemption (as described below).

Accordingly, the CDs may not be purchased or held by any Plan or any person investing “plan assets” of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under the following Prohibited Transaction Class Exemptions (“**PTCE**”): (A) the in-house asset manager exemption (PTCE 96-23), (B) the insurance company general account exemption (PTCE 95-60), (C) the bank collective investment fund exemption (PTCE 91-38), (D) the insurance company pooled separate account exemption (PTCE 90-1) and (E) the qualified professional asset manager exemption (PTCE 84-14) or there is some other basis on which the purchase and holding of the CDs is not prohibited. In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code may provide a limited exemption for the purchase and sale of securities and related lending transactions, provided that neither the issuer of the securities nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than adequate consideration in connection with the transaction (the so-called “service provider exemption”). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the CDs. Each purchaser or holder of the CDs or any interest therein will be deemed to have represented by its purchase or holding of the CDs that (a) it is not a Plan and its purchase and holding of the CDs is not made on behalf of or with “plan assets” of any Plan or (b) its purchase and holding of the CDs will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Certain governmental plans (as defined in Section 3(32) of ERISA), church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) (“**Non-ERISA Arrangements**”) are not subject to these “prohibited transaction” rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations (“**Similar Laws**”). Accordingly, each such purchaser or holder of the CDs shall be required to represent (and deemed to have represented by its purchase of the CDs) that such purchase and holding is not prohibited under applicable Similar Laws.

Due to the complexity of these rules, it is particularly important that fiduciaries or other persons considering purchasing the CDs on behalf of or with “plan assets” of any Plan or plan subject to Similar Laws consult with their counsel regarding the relevant provisions of ERISA, the Code or any Similar Laws and the availability of exemptive relief.

The CDs are contractual financial instruments. The financial exposure provided by the CDs is neither a substitute or proxy for, nor is it intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the CDs. The CDs have not been designed and shall not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the CDs.

Each purchaser or holder of any CDs acknowledges and agrees that:

- (i) the purchaser, holder or purchaser or holder’s fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the CDs, (B) the purchaser or holder’s investment in the CDs, or (C) the exercise, or failure to exercise, any rights we have under or with respect to the CDs;
- (ii) we and our affiliates have and shall act solely for our own account in connection with (A) all transactions relating to the CDs and (B) all hedging transactions in connection with our obligations under the CDs;
- (iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of any investor;
- (iv) our interests are adverse to the interests of any purchaser or holder; and
- (v) neither we nor any of our affiliates are fiduciaries or advisers of the purchaser or holder in connection with any such assets, positions or transactions and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the CDs has exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the CDs does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any CDs to any Plan or plan subject to Similar Laws is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement, or that such an investment is appropriate for Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

## **CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES**

### **No Reliance**

This summary is limited to the U.S. federal tax issues addressed herein. It does not address all aspects of the U.S. federal income and estate taxation of the CDs that may be relevant to you in light of your particular circumstances. You should seek advice based on your particular circumstances from an independent tax adviser.

**CIRCULAR 230: TO ENSURE COMPLIANCE WITH UNITED STATES INTERNAL REVENUE SERVICE CIRCULAR 230, (A) ANY DISCUSSIONS OF U.S. FEDERAL TAX ISSUES IN THIS**

**DISCLOSURE STATEMENT WERE WRITTEN IN CONNECTION WITH THE PROMOTION AND MARKETING OF THE CDS; (B) SUCH DISCUSSIONS WERE NOT INTENDED OR WRITTEN TO BE LEGAL OR TAX ADVICE TO ANY PERSON AND WERE NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY ANY PERSON, FOR THE PURPOSE OF AVOIDING ANY U.S. FEDERAL TAX PENALTIES THAT MAY BE IMPOSED ON SUCH PERSON; AND (C) EACH PERSON SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.**

**NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED HEREIN, EACH HOLDER AND BENEFICIAL OWNER OF CDS (AND EACH EMPLOYEE, REPRESENTATIVE, OR OTHER AGENT OF EACH HOLDER AND BENEFICIAL OWNER OF CDS) MAY DISCLOSE TO ANY AND ALL PERSONS, WITHOUT LIMITATION OF ANY KIND, THE TAX TREATMENT AND TAX STRUCTURE OF THE TRANSACTIONS DESCRIBED HEREIN AND ALL MATERIALS OF ANY KIND THAT ARE PROVIDED TO THE HOLDER OR BENEFICIAL OWNER OF CDS RELATING TO SUCH TAX TREATMENT AND TAX STRUCTURE (AS SUCH TERMS ARE DEFINED IN TREASURY REGULATION SECTION 1.6011-4). THIS AUTHORIZATION OF TAX DISCLOSURE IS RETROACTIVELY EFFECTIVE TO THE COMMENCEMENT OF DISCUSSIONS WITH HOLDERS OR BENEFICIAL OWNERS OF CDS REGARDING THE TRANSACTIONS CONTEMPLATED HEREIN.**

### **Introduction**

The following is a general discussion of certain U.S. federal income tax consequences of the ownership and disposition of CDs. This discussion applies to you if you are an initial holder of CDs purchasing the CDs at their issue price for cash and if you hold the CDs as capital assets, within the meaning of Section 1221 of the Code. This summary is based on the Code, existing and proposed Treasury regulations, revenue rulings, administrative interpretations and judicial decisions, in each case as currently in effect, all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of the U.S. federal income and estate tax consequences of investing in the CDs that may be relevant to you in light of your particular circumstances or if you are a holder of CDs who is subject to special treatment under the U.S. federal income tax laws, such as:

- a financial institution;
- an insurance company;
- a “regulated investment company” as defined in Section 851 of the Code;
- a “real estate investment trust” as defined in Section 856 of the Code;
- a tax-exempt entity, including an “individual retirement account” or “Roth IRA” as defined in Section 408 or Section 408A of the Code, respectively;
- a dealer in securities or foreign currencies;
- a person holding the CDs as part of a hedging transaction, “straddle,” conversion transaction, or integrated transaction, or who has entered into a “constructive sale” with respect to the CDs;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a trader in securities or foreign currencies who elects to apply a mark-to-market method of tax accounting;
- or
- a partnership or other entity classified as a partnership for U.S. federal income tax purposes.

As the law applicable to the U.S. federal income taxation of instruments such as the CDs is technical and complex, the discussion below necessarily represents only a general summary. Moreover, the effects of any applicable state, local or foreign tax laws are not discussed. You should consult your tax adviser concerning the application of U.S. federal income and estate tax laws to your particular situation (including the possibility of alternative characterizations and treatments of the CDs), as well as any tax consequences arising under the laws of any state, local or foreign jurisdictions.

### **Tax Treatment of the CDs**

The tax treatment of the CDs will depend upon the facts at the time of the relevant offering. The CDs may be

treated as “short-term debt instruments,” “variable rate debt instruments,” “contingent payment debt instruments,” “fixed rate debt instruments” or “original issue discount obligations” for U.S. federal income tax purposes. The applicable term sheet will indicate which, if any, of these treatments applies to the CDs, or if another treatment applies. Additionally, the applicable term sheet will describe the level of comfort on this issue, which will depend on the facts of the particular offering and additional considerations that may be relevant to the particular offering. In any event, the relevant term sheet will specify whether we intend to treat the CDs as variable rate debt instruments or as contingent payment debt instruments. By purchasing the CDs, you will agree to treat the CDs consistently with that treatment. In any case, we expect that the tax treatment of the CDs will not be clear, and that there will be some risk that the IRS could determine that our treatment of the CDs was incorrect. For example, if we treat an offering of CDs as variable rate debt instruments (as described below), we expect that there will be some risk that the IRS could determine that they were in fact contingent payment debt instruments (as described below), and vice versa. Any such determination could have adverse U.S. federal income tax consequences for you.

In general, in the case of any CDs that are linked, in whole or in part, to one or more equity indices, we will not attempt to ascertain whether any of the issuers of the stocks included in the equity indices would be treated as “passive foreign investment companies” (“PFICs”) or United States real property holding corporations (“USRPHCs”), both as defined for U.S. federal income tax purposes. If any of the issuers of stocks included in the equity indices were so treated, certain adverse U.S. federal income tax consequences might apply to you. You should refer to information filed with the SEC or another governmental authority by the issuers of the stocks included in the equity indices and consult your tax adviser regarding the possible consequences to you if any of the issuers of stocks included in the equity indices is or becomes either a PFIC or a USRPHC. Depending on the nature of the equity indices in a particular offering, the relevant term sheet may include further disclosure regarding these issues.

### **Tax Consequences to U.S. Holders**

The following discussion applies to you only if you are a “U.S. Holder” of CDs. You are a “U.S. Holder” if you are a beneficial owner of a CD for U.S. federal income tax purposes and you are:

- a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States, any State thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

### ***CDs that are Treated as “Short-Term Debt Instruments”***

The following discussion applies to CDs that are treated as “short-term debt instruments” for U.S. federal income tax purposes. Generally, if the term of the CDs is not more than one year (including either the issue date or the last possible date the CDs could be outstanding, but not both), the CDs will be treated as “short-term” debt instruments for U.S. federal income tax purposes. In general, no statutory, judicial or administrative authority directly addresses the treatment of short-term debt instruments having terms similar to the short-term CDs or similar instruments for U.S. federal income tax purposes, and no ruling will be requested from the IRS with respect to short-term CDs. As a result, unless otherwise specified in the applicable term sheet, certain aspects of the U.S. federal income tax consequences of an investment in short-term CDs are uncertain.

Cash-method holders will not be required to recognize income with respect to short-term CDs prior to maturity, other than with respect to amounts received upon a sale or exchange, as described below. Although accrual-method holders and certain other holders are generally required to accrue interest on short-term CDs on a straight-line basis, unless otherwise specified in the applicable term sheet, because the amount of interest that will be received with respect to the CDs is uncertain, it is not clear how these accruals should be determined. You should consult your tax adviser regarding the determination of the amount of any interest accruals on the CDs.

On the maturity date of a short-term CD (including an early redemption date), if the amount you receive exceeds your adjusted tax basis in the CD, this excess should be treated as ordinary interest income. Your adjusted tax basis in the CD should equal the sum of the amount you paid to acquire the CD and previously accrued interest income, if any, less payments previously received on the CD. If the amount you receive is less than your adjusted tax basis in the CD, this difference should be treated as a short-term capital loss, which may be subject to special

reporting requirements if it exceeds certain thresholds. The deductibility of capital losses is subject to limitations.

Upon a sale or exchange of a short-term CD, you should recognize gain or loss in an amount equal to the difference between the amount you receive and your adjusted tax basis in the CD. The amount of any resulting loss will be treated as a capital loss, which may be subject to special reporting requirements if the loss exceeds certain thresholds. It is not clear, however, whether or to what extent gain from a sale or exchange should be treated as capital gain or ordinary interest income. You should consult your tax adviser regarding the proper treatment of any gain or loss recognized upon a sale or exchange of a short-term CD.

To the extent you have not previously included interest income on a short-term CD, you may be required to defer deductions for interest paid on indebtedness incurred to purchase or carry the CD until the maturity of the CD or until you dispose of the CD in a taxable transaction. You should consult your tax adviser regarding the possible deferral of interest deductions on indebtedness that you incur to purchase or carry a short-term CD.

Due to the absence of authorities that directly address the U.S. federal income tax consequences of a short-term CD with contingent payments, no assurances can be given that the IRS will accept, or that a court will uphold, the tax treatment of short-term CDs described above. Alternative tax characterizations of a short-term CD are possible which, if applied, could affect the character of the income or loss with respect to the CDs. You should consult your tax adviser regarding the U.S. federal income tax treatment of an investment in short-term CDs.

#### ***CDs that are Treated as “Variable Rate Debt Instruments”***

The following discussion applies to CDs that are treated as “variable rate debt instruments” for U.S. federal income tax purposes. If the CDs are treated as variable rate debt instruments, interest paid on the CDs will generally be taxable to you as ordinary interest income at the time it accrues or is received in accordance with your method of accounting for U.S. federal income tax purposes.

Upon the sale, exchange or other disposition of the CDs, you will recognize taxable gain or loss in an amount equal to the difference between the amount realized on the sale, exchange or retirement and your adjusted tax basis in the CDs. For these purposes, the amount realized does not include any amount attributable to accrued interest. Amounts attributable to accrued interest will be treated as interest income as described above. In general, gain or loss realized on the sale, exchange or other disposition of the CDs will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange or other disposition the CDs have been held for more than one year. The deductibility of capital losses, however, is subject to limitations.

#### ***CDs that are Treated as “Contingent Payment Debt Instruments”***

The following discussion applies to CDs that are treated as “contingent payment debt instruments” for U.S. federal income tax purposes. CDs treated as “contingent payment debt instruments” generally will be subject to the original issue discount (“OID”) provisions of the Code and the Treasury regulations issued thereunder, and you will be required to accrue as interest income the OID on the CDs as described below, even if we do not make any payments with respect to the CDs until maturity.

We are required to determine a “comparable yield” for the CDs. The “comparable yield” is the yield at which we could issue a fixed-rate debt instrument with terms similar to those of the CDs, including the level of subordination, term, timing of payments and general market conditions, but excluding any adjustments for the riskiness of the contingencies or the liquidity of the CDs. Solely for purposes of determining the amount of interest income that you will be required to accrue, we are also required to construct a “projected payment schedule” in respect of the CDs representing a series of payments the amount and timing of which would produce a yield to maturity on the CDs equal to the comparable yield.

Unless otherwise provided in the relevant term sheet, we will provide, and you may obtain, the comparable yield for a particular offering of CDs, and the related projected payment schedule, in the final term sheet for these CDs.

**Neither the comparable yield nor the projected payment schedule constitutes a representation by us**

## **regarding the actual amounts that we will pay on the CDs.**

For U.S. federal income tax purposes, you are required to use our determination of the comparable yield and projected payment schedule in determining interest accruals and adjustments in respect of a CD, unless you timely disclose and justify the use of other estimates to the IRS. Regardless of your accounting method, you will be required to accrue as interest income OID on the CDs at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of the contingent payments on the CDs during the year (as described below).

The amount of interest (i.e., OID) accrued on a CD for each accrual period is determined by multiplying the comparable yield of the CD, adjusted for the length of the accrual period, by the CD's adjusted issue price at the beginning of the accrual period, determined in accordance with the rules set forth in the Treasury regulations applicable to contingent payment debt instruments. The amount of OID so determined is then allocated on a ratable basis to each day in the accrual period that you held the CD.

In addition to interest accrued based upon the comparable yield as described above, you will be required to recognize interest income equal to the amount of any net positive adjustment, *i.e.*, the excess of actual payments over projected payments, made in respect of a CD for a taxable year. A net negative adjustment, *i.e.*, the excess of projected payments over actual payments, made in respect of a CD for a taxable year:

- will first reduce the amount of interest in respect of the CD that you would otherwise be required to include in income in the taxable year; and
- to the extent of any excess, will give rise to an ordinary loss, but only to the extent that the amount of all previous interest inclusions with respect to the CD exceeds the total amount of your net negative adjustments treated as ordinary loss on the CD in prior taxable years.

A net negative adjustment is not subject to the limitation imposed on miscellaneous itemized deductions under Section 67 of the Code. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the CD or to reduce the amount realized on a sale, exchange or other disposition of the CD (including redemption or early redemption).

Upon a sale, exchange or other disposition of a CD (including redemption or early redemption), you generally will recognize taxable gain or loss in an amount equal to the difference between the amount received upon the sale, exchange or redemption and your adjusted tax basis in the CD. Your adjusted tax basis in a CD will equal the cost thereof, increased by the amount of interest income previously accrued by you in respect of the CD (determined without regard to any of the positive or negative adjustments to interest accruals described above) and decreased by the amount of any prior projected payments in respect of the CD made to you. You generally must treat any gain as interest income and any loss as ordinary loss to the extent of previous interest inclusions (reduced by the total amount of net negative adjustments previously taken into account as ordinary losses), and the balance as capital loss. These ordinary losses are not subject to the limitation imposed on miscellaneous itemized deductions under Section 67 of the Code. The deductibility of capital losses, however, is subject to limitations. Additionally, if you recognize a loss above certain thresholds, you may be required to file a disclosure statement with the IRS. You should consult your tax adviser regarding these limitations and reporting obligations.

Special rules will apply if any contingent payment on a CD becomes fixed more than six months prior to its scheduled date of payment. For purposes of the preceding sentence, a payment will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the applicable Treasury regulations. Generally, in this case you would be required to make adjustments to account for the difference between the amount so treated as fixed and the projected payment in a reasonable manner over the remaining term of the CD. Your tax basis in the CD and the character of any gain or loss on the sale of the CD could also be affected. You are urged to consult your tax adviser concerning the application of these special rules.

### ***CDs that Are Treated as "Fixed Rate Debt Instruments"***

The following discussion applies to CDs that are treated as "fixed rate debt instruments" for U.S. federal income tax purposes. Interest paid on a CD treated as fixed rate debt instrument will generally be taxable to you as ordinary interest income at the time it accrues or is received in accordance with your method of accounting for U.S.

federal income tax purposes.

Upon a sale, exchange or other disposition of a CD treated as a fixed rate debt instrument, you will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange or disposition and your adjusted tax basis in the CD. For these purposes, the amount realized does not include any amount attributable to accrued interest, which will be treated as interest income as described above. In general, gain or loss realized on the sale, exchange or other disposition of a CD treated as a fixed rate debt instrument will be capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange or other disposition the CD has been held for more than one year.

### ***CDs that Are Treated as “Original Issue Discount Obligations”***

The following discussion applies to CDs that are treated as “original issue discount obligations”. This discussion does not apply to CDs that are treated as contingent payment debt instruments (as described above). CDs that are issued at a price less than their “stated redemption price at maturity” will be treated as original issue discount obligations for U.S. federal income tax purposes (and will be referred to as “OID CDs”) unless the CDs satisfy a *de minimis* threshold (as described below) or are short-term debt instruments (as described in the section entitled “CDs that are Treated as “Short-Term Debt Instruments” above). The “issue price” of a CD will be the first price at which a substantial amount of the CDs are sold to the public (not including sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The “stated redemption price at maturity” of a CD generally will equal the sum of all payments required under the CD other than payments of “qualified stated interest.” “Qualified stated interest” is stated interest unconditionally payable at least annually during the entire term of the CD and equal to the outstanding principal balance of the CD multiplied by a single fixed rate of interest. In addition, qualified stated interest includes, among other things, stated interest on a “variable rate debt instrument” that is unconditionally payable at least annually at a single qualified floating rate of interest or at a rate that is determined at a single fixed formula that is based on objective financial or economic information. A rate generally is a qualified floating rate if variations in the rate can reasonably be expected to measure contemporaneous fluctuations in the cost of newly borrowed funds in the currency in which the CD is denominated.

If the difference between a CD’s stated redemption price at maturity and its issue price is less than a *de minimis* amount, *i.e.*, generally, 1/4 of 1 percent of the stated redemption price at maturity multiplied by the number of complete years to maturity, the CD will not be considered to have OID. U.S. Holders of CDs with a *de minimis* amount of OID will include this OID in income, as capital gain, on a *pro rata* basis as principal payments are made on the CD.

If you are a U.S. Holder of an OID CD, you will be required to include any qualified stated interest payments in income in accordance with your method of accounting for U.S. federal income tax purposes. If you hold an OID CD that matures more than one year from its date of issuance, you will be required to include OID in your income for federal income tax purposes as it accrues in accordance with a constant-yield method based on a compounding of interest, regardless of whether or not you receive cash attributable to this income. Under this method, if you are a U.S. Holder of an OID CD, you generally will be required to include in income increasingly greater amounts of OID in successive accrual periods.

If you are a U.S. Holder who is an initial purchaser of the CDs, you may make an election to include in gross income all interest that accrues on any CD (including stated interest, OID and *de minimis* OID) in accordance with a constant-yield method based on the compounding of interest (a “constant yield election”). You should consult your tax adviser regarding the consequences of making such an election.

We may have an unconditional option to redeem a CD prior to its stated maturity date. Under applicable regulations, if we have an unconditional option to redeem a CD prior to its stated maturity date, such option will be presumed to be exercised or not exercised if, by utilizing any date on which the CD may be redeemed as the maturity date and the amount payable on that date in accordance with the terms of the CD for purposes of determining the stated redemption price at maturity, the yield on the CD would be lower than its yield to maturity. If an option is not in fact exercised contrary to the above-described assumption, the CD would be treated, solely for purposes of calculating OID, as if it were redeemed, and a new CD were issued, on the presumed exercise date, for



an amount equal to the CD's adjusted issue price on that date.

### **Tax Consequences to Non-U.S. Holders**

The following discussion applies to you only if you are a "Non-U.S. Holder" of CDs. You are a "Non-U.S. Holder" if you are a beneficial owner of a CD for U.S. federal income tax purposes and you are:

- a nonresident alien individual;
- a foreign corporation; or
- a nonresident alien fiduciary of a foreign estate or trust.

You are not a "Non-U.S. Holder" for purposes of this discussion if you are an individual present in the United States for 183 days or more in the taxable year of disposition of a CD. In this case, you should consult your tax adviser regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of a CD (including redemption or early redemption).

If you are a Non-U.S. Holder, interest paid to you on the CDs, and any gain realized by you on a sale or exchange of the CDs, will be exempt from U.S. federal income tax (including withholding tax), provided generally, that these amounts are not effectively connected with your conduct of a U.S. trade or business.

If you are engaged in a trade or business in the United States and if the income or gain on the CDs, if any, is effectively connected with your conduct of that trade or business, although exempt from the withholding tax discussed above, you generally will be subject to U.S. federal income tax on this income or gain in the same manner as if you were a U.S. Holder and you may be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding. If this paragraph applies to you, you should consult your tax adviser with respect to other U.S. tax consequences of the ownership and disposition of the CDs, including the possible imposition of a 30% branch profits tax if you are a corporation.

If you are an individual, your CDs will not be included in your gross estate for U.S. federal estate tax purposes, *provided* that interest on the CDs is not then effectively connected with your conduct of a U.S. trade or business.

Non-U.S. Holders should note that recently proposed Treasury regulations, if finalized in their current form, could impose a withholding tax at a rate of 30% (subject to reduction under an applicable income tax treaty) on amounts attributable to U.S.-source dividends (including, potentially, adjustments to account for extraordinary dividends) that are paid or "deemed paid" after December 31, 2013 under certain financial instruments, if certain other conditions are met. While significant aspects of the application of these proposed regulations to the CDs are uncertain, if these proposed regulations were finalized in their current form, we (or other withholding agents) might determine that withholding is required with respect to CDs held by a Non-U.S. Holder or that the Non-U.S. Holder must provide information to establish that withholding is not required. Non-U.S. Holders should consult their tax advisers regarding the potential application of these proposed regulations. If withholding is so required, we will not be required to pay any additional amounts with respect to amounts so withheld.

Non-U.S. Holders should also note that the Treasury and IRS have released final regulations with respect to the Foreign Account Tax Compliance Act ("FATCA"). Pursuant to the final regulations and an IRS notice, FATCA will generally impose a withholding tax of 30% on payments of U.S.-source income to certain foreign entities (including financial intermediaries) with respect to financial instruments issued after June 30, 2014, unless various U.S. information reporting and due diligence requirements (that are in addition to, and potentially significantly more onerous than, the requirement to deliver an IRS Form W-8BEN) have been satisfied. This withholding tax will be imposed on payments on such financial instruments after June 30, 2014, and on payments of gross proceeds from a disposition of such financial instruments after December 31, 2016. Non-U.S. Holders should consult their tax advisers regarding the potential application of FATCA to their ownership and disposition of the CDs. If withholding is so required, we will not be required to pay any additional amounts with respect to amounts so withheld.

### **Backup Withholding and Information Reporting**

Interest (including OID) accrued or paid on the CDs and the proceeds received from a sale, exchange or other disposition of your CDs (including redemption or early redemption) generally will be subject to information reporting if you are not an “exempt recipient” and may also be subject to backup withholding at the rates specified in the Code if you fail to provide certain identifying information (such as an accurate taxpayer identification number, if you are a U.S. Holder) and meet certain other conditions. However, if you are a Non-U.S. Holder you will generally be exempt from backup withholding and information reporting requirements if you certify that you are not a United States person and meet certain other conditions or otherwise establish an exemption from those rules. Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

## THE INDICES

The CDs may be linked to one or more Indices, including the S&P 500<sup>®</sup> Index, the Nikkei 225 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the FTSE<sup>™</sup> 100 Index, the Russell 1000<sup>®</sup> Index, the Russell 2000<sup>®</sup> Index, the NASDAQ 100<sup>®</sup> Index, the Dow Jones U.S Select Dividend Price Return Index, the Dow Jones Industrial Average<sup>SM</sup> and the Swiss Market Index SMI<sup>®</sup>. All information regarding the indices set forth in this disclosure statement has been derived from publicly available information. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg Financial Markets.

### THE S&P 500<sup>®</sup> INDEX

We have derived all information contained in this disclosure statement regarding the S&P 500<sup>®</sup> Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Standard & Poor's LLC, a subsidiary of the McGraw-Hill Companies, Inc. ("S&P"). The S&P 500<sup>®</sup> Index was developed by S&P and is calculated, maintained and published by S&P. We make no representation or warranty as to the accuracy or completeness of such information.

The S&P 500<sup>®</sup> Index is reported by Bloomberg L.P. under the ticker symbol "SPX."

The S&P 500<sup>®</sup> Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the level of the S&P 500<sup>®</sup> Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies (the "S&P Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Historically, the "Market Value" of any S&P Component Stock was calculated as the product of the market price per share and the number of the then-outstanding shares of such S&P Component Stock. As discussed below, on March 21, 2005, S&P began to use a new methodology to calculate the Market Value of the S&P Component Stocks and on September 16, 2005, S&P completed its transition to the new calculation methodology. The 500 companies are not the 500 largest companies listed on the NYSE and not all 500 companies are listed on such exchange. S&P chooses companies for inclusion in the S&P 500<sup>®</sup> Index with the objective of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500<sup>®</sup> Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely-held and the Market Value and trading activity of the common stock of that company. Ten main groups of companies comprise the S&P 500<sup>®</sup> Index with the approximate percentage of the market capitalization of the S&P 500<sup>®</sup> Index included in each group as of January 22, 2010 indicated in parentheses: Consumer Discretionary (9.55%), Consumer Staples (11.47%), Energy (11.52%), Financials (14.47%), Health Care (13.10%), Industrials (10.51%), Information Technology (19.27%), Materials (3.51%), Telecommunication Services (2.96%) and Utilities (3.64%). Information contained in the S&P website is not incorporated by reference in, and should not be considered a part of, this disclosure statement. The S&P 500<sup>®</sup> Index does not reflect the payment of dividends on the stocks included in the S&P 500<sup>®</sup> Index.

On March 21, 2005, S&P began to calculate the S&P 500<sup>®</sup> Index based on a half float-adjusted formula, and on September 16, 2005, the S&P 500<sup>®</sup> Index became fully float-adjusted. S&P's criteria for selecting stocks for the S&P 500<sup>®</sup> Index was not changed by the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500<sup>®</sup> Index (*i.e.*, its Market Value).

Under float adjustment, the share counts used in calculating the S&P 500<sup>®</sup> Index reflect only those shares that are available to investors, not all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are subject to float adjustment:

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;
- holdings by government entities, including all levels of government in the United States or foreign

- countries; and
- holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors, or founders, as well as holdings of trusts, foundations, pension funds, employee stock ownership plans, or other investment vehicles associated with and controlled by the company.

However, treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock, and rights are not part of the float. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group will be excluded from the float-adjusted count of shares to be used in the S&P 500<sup>®</sup> Index calculation. Mutual funds, investment advisory firms, pension funds, or foundations not associated with the company and investment funds in insurance companies, shares of a United States company traded in Canada as “exchangeable shares,” shares that trust beneficiaries may buy or sell without difficulty or significant additional expense beyond typical brokerage fees, and, if a company has multiple classes of stock outstanding, shares in an unlisted or non-traded class if such shares are convertible by shareholders without undue delay and cost, are also part of the float.

For each stock, an investable weight factor (“IWF”) is calculated by dividing the available float shares, defined as the total shares outstanding fewer shares held in one or more of the three groups listed above where the group holdings exceed 10% of the outstanding shares, by the total shares outstanding. (On March 21, 2005, the S&P 500<sup>®</sup> Index moved halfway to float adjustment, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500<sup>®</sup> Index between March 21, 2005 and September 16, 2005 was 0.90. On September 16, 2005, S&P began to calculate the S&P 500<sup>®</sup> Index on a fully float-adjusted basis, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500<sup>®</sup> Index on and after September 16, 2005 is 0.80.) The float-adjusted S&P 500<sup>®</sup> Index is calculated by dividing the sum of the IWF multiplied by both the price and the total shares outstanding for each stock by the index divisor. For companies with multiple classes of stock, S&P calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

As of the date of this disclosure statement, the S&P 500<sup>®</sup> Index is calculated using a base-weighted aggregate methodology: the level of the S&P 500<sup>®</sup> Index reflects the total Market Value of all 500 S&P Component Stocks relative to the S&P 500<sup>®</sup> Index’s base period of 1941–43 (the “Base Period”).

An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The actual total Market Value of the S&P Component Stocks during the Base Period has been set equal to an indexed value of 10. This is often indicated by the notation 1941–43=10. In practice, the daily calculation of the S&P 500<sup>®</sup> Index is computed by dividing the total Market Value of the S&P Component Stocks by a number called the “Index Divisor.” By itself, the Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P 500<sup>®</sup> Index, it is the only link to the original Base Period level of the S&P 500<sup>®</sup> Index. The Index Divisor keeps the Index comparable over time and is the manipulation point for all adjustments to the Index (“Index Maintenance”).

Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spinoffs.

To prevent the level of the S&P 500<sup>®</sup> Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P 500<sup>®</sup> Index require an Index Divisor adjustment. By adjusting the Index Divisor for the change in total Market Value, the level of the S&P 500<sup>®</sup> Index remains constant. This helps maintain the level of the S&P 500<sup>®</sup> Index as an accurate barometer of stock market performance and ensures that the movement of the S&P 500<sup>®</sup> Index does not reflect the corporate actions of individual companies in the S&P 500<sup>®</sup> Index. All Index Divisor adjustments are made after the close of trading and after the calculation of the S&P 500<sup>®</sup> Index closing level. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 500<sup>®</sup> Index and do not require Index Divisor adjustments.

The table below summarizes the types of Index maintenance adjustments and indicates whether or not an Index Divisor adjustment is required.

Type of Corporate Action	Adjustment Factor	Divisor Adjustment Required
Stock Split (e.g., 2-for-1)	Shares Outstanding multiplied by 2; Stock Price divided by 2	No
Share Issuance (i.e., change $\geq 5\%$ )	Shares Outstanding plus newly issued Shares	Yes
Share Repurchase (i.e., change $\geq 5\%$ )	Shares Outstanding minus Repurchased Shares	Yes
Special Cash Dividends	Share Price minus Special Dividend	Yes
Company Change	Add new company Market Value minus old company Market Value	Yes
Rights Offering	Price of parent company minus: $\frac{\text{Price of Rights}}{\text{Rights Ratio}}$	Yes
Spinoffs	Price of parent company minus: $\frac{\text{Price of Spinoff Co.}}{\text{Share Exchange Ratio}}$	Yes

Stock splits and stock dividends do not affect the Index Divisor, because following a split or dividend, both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the S&P Component Stock. All stock split and dividend adjustments are made after the close of trading on the day before the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the Index Divisor has the effect of altering the Market Value of the S&P Component Stock and consequently of altering the aggregate Market Value of the S&P Component Stocks (the "Post-Event Aggregate Market Value"). In order that the level of the S&P 500<sup>®</sup> Index (the "Pre-Event Index Value") not be affected by the altered Market Value (whether increase or decrease) of the affected S&P Component Stock, a new Index Divisor ("New Divisor") is derived as follows:

$$\frac{\text{Post-Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre-Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post-Event Aggregate Market Value}}{\text{Pre-Event Index Value}}$$

A large part of the S&P 500<sup>®</sup> Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P 500<sup>®</sup> Index companies. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the S&P 500<sup>®</sup> Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P 500<sup>®</sup> Index. In addition, any changes over 5% in the current common shares outstanding for the S&P 500<sup>®</sup> Index companies are carefully reviewed on a weekly basis, and when appropriate, an immediate adjustment is made to the Index Divisor.

## License Agreement with S&P

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## THE NIKKEI 225 INDEX

We have derived all information in this disclosure statement regarding the Nikkei 225 Index (the “NDX”), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by Nikkei Inc. Nikkei Inc. has no obligation to continue to publish, and may discontinue publication of, the Nikkei 225 Index. We make no representation or warranty as to the accuracy or completeness of such information.

The Nikkei 225 Index is reported by Bloomberg L.P. under the ticker symbol “NDX.”

The Nikkei 225 Index is a stock index calculated, published and disseminated by Nikkei Inc. and Nikkei Digital Media, Inc., its wholly owned subsidiary, that measures the composite price performance of selected Japanese stocks. The Nikkei 225 Index, as of the date of this disclosure statement is based on 225 underlying stocks (the “Nikkei Underlying Stocks”) trading on the Tokyo Stock Exchange (“TSE”) representing a broad cross-section of Japanese industries. All 225 Nikkei Underlying Stocks are stocks listed in the First Section of the TSE. Stocks listed in the First Section of the TSE are among the most actively traded stocks on the TSE. Nikkei Inc. rules require that the 75 most liquid issues (one-third of the component count of the Nikkei 225 Index) be included in the Nikkei 225 Index.

The 225 companies included in the Nikkei 225 Index are divided into six sector categories: Technology, Financials, Consumer Goods, Materials, Capital Goods/Others and Transportation and Utilities. These six sector categories are further divided into 36 industrial classifications as follows:

- Technology — Pharmaceuticals, Electrical Machinery, Automobiles, Precision Machinery, Telecommunications;
- Financials — Banks, Miscellaneous Finance, Securities, Insurance;
- Consumer Goods — Marine Products, Food, Retail, Services;
- Materials — Mining, Textiles, Paper and Pulp, Chemicals, Oil, Rubber, Ceramics, Steel, Nonferrous Metals, Trading House;
- Capital Goods/Others — Construction, Machinery, Shipbuilding, Transportation Equipment, Miscellaneous Manufacturing, Real Estate; and
- Transportation and Utilities — Railroads and Buses, Trucking, Shipping, Airlines, Warehousing, Electric Power, Gas.

The Nikkei 225 Index is a modified, price-weighted index (*i.e.*, a Nikkei Underlying Stock’s weight in the Nikkei 225 Index is based on its price per share rather than the total market capitalization of the issuer) which is calculated by (i) multiplying the per share price of each Nikkei Underlying Stock by the corresponding weighting factor for such Nikkei Underlying Stock (a “Weight Factor”), (ii) calculating the sum of all these products and (iii) dividing such sum by a divisor (the “Divisor”). The Divisor was initially set at 225 for the date of May 16, 1949 using historical numbers from May 16, 1949, the date on which the TSE was reopened. The Divisor was 24.656 as of April 2, 2009 and is subject to periodic adjustments as set forth below. Each Weight Factor is computed by dividing ¥50 by the par value of the relevant Nikkei Underlying Stock, so that the share price of each Nikkei Underlying Stock when multiplied by its Weight Factor corresponds to a share price based on a uniform par value of ¥50. The stock prices used in the calculation of the Nikkei 225 Index are those reported by a primary market for the Nikkei Underlying Stocks (currently the TSE). The level of the Nikkei 225 Index is calculated once per minute during TSE trading hours.

In order to maintain continuity in the Nikkei 225 Index in the event of certain changes due to non-market factors affecting the Nikkei Underlying Stocks, such as the addition or deletion of stocks, substitution of stocks, stock splits or distributions of assets to stockholders, the Divisor used in calculating the Nikkei 225 Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the Nikkei 225 Index.

Thereafter, the Divisor remains at the new value until a further adjustment is necessary as the result of another change. As a result of such change affecting any Nikkei Underlying Stock, the Divisor is adjusted in such a way that the sum of all share prices immediately after such change multiplied by the applicable Weight Factor and divided by the new Divisor (*i.e.*, the level of the Nikkei 225 Index immediately after such change) will equal the level of the Nikkei 225 Index immediately prior to the change.

A Nikkei Underlying Stock may be deleted or added by Nikkei Inc. Any stock becoming ineligible for listing in the First Section of the TSE due to any of the following reasons will be deleted from the Nikkei Underlying Stocks: (i) bankruptcy of the issuer, (ii) merger of the issuer with, or acquisition of the issuer by, another company, (iii) delisting of such stock, (iv) transfer of such stock to the “Seiri-Post” because of excess debt of the issuer or because of any other reason or (v) transfer of such stock to the Second Section. In addition, a component stock transferred to the “Kanri-Post” (Posts for stocks under supervision) is in principle a candidate for deletion. Nikkei Underlying Stocks with relatively low liquidity, based on trading value and rate of price fluctuation over the past five years, may be deleted by Nikkei Inc. Upon deletion of a stock from the Nikkei Underlying Stocks, Nikkei Inc. will select a replacement for such deleted Nikkei Underlying Stock in accordance with certain criteria. In an exceptional case, a newly listed stock in the First Section of the TSE that is recognized by Nikkei Inc. to be representative of a market may be added to the Nikkei Underlying Stocks. In such a case, an existing Nikkei Underlying Stock with low trading volume and deemed not to be representative of a market will be deleted by Nikkei Inc.

A list of the issuers of the Nikkei Underlying Stocks constituting the Nikkei 225 Index is available from the Nikkei Economic Electronic Databank System and from the Stock Market Indices Data Book published by Nikkei Inc. Nikkei Inc. may delete, add or substitute any stock underlying the Nikkei 225 Index. Nikkei Inc. first calculated and published the Nikkei 225 Index in 1970.

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Our license agreement with Nikkei Inc. will provide that Nikkei Inc. will assume no obligation or responsibility for use of the Nikkei 225 Index by us or our affiliates.

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## **The Tokyo Stock Exchange**

The TSE is one of the world's largest securities exchanges in terms of market capitalization. Trading hours are currently from 9:00 a.m. to 11:00 a.m. and from 12:30 p.m. to 3:00 p.m., Tokyo time, Monday through Friday.

Due to the time zone difference, on any normal trading day the TSE will close prior to the opening of business in New York City on the same calendar day. Therefore, the closing level of the Nikkei 225 Index on a trading day will generally be available in the United States by the opening of business on the same calendar day.

The TSE has adopted certain measures, including daily price floors and ceilings on individual stocks, intended to prevent any extreme short-term price fluctuations resulting from order imbalances. In general, any stock listed on the TSE cannot be traded at a price lower than the applicable price floor or higher than the applicable price ceiling. These price floors and ceilings are expressed in absolute Japanese yen, rather than percentage limits based on the closing price of the stock on the previous trading day. In addition, when there is a major order imbalance in a listed stock, the TSE posts a "special bid quote" or a "special asked quote" for that stock at a specified higher or lower price level than the stock's last sale price in order to solicit counter-orders and balance supply and demand for the stock. Prospective investors should also be aware that the TSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, including, for example, unusual trading activity in that stock. As a result, changes in the Nikkei 225 Index may be limited by price limitations or special quotes, or by suspension of trading, on individual stocks that make up the Nikkei 225 Index, and these limitations, in turn, may adversely affect the value of the CDs.

## THE DOW JONES EURO STOXX 50<sup>®</sup> INDEX

We have derived all information contained in this disclosure statement regarding the Dow Jones EURO STOXX 50<sup>®</sup> Index (the “SX5E”), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, STOXX Limited. The Dow Jones EURO STOXX 50<sup>®</sup> Index is calculated, maintained and published by STOXX Limited. We make no representation or warranty as to the accuracy or completeness of such information.

The Dow Jones EURO STOXX 50<sup>®</sup> Index is reported by Bloomberg L.P. under the ticker symbol “SX5E.”

The Dow Jones EURO STOXX 50<sup>®</sup> Index was created by STOXX Limited, a joint venture between Deutsche Börse AG, Dow Jones & Company (“Dow Jones”) and SWX Group. Publication of the Dow Jones EURO STOXX 50<sup>®</sup> Index began on February 26, 1998, based on an initial Dow Jones EURO STOXX 50<sup>®</sup> Index value of 1,000 at December 31, 1991. The Dow Jones EURO STOXX 50<sup>®</sup> Index is published daily in the financial pages of many major newspapers and disseminated on the STOXX Limited website, which sets forth, among other things, the country and industrial sector weightings of the securities included in the Dow Jones EURO STOXX 50<sup>®</sup> Index and updates these weightings at the end of each quarter. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this disclosure statement.

### Dow Jones EURO STOXX 50<sup>®</sup> Index Composition and Maintenance

The Dow Jones EURO STOXX 50<sup>®</sup> Index is composed of 50 component stocks of market sector leaders from within the 18 Dow Jones EURO STOXX<sup>®</sup> Supersector indices, which represent the Eurozone portion of the Dow Jones STOXX 600<sup>®</sup> Supersector indices and includes stocks selected from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The component stocks have a high degree of liquidity and represent the largest companies across all market sectors defined by the Dow Jones Global Classification Standard.

The composition of the Dow Jones EURO STOXX 50<sup>®</sup> Index is reviewed annually, based on the closing stock data on the last trading day in August. The component stocks are announced the first trading day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the Dow Jones EURO STOXX 50<sup>®</sup> Index are made to ensure that the Dow Jones EURO STOXX 50<sup>®</sup> Index includes the 50 market sector leaders from within the Dow Jones EURO STOXX<sup>®</sup> Index. A current list of the issuers that comprise the Dow Jones EURO STOXX 50<sup>®</sup> Index is available on the STOXX Limited website. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this disclosure statement or any term sheet.

Each component’s weight is capped at 10% of the Dow Jones EURO STOXX 50<sup>®</sup> Index’s total free-float market capitalization. Weights are reviewed quarterly. Within each of the Dow Jones EURO STOXX 50<sup>®</sup> Index market sector indices, the component stocks are ranked by free-float market capitalization. The largest stocks are added to the selection list until the coverage is close to, but still less than, 60% of the free-float market capitalization of the corresponding Dow Jones EURO STOXX 50<sup>®</sup> Index market sector index, which in turn covers approximately 95% of the free-float market capitalization of the represented countries. If the next-ranked stock brings the coverage closer to 60% in absolute terms, then it is also added to the selection list. Any remaining stocks that are current Dow Jones EURO STOXX 50<sup>®</sup> Index components are added to the selection list. The stocks on the selection list are ranked by free-float market capitalization. In exceptional cases, the STOXX Limited Supervisory Board may make additions and deletions to the selection list.

The 40 largest stocks on the selection list are chosen as components. Any remaining current components of the Dow Jones EURO STOXX 50<sup>®</sup> Index ranked between 41 and 60 are added as index components. If the component number is still below 50, then the largest stocks on the selection list are added until the Dow Jones EURO STOXX 50<sup>®</sup> Index contains 50 stocks.

The free float factors for each component stock used to calculate the Dow Jones EURO STOXX 50<sup>®</sup> Index, as described below, are reviewed, calculated and implemented on a quarterly basis and are fixed until the next quarterly review.

The Dow Jones EURO STOXX 50<sup>®</sup> Index is also reviewed on an ongoing basis. Corporate actions (including initial public offerings, mergers and takeovers, spin-offs, delistings and bankruptcy) that affect the Dow Jones EURO STOXX 50<sup>®</sup> Index composition are immediately reviewed. Any changes are announced, implemented and effective in line with the type of corporate action and the magnitude of the effect.

### Dow Jones EURO STOXX 50<sup>®</sup> Index Calculation

The Dow Jones EURO STOXX 50<sup>®</sup> Index is calculated with the “Laspeyres formula,” which measures the aggregate price changes in the component stocks against a fixed base quantity weight. The formula for calculating the Dow Jones EURO STOXX 50<sup>®</sup> Index value can be expressed as follows:

$$\text{Index} = \frac{\text{Free Float Market Capitalization Of The Dow Jones Euro Stoxx 50}^{\text{®}} \text{ Index}}{\text{Adjusted Base Date Market Capitalization Of The Dow Jones Euro Stoxx 50}^{\text{®}} \text{ Index}} \times 1,000$$

The “free float market capitalization of the Dow Jones EURO STOXX 50<sup>®</sup> Index” is equal to the sum of the products of the closing price, market capitalization and free float factor for each component stock as of the time the Dow Jones EURO STOXX 50<sup>®</sup> Index is being calculated.

The Dow Jones EURO STOXX 50<sup>®</sup> Index is also subject to a divisor, which is adjusted to maintain the continuity of Dow Jones EURO STOXX 50<sup>®</sup> Index values despite changes due to corporate actions. The following is a summary of the adjustments to any component stock made for corporate actions and the effect of such adjustment on the divisor, where shareholders of the component stock will receive “B” number of shares for every “A” share held (where applicable).

<p>(1) <i>Split and reverse split:</i> Adjusted price = closing price * A/B New number of shares = old number of shares * B/A Divisor: no change</p>	<p>(2) <i>Rights offering:</i> Adjusted price = (closing price * A + subscription price * B) / (A + B) New number of shares = old number of shares *(A + B)/ A Divisor: increases</p>
<p>(3) <i>Stock dividend:</i> Adjusted price = closing price * A / (A + B) New number of shares = old number of shares * (A + B) / A Divisor: no change</p>	<p>(4) <i>Stock dividend of another company:</i> Adjusted price = (closing price * A - price of other company * B) / A Divisor: decreases</p>
<p>(5) <i>Return of capital and share consideration:</i> Adjusted price = (closing price - dividend announced by company * (1-withholding tax)) * A / B New number of shares = old number of shares * B / A Divisor: decreases</p>	<p>(6) <i>Repurchase shares / self tender:</i> Adjusted price = ((price before tender * old number of shares ) - (tender price * number of tendered shares)) / (old number of shares - number of tendered shares) New number of shares = old number of shares - number of tendered shares Divisor: decreases</p>
<p>(7) adjusted price = (closing price * A - price of spun-off shares * B) / A Divisor: decreases</p>	

*Spin-off:*

<p>(8) <i>Combination stock distribution (dividend or split) and rights offering:</i>  for this corporate action, the following additional assumptions apply:  shareholders receive B new shares from the distribution and C new shares from the rights offering for every A share held.</p> <p>If A is not equal to one share, all the following “new number of shares” formulae need to be divided by A:</p>	
<p><i>- If rights are applicable after stock distribution (one action applicable to other):</i></p> <p>Adjusted price = (closing price * A + subscription price * C * (1 + B / A)) / ((A + B) * (1 + C / A))</p> <p>New number of shares = old number of shares * ((A + B) * (1 + C / A)) / A</p> <p>Divisor: increases</p>	<p><i>- If stock distribution is applicable after rights (one action applicable to other):</i></p> <p>Adjusted price = (closing price * A + subscription price * C) / ((A + C) * (1 + B / A))</p> <p>New number of shares = old number of shares * ((A + C) * (1 + B / A))</p> <p>DIVISOR: INCREASES</p>
<p><i>- Stock distribution and rights (neither action is applicable to the other):</i></p> <p>Adjusted price = (closing price * A + subscription price * C) / (A + B + C)</p> <p>New number of shares = old number of shares * (A + B + C) / A</p> <p>Divisor: increases</p>	

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The FTSE™ 100 Index is reported by Bloomberg L.P. under the ticker symbol “UKX.”

The FTSE™ 100 Index is an index calculated, published and disseminated by FTSE, a company owned equally by the London Stock Exchange (the “LSE”) and the Financial Times, in association with the Institute and the Faculty of Actuaries. The FTSE™ 100 Index measures the composite price performance of stocks of the largest 100 companies (determined on the basis of market capitalization) traded on the LSE. The FTSE™ 100 Index represents approximately 88.03% of the UK’s market capitalization and 7.97% of the world’s equity market capitalization. Publication of the FTSE™ 100 Index began in February 1984.

The FTSE™ 100 Index is calculated by (i) multiplying the per share price of each stock included in the FTSE™ 100 Index by the number of outstanding shares, (ii) calculating the sum of all these products (such sum being hereinafter the “FTSE Aggregate Market Value”) as of the starting date of the FTSE™ 100 Index, (iii) dividing the FTSE Aggregate Market Value by a divisor which represents the FTSE Aggregate Market Value on the base date of the FTSE™ 100 Index and which can be adjusted to allow changes in the issued share capital of individual underlying stocks including the deletion and addition of stocks, the substitution of stocks, stock dividends and stock splits to be made without distorting the FTSE™ 100 Index and (iv) multiplying the result by 1,000. Because of such capitalization weighting, movements in share prices of companies with relatively larger market capitalization will have a greater effect on the level of the entire FTSE™ 100 Index than will movements in share prices of companies with relatively smaller market capitalization.

The 100 stocks included in the FTSE™ 100 Index (the “FTSE Underlying Stocks”) were selected from a reference group of stocks trading on the LSE which were selected by excluding certain stocks that have low liquidity based on public float, accuracy and reliability of prices, size and number of trading days. The FTSE Underlying Stocks were selected from this reference group by selecting 100 stocks with the largest market value. A list of the issuers of the FTSE Underlying Stocks is available from FTSE.

The FTSE™ 100 Index is reviewed quarterly by the FTSE Europe/Middle East/Africa Regional Committee (“the Committee”) of the LSE in order to maintain continuity in the level. The FTSE Underlying Stocks may be replaced, if necessary, in accordance with deletion/addition rules which provide generally for the removal and replacement of a stock from the FTSE™ 100 Index if such stock is delisted or its issuer is subject to a takeover offer that has been declared unconditional or it has ceased, in the opinion of the Chairman and Deputy Chairman of the Committee (or their nominate deputies), to be a viable component of the FTSE™ 100 Index. To maintain continuity, a stock will be added at the quarterly review if it has risen to 90<sup>th</sup> place or above and a stock will be deleted if at the quarterly review it has fallen to 111<sup>th</sup> place or below, in each case ranked on the basis of market capitalization.

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## THE RUSSELL 1000<sup>®</sup> INDEX

We have derived all information contained in this disclosure statement regarding the Russell 1000<sup>®</sup> Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, the Russell Investments (“Russell”). The Russell 1000<sup>®</sup> Index was developed by Russell Investment Group (formerly, Frank Russell Company) and is calculated, maintained and published by Russell, a subsidiary of Russell Investment Group. Russell has no obligation to publish, and may discontinue the publication of, the Russell 1000<sup>®</sup> Index. We make no representation or warranty as to the accuracy or completeness of such information.

The Russell 1000<sup>®</sup> Index is an index calculated, published and disseminated by Russell, and measures the composite price performance of stocks of 1,000 companies (the “Russell 1000<sup>®</sup> Component Stocks”) domiciled in the U.S. and its territories. All 1,000 stocks are traded on either the NYSE, the NASDAQ Stock Market or the AMEX and are 1,000 of the largest securities that form the Russell 3000E<sup>™</sup> Index. The Russell 3000E<sup>™</sup> Index is composed of the 4,000 largest U.S. companies as determined by market capitalization and represents approximately 99% of the U.S. equity market. The Russell 3000E<sup>™</sup> Index is not the same as the Russell 3000<sup>®</sup> Index, which is a subset of the Russell 3000E<sup>™</sup> Index. The Russell 1000<sup>®</sup> Index is designed to track the performance of the large capitalization segment of the U.S. equity market.

*Selection of stocks underlying the Russell 1000<sup>®</sup> Index.* The Russell 1000<sup>®</sup> Index is a sub-group of the Russell 3000E<sup>™</sup> Index. To be eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 1000<sup>®</sup> Index, a company’s stocks must be listed on the last trading day of May of a given year and Russell must have access to documentation verifying the company’s eligibility for inclusion. Beginning September 2004, eligible initial public offerings are added to Russell U.S. indexes at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

U.S.-incorporated companies are eligible for inclusion in the Russell 3000E<sup>™</sup> Index and, consequently, the Russell 1000<sup>®</sup> Index. Companies incorporated in the following countries/regions are also reviewed for eligibility: Anguilla, Antigua and Barbuda, Bahamas, Barbados Belize, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Faroe Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Netherlands Antilles, Panama and Turks and Caicos Islands. However, not all companies incorporated in these regions are eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 1000<sup>®</sup> Index. Companies incorporated in these regions are specifically considered eligible for the Russell 1000<sup>®</sup> Index only if the company meets one of the following criteria: (i) the company headquarters are in the U.S. or (ii) the company headquarters are also in the designated region/country, and the primary exchange for local shares is in the United States. ADRs are not eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 1000<sup>®</sup> Index.

The following securities are specifically excluded from the Russell 1000<sup>®</sup> Index: (i) stocks that are not traded on a major U.S. exchange; (ii) preferred stock, convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights; and trust receipts; (iii) royalty trusts, limited liability companies, closed-end investment companies (business development companies or BDCs are eligible), blank check companies, special purpose acquisition companies (SPACs) and limited partnerships. The exclusion of blank check companies and SPACs became effective with the first quarter of 2008, but existing members are grandfathered until the 2008 annual reconstitution. In addition, Berkshire Hathaway is excluded as a special exception.

The primary criteria used to determine the initial list of securities eligible for the Russell 3000E<sup>™</sup> Index is total market capitalization, which is defined as the price of the shares times the total number of available shares. All common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary trading vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (*e.g.*, tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above \$1.00 (on their primary exchange) on the last trading day of May of each year to be eligible for inclusion in the Russell 1000<sup>®</sup> Index. In order to reduce unnecessary turnover, if an existing Russell 1000 Component Stock’s closing price is less than \$1.00 on the last trading day of May, it will be considered eligible if the average of the daily closing prices (from its primary exchange) during the month of May is equal to or greater than \$1.00. Nonetheless, a Russell 1000 Component



Stock's close price (on its primary exchange) on the last trading day in May will be used to calculate market capitalization and index membership. Quarterly IPO additions must have a close price at or above \$1.00 on the last day of their eligibility period in order to qualify for index inclusion. If a stock, new or existing, does not have a close price at or above \$1.00 (on its primary exchange) on the last trading day in May, but does have a close price at or above \$1.00 on another major U.S. exchange, the stock will be eligible for inclusion but the lowest price from a non-primary exchange will be used to calculate market capitalization and index membership.

Companies with only a total market capitalization of less than \$30 million are not eligible for inclusion in the Russell 3000E™ Index and, consequently, the Russell 1000® Index. Companies with only a small portion of their shares available in the marketplace are also not eligible for inclusion in the Russell 3000E™ Index and, consequently, the Russell 1000® Index. Large capitalization companies with 1% or less float, and small capitalization companies with 5% or less, will be removed from eligibility.

The Russell 1000® Index is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on total market capitalization as of the last trading day of, with the actual reconstitution effective on the first trading day following the final Friday of June each year, except that if the last Friday of June of any year is the 28<sup>th</sup>, 29<sup>th</sup> or 30<sup>th</sup>, reconstitution will occur on the preceding Friday. Changes in the constituents are pre-announced and subject to change if any corporate activity occurs or if any new information is received prior to release.

*Capitalization Adjustments.* As a capitalization-weighted index, the Russell 1000® Index reflects changes in the capitalization, or market value, of the Russell 1000 Component Stocks relative to the capitalization on a base date. The current Russell 1000® Index value is calculated by adding the market values of the Russell 1000 Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 1,000 stocks. The total market capitalization is then divided by a divisor, which represents the “adjusted” capitalization of the Russell 1000® Index on the base date of December 31, 1986. To calculate the Russell 1000® Index, last sale prices will be used for exchange-traded and NASDAQ stocks. If a component stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 1000® Index. In order to provide continuity for the Russell 1000® Index's value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 1000® Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

Available shares are assumed to be shares available for trading. Exclusion of capitalization held by other listed companies and large holdings of private investors (10% or more) is based on information recorded in SEC corporate filings. Other sources are used in cases of missing or questionable data.

The following types of shares are considered unavailable for the purposes of capitalization determinations:

- ESOP or LESOP shares – corporations that have Employee Stock Ownership Plans that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – when shares of a company in the Russell 1000® Index are held by another company also in the Russell 1000® Index, this is considered corporate cross-ownership. Any percentage held in this class will be adjusted;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the Russell 1000® Index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies, partnerships, insurance companies, mutual funds, banks or venture capital funds;
- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange; and
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the index.
- Government Holdings:

- Direct government holders: Those holdings listed as “government of” are considered unavailable and will be removed entirely from available shares;
- Indirect government holders: Shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%; and
- Government pensions: Any holding by a government pension plan is considered institutional holdings and will not be removed from available shares.

*Corporate Actions Affecting the Russell 1000<sup>®</sup> Index.* The following summarizes the types of Russell 1000<sup>®</sup> Index maintenance adjustments and indicates whether or not a Russell 1000<sup>®</sup> Index adjustment is required.

- “No Replacement” Rule – Securities that leave the Russell 1000<sup>®</sup> Index, between reconstitution dates, for any reason (*e.g.*, mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 1000<sup>®</sup> Index over a year will fluctuate according to corporate activity.
- Rules for Deletions – When a stock is acquired, delisted or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the Russell 1000<sup>®</sup> Index at the market close on the effective date or when the stock is no longer trading on the exchange if the corporate action is considered to be final prior to 2:00 p.m. Eastern Standard Time, or the following day if the corporate action is considered to be final after 2:00 p.m. Eastern Standard Time. Companies that file for a Chapter 7 liquidation bankruptcy will be removed from the Russell 1000<sup>®</sup> Index at the time of the bankruptcy filing; whereas, companies filing for a Chapter 11 reorganization bankruptcy will remain a member of the Russell 1000<sup>®</sup> Index, unless the company is de-listed from the primary exchange, in which case normal de-listing rules apply. Members of the Russell 1000<sup>®</sup> Index that are re-incorporated in another country are deleted when the re-incorporation is final.
- Merger and Acquisition – When mergers or acquisitions occur, changes to the membership and weighting of members within the Russell 1000<sup>®</sup> Index occur. In the event a merger or acquisition occurs between members of the Russell 1000<sup>®</sup> Index, the acquired company is deleted and its market capitalization moves to the acquiring stock according to the terms of the merger, hence, mergers have no effect on the Russell 1000<sup>®</sup> Index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final. If the acquiring company is a member of the Russell 1000<sup>®</sup> Index, but the acquired company is not, the shares for the acquiring stock are adjusted at month-end. If the acquiring company is not a member of any of the Russell Indexes, there are two possibilities:
  - Reverse Merger – If the acquiring company is a private, non-publicly traded company or OTC company, Russell will review the action to determine if it is considered a reverse merger, defined as a transaction that results in a publicly traded company that meets all requirements for inclusion in a Russell Index. If it is determined that an action is a reverse merger, the newly formed entity will be placed in the appropriate market capitalization index after the close of the day following the completion of the merger. The acquired company will be removed from the current index simultaneously.
  - Standard Action – The acquired company is deleted after the action is final.
- De-listed Stocks – When stocks from the Russell 1000<sup>®</sup> Index are deleted as a result of exchange de-listing or reconstitution, the price used will be the closing primary exchange price on the day of deletion, or the following day using the closing OTC bulletin board price. However, there may be corporate events, such as mergers or acquisitions, that result in the lack of current market price for the deleted security and in such an instance the latest primary exchange closing price available will be used.
- Rules for Additions – The only additions between reconstitution dates are as a result of spin-offs, reincorporations and initial public offerings. Spin-off companies are added to the parent company’s index and capitalization tier of membership, *if* the spin-off company is sufficiently large. To be eligible, the spun-off company’s total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E<sup>TM</sup> Index at the latest reconstitution. If a U.S.

spin-off occurs from a Russell Global ex-U.S. Index member, the spun-off company will be placed in the parent's index and capitalization tier of the Russell Global Index. A member of the Russell Global Index that is reincorporating to the United States or one of the eligible countries/regions described above will be added to the Russell 3000E™ Index when the reincorporation is final.

- Rule for Re-Classification and Re-Incorporation – For re-classification of shares, adjustments will be made at the open of the ex-date using previous day closing prices. For re-incorporations, deleted entities will be removed either after the close of the current day using the last traded price, if the re-incorporation achieves final status prior to 2:00 p.m. Eastern Standard Time, or after the close of the following day at the last traded price, if the re-incorporation achieves final status after 2:00 p.m. Eastern Standard Time.

*Updates to Share Capital Affecting the Russell 1000® Index.* Each month, the Russell 1000® Index is updated for changes to shares outstanding as companies report changes in share capital to the Commission. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% are reflected in the Russell 1000® Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

*Pricing of Securities Included in the Russell 1000® Index.* Effective on January 1, 2002, primary exchange closing prices are used in the daily Russell 1000® Index calculations. FT Interactive data is used as the primary source for U.S. security prices, income, and total shares outstanding. Prior to January 1, 2002, composite closing prices, which are the last trade price on any U.S. exchange, were used in the daily Russell 1000® Index calculations.

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## THE RUSSELL 2000<sup>®</sup> INDEX

We have derived all information contained in this disclosure statement regarding the Russell 2000<sup>®</sup> Index (the “RTY”), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Russell. We make no representation or warranty as to the accuracy or completeness of such information. The Russell 2000<sup>®</sup> Index was developed by Russell Investment Group (formerly, Frank Russell Company) and is calculated, maintained and published by Russell, a subsidiary of Russell Investment Group. Russell has no obligation to publish, and may discontinue the publication of, the Russell 2000<sup>®</sup> Index.

The Russell 2000<sup>®</sup> Index is reported by Bloomberg L.P. under the ticker symbol “RTY.”

The Russell 2000<sup>®</sup> Index measures the capitalization-weighted price performance of the small-cap stocks included in the Russell 2000<sup>®</sup> Index (the “Russell 2000 Component Stocks”) and is designed to track the performance of the small capitalization segment of the U.S. equity market. The Russell 2000<sup>®</sup> Index consists of the smallest 2,000 companies included in the Russell 3000<sup>®</sup> Index. The Russell 2000<sup>®</sup> Index is designed to track the performance of the small capitalization segment of the United States equity market. All stocks included in the Russell 2000<sup>®</sup> Index are traded on a major U.S. exchange. The companies included in the Russell 2000<sup>®</sup> Index are the middle 2,000 of the companies that form the Russell 3000E<sup>™</sup> Index, which is composed of the 4,000 largest U.S. companies as determined by market capitalization and represents approximately 99% of the U.S. equity market. The Russell 3000E<sup>™</sup> Index is not the same as the Russell 3000<sup>®</sup> Index, which is a subset of the Russell 3000E<sup>™</sup> Index. The Russell 2000<sup>®</sup> Index consists of the smallest 2,000 companies included in the Russell 3000<sup>®</sup> Index, which is composed of the 3,000 largest U.S. companies as determined by market capitalization and represents approximately 98% of the U.S. equity market.

*Selection of stocks underlying the Russell 2000<sup>®</sup> Index.* The Russell 2000<sup>®</sup> Index is a sub-index of the Russell 3000E<sup>™</sup> Index. To be eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 2000<sup>®</sup> Index, a company’s stocks must be listed on May 31<sup>st</sup> of a given year and Russell must have access to documentation verifying the company’s eligibility for inclusion. Beginning September 2004, eligible initial public offerings are added to Russell U.S. indices at the end of each calendar quarter, based on total market capitalization rankings within the market-adjusted capitalization breaks established during the most recent reconstitution. To be added to any Russell U.S. index during a quarter outside of reconstitution, initial public offerings must meet additional eligibility criteria.

U.S.-incorporated companies are eligible for inclusion in the Russell 3000E<sup>™</sup> Index and, consequently, the Russell 2000<sup>®</sup> Index. Companies incorporated in the following countries/regions are also reviewed for eligibility: Anguilla and Barbuda, Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Faroe Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Netherlands Antilles, Panama and Turks and Caicos Islands. However, not all companies incorporated in these regions are eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 2000<sup>®</sup> Index. Companies incorporated in these regions are specifically considered eligible for the Russell 2000<sup>®</sup> Index only if the company meets one of the following criteria: (i) the company headquarters are in the U.S. or (ii) the company headquarters are also in the designated region/country, and the primary exchange for local shares is in the United States. ADRs are not eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 2000<sup>®</sup> Index.

The following securities are specifically excluded from the Russell 2000<sup>®</sup> Index: (i) stocks that are not traded on a major U.S. exchange; (ii) preferred stock, convertible preferred stock, redeemable shares, participating preferred stock, warrants, rights; and trust receipts; (iii) royalty trusts, limited liability companies, OTC Bulletin Board companies, pink sheets, over-the-counter traded securities, closed-end investment companies (business development companies or BDCs are eligible), blank check companies, special purpose acquisition companies (SPACs) and limited partnerships. The exclusion of blank check companies and SPACs became effective with the first quarter of 2008, but existing members were grandfathered until the 2008 annual reconstitution. In addition, Berkshire Hathaway is excluded as a special exception.

The primary criteria used to determine the initial list of securities eligible for the Russell 3000E<sup>™</sup> Index is total market capitalization, which is defined as the price of the shares times the total number of available shares. All

common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary trading vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (*e.g.*, tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above \$1.00 on May 31<sup>st</sup> of each year to be eligible for inclusion in the Russell 2000<sup>®</sup> Index. However, if a stock falls below \$1.00 intra-year, it will not be removed until the next reconstitution if it is still trading below \$1.00.

Companies with only a small portion of their shares available in the marketplace are not eligible for inclusion in the Russell 3000E<sup>™</sup> Index and, consequently, the Russell 2000<sup>®</sup> Index. Large capitalization companies with 1% or less float, and small capitalization companies with 5% or less, will be removed from eligibility.

The Russell 2000<sup>®</sup> Index is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on total market capitalization as of May 31<sup>st</sup>, with the actual reconstitution effective on the first trading day following the final Friday of June each year, except that if the last Friday of June of any year is the 28<sup>th</sup>, 29<sup>th</sup> or 30<sup>th</sup>, reconstitution will occur on the preceding Friday. Changes in the constituents are pre-announced and subject to change if any corporate activity occurs or if any new information is received prior to release.

*Capitalization Adjustments.* As a capitalization-weighted index, the Russell 2000<sup>®</sup> Index reflects changes in the capitalization, or market value, of the Russell 2000 Component Stocks relative to the capitalization on a base date. The current Russell 2000<sup>®</sup> Index value is calculated by adding the market values of the Russell 2000 Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 2,000 stocks. The total market capitalization is then divided by a divisor, which represents the “adjusted” capitalization of the Russell 2000<sup>®</sup> Index on the base date of December 31, 1986. To calculate the Russell 2000<sup>®</sup> Index, last sale prices will be used for exchange-traded and NASDAQ stocks. If a Russell 2000 Component Stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 2000<sup>®</sup> Index. In order to provide continuity for the Russell 2000<sup>®</sup> Index’s value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 2000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

Available shares are assumed to be shares available for trading. Exclusion of capitalization held by other listed companies and large holdings of private investors (10% or more) is based on information recorded in SEC corporate filings. Other sources are used in cases of missing or questionable data.

The following types of shares are considered unavailable for the purposes of capitalization determinations:

- ESOP or LESOP shares – corporations that have Employee Stock Ownership Plans (“ESOP”) or Leveraged Employee Stock Ownership Plans (“LESOP”) that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – corporate cross-ownership occurs when shares of a company in the Russell 2000<sup>®</sup> Index are held by another member of a Russell index (including Russell Global Indexes). Any percentage held in this class will be adjusted;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the Russell 2000<sup>®</sup> Index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies not in the Russell 2000<sup>®</sup> Index, partnerships, insurance companies not in the Russell 2000<sup>®</sup> Index, mutual funds, banks not in the Russell 2000<sup>®</sup> Index or venture capital funds;
- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange;
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the

Russell 2000<sup>®</sup> Index; and

- Government Holdings:
  - Direct government holders: Those holdings listed as “government of” are considered unavailable and will be removed entirely from available shares;
  - Indirect government holders: Shares held by government investment boards and/or investment arms will be treated similar to large private holdings and removed if the holding is greater than 10%; and
  - Government pensions: Any holding by a government pension plan is considered institutional holdings and will not be removed from available shares.

*Corporate Actions Affecting the Russell 2000<sup>®</sup> Index.* The following summarizes the types of Russell 2000<sup>®</sup> Index maintenance adjustments and indicates whether or not a Russell 2000<sup>®</sup> Index adjustment is required.

- “No Replacement” Rule – Securities that leave the Russell 2000<sup>®</sup> Index, between reconstitution dates, for any reason (*e.g.*, mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 2000<sup>®</sup> Index over a year will fluctuate according to corporate activity.
- Rules for Deletions – When a stock is acquired, delisted or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the Russell 2000<sup>®</sup> Index at the market close on the effective date or when the stock is no longer trading on the exchange if the corporate action is considered to be final prior to 2:00 p.m. Eastern Standard Time, or the following day if the corporate action is considered to be final after 2:00 p.m. Eastern Standard Time. Companies that file for a Chapter 7 liquidation bankruptcy will be removed from the Russell 2000<sup>®</sup> Index at the time of the bankruptcy filing; whereas, companies filing for a Chapter 11 reorganization bankruptcy will remain a member of the Russell 2000<sup>®</sup> Index, unless the company is de-listed from the primary exchange, in which case normal de-listing rules apply. Members of the Russell 2000<sup>®</sup> Index that are re-incorporated in another country are deleted when the re-incorporation is final.
- Rules for Additions – The only additions between reconstitution dates are as a result of spin-offs, reincorporations and initial public offerings. Spin-off companies are added to the parent company’s index and capitalization tier of membership, *if* the spin-off company is sufficiently large. To be eligible, the spun-off company’s total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E<sup>™</sup> Index at the latest reconstitution. If a U.S. spin-off occurs from a Russell Global ex-U.S. Index member, the spun-off company will be placed in the parent’s index and capitalization tier of the Russell Global Index. A member of the Russell Global Index that is reincorporating to the United States or one of the eligible countries/regions described above will be added to the Russell 3000E<sup>™</sup> Index when the reincorporation is final.
- Merger and Acquisition – When mergers or acquisitions occur, changes to the membership and weighting of members within the Russell 2000<sup>®</sup> Index occur. In the event a merger or acquisition occurs between members of the Russell 2000<sup>®</sup> Index, the acquired company is deleted and its market capitalization moves to the acquiring stock according to the terms of the merger, hence, mergers have no effect on the Russell 2000<sup>®</sup> Index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final. If the acquiring company is a member of the Russell 2000<sup>®</sup> Index, but the acquired company is not, the shares for the acquiring stock are adjusted at month-end. If the acquiring company is not a member of any of the Russell Indexes, there are two possibilities:
  - Reverse Merger – If the acquiring company is a private, non-publicly traded company or OTC company, Russell will review the action to determine if it is considered a reverse merger,

defined as a transaction that results in a publicly traded company that meets all requirements for inclusion in a Russell Index. If it is determined that an action is a reverse merger, the newly formed entity will be placed in the appropriate market capitalization index after the close of the day following the completion of the merger. The acquired company will be removed from the current index simultaneously.

- Standard Action – The acquired company is deleted after the action is final.
- De-listed Stocks – When stocks from the Russell 2000<sup>®</sup> Index are deleted as a result of exchange de-listing or reconstitution, the price used will be the closing primary exchange price on the day of deletion, or the following day using the closing OTC bulletin board price. However, there may be corporate events, such as mergers or acquisitions, that result in the lack of current market price for the deleted security and in such an instance the latest primary exchange closing price available will be used.
- Rule for Re-Classification and Re-Incorporation – For re-classification of shares, adjustments will be made at the open of the ex-date using previous day closing prices. For re-incorporations, deleted entities will be removed either after the close of the current day using the last traded price, if the re-incorporation achieves final status prior to 2:00 p.m. Eastern Standard Time, or after the close of the following day at the last traded price, if the re-incorporation achieves final status after 2:00 p.m. Eastern Standard Time.

*Updates to Share Capital Affecting the Russell 2000<sup>®</sup> Index.* Each month, the Russell 2000<sup>®</sup> Index is updated for changes to shares outstanding as companies report changes in share capital to the SEC. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% are reflected in the Russell 2000<sup>®</sup> Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

*Pricing of Securities Included in the Russell 2000<sup>®</sup> Index.* Effective on January 1, 2002, primary exchange closing prices are used in the daily Russell 2000<sup>®</sup> Index calculations. FT Interactive data is used as the primary source for U.S. security prices, income, and total shares outstanding. Prior to January 1, 2002, composite closing prices, which are the last trade price on any U.S. exchange, were used in the daily Russell 2000<sup>®</sup> Index calculations.

*Disclaimers.* The CDs are not sponsored, endorsed, sold, or promoted by Russell or any successor thereto or index owner and neither Russell nor any party hereto makes any representation or warranty whatsoever, whether express or implied, to the owners of the CDs or any member of the public regarding the advisability of investing in securities generally or in the CDs particularly or the ability of the Russell 2000<sup>®</sup> Index to track general stock market performance or a segment of the same. Russell's publication of the Russell 2000<sup>®</sup> Index in no way suggests or implies an opinion by Russell as to the advisability of investment in any or all of the securities upon which the Russell 2000<sup>®</sup> Index is based. Russell's only relationship to JPMorgan Chase & Co. and its affiliates is the licensing of certain trademarks and trade names of Russell and of the Russell 2000<sup>®</sup> Index which is determined, composed and calculated by Russell without regard to JPMorgan Chase & Co. and its affiliates or the CDs. Russell is not responsible for and has not reviewed the CDs or any associated literature or publications and Russell makes no representation or warranty express or implied as to their accuracy or completeness, or otherwise. Russell reserves the right, at any time and without notice, to alter, amend, terminate or in any way change the Russell 2000<sup>®</sup> Index. Russell has no obligation or liability in connection with the administration, marketing or trading of the CDs.

“Russell 2000<sup>®</sup> Index,” “Russell 3000E<sup>™</sup> Index” and “Russell 3000<sup>®</sup> Index” are trademarks of Russell and have been licensed for use by JPMorgan Chase Bank, N.A. and its affiliates. The CDs are not sponsored, endorsed, sold, or promoted by Russell and Russell makes no representation regarding the advisability of investing in the CDs.

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## THE NASDAQ 100 INDEX<sup>®</sup>

We have derived all information contained in this disclosure statement regarding the NASDAQ 100 Index<sup>®</sup>, including, without limitation, its make-up, method of calculation and changes in its components from publicly available information. The information reflects the policies of, and is subject to change by The Nasdaq Stock Market, Inc. (“Nasdaq”). We make no representation or warranty as to the accuracy or completeness of such information. The NASDAQ-100 Index<sup>®</sup> was developed by Nasdaq and is calculated, maintained and published by The NASDAQ OMX Group, Inc. (“NASDAQ OMX”). Neither Nasdaq nor NASDAQ OMX has any obligation to continue to publish, and may discontinue publication of, the NASDAQ-100 Index<sup>®</sup>.

### General

The NASDAQ 100 Index<sup>®</sup> is a modified market capitalization-weighted index of 100 of the largest stocks of non-financial companies listed on The Nasdaq Global Market tier of The Nasdaq Stock Market. The NASDAQ 100 Index<sup>®</sup>, which includes companies across a variety of major industry groups, was launched on January 31, 1985, with a base index value of 250.00. On January 1, 1994, the base index value was reset to 125.00. Current information regarding the market value of the NASDAQ 100 Index<sup>®</sup> is available from the Nasdaq as well as numerous market information services. The NASDAQ 100 Index<sup>®</sup> is reported by Bloomberg L.P. under the ticker symbol “NDX.”

The NASDAQ 100 Index<sup>®</sup> share weights of the component securities of the NASDAQ 100 Index<sup>®</sup> at any time are based upon the total shares outstanding in each of those securities and are additionally subject, in certain cases, to rebalancing. Accordingly, each underlying stock’s influence on the level of the NASDAQ 100 Index<sup>®</sup> is directly proportional to the value of its NASDAQ 100 Index<sup>®</sup> share weight.

### Calculation of the NASDAQ-100<sup>®</sup> Index

At any moment in time, the value of the NASDAQ-100 Index<sup>®</sup> equals the aggregate value of the then-current the NASDAQ-100 Index<sup>®</sup> share weights of each of the NASDAQ-100 Index component securities, which are based on the total shares outstanding of each such the NASDAQ-100 Index<sup>®</sup> component security, multiplied by each such security’s respective last sale price on The NASDAQ Stock Market (which may be the official closing price published by The NASDAQ Stock Market), and divided by a scaling factor (the “divisor”), which becomes the basis for the reported the NASDAQ-100 Index<sup>®</sup> value. The divisor serves the purpose of scaling such aggregate value (otherwise in the trillions) to a lower order of magnitude which is more desirable for the NASDAQ-100 Index<sup>®</sup> reporting purposes.

### *Underlying Stock Eligibility Criteria and Annual Ranking Review*

#### *Initial Eligibility Criteria*

To be eligible for initial inclusion in the NASDAQ-100 Index<sup>®</sup>, a security must be listed on The Nasdaq Stock Market and meet the following criteria:

- the security’s U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained that listing);
- the security must be of a non-financial company;
- the security may not be issued by an issuer currently in bankruptcy proceedings;
- the security must have an average daily trading volume of at least 200,000 shares;
- if the security is of a foreign issuer (a foreign issuer is determined based on its country of organization), it must have listed options on a recognized market in the United States or be eligible for listed-options trading on a recognized options market in the United States;

- only one class of security per issuer is allowed;
- the issuer of the security may not have entered into a definitive agreement or other arrangement which would likely result in the security no longer being NASDAQ-100 Index<sup>®</sup> eligible;
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn;
- the security must have “seasoned” on The Nasdaq Stock Market or another recognized market (generally, a company is considered to be seasoned if it has been listed on a market for at least two years; in the case of spin-offs, the operating history of the spin-off will be considered); and
- if the security would otherwise qualify to be in the top 25% of the securities included in the NASDAQ-100 Index<sup>®</sup> by market capitalization for the six prior consecutive month ends, then a one-year “seasoning” criteria would apply.

#### *Continued Eligibility Criteria*

In addition, to be eligible for continued inclusion in the NASDAQ-100 Index<sup>®</sup> the following criteria apply:

the security’s U.S. listing must be exclusively on the NASDAQ Global Select Market or the NASDAQ Global Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained that listing);

- the security must be of a non-financial company;
- the security may not be issued by an issuer currently in bankruptcy proceedings;
- the security must have an average daily trading volume of at least 200,000 shares as measured annually during the ranking review process described below;
- if the security is of a foreign issuer, it must have listed options on a recognized market in the United States or be eligible for listed-options trading on a recognized options market in the United States, as measured annually during the ranking review process;
- the security must have an adjusted market capitalization equal to or exceeding 0.10% of the aggregate adjusted market capitalization of the NASDAQ-100 Index<sup>®</sup> at each month end. In the event a company does not meet this criterion for two consecutive month ends, it will be removed from the NASDAQ-100 Index<sup>®</sup> effective after the close of trading on the third Friday of the following month; and
- the issuer of the security may not have annual financial statements with an audit opinion that is currently withdrawn.

These NASDAQ-100 Index<sup>®</sup> eligibility criteria may be revised from time to time by the Nasdaq without regard to the CDs.

#### *Annual Ranking Review*

The NASDAQ-100 Index<sup>®</sup> securities are evaluated on an annual basis, except under extraordinary circumstances which may result in an interim evaluation, as follows (this evaluation is referred to herein as the “Ranking Review”). Securities listed on the Nasdaq Stock Market which meet the applicable eligibility criteria are ranked by market value. NASDAQ-100 Index<sup>®</sup>-eligible securities which are already in the NASDAQ-100 Index<sup>®</sup> and which are ranked in the top 100 eligible securities (based on market capitalization) are retained in the NASDAQ-100 Index<sup>®</sup>. A security that is ranked 101 to 125 is also retained, provided that such security was ranked in the top 100 eligible securities as of the previous Ranking Review. Securities not meeting such criteria are replaced. The replacement securities chosen are those NASDAQ-100 Index<sup>®</sup>-eligible securities not currently in the NASDAQ-100 Index<sup>®</sup> that have the largest market capitalization. The data used in the ranking includes end of

October market data from The NASDAQ Stock Market and is updated for total shares outstanding submitted in a publicly filed SEC document via EDGAR through the end of November.

Generally, the list of annual additions and deletions is publicly announced via a press release in the early part of December. Replacements are made effective after the close of trading on the third Friday in December. Moreover, if at any time during the year a NASDAQ-100 Index<sup>®</sup> security is determined by Nasdaq to become ineligible for continued inclusion in the NASDAQ-100 Index<sup>®</sup>, the security will be replaced with the largest market capitalization security not currently in the NASDAQ-100 Index<sup>®</sup> and meeting the NASDAQ-100 Index<sup>®</sup> eligibility criteria listed above.

### ***Index Maintenance***

In addition to the Ranking Review, the securities in the NASDAQ-100 Index<sup>®</sup> are monitored every day by the Nasdaq with respect to changes in total shares outstanding arising from secondary offerings, stock repurchases, conversions or other corporate actions. The Nasdaq has adopted the following quarterly scheduled weight adjustment procedures with respect to those changes. If the change in total shares outstanding arising from a corporate action is greater than or equal to 5.0%, that change will be made to the NASDAQ-100 Index<sup>®</sup> as soon as practical, normally within ten days of such corporate action. Otherwise, if the change in total shares outstanding is less than 5.0%, then all those changes are accumulated and made effective at one time on a quarterly basis after the close of trading on the third Friday in each of March, June, September and December. In either case, the NASDAQ-100 Index<sup>®</sup> share weights for those underlying stocks are adjusted by the same percentage amount by which the total shares outstanding have changed in those NASDAQ 100<sup>®</sup> Index securities. Ordinarily, whenever there is a change in the NASDAQ-100 Index<sup>®</sup> share weights or a change in a component security included in the NASDAQ-100 Index<sup>®</sup>, or a change to the price of a component security due to spin-off, rights issuances or special cash dividends, Nasdaq adjusts the divisor to ensure that there is no discontinuity in the level of the NASDAQ-100 Index<sup>®</sup> which might otherwise be caused by any of those changes. All changes will be announced in advance and will be reflected in the NASDAQ-100 Index<sup>®</sup> prior to market open on the effective date of such changes.

### ***Rebalancing of the NASDAQ 100 Index<sup>®</sup>***

The NASDAQ-100 Index<sup>®</sup> is calculated under a “modified capitalization-weighted” methodology, which is a hybrid between equal weighting and conventional capitalization weighting. This methodology is expected to: (1) retain in general the economic attributes of capitalization weighting; (2) promote portfolio weight diversification (thereby limiting domination of the NASDAQ-100 Index<sup>®</sup> by a few large stocks); (3) reduce NASDAQ 100<sup>®</sup> Index performance distortion by preserving the capitalization ranking of companies; and (4) reduce market impact on the smallest NASDAQ-100 Index<sup>®</sup> securities from necessary weight rebalancings.

Under the methodology employed, on a quarterly basis coinciding with the Nasdaq’s quarterly scheduled weight adjustment procedures, the NASDAQ-100 Index<sup>®</sup> securities are categorized as either “Large Stocks” or “Small Stocks” depending on whether their current percentage weights (after taking into account scheduled weight adjustments due to stock repurchases, secondary offerings or other corporate actions) are greater than, or less than or equal to, the average percentage weight in the NASDAQ-100 Index<sup>®</sup> (*i.e.*, as a 100-stock index, the average percentage weight in the NASDAQ-100 Index<sup>®</sup> is 1.0%).

This quarterly examination will result in a NASDAQ-100 Index<sup>®</sup> rebalancing if either one or both of the following two weight distribution requirements are not met: (1) the current weight of the single largest market capitalization component security must be less than or equal to 24.0% and (2) the “collective weight” of those component securities whose individual current weights are in excess of 4.5%, when added together, must be less than or equal to 48.0%. In addition, the Nasdaq may conduct a special rebalancing if it is determined necessary to maintain the integrity of the NASDAQ-100 Index<sup>®</sup>.

If either one or both of these weight distribution requirements are not met upon quarterly review, or the Nasdaq determines that a special rebalancing is required, a weight rebalancing will be performed. First, relating to weight distribution requirement (1) above, if the current weight of the single largest Index security exceeds 24.0%, then the weights of all Large Stocks will be scaled down proportionately towards 1.0% by enough for the adjusted weight of the single largest Index security to be set to 20.0%. Second, relating to weight distribution requirement (2) above, for those Index securities whose individual current weights or adjusted weights in accordance with the preceding

step are in excess of 4.5%, if their “collective weight” exceeds 48.0%, then the weights of all Large Stocks will be scaled down proportionately towards 1.0% by just enough for the “collective weight”, so adjusted, to be set to 40.0%.

The aggregate weight reduction among the Large Stocks resulting from either or both of the above rescalings will then be redistributed to the Small Stocks in the following iterative manner. In the first iteration, the weight of the largest Small Stock will be scaled upwards by a factor which sets it equal to the average Index weight of 1.0%. The weights of each of the smaller remaining Small Stocks will be scaled up by the same factor reduced in relation to each stock’s relative ranking among the Small Stocks such that the smaller the Index security in the ranking, the less the scale-up of its weight. This is intended to reduce the market impact of the weight rebalancing on the smallest component securities in the NASDAQ-100 Index<sup>®</sup>.

In the second iteration, the weight of the second largest Small Stock, already adjusted in the first iteration, will be scaled upwards by a factor which sets it equal to the average index weight of 1.0%. The weights of each of the smaller remaining Small Stocks will be scaled up by this same factor reduced in relation to each stock’s relative ranking among the Small Stocks such that, once again, the smaller the stock in the ranking, the less the scale-up of its weight.

Additional iterations will be performed until the accumulated increase in weight among the Small Stocks exactly equals the aggregate weight reduction among the Large Stocks from rebalancing in accordance with weight distribution requirement (1) and/or weight distribution requirement (2).

Then, to complete the rebalancing procedure, once the final percent weights of each of the NASDAQ-100 Index<sup>®</sup> securities are set, the Index share weights will be determined anew based upon the last sale prices and aggregate capitalization of the Index at the close of trading on the Tuesday in the week immediately preceding the week of the third Friday in March, June, September and December. Changes to the Index share weights will be made effective after the close of trading on the third Friday in March, June, September and December and an adjustment to the Index divisor will be made to ensure continuity of the NASDAQ-100 Index<sup>®</sup>.

Ordinarily, new rebalanced weights will be determined by applying the above procedures to the current Index share weights. However, the Nasdaq may from time to time determine rebalanced weights, if necessary, by instead applying the above procedure to the actual current market capitalization of the Index components. In those instances, the Nasdaq would announce the different basis for rebalancing prior to its implementation.

## **License Agreement**

JPMorgan Chase & Co. has entered into a non-exclusive license agreement with Nasdaq providing for the license to it, in exchange for a fee, of the right to use the NASDAQ-100 Index<sup>®</sup> in connection with certain financial products, including the CDs.

The license agreement between Nasdaq and JPMorgan Chase & Co. provides that the following language must be stated in this disclosure statement:

The CDs are not sponsored, endorsed, sold or promoted by, The NASDAQ OMX Group, Inc. or its affiliates (NASDAQ OMX, with its affiliates, are referred to as the “Corporations”). The Corporations have not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to, the CDs. The Corporations make no representation or warranty, express or implied, to the owners of the CDs or any member of the public regarding the advisability of investing in securities generally or in the CDs particularly, or the ability of the NASDAQ-100 Index<sup>®</sup> to track general stock market performance. The Corporations’ only relationship to JPMorgan Chase & Co. and its affiliates is in the licensing of the Nasdaq<sup>®</sup>, NASDAQ OMX<sup>®</sup>, OMX<sup>®</sup> and NASDAQ-100 Index<sup>®</sup> registered trademarks, service marks and certain trade names of the Corporations and the use of the NASDAQ-100 Index<sup>®</sup> which is determined, composed and calculated by NASDAQ OMX without regard to JPMorgan Chase & Co. or the CDs. NASDAQ OMX has no obligation to take the needs of JPMorgan Chase & Co. or the owners of the CDs into consideration in determining, composing or calculating the NASDAQ-100 Index<sup>®</sup>. The Corporations are not responsible for and have not participated in the determination of the timing of, prices at, or quantities of the CDs to be issued or in the determination or calculation of the equation by which the CDs are to be converted into cash. The Corporations have no liability in connection with the administration, marketing or trading

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## THE DOW JONES U.S. SELECT DIVIDEND PRICE RETURN INDEX

We have derived all information contained in this disclosure statement regarding the Dow Jones U.S. Select Dividend Price Return Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Dow Jones. We make no representation or warranty as to the accuracy or completeness of such information.

The Dow Jones U.S. Select Dividend Price Return Index measures the performance of a selected group of equity securities issued by companies that have provided relatively high dividend yields on a consistent basis over time. The Dow Jones U.S. Select Dividend Price Return Index is composed of 100 of the highest dividend-yielding securities (excluding REITs) in the Dow Jones U.S. Total Market Index, a broad-based index representative of the total market for U.S. equity securities. To be included in the Dow Jones U.S. Select Dividend Price Return Index, the securities (i) must have had a positive dividend-per-share growth rate for each of the last five years (*i.e.*, paid higher dividends each year); (ii) must have an average five-year dividend payout ratio of 60% or less; and (iii) must have a minimum three-month average trading volume of 200,000 shares a day. “Dividend payout ratio” reflects the percentage of a company’s earnings paid out as dividends.

The Dow Jones U.S. Select Dividend Price Return Index composition is reviewed annually in December. Selections of included securities are based on indicated annual dividends as of the last trading day in November. Changes to the Dow Jones U.S. Select Dividend Price Return Index are made on the Monday following the third Friday of December.

The composition of the Dow Jones U.S. Select Dividend Price Return Index is determined by ranking the dividend-paying securities of the Dow Jones U.S. Total Market Index in descending order of indicated annual yield. Indicated annual yield is defined as a security’s unadjusted indicated annual dividend (not including any special dividends) divided by its unadjusted price. Any security already a component of the Dow Jones U.S. Select Dividend Price Return Index (a “**DJDUP Component Security**”) with a three-month average daily trading volume of less than 100,000 shares is deemed ineligible for selection in the Dow Jones U.S. Select Dividend Price Return Index. All remaining Component Securities ranked 200 and above remain in the Dow Jones U.S. Select Dividend Price Return Index. Securities that are not Component Securities are added to the Dow Jones U.S. Select Dividend Price Return Index in descending order until there are 100 Component Securities.

A company’s weight in the Dow Jones U.S. Select Dividend Price Return Index is based on its indicated annual dividend. Weighting factors are adjusted in the event of a stock split affecting a DJDUP Component Security to keep the component weights in the Dow Jones U.S. Select Dividend Index constant.

A DJDUP Component Security will be immediately removed from the Dow Jones U.S. Select Dividend Price Return Index, independent of annual review if (i) the company is affected by a corporate action such as a delisting or bankruptcy; (ii) the company eliminates its dividend; or (iii) the company lowers but does not eliminate its dividend, and its new indicated annual yield is less than that of the lowest yielding security on the latest monthly selection list. A DJDUP Component Security that is removed as a result of an extraordinary deletion is immediately replaced by the next highest ranked stock by indicated annual yield as of the most recent annual review. The new security is added to the index at a weight commensurate with its own indicated annual dividend. A DJDUP Component Security that is removed from the Dow Jones U.S. Total Market Index during the course of the year because of a reduction in market capitalization will remain in the Dow Jones U.S. Select Dividend Price Return Index until the next annual review.

The Dow Jones U.S. Select Dividend Price Return Index is a price return index and not a total return index. By contrast, the Dow Jones U.S. Select Dividend Total Return Index is a “total return” index which, in addition to reflecting those returns, also reflects dividends that could be earned on the stocks which comprise the Dow Jones U.S. Select Dividend Price Return Index. Because the CDs are linked, in part, to a “price return” index, the DJDUP Return will not include the “total return” feature of the dividend component of the “total return” index.

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The DJIA was introduced to the investing public by Charles Dow on May 26, 1896 and originally was comprised of only 12 stocks. It has since become one of the most well known and widely followed indicators of the U.S. stock market and is the oldest continuing stock market index in the world. The DJIA is comprised of 30 common stocks chosen by the editors of *The Wall Street Journal* as representative of the broad market of U.S. industry. Many of the companies represented in the DJIA are household names and leaders in their respective industries, and their stocks are widely held by both individual and institutional investors. Because the DJIA is so well known and its performance is generally perceived to reflect that of the overall domestic equity market, it is often used as a benchmark for investments in equities, mutual funds, and other asset classes. The DJIA is reported by Bloomberg L.P. under the ticker symbol “INDU.”

The DJIA is a price-weighted index rather than market capitalization-weighted index. In essence, the DJIA consists of one share of each of the 30 stocks included in the DJIA. Thus, the weightings of the components of the DJIA are affected only by changes in their prices, while the weightings of stocks in other indices are affected by price changes and changes in shares outstanding. This distinction stems from the fact that, when initially created, the DJIA was a simple average (hence the name), and was computed merely by adding up the prices of the stocks in the DJIA and dividing that sum by the total number of stocks in the DJIA. However, it eventually became clear that a method was needed to smooth out the effects of spin-offs, stock splits and composition changes to prevent these events from distorting the level of the DJIA. Therefore, a divisor was created that has been periodically adjusted over time. This divisor, when divided into the sum of the prices of the stocks in the DJIA, generates the number that is reported every day in newspapers, on television and radio, and over the internet. With the incorporation of the divisor, the DJIA can no longer be considered an average. The divisor value of the DJIA as of January 22, 2010 was 0.132319125.

The formula for calculating a divisor change is as follows:

$$D_{t+1} = D_t * \Sigma C^a_t / \Sigma C_t$$

where:

$D_{t+1}$  is the divisor to be effective on trading session t+1

$D_t$  is the divisor on trading session t

$C^a_t$  is the components’ adjusted closing prices for stock dividends, splits, spin-offs and other applicable corporate actions on trading session t

$C_t$  is the components’ closing prices on trading session t

While Dow Jones currently employs the above methodology to calculate the DJIA, no assurance can be given that Dow Jones will not modify or change this methodology in a manner that may affect the performance of the DJIA.

The editors of *The Wall Street Journal*, which is published by Dow Jones, select the components of the DJIA. Periodically, the editors review and make changes to the composition of the DJIA. While there are no rules for component selection, a stock typically is added only if it has an excellent reputation, demonstrates sustained growth, is of interest to a large number of investors and accurately represents the sector(s) covered by the average. The inclusion of any particular company in the DJIA does not constitute a prediction as to the company’s future results of operations or stock market performance. For the sake of continuity, composition changes are rare, and generally have occurred only after corporate acquisitions or other dramatic shifts in a company’s core business. When such an event necessitates that one component be replaced, the entire index is reviewed. As a result, multiple component changes are often implemented simultaneously.



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The Swiss Market Index SMI® contains approximately 85% of the entire free float market capitalization of the Swiss equity market as listed on virt-x and is made up of a maximum of 30 of the largest and most liquid stocks from the Swiss Performance Index Large- and Mid-Cap Segments. As of January 22, 2010, the Swiss Market Index SMI® was composed of 20 stocks. The Swiss Market Index SMI® is primarily available as a nondividend-corrected index (price index), but is also published under the designation SMIC® (SMI® Cum Dividend) as a performance index. The Swiss Market Index SMI®, and not the SMIC®, may be relevant to your CDs. As a price index, the Swiss Market Index SMI® is not adjusted for dividends.

The stocks eligible for inclusion in the Swiss Market Index SMI® is the Swiss Performance Index® (“SPI”), all of which must meet a minimum free float rate of 20%. If a stock falls below this limit and does not reach or exceed it again within three months, it is removed from the SPI. Stocks which are not included in the SPI on free float grounds, are admitted if the minimum free float rate of 20% has been met continuously over a period of three months.

The basic universe for admission to the Swiss Market Index SMI® is the Swiss Performance Index (SPI)®. Further information concerning the SPI® can be found in the SPI® Regulations. For a Swiss Market Index SMI® candidate, the market value must amount to a minimum of 0.45% of the overall Swiss Market Index SMI® capitalization as at 30 June. An additional factor relating to admission of a security to the Swiss Market Index SMI® is the liquidity figure ‘turnover rate’. The on-order-book sales per quarter divided by the free-float market capitalization at the end of the same quarter serves as benchmark for the measurement of the turnover rate. For a Swiss Market Index SMI® candidate, the turnover rate on 30 June and on the three previous quarter-end dates must have amounted to at least 50% of the average turnover rate of the SPI®.

The Swiss Market Index SMI® was introduced on June 30, 1988 at a baseline value of 1500 points. The Swiss Market Index SMI® is calculated in real time and is recalculated every time a new transaction involving a stock in the Swiss Market Index SMI® occurs. It is published on Bloomberg under the ticker “SMI”. Historical data is available from June 30, 1988.

### Stocks included in the Swiss Market Index SMI®

The Swiss Market Index SMI® was composed of the following stocks as of January 22, 2010. The weighting, also as of January 22, 2010, for each such stock is also indicated in the table below.

COMPANY	SECTOR	WEIGHT
NESTLE N	Food	23.75%
NOVARTIS N	Pharmaceuticals	17.76%
ROCHE GS	Pharmaceuticals	16.71%
UBS N	Bank	6.84%
CS GROUP N	Diversified Financial	6.57%
ABB LTD N	Advanced Industrial Equipment	5.76%
ZURICH FINANCIAL N	Insurance	4.30%
SYNGENTA N	Chemicals	3.31%
HOLCIM N	Building Materials	2.61%
RICHEMONT	Textiles & Apparel	2.35%
SWISS RE N	Insurance	2.01%

COMPANY	SECTOR	WEIGHT
SYNTHESES N	Industrial Diversified	1.13%
SWISSCOM N	Fixed Line Communications	1.12%
SWATCH I	Textiles & Apparel	1.12%
SGS N	Industrial Services	0.95%
ADECCO N	Industrial Services	0.94%
JULIUS BAER N	Banks	0.94%
ACTELION N	Fixed Line Communications	0.84%
LONZA N	Pharmaceuticals	0.54%
SWISS LIFE HOLDING N	Insurance	0.47%

### Calculation of the Swiss Market Index SMI®

The Swiss Market Index SMI® is calculated according to the “Laspeyres formula” using a weighted arithmetic mean over a defined selection of securities. The current index level can be calculated by dividing the sum of the market capitalizations of the securities contained in the index by the divisor, as shown by the following formula:

$$I_s = \frac{\sum_{i=1}^M p_{i,s} * x_{i,t} * f_{i,t}}{dt}$$

Where

t – Current date	M – Number of securities in index
s – Current date on day t	pi, s – Last paid price for security I
Is – Current index level	xi, t – Number of shares for security I on day t
dt – Divisor on day t	fi, t – Free float for security I on day t

### SWX Swiss Exchange

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