JPMCCI Ex Front Month Agriculture 10 ER Index

QUESTIONS AND ANSWERS
AND
RISK FACTORS

These Questions and Answers and Risk Factors highlight selected information to help you understand certain information about the JPMCCI Ex Front Month Agriculture 10 ER Index (the **JPMCCI Ex Front Month Agri 10 Index** or **Index**). The description of the Index and Index methodology included in this document is based on the rules (the **Rules**) of the Index and is qualified by the full text of the Rules. The Rules, and not the description in this document, govern the calculation and constitution of the Index and other decisions and actions relating to their maintenance. Copies of the Rules are available from J.P. Morgan Securities Ltd. (**JPMSL**) on request and on the following web-page:

http://www.jpmorgan.com/jpmlovti

Prospective investors in any investment product, the performance of which is linked to the JPMCCI Ex Front Month Agri 10 Index, should: (1) have sufficient knowledge and experience (if necessary, in consultation with the investor's own legal, tax, accountancy, regulatory, investment or other professional advisers) to evaluate the Index and the relevant investment product; and (2) refer to the Rules for a complete description of the Index and Index methodology.

SECTION 1: QUESTIONS AND ANSWERS

What is the JPMCCI Ex Front Month Agriculture 10 ER Index?

The JPMCCI Ex Front Month Agri 10 Index (Bloomberg ticker: *JPMABO10E*) is part of the family of indices in the J.P. Morgan Commodity Target Volatility Index Series (the **JPMorgan Commodity Target Volatility Index Series**) created and maintained by J.P. Morgan Securities Ltd (**J.P. Morgan** or the **Index Calculation Agent**). The JPMCCI Ex Front Month Agri 10 Index aims to provide diversified exposure to the agriculture sector with an added volatility targeting mechanism.

How does the JPMCCI Ex Front Month Agri 10 Index provide exposure to the agriculture sector?

The JPMCCI Ex Front Month Agri 10 Index provides exposure to the agriculture sector by notionally referencing the returns of the J.P. Morgan Commodity Curve Ex Front Month Agriculture Excess Return Index (Bloomberg ticker: *JMCXXAGE*) (the **Underlying Index**). The Underlying Index is an index comprised of agricultural commodity futures. Each agricultural commodity is represented by futures (other than the relevant front month futures contracts in most circumstances) from across the commodity curve with a range of maturities that are weighted according to their "open interest"***.*** Questions and Answers and Risk Factors related to the Underlying Index are set out in the annexed document and highlight selection information to help you understand certain information about the Underlying Index.

The volatility targeting mechanism embedded in the JPMCCI Ex Front Month Agri 10 Index adjusts the level of exposure (**Exposure Level**) to the Underlying Index on monthly rebalancing dates, subject to a maximum and minimum Exposure Level of 100% and 0% respectively.

What is the objective of the volatility targeting mechanism?

The aim of the volatility targeting mechanism is to adjust the Exposure Level to the Underlying Index on monthly rebalancing dates based on the current risk of the Underlying Index (measured by historical realised volatility of the Underlying Index rebalanced on a monthly basis) and a target volatility of 10% (**Target Volatility**). The volatility targeting mechanism does this by reducing the Exposure Level assigned to the Underlying Index on monthly rebalancing dates to a level below 100% where the historical realised volatility of the Underlying Index for such rebalancing date has increased to a level above 10%. See *How is the Exposure Level adjusted on monthly rebalancing dates?* below for further information.

What is volatility and how is the historical volatility of the Underlying Index measured?

Volatility is a measure of the risk associated with an asset over a period of time. Generally, the higher the volatility, the greater the likelihood of movement (up or down) in the price of the underlying asset. Volatility is intended to give an indication of the variability of the returns of the asset over a given period. It is usually quoted in units of percent per year.

Volatility is useful, as financial models and theories generally plot the expected distribution of returns on an asset on the basis of the estimated returns of that asset and the volatility.

One way of measuring volatility, which is the method adopted by the JPMCCI Ex Front Month Agri 10 Index, is to record the historical daily returns of the Underlying Index (both negative and positive). The larger the magnitude of swing between daily returns, the greater the volatility. Although both positive and negative returns are typically observed, volatility is generally perceived as a measure of risk rather than an indicator of potential positive returns.

The historical volatility of the Underlying Index is determined two index business days prior to the relevant rebalancing date (being the first index business day of each month) based on the higher of the historical volatility of the Underlying Index rebalanced on a monthly basis over (i) the previous twenty one (21) index business days (approximately one month) (**Look Back Period 1**) and (ii) the previous 63 index business days (approximately three months) (**Look Back Period 2**) .

How is the Exposure Level adjusted on monthly rebalancing dates?

The Exposure Level for each monthly rebalancing date is determined by dividing the Target Volatility of 10% by the Historical Volatility, subject to maximum and minimum Exposure Levels of 100% and 0% respectively.

The hypothetical worked example in the table below illustrates the rebalancing process in connection with three consecutive months where the historicalal volatility of the Underlying Index for each of the Look Back Periods is as set out below. As can been seen from the table, increases and decreases in the Historical Volatility of the Underlying Index result in decreases and increases to the Exposure Level respectively.

Worked Example:

Month	Historical Volatility for Lookback Period 1 (HV 1)	Historical Volatility for Lookback Period 2 (HV 2)	Historical Volatility for determining Exposure Level (i.e. greater of HV 1 and HV 2)	Exposure Level
Month 1	15%	10%	15%	66.67%
Month 2	8%	5%	8%	100%
Month 3	12%	25%	25%	40%

Where can I obtain further information about the JPMCCI Ex Front Agri 10 Index?

The description of the Index and Index methodology included in this document only highlights selected information, is based on the Rules of the Index and is qualified by the full text of the Rules. Copies of the Rules are available from J.P. Morgan Securities Ltd. (**JPMSL**) on request and on the following web-page:

http://www.jpmorgan.com/jpmlovti

Prospective investors in any investment product, the performance of which is linked to the JPMCCI Ex Front Month Agri 10 Index, should refer to the Rules for further information and a complete description of the Index and Index methodology.

May the Rules be amended?

Yes. JPMSL as calculation agent of an Index may amend or supplement the Rules from time to time and will publish (in a manner determined by JPMSL) any such amendment or supplement within thirty (30) calendar days of such amendment or supplement. JPMSL as calculation agent is not obliged to consider the circumstances of any person or entity when amending and/or supplementing the Rules and any such amendment and/or supplement may have adverse consequences for any person or entity that has exposure to the Index via an investment in any product or transaction linked to the Index.

SECTION 2: RISK FACTORS

The description of the risks that follows is not, and does not purport to be, exhaustive. This section contains risk factors relating to the JPMCCI Ex Front Month Agri 10 Index and not any particular investment product linked to a JPMCCI Ex Front Month Agri 10 Index.

The Index and Underlying Index are comprised of a notional or synthetic portfolio or basket of commodity futures contracts.

The exposure to the Underlying Index is purely notional and synthetic and will exist solely in the records maintained by or on behalf of the Index Calculation Agent. There is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. Consequently, any holder of a security or financial instrument the return on which is linked to the Index will not have any claim against any of the commodity futures contracts comprised in the Underlying Index.

The Target Volatility of the JPMCCI Ex Front Month Agri 10 Index may not be achieved.

The JPMCCI Ex Front Month Agri 10 Index rebalances exposure to the Underlying Index with the aim of targeting a Target Volatility of 10%, subject to the maximum and minimum Exposure Levels of 100% and 0% respectively. Since past historicalal realized volatilities may not be a good estimate of future realised volatility and due to exposure limits imposed via the maximum and minimum Exposure Levels, the actual realized volatility of the JPMCCI Ex Front Month Agri 10 Index may be greater than or less than the Target Volatility of 10%, which may adversely affect the level of the JPMCCI Ex Front Month Agri 10 Index.

The Underlying Index is an excess return index and not a total return index.

The Underlying Index (i.e. the J.P. Morgan Commodity Curve Ex Front Month Agriculture Excess Return Index) is an excess return index. An excess return index reflects the returns that are potentially available through an uncollateralized or unfunded investment in the commodity futures contracts underlying such index. By contrast, a total return index also reflects interest that could be earned on funds committed to the trading of the underlying commodity futures contracts. Therefore the Underlying Index does not (and the JPMCCI Ex Front Month Agri 10 Index will not) reflect the same return that would be obtained from notionally investing directly in the relevant underlying commodity futures contracts or in a total return index related to such underlying commodity futures contracts.

JPMSL may adjust the Index in ways that affect the level of the JPMCCI Ex Front Month Agri 10 Index

JPMSL (as Index Calculation Agent) may amend or supplement the Rules of the JPMCCI Ex Front Month Agri 10 Index. JPMSL as calculation agent is not obliged to consider the circumstances of any person or entity when amending and/or supplementing the Rules and any such amendment and/or supplement may have adverse consequences for any person or entity that has exposure to the Index via an investment in any product or transaction linked to the Index. The Rules also permit the use of discretion by JPMSL in specific instances, such as the right to exclude or substitute the Underlying Index.

Calculation of Index Levels and Adjusted Index Levels

The Index Calculation Agent is also responsible for calculating the Index Level of the Index for each Index Business Day. The Index Calculation Agent will also calculate an Adjusted Index Level in respect of each Index Business Day that is a Disrupted Day (as defined in the Index Rules) in respect of the components of the Underlying Index. Adjusted Index Levels are broadly calculated after the relevant Index Business Day and will generally represent a notional tradable level (i.e. a level based on notional tradable settlement prices of relevant underlying commodity futures contracts).

In the event that the price published by any exchange for a relevant futures contract is subsequently corrected or the level of the Underlying Index is corrected, the Index Calculation Agent may, if it determines in its discretion that it is practicable and the correction is material, correct the level of the Index. The exercise of this discretion will therefore affect the level of the Underlying Index.

The inclusion of the Underlying Index in the Index is not an investment recommendation by JPMSL or any J.P. Morgan entity of the Underlying Index, or any of the commodity futures contracts or other assets underlying the Underlying Index.

The Index may not be successful and may not outperform any alternative strategy that might be employed in respect of the Underlying Index.

The Index follows a rules-based proprietary strategy that operates on the basis of pre-determined rules. Accordingly, you should determine whether those rules are appropriate in light of your individual circumstances and investment objectives. No assurance can be given that the investment strategy or combination of investment strategies on which the Index is based will be successful or that the Index will outperform any alternative strategy that might be employed in respect of the Underlying Index.

The JPMCCI Ex Front Month Agri 10 Index has a limited operating history and may perform in unanticipated ways.

The Rules for the JPMCCI Ex Front Month Agri 10 Index were finalised in October 2010. Therefore, the JPMCCI Ex Front Month Agri 10 Index has a limited operating history. Any back-testing or similar analysis performed by any person in respect of the Index must be considered illustrative only and may be based on estimates or assumptions not used by the index calculation agent when determining the level of the Index. Past performance should not be considered indicative of future performance.

Non-continuation of trading of relevant commodity futures contracts may adversely affect the calculation and publication of the Index.

The publication of the Index Level depends on continued exchange trading of the applicable futures contracts or other assets that are notionally comprised in the Underlying Index and any disturbance or discontinuation of such trading may adversely affect the ability of the Index Calculation Agent to continue with the calculation and publication of the Index Level.

The Underlying Index may be changed in certain extraordinary events.

Following the occurrence of certain extraordinary events with respect to the Underlying Index, the Underlying Index may be replaced by a substitute index or excluded from the Index. Extraordinary events include (without limitation): (i) certain material changes to the Underlying Index; (ii) the Underlying Index Sponsor permanently cancelling the Underlying Index; (iii) the Underlying Index Sponsor failing to calculate the Underlying Index for a continuous period of three index business days; (iv) cancellation or impairment of licences to use any Underlying Index; or (v) certain changes in law and other events that (amongst other consequences) impact the ability of market participants to transact in one or more options or futures contracts on a relevant commodity related to the Underlying Index. You should realize that the exclusion or changing of the Underlying Index may affect the performance of the Index, as the replacement Underlying Index may perform significantly better or worse than the affected Underlying Index.

The sponsor of the Underlying Index may adjust such Underlying Index in a way that affects the level of such Underlying Index.

J.P. Morgan Securities Ltd, as sponsor of the Underlying Index is responsible for calculating and maintaining such Underlying Index. Such sponsor can potentially add, delete or substitute the Underlying Index or make other methodological changes that could change the level of such Underlying Index, pursuant to the rules of the Underlying Index. The changing of the underlying included in such Underlying Index may affect such Underlying Index, as a newly added underlying may perform significantly better or worse than the underlying or underlyings it replaces. Additionally, such sponsor may alter, discontinue or suspend calculation or dissemination of such Underlying Index. Any of these actions could adversely affect the performance of the relevant Index.

The commodity futures contracts underlying the Underlying Index are subject to legal and regulatory regimes that may change in ways that could result in the Index Calculation Agent making changes to the relevant Index or could result in the Index Calculation Agent modifying the rules governing the Index.

Changes to the legal or regulatory regimes applicable to the commodity futures contracts that underlie the Underlying Index may result in the relevant calculation agent of the Underlying Index exercising its discretionary right under the rules governing such Underlying Index to (amongst other things) exclude or substitute any underlying futures contract, which may, in turn, have a negative effect on the level of such Underlying Index and the level of the Index. The exclusion or substitution of futures contracts or commodities as described above could also affect the diversity of the Underlying Index.

In addition, changes to the legal or regulatory regimes applicable to the commodity futures contracts that underlie the Underlying Index, could also result in the Index Calculation Agent modifying the rules governing the Index which could, in turn, have an adverse effect on the performance of the Index.

Potential conflicts of interest

Potential conflicts of interest may exist in the structure and operation of the JPMCCI Ex Front Month Agri 10 Index and the Underlying Index, in the course of the normal business activities of JPMSL or any of its affiliates or subsidiaries, or their respective directors, officers, employees, representatives, delegates or agents.

The Rules of the Index and the rules of the Underlying Index confer on JPMSL in its capacity as calculation agent a degree of discretion in making certain determinations and calculations from time to time. The exercise of such discretion in the making of calculations and determinations may adversely affect the performance of the Index. Without limitation to the generality of the foregoing, JPMSL has discretion in relation to the calculation of the level of the Index in the event of certain market disruption event.

During the course of their normal business, the Index Calculation Agent or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents may enter into or promote, offer or sell transactions or investments (structured or otherwise) linked to the Index or any of its components. In addition, any of the foregoing entities or persons may have, or may have had, interests or positions, or may buy, sell or otherwise trade positions in or relating to the Index or any of its components, or may invest or engage in transactions with other persons, or on behalf of such persons relating to any of these items. Such activity could give rise to a conflict of interest, and such conflict may have an impact, positive or negative, on the level of the Index. Neither the Index Calculation Agent or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents has any duty to consider the circumstances of any person when participating in such transactions or to conduct themselves in a manner that is favourable to anyone with exposure to the Index through any product referencing the Index.

The foregoing list of risk factors is not intended to be exhaustive. All persons should seek such advice as they consider necessary from their professional advisors, legal, tax or otherwise, without reliance on the Index Calculation Agent or any of their affiliates or subsidiaries or any of their respective directors, officers, employees, representatives, delegates or agents.

ANNEX 1: QUESTIONS AND ANSWERS – UNDERLYING INDEX

What is the Underlying Index?

The JPMCCI Ex-Front Month Agriculture Excess Return Index (*Bloomberg Code: JMCXXAGE Index*) (the **Underlying Index**) is an index comprised of agricultural commodity futures. Each agricultural commodity is represented by futures (other than the relevant front month futures contracts in most circumstances) from across the commodity curve with a range of maturities that are weighted according to their "open interest" (see *What does Open Interest mean?* below). The Index is, therefore, intended to be a benchmark that is representative of a diversified long-only investment across the spectrum of available commodity futures from the agricultural sector (other than the relevant front month futures contracts in most circumstances).

What is an Agricultural Commodity Future?

The Underlying Index is comprised of agricultural commodity futures. An agricultural commodity future is an agreement where one person agrees to sell and another agrees to buy a specific quantity of an agricultural commodity at some date in the future at a pre-agreed price. Agricultural commodity futures are exchange-traded contracts. They are traded on numerous exchanges throughout the world however, only agricultural commodity futures listed on a Permitted Exchange are eligible to be included in the Index (see *How is the Composition of the Index Determined?* below). As agricultural commodity futures are traded on an exchange, the terms of the contracts are generally standardised, however, there may be some differences between contracts on different exchanges. In addition, agricultural commodity futures generally mature in specific months so there may, for instance, be a January, March, June and December contract for particular agricultural commodity, for example corn, on more than one exchange. Where this is the case the Index will, generally speaking, only include contracts on corn from the exchange with the greatest open interest.

How do Agricultural Commodity Futures work?

Agricultural commodity futures may be cash-settled or physically-settled.

If an agricultural commodity future is physically-settled then at maturity the seller will deliver the agreed quantity of the relevant agricultural commodity to the buyer and the buyer will pay the seller the pre-agreed price. If the market price of the relevant agricultural commodity at that time is higher than the pre-agreed price then the buyer can sell what it receives and make a profit. If, however, the market price of the relevant agricultural commodity at that time is lower than the pre-agreed price then the seller can buy the relevant quantity of the agricultural commodity at a price that is less than what the buyer must pay and make a profit.

If an agricultural commodity future is cash-settled then the contract is settled by payment from one party to the other. If the market price of the relevant agricultural commodity is higher than the pre-agreed price at maturity then the seller will pay the difference between the market price and the pre-agreed price to the buyer. If, however, the market price of the relevant agricultural commodity is lower than the pre-agreed price at maturity the buyer will pay the difference between the market price and the pre-agreed price to the seller.

Both cash-settled and physically-settled agricultural commodity futures may be included in the Underlying Index. However, if both physically-settled and cash-settled contracts on a particular agricultural commodity are eligible to be included in the Index, the Index will usually only include the contract with the greatest open interest.

All agricultural commodity futures included in the Underlying Index are rolled before maturity into longer dated contracts (see *How are the Agricultural Commodity Futures included in the Underlying Index Rolled?* below).

What is the Agricultural Sector?

Generally speaking, the agricultural sector is that part of the economy dedicated to the production of food, fibres, fuel and other goods from the systematic raising of plants and animals. Futures are not available on all commodities in this sector. As of September 2010, the following agricultural commodities futures are eligible for inclusion in the Underlying Index: corn, soybean, soybean meal, soybean oil, rough rice, wheat, winter wheat, spring wheat, cocoa, coffee, cotton, orange juice, sugar, robusta coffee and white sugar.

What does Open Interest mean?

Open interest represents the total number of outstanding agricultural commodity futures that are held by market participants either at a certain point in time or over a certain period of time. It may be used to approximate the size of the entire agricultural commodity futures market, a segment of it or the market for an individual agricultural commodity futures contract. Agricultural commodity futures comprising the Index are weighted by their open interest (see *How are the components of the Index Weighted?* below).

What does Excess Return mean?

The total return generated by investing in and rolling agricultural commodity futures comes from three sources: (a) changes in the price of agricultural commodity futures (which is known as the "**price return**"), (b) profits and/or losses realised by rolling agricultural commodity futures (which is known as the "**roll return**") and, (c) interest earned on any cash deposited as collateral or margin for the purchase of agricultural commodity futures (which is known as the "**collateral return**"). The Underlying Index is an excess return index which means that it measures the returns accrued from investing in uncollateralized agricultural commodity futures or, in other words, the sum of the price return and the roll return associated with an investment in and the roll of agricultural commodity futures.

What does Commodity Curve mean?

Futures contracts on agricultural commodities are available with a range of maturities. For example, at a given point in time you may be able to buy sugar futures that mature in the following June, September and December. These are called the "**monthly contracts**" on sugar and the one maturing in June is called the "June contract", the one maturing in September is called the "September contract" and so on. The "front month contract" is the contract with an expiration date closest to the relevant current date.

The monthly contracts for an agricultural commodity will each have a different price. A commodity futures curve is a graph that shows the relationship between the price of these monthly contracts and their time to maturity. The curve may slope upwards (which indicates that longer dated contacts are more expensive than shorter dated contracts) or downwards (which indicates that longer dated contracts are cheaper than shorter dated contracts). Generally speaking agricultural commodity futures curves tend to slope upwards because the price of longer dated futures contracts should generally reflect the price of buying the relevant agricultural commodity today plus the costs associated with storing that agricultural commodity until the month in which the contract matures. However, this is not always the case and the curves for agricultural commodity futures may sometimes slope upwards and sometimes slope downwards depending on numerous factors and market conditions, such as the supply and demand for the underlying commodity and global economic conditions. Moreover, the shape of the curve for any particular agricultural commodity may not be uniform and parts of it may slope upwards and parts may slope downwards for similar reasons.

Each agricultural commodity included in the Underlying Index is represented by futures from across the commodity curve for that commodity with a range of maturities (other than the relevant front month futures contracts in most circumstances) that are weighted according to their open interest. The Underlying Index therefore tracks the weighted average price of futures of various maturities (other than the relevant front month futures contracts in most circumstances) for each agricultural commodity represented in the Index. This means the level of the Underlying Index is, generally speaking, less volatile than it would be if it tracked the price of a single contract of short maturity for each agricultural commodity, however, it also means that at any point in time the level of the Underlying Index may be higher or lower than it would be if it tracked the price of a single contract of short maturity for each agricultural commodity.

The shape of the commodity curve for any agricultural commodity will affect the roll return associated with futures on such agricultural commodity and therefore the level of the Underlying Index (see *How are the Agricultural Commodity Futures included in the Underlying Index Rolled?* below).

Why do the Agricultural Commodity Futures included in the Underlying Index need to be Rolled?

All agricultural commodity futures included in the Underlying Index are rolled before maturity into longer dated contracts. They need to be rolled because although the agricultural commodity futures included in the Underlying Index have specific maturities, the Underlying Index itself has an indefinite life. They also need to be rolled because the components of the Underlying Index are weighted by open interest. The weight of each component will be adjusted each month to reflect any changes in the open interest for such component (see *How are the Agricultural Commodity Futures included in the Underlying Index Rolled?* below).

How are the Agricultural Commodity Futures included in the Underlying Index Rolled?

If a monthly contract on an agricultural commodity future you own has a short maturity and you wish to maintain your exposure to that agricultural commodity beyond such maturity you will need to roll your monthly contract before it matures by selling it and using the proceeds to buy a longer dated monthly contract on the same agricultural commodity. Agricultural commodity futures included in the Underlying Index are, in general terms, rolled in the calendar month immediately preceding the month in which they are (a) about to become the front month contract; or (b) if the contract is a front month contract, about to mature. The "front month contract" for an agricultural commodity will only be comprised in the Underlying Index where the exclusion of such front month contract would result in no monthly contracts being comprised in the Underlying Index for the relevant agricultural commodity. An agricultural commodity future will become the "front month contract" after all other contracts with shorter expiration dates have expired.

In addition, because the Underlying Index is weighted by open interest, all monthly contracts included in the Underlying Index are re-weighted on a monthly basis, whether they are close to becoming the front month contract or approaching maturity (as the case may be) or not, to reflect the monthly change in their open interest. The re-weighting is achieved by rolling the monthly contracts included in the Underlying Index into contracts with a different maturity.

Monthly contracts included in the Underlying Index are rolled over a period (the "**roll period**") of ten days at the beginning of the relevant month. Over the roll period the weight of any monthly contract about to become the front month contract or mature (as the case may be) will be progressively reduced in equal increments of 10% to zero and the weight of the replacement monthly contract will be progressively increased in equal increments of 10% until it equals its allocated weight. Similarly, contracts whose weight needs to be reduced or increased to reflect a change in their open interest will have their weight progressively reduced or increased (as the case may be) in equal increments of 10% until their new target weight is achieved.

A profit or loss may be realised by rolling agricultural commodity futures. This profit or loss is known as the roll return. If the relevant portion of the commodity futures curve for a particular agricultural commodity slopes upwards, the roll return will generally be negative because longer dated contracts are more expensive than shorter dated contracts. Conversely, if the relevant portion of the commodity futures curve for a particular agricultural commodity slopes downwards, the roll return will generally be positive because longer dated contracts are cheaper than shorter dated contracts. The roll return generated by rolling agricultural commodity futures included in the Index will have an effect, which may be positive or negative, on the level of the Underlying Index.

If the exchange on which an agricultural commodity monthly contract (including the front month contract, even though such contract may not be comprised in the Underlying Index) is listed does not publish a price for that contract, or it publishes a limit price (which is a price published when there is a limitation to, or suspension in, trading a particular monthly contract) on any day in the roll period, then the portion of the roll that is scheduled to occur with respect to all monthly contracts on the relevant agricultural commodity on that day will be postponed until the relevant exchange publishes a price that is not a limit price across all contracts for the relevant agricultural commodity (the "**next good day**"). The delayed portion of the roll for all monthly contracts on the relevant agricultural commodity will be executed on the next good day together with the portion of the roll for all such contracts originally scheduled to occur on that day. The incremental change in weight for these contracts on such day will, therefore, be larger than 10% of their target weight. This may have an effect, positive or negative, on the level of the Underlying Index.

Although a portion of the roll for the monthly contracts on a particular agricultural commodity may be delayed in the circumstances set out above, the roll period for such contracts will, generally speaking, never be longer than 10 days because the next good day will typically occur within a very short space of time. However, it is possible that the delay could be longer in which case the roll period for the affected monthly contracts may also be longer. In addition, if an exchange does not publish a price for a particular monthly contract or it publishes a limit price on the last scheduled day of the roll period, the roll period for the affected monthly contracts will necessarily be longer than 10 days.

What does it mean that the Underlying Index is replicable?

The Index is said to be replicable because you can, in theory, buy all the agricultural commodity futures that comprise the Underlying Index. The Underlying Index Calculation Agent will publish the components of the Underlying Index together with their corresponding weights on a semi-annual basis, once in November, to announce the components of the Index for the following January to June, and once in May, to announce the components of the Index for the following July to December. The publication will be available free of cost at http://www.jpmorgan.com/jpmcci.

Armed with this information, you can, in theory, replicate the Underlying Index if you want.

So will I get the same return by investing in an investment product linked to the Underlying Index as I would if I bought all the futures that comprise the Underlying Index?

No. Investing directly in the agricultural commodity futures that comprise the Index may generate a very different return (which may be better or worse) from the return you may get by investing in an investment product linked to the Underlying Index for a number of reasons including the following:

1. The Underlying Index is an excess return index. Therefore it only reflects the price return and the roll return generated by a direct investment in agricultural commodity futures. It does not reflect the collateral return that would be generated by a direct fully funded investment in agricultural commodity futures. Nor does it reflect any return you might receive on cash you don't need to post as collateral. To buy some assets, for example shares, you must generally pay the full purchase price upfront. However, futures can generally be purchased by posting a fraction of the purchase price as collateral or margin with your broker. You can therefore, put the cash you don't need to purchase the futures to use elsewhere and you may earn a return on that cash. Any such return is not reflected in the Underlying Index.

2. The level of the Underlying Index does not reflect any of the transaction costs you may have to pay if you invest directly in agricultural commodity futures.

3. The roll return reflected in the level of the Underlying Index is calculated using settlement prices published by the relevant exchanges. However, if you were trading directly in agricultural commodity futures you might realise a different price in respect of any dealing in such futures.

Who determines which Agricultural Commodity Futures are included in the Underlying Index?

Subject to approval from the JPMCCI Supervisory Committee, the Underlying Index Calculation Agent determines which agricultural commodity futures are included in the Underlying Index in accordance with the rules and criteria set out in the Index Rules of the Underlying Index. The Underlying Index Calculation Agent shall present its determinations made in accordance with the Index Rules to the Supervisory Committee. The Supervisory Committee may approve or disapprove any such determinations.

The JPMCCI Supervisory Committee is comprised of voting and non-voting members (see *Who is the JPMCCI Supervisory Committee?* below). Notwithstanding anything to the contrary however, if all of the voting members of the JPMCCI Supervisory Committee have resigned or are otherwise unavailable at the time and date of any meeting duly called by the Index Calculation Agent, the non-voting members, who are not directly involved in the marketing, sale or hedging of any product referencing any of the Index, may make any and all determinations on behalf of the JPMCCI Supervisory Committee and such decisions shall have the same force and effect as decisions made by the voting members of the JPMCCI Supervisory Committee.

Who is the Index Calculation Agent?

The current Index Calculation Agent is J.P. Morgan Securities Ltd. ("**JPMSL**"). Any successor to JPMSL or any other third party appointed by JPMSL may replace JPMSL in the future. The Index Calculation Agent is responsible for determining the composition of the Index and making all other calculations and determinations in relation to the Index in accordance with the Index Rules.

Who is the JPMCCI Supervisory Committee?

The JPMCCI Supervisory Committee is a committee that oversees certain calculations and determinations made by the Underlying Index Calculation Agent.

The JPMCCI Supervisory Committee shall be composed of at most seven (7) voting members and at least one (1) non-voting member and at most seven (7) non-voting members and at least one (1) voting member, each of whom shall be appointed by the Underlying Index Calculation Agent. Each voting member of the JPMCCI Supervisory Committee shall be independent. For these purposes "independent" means that the individual in question is not an employee, director, officer, agent or affiliate of JPMorgan Chase & Co. or any of its affiliates and does not have a personal direct financial interest in the Underlying Index or any product referencing one or more of the Underlying Index for as long as they serve as a voting member of the JPMCCI Supervisory Committee. All voting members of the JPMCCI Supervisory Committee shall be knowledgeable about commodity futures and the commodities markets in general, as determined by the Underlying Index Calculation Agent in a good faith and commercially reasonable manner. The Underlying Index Calculation Agent may from time to time add or remove voting members of the JPMCCI Supervisory Committee; provided that such addition or removal does not coincide with a meeting of the JPMCCI Supervisory Committee or is a result of a particular vote of a specific committee member.

When is the composition of the Underlying Index determined?

The composition of the Underlying Index is determined in two steps. In the first step the Underlying Index Calculation Agent will determine which agricultural commodities should be represented in the Underlying Index. This determination is made on an annual basis in November of each year. The relevant agricultural commodities will be represented in the Underlying Index from the following January for the entire calendar year. In the second step the Underlying Index Calculation Agent will determine which monthly contracts on the relevant agricultural commodities should be included in the Index and assign a weight to each of those monthly contracts. This determination is made on a semi-annual basis, once in November, in respect of each of the following months from January to June, and once in May, in respect of each of the following months from July to December.

Where can I find out what the composition of the Underlying Index is?

The Underlying Index Calculation Agent will publish the components of the Underlying Index together with their corresponding weights on a semi-annual basis, once in November, to announce the components of the Underlying Index for the following January to June, and once in May, to announce the components of the Underlying Index for the following July to December. The publication will be available free of charge throughout the year at http://www.jpmorgan.com/jpmcci.

How is the composition of the Underlying Index determined?

The composition of the Underlying Index is determined in two steps.

The First Step

The first step is to determine which agricultural commodities will be represented in the Underlying Index. This determination occurs once a year in November in respect of the following year. An agricultural commodity may only be represented in the Index if futures on that agricultural commodity meet all of the following criteria:

1. Permitted Exchange: They must be listed on an exchange located in the United States of America or the United Kingdom (or exchanges that satisfy such other criteria that the Underlying Index Calculation Agent may determined from time to time and publish free of charge at http://www.jpmorgan.com/jpmcci).
2. Denominated in USD: They must be denominated in United States Dollars (USD).
3. Sufficient Estimated Market Size: If an agricultural commodity is not already represented in the Index, they must have an Estimated Market Size of at least USD 250 million. If an agricultural commodity is already represented in the Index, their Estimated Market Size must not have fallen below USD 150 million. The estimated market size for an agricultural

commodity is equal to the three year average historical open interest as published monthly by the Futures Industry Association for such agricultural commodity multiplied by the settlement price for the monthly contract on such agricultural commodity with the nearest expiry date at the time the determination is made in November.

4. Adequate Liquidity: They must have adequate liquidity as determined by the Underlying Index Calculation Agent in its discretion by reference to any information it deems relevant, including historical trading volumes and open interest figures.

5. Ineligible Contracts: They must not be a "mini-contract" (as defined by the relevant exchange) or a swap contract, basis contract, spread contract or weather contract (as determined by the Underlying Index Calculation Agent).

6. Sufficient Trading History: They must have been trading for at least 12 months prior to the beginning of the roll period in the following January, unless the Underlying Index Calculation Agent determines, in its discretion, to waive this requirement. The Underlying Index Calculation Agent may (by reference to any information it deems relevant, including historical trading volumes and open interest figures) waive this requirement if it determines that there is sufficient investor interest in futures on a particular agricultural commodity to warrant its inclusion.

7. Sufficient Data: There must be sufficient data available on the relevant agricultural commodity futures, as determined by the Underlying Index Calculation Agent in its discretion, to enable the Underlying Index Calculation Agent to perform its duties in relation to the Underlying Index. The data may be sourced from an independent supplier or be calculated by the Underlying Index Calculation Agent.

Futures on a particular agricultural commodity may trade on more than one exchange. If futures on more than one exchange are eligible to be included in the Index the Index will, generally speaking, only include futures from the exchange with the greatest open interest. However, in that case the Underlying Index Calculation Agent may determine in its discretion to allocate the open interest figures from the futures excluded from the Index to the futures included in the Index. This may change the weight allocated to futures on that agricultural commodity.

The Second Step

The second step is to determine which monthly contracts on the agricultural commodities selected in accordance with the above criteria to include in the Index and assign a weight to such contracts. This determination is made on a semi-annual basis, once in November, in respect of each of the following months from January to June, and once in May, in respect of each of the following months from July to December. As noted below, the front month contract for each relevant agricultural commodity is generally not comprised in the Index except where the exclusion of the front month contract would result in no monthly contracts being comprised in the Index for the relevant agricultural commodity.

For each calendar month and a particular agricultural commodity the Underlying Index Calculation Agent will determine which monthly contracts to include by calculating the average open interest for each monthly contract available in the same month in the previous three years. For example, to determine the monthly contracts on corn to include in the Underlying Index in February 2008 the Underlying Index Calculation Agent will determine the average open interest for each monthly contract available on corn in February 2005, February 2006 and February 2007. Let's assume monthly contracts on corn maturing in March, May, September and December are available in each year and there are no contracts with a maturity beyond December and that the open interest (expressed as a percentage) is distributed as follows:

	February 2005	February 2006	February 2007	Average
Mar Contract	24.3	24.8	25.1	24.73
May Contract	23.7	24.7	22.9	23.77
July Contract	23.9	24.6	23.4	23.97
Sept Contract	25.5	23.6	27.3	25.47
Dec Contract	2.6	2.3	1.3	2.07

	100	100	100	100

The average percentages in the above table represent the preliminary weights to be assigned to the March 2008, May 2008, September 2008 and December 2008 contracts on corn in February 2008. These preliminary results are then filtered to exclude:

1. monthly contracts that will mature or cease being available for trading before the end of the next roll period; and
2. front month contracts (i.e. contracts with an expiration date closest to the relevant current date that is available for trading before the end of the next roll period) except where the exclusion of such front month contract would result in no monthly contracts being comprised in the Index for the relevant agricultural commodity; and
3. monthly contracts with a preliminary weight less than 3%.

If we assume the March 2008 contract matures on March 5th and the roll period in March 2008 ends on March 10th, then this monthly contract will be excluded on the basis that it matures before the end of the next roll period. If this is the case, then the May 2008 contract will also be excluded on the basis that it is the front month contract for such agricultural commodity (being the monthly contract with the closest expiration date that could be traded before the end of the next roll period). In addition, since the December 2008 contract has been assigned a preliminary weight of 2.07% it will be excluded on the basis that its preliminary weight is less than 3%. Therefore, in the above example only the July 2008 and September 2008 contracts on corn will be included in the Underlying Index in February 2008 and their weights will be rescaled to 48.48% and 51.52% respectively.

How are the components of the Underlying Index weighted?

The weights for the monthly contracts on each agricultural commodity included in the Underlying Index are determined in the manner described in *How is the composition of the Underlying Index determined?* above.

How does the composition of the Underlying Index change throughout each year?

Save in exceptional circumstances, the agricultural commodities represented in the Underlying Index will not change more than once a year. However, in certain circumstances the composition of the Underlying Index may change at any time following modification of the Index due to the occurrence of certain events (see *What type of events may cause the* Underlying Index *to be modified or cancelled?*).

Otherwise, the monthly contracts included in the Underlying Index that are (a) about to become the front month contract; or (b) if the contract is a front month contract, about to mature, will be rolled into longer dated contracts before they become the front month contract or mature (as the case may be) (see *How are the Agricultural commodity Futures included in the Index Rolled?* above**).** In addition, because the Underlying Index is weighted by open interest, all monthly contracts included in the Underlying Index are re-weighted on a monthly basis, whether they are close to becoming the front month contract or approaching maturity (as the case may be) or not, to reflect the monthly change in their open interest. The re-weighting is achieved by rolling the monthly contracts included in the Index into contracts with a different maturity.

What type of events may cause the Index to be modified or cancelled?

The occurrence of certain events which affect the ability to use agricultural commodity futures for hedging purposes may lead to the modification or even the cancellation of the Index by the Underlying Index Calculation Agent. These events include (but are not limited to): a change in law which makes it unlawful to hold, acquire or dispose of any agricultural commodity future comprising the Index, a lowering in allowable position limits by a trading facility on a certain agricultural commodity future which causes positions held on such agricultural commodity future to be exceeded, any suspension or limitation imposed on trading agricultural commodity futures or any event that causes trading in any agricultural commodity futures to cease. In the event of such event occurring, the Underlying Index Calculation Agent may choose to modify or even cancel the Index (see *How will the* Underlying Index *be modified or cancelled?*)

How will the Underlying Index be modified or cancelled?

If the Underlying Index Calculation Agent determines that a certain event (see *What type of events may cause* the Underlying Index *to be modified or cancelled?*) has occurred which makes it necessary to modify the Index, the Underlying Index Calculation Agent can do so in one of two ways. The Underlying Index Calculation Agent could either replace an agricultural commodity represented in the Underlying Index with a new replacement agricultural commodity or exclude an agricultural commodity represented in the Underlying Index.

If the Underlying Index Calculation Agent is replacing an agricultural commodity represented in the Index with a new replacement agricultural commodity, the new replacement agricultural commodity (selected by the Underlying Index Calculation Agent) must fulfil the criteria set out in the paragraph entitled "*The First Step" in "How is the composition of the Index determined*" above. The replacement agricultural commodity should also be a natural substitute for the agricultural commodity being replaced. The weight assigned to the replacement agricultural commodity will generally be equal to the weight of the agricultural commodity that it is replacing. However, the Underlying Index Calculation Agent may assign a different weight to replacement agricultural commodity if it determines that it would be appropriate to do so in order to maintain the objective of the Index.

If the Underlying Index Calculation Agent decides to exclude an agricultural commodity represented in the Underlying Index, the Underlying Index Calculation Agent will adjust the weighting of the remaining agricultural commodities comprising the Underlying Index so that the aggregate weight of all such remaining agricultural commodities add up to 100%.

In the event that a replacement and re-weighting (if any) or exclusion and re-weighting (if any) is necessary, the Underlying Index Calculation Agent will announce the methodology by which such actions will be carried out as soon as reasonably practicable at www.jpmorgan.com/jpmcci.

In certain circumstances, the Underlying Index Calculation Agent may decide that the objective of the Underlying Index can no longer be achieved and therefore may decide to cancel the Underlying Index. If this occurs, the Underlying Index Calculation Agent is under no obligation to continue the calculation and publication of the Underlying Index.

Prior to carrying out the actions described above, the Underlying Index Calculation Agent is required to obtain the approval of the JPMCCI Supervisory Committee. All determinations by the Underlying Index Calculation Agent will be done in good faith and in a commercially reasonable manner.

When is the level of the Underlying Index Calculated?

The level of the Underlying Index is determined on each day on which at least half of the exchanges on which the agricultural commodity futures comprising the Underlying Index are listed are scheduled to be open and publish a settlement price for such agricultural commodity futures. The level of the Underlying Index will generally be published free of charge at http://www.jpmorgan.com/jpmcci (or webpages specified on such webpage) by 9 a.m. London time on the following day.

How is the level of the Underlying Index Calculated?

The level of the Underlying Index is calculated using settlement prices published by the relevant exchanges. For those agricultural commodity futures listed on exchanges not scheduled to be open on any day on which the level of the Index is due to be calculated, the last available settlement price published by the relevant exchange will be used to calculate the level of the Index. In addition, if any exchange scheduled to be open on a day on which the level of the Index is due to be published does not actually publish a settlement price on a particular day or publishes a limit price (which is a price published when there is a limitation to, or suspension in, trading a particular agricultural commodity future) for any agricultural commodity future included in the Index, the level of the Underlying Index will nevertheless be calculated using (a) in the absence of an actual settlement price, the last available settlement price published by the relevant exchange and, (b) in the case of a limit price, such limit price.

Where can I find out what the level of the Underlying Index is?

The level of the Underlying Index will be published free of charge at http://www.jpmorgan.com/pages/jpmorgan/investbk/solutions/commodities/solutions/jpmcci by 9 a.m. on the day following the day on which the level was calculated.

Will the level of the Underlying Index be stable?

No. The price of agricultural commodity futures can be volatile and the level of the Underlying Index may therefore vary considerably over time. It may go down as well as up and the past performance of the Underlying Index should not be considered to be an indication of the future performance of the Underlying Index.

What currency is the Underlying Index calculated in?

The Index is denominated in USD.

Does anyone actually purchase the Agricultural commodity Futures that comprise the Underlying Index?

No. The Underlying Index is synthetic and only references the agricultural commodity futures selected in accordance with the Index Rules (attached hereto). Therefore, there is no real portfolio of agricultural commodity futures to which anyone is entitled.

May the Index Rules be amended?

Yes. The Underlying Index Calculation Agent may amend or supplement the Index Rules from time to time and will publish any such amendment or supplement within thirty (30) calendar days of such amendment or supplement. The Underlying Index Calculation Agent is not obliged to consider the circumstances of any person or entity when amending and/or supplementing the Index Rules and any such amendment and/or supplement may have adverse consequences for any person or entity that has exposure to the Underlying Index via an investment in any product or the participation in any transaction linked to the Underlying Index.

ANNEX 2: RISK FACTORS – UNDERLYING INDEX

The description of the risks that follows is not, and does not purport to be, exhaustive. This section contains risk factors relating to the Underlying Index and not any particular investment product linked to a Underlying Index.

The Underlying Index is Synthetic

The Underlying Index is purely synthetic. There is no pool of agricultural commodity futures contracts to which any person is entitled or in which any person has any ownership interest or which serve as collateral for the return on any investment in any product or transaction linked to the Underlying Index or any other product referencing the Index.

Price Return Risk

The Underlying Index is comprised of futures on agricultural commodities. Price movements in agricultural commodity futures can be very volatile, they can change frequently and by large amounts. Prices are influenced by a number of factors including, without limitation, changing supply and demand relationships, the price of the underlying commodity, government policies and programs, political and economic events, changes in applicable interest rates and inflation rates and the emotions of market participants. The price of any one agricultural commodity may also be correlated to some extent with the price of another agricultural commodity, so price movements in one agricultural commodity may also affect the price of another. The commodities market is also subject to temporary trading suspensions, distortions or other disruptions due to various factors, including the lack of liquidity in the market, the participation of speculators and government regulation and intervention. Any of these factors (alone or in combination) may affect the price of the agricultural commodity futures that comprise the Underlying Index and therefore the level of the Underlying Index. Historical prices for agricultural commodity futures should not be considered to be indicative of future prices or the level of the Underlying Index.

Roll Return Risk

The Underlying Index is comprised of agricultural commodity futures with a variety of maturity dates (other than front month futures contracts in most circumstances) selected on the basis of historical open interest. Each month, contracts that are (a) about to become the front month contract or cease to be available for trading (while not being the front month contract); or (b) if the contract is front month contract, about to mature or cease to be available for trading before the end of the next roll period will be rolled into longer dated contracts. In addition, because the Underlying Index is weighted by open-interest, all monthly contracts included in the Underlying Index will be re-weighted on a monthly basis, whether they are approaching maturity or close to becoming the front month contract (as the case may be) or not, to reflect the monthly change in their open interest. The re-weighting is achieved by rolling the monthly contracts included in the Index into contracts with a different maturity. The act of replacing and re-weighting the agricultural commodity futures that comprise the Underlying Index will generate a profit or loss known as the "roll return" that will be reflected in the level of the Underlying Index. This return will be affected by a number of factors including, without limitation, whether the prices of the relevant longer dated contracts are more or less than the prices of the shorter dated contracts. If the prices of the relevant longer dated contracts are greater than the prices of the shorter dated contracts then the roll return will generally be negative. Conversely, if the prices of the relevant longer dated contracts are less than the prices of the shorter dated contracts then the roll return will generally be positive. The prices of agricultural commodity futures can be volatile and the roll return generated by rolling agricultural commodity futures included in the Underlying Index will have an effect, which may therefore be positive or negative, on the level of the Underlying Index.

Diversification

Diversification is generally considered to reduce the amount of risk associated with investment returns. The Underlying Index contains futures on a variety of agricultural commodity futures with different maturities. However there can be no assurance that the Index will be sufficiently diversified at any time to reduce or minimise such risks to any extent.

Excess Return

The total return generated by investing in agricultural commodity futures comes from three sources: (a) changes in the price of the agricultural commodity futures (which is known as the "**price return**"), (b) profits and/or losses realised by rolling the agricultural commodity futures (which is known as the "**roll return**") and, (c) interest earned on any cash deposited as collateral or margin for the purchase of the agricultural commodity futures (which is known as the "**collateral return**").

The Underlying Index is an excess return index which means that it measures the returns accrued from investing in uncollateralized futures or, in other words, the sum of the price return and the roll return associated with an investment in and the roll of agricultural commodity futures. It does not reflect the collateral return that would be generated by a direct investment in agricultural commodity futures. To buy some assets, for example shares, you must generally pay the full purchase price upfront. However, futures can generally be purchased by posting a fraction of the purchase price as collateral or margin with your broker. You can therefore put the cash you don't need to purchase the futures to use elsewhere and you may earn a return on that cash. Any such return is not reflected in the Underlying Index.

Weighting Limitations

The Underlying Index is intended to be a benchmark weighted across the commodity futures curve by open interest (other than front month futures contracts in most circumstances) so that it is representative of the investment opportunities in the agricultural commodity futures market. However, it is impossible to weight by actual open interest because those figures cannot be determined at the time the weightings are calculated. The Underlying Index is therefore weighted using historical average open interest figures, averaged over the previous three years. A three year average was chosen by the Underlying Index Calculation Agent to capture structural and cyclical shifts in liquidity and filter out any short term anomalies. However, there can be no assurance that the historical average open interest figures will resemble the actual open interest for any particular agricultural commodity futures contract and therefore that the Index will reflect the actual investment opportunities in the market.

The level of the Underlying Index

The level of the Underlying Index is determined on each day on which at least half of the exchanges on which the agricultural commodity futures comprising the Index are traded are scheduled to be open and publish a settlement price for such agricultural commodity futures. However, the Index Calculation Agent will still publish the level of the Index even if a settlement price is not available on a given day for a particular futures contract. If a settlement price is not available, the Index Calculation Agent will use the most recently available settlement price to determine the level of the Index. In these circumstances the level of the Index will only approximate the actual performance of the agricultural commodity futures that comprise the Index.

The price of agricultural commodity futures can be volatile and the level of the Index may therefore vary considerably over time. It may go down as well as up and the past performance of the Index should not be considered to be an indication of the future performance of the Index.

Continuity of the Underlying Index

The Underlying Index Calculation Agent is under no obligation to continue the calculation, publication and dissemination of the Underlying Index. Should the Index cease to exist, this may have a negative impact on the return of any investment linked to the Underlying Index.

Amendment to the Index Rules

The JPMorgan Commodity Curve Index Rules (the "**Index Rules**") may be amended from time to time by the Underlying Index Calculation Agent. Any such amendment may have an adverse effect on the level of the Underlying Index.

Underlying Index Calculation Agent Discretion

The Underlying Index Calculation Agent is responsible for determining which agricultural commodity futures are included in the Underlying Index and all other calculations and determinations related thereto. The Underlying Index Calculation Agent may exercise a certain amount of discretion in making these calculations and determinations. The exercise of this discretion may have an adverse impact on the level of the Underlying Index.

For example, in November of each year the Underlying Index Calculation Agent will determine which agricultural commodities will be represented in the Index in the following calendar year by reference to certain criteria. The Underlying Index Calculation Agent is permitted to exercise some discretion with respect to these criteria. For example, a particular agricultural commodity will only be represented in the Underlying Index if futures on that agricultural commodity have sufficient liquidity. Whether futures on a particular agricultural commodity have sufficient liquidity is determined by the Underlying Index Calculation Agent in its discretion without reference to any specific principles or rules. Similarly, an agricultural commodity will only be represented in the Underlying Index if, generally speaking, futures on that agricultural commodity have been trading for at least a year before the date on which they may be included in the Index. However, the Underlying Index Calculation Agent may decide to include an agricultural commodity in the Underlying Index even if it has a shorter trading history if, in its discretion, it determines that the representative nature of the Underlying Index would be compromised if such agricultural commodity were excluded. Moreover, an agricultural commodity will only be represented in the Underlying Index if the Underlying Index Calculation Agent determines that it can obtain sufficient data on futures on such agricultural commodity. The Underlying Index Calculation Agent will make this determination in its discretion without reference to any specific principles or rules. All of these determinations will have an impact on the composition of the Underlying Index and therefore on the level of the Underlying Index. This impact may be positive or negative.

The Underlying Index Calculation Agent may exercise discretion in other determinations bearing on the composition of the Underlying Index too. For example, futures on a particular agricultural commodity, say corn, may trade on more than one exchange. If the Underlying Index Calculation Agent determines, in its discretion, that the terms and conditions of both contracts are sufficiently similar and they are both eligible to be included in the Underlying Index, the Underlying Index Calculation Agent will, generally speaking, only include the contracts from the exchange with the greatest open interest, but the Index Rules do not preclude both contracts being included. Moreover, if the Index Calculation Agent determines that the contracts are sufficiently similar, it may decide, in its discretion, to allocate the open interest figures for the contracts excluded from the Underlying Index to the contracts included in the Underlying Index thereby increasing the weight allocated to the contracts included in the Underlying Index. Although the Underlying Index Calculation Agent will make this determination with the intention of improving the representative nature of the Index, the exercise of such discretion may have a negative impact on the level of the Underlying Index.

The Underlying Index Calculation Agent is also responsible for calculating and publishing the level of the Underlying Index. The level of the Underlying Index will reflect the prices of the agricultural commodity futures included in the Index. In the event that the price published by any exchange for a particular futures contract is subsequently corrected, the Underlying Index Calculation Agent may, if it determines in its discretion that it is practicable and the correction is material, correct the level of the Underlying Index in respect of the relevant days to reflect the price correction. A correction will only be made if the Underlying Index Calculation Agent determines, in its discretion, that the price correction is material and it is practicable to make the correction to the level of the Underlying Index. The exercise of this discretion will therefore affect the level of the Underlying Index.

The foregoing is not meant to be an exhaustive list of the discretion that the Underlying Index Calculation Agent may exercise in relation to the Underlying Index. It is only meant to illustrate some of the areas in which the Underlying Index Calculation Agent may exercise discretion and provide an indication of how the exercise of such discretion may impact the level of the Underlying Index. Investors in any investment product linked to the Underlying Index should refer to the Index Rules and read them carefully to ensure they understand when and how the Underlying Index Calculation Agent may exercise discretion in relation to the Underlying Index.

Potential Conflicts of Interest

Potential conflicts of interest may exist in the structure and operation of the Underlying Index and the course of normal business activities for the Underlying Index Calculation Agent or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents of their normal business activities.

During the course of their normal business, the Underlying Index Calculation Agent or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents may enter into or promote, offer or sell transactions or investments (structured or otherwise) linked to the Underlying Index or any of its components. In addition, any of the foregoing entities or persons may have, or may have had, interests or positions, or may buy, sell or otherwise trade positions in or relating to the Underlying Index or any of its components, or may invest or engage in transactions with other persons, or on behalf of such persons relating to any of these items. Such activity could give rise to a conflict of interest, and such conflict may have an impact, positive or negative, on the level of the Underlying Index. Neither the Underlying Index Calculation Agent or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents has any duty to consider the circumstances of any person when participating in such transactions or to conduct themselves in a manner that is favourable to anyone with exposure to the Underlying Index through any product referencing the Index.

The foregoing list of risk factors is not intended to be exhaustive. All persons should seek such advice as they consider necessary from their professional advisors, legal, tax or otherwise, without reliance on the Underlying Index Calculation Agent or any of their affiliates or subsidiaries or any of their respective directors, officers, employees, representatives, delegates or agents.