J.P.Morgan

JMCXAGER & JMCXAGTR Q&A AND RISK FACTORS

JPMorgan Commodity Curve Agriculture Excess Return Index and the JPMorgan Commodity Curve Agriculture Total Return Index

IMPORTANT NOTICE

THESE QUESTIONS AND ANSWERS AND RISK FACTORS HIGHLIGHT SELECTED INFORMATION TO HELP YOU UNDERSTAND CERTAIN INFORMATION ABOUT THE JPMORGAN COMMODITY CURVE AGRICULTURE EXCESS RETURN INDEX AND THE JPMORGAN COMMODITY CURVE AGRICULTURE TOTAL RETURN INDEX (EACH SUCH INDEX A **JPMCCI AGRI INDEX** OR **INDEX**). THE DESCRIPTION OF EACH INDEX AND THE INDEX METHODOLOGY INCLUDED IN THIS DOCUMENT IS BASED ON THE RULES (THE **RULES**) OF EACH 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 EACH INDEX AND OTHER DECISIONS AND ACTIONS RELATING TO THEIR MAINTENANCE. COPIES OF THE RULES ARE AVAILABLE ON THE FOLLOWING WEB-PAGE:

HTTP://WWW.JPMORGAN.COM/JPMCCI

PROSPECTIVE INVESTORS IN ANY INVESTMENT PRODUCT, THE PERFORMANCE OF WHICH IS LINKED TO EITHER JPMCCI AGRI 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 SUCH INDEX AND THE RELEVANT INVESTMENT PRODUCT; AND (2) REFER TO THE RULES FOR A COMPLETE DESCRIPTION OF EACH INDEX AND INDEX METHODOLOGY.

SECTION 1: QUESTIONS AND ANSWERS

What is the JPMorgan Commodity Curve Agriculture Excess Return Index and the JPMorgan Commodity Curve Agriculture Total Return Index?

The JPMorgan Commodity Curve Agriculture Excess Return Index (Bloomberg Code: JMCXAGER Index) and the JPMorgan Commodity Curve Agriculture Total Return Index (each an **Index** and together the **Indices**) are indices comprised of agricultural commodity futures. Each agricultural commodity is represented by futures 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 Indices are, therefore, intended to be benchmarks that are representative of a long-only investment across the spectrum of available commodity futures from the agricultural sector.

What is an Agricultural Commodity Future?

Each JPMCCI Agri 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 Indices (see How is the Composition of the Indices Determined? below). As agricultural commodity futures are traded on an exchange, the terms of the contracts are generally standardised, although there may be some differences between contracts traded 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 relevant 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 Indices. However, if both physically-settled and cash-settled contracts on a particular agricultural commodity are eligible to be included in the relevant Index, such Index will usually only include the contract with the greatest open interest.

All agricultural commodity futures included in each JPMCCI Agri Index are rolled before maturity into longer dated contracts (see How are the Agricultural Commodity Futures included in the JPMCCI Agri 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 JPMCCI Agri 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 Indices are weighted by their open interest (see How are the components of the Indices Weighted? below).

What do Excess Return and Total 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**"). An excess return index 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. A total return index measures the returns accrued from investing in

collateralized commodity futures or, in other words, the sum of the price return, the roll return and the collateral return associated with an investment in and the roll of commodity futures. The JPMorgan Commodity Curve Agriculture Total Return Index assumes the collateral return is based on the 91-day auction high rate for U.S. Treasury Bills.

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 contracts 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 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.

The agricultural commodities included in each Index are represented by futures from across the relevant commodity curve with a range of maturities that are weighted according to their open interest. Each Index therefore tracks the weighted average price of futures of various maturities for each agricultural commodity included in such Index. This means the level of each 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 each 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 relevant Index (see *How are the Agricultural Commodity Futures included in each Index Rolled?* below).

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

All agricultural commodity futures included in the Indices are rolled before maturity into longer dated contracts. They need to be rolled because although the agricultural commodity futures included in the Indices have specific maturities, the Indices themselves have an indefinite life. They also need to be rolled because the components of the Indices 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 each Index Rolled?* below).

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

If a monthly contract on an agricultural commodity future you own is about to mature and you wish to maintain your exposure to that agricultural commodity 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 Indices are, generally, rolled in the calendar month immediately preceding the month in which they are about to mature.

In addition, because each Index is weighted by open interest, all monthly contracts included in the relevant Index are re-weighted on a monthly basis, whether they are approaching maturity or not, to reflect the monthly change in their open interest. The re-weighting is achieved by rolling the monthly contracts included in the relevant Index into contracts with a different maturity.
Monthly contracts included in the each 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 mature 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 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 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 Indices will have an effect, which may be positive or negative, on the level of the Indices.

If the exchange on which an agricultural commodity monthly contract 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 relevant 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.

Who determines which Commodity Futures are included in each Index?

Each Index is said to be replicable because you can, in theory, buy all the agricultural commodity futures that comprise the Index, and in the case of the Total Return index also invest in Treasury Bills to generate the collateral return. The Index Calculation Agent will publish the components of the Indices together with their corresponding weights on a semi-annual basis, once before the end of the calendar year, to announce the components of the Indices for the following January to June, and once before the end of June, to announce the components of the Indices 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 Indices if you want.

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

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

1. In the case of the excess return index, such Index 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 Index. If the Index is a total return index, the level of the Index does not represent the return you would get from investing directly in the relevant commodity futures. The Index assumes the commodity futures positions reflected in the Index are fully collateralised and earn interest at a rate based on the 91-day auction high rate for U.S. Treasury Bills. However, commodity 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. This return may well be different from the rate of return assumed by the Index for the purposes of calculating the collateral return.

2. The level of each Index does not reflect any of the transaction costs or fees you may have to pay if you invest directly in agricultural commodity futures. The issuer of a product linked to the Indices or any distributor thereof may, however, charge you different fees.

3. The roll return reflected in the level of the Indices 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.

4. The payout at maturity of a product linked to an Index may be structured. Accordingly the amount paid on maturity of the product may not be reflective of the increase or decrease in value of such Index. You must refer to the terms and conditions of such product for more information.

5. The return of a product linked to an Index may be affected by the creditworthiness of the issuer. If the issuer defaults, you may lose money. In contrast, your return from a direct investment in commodity futures may be affected by the creditworthiness of the relevant exchange and the value of any collateral posted in relation to those contracts.

Who determines which Agricultural Commodity Futures are included in each Index?

Subject to approval from the JPMCCI Supervisory Committee, the Index Calculation Agent determines which agricultural commodity futures are included in the Indices in accordance with the rules and criteria set out in the Rules. The Index Calculation Agent shall present its determinations made in accordance

with the Rules to the Supervisory Committee. The Supervisory Committee may approve or disapprove any such determinations and the ultimate decision regarding any calculation or determination relating to the Indices rests therefore solely with the Supervisory Committee. For further information in relation to the Supervisory Committee (see *Who is the JPMCCI Supervisory Committee?* below).

Who is the Index Calculation Agent?

The Index Calculation Agent is the Global Index Research Group, a division of JPMorgan Chase Bank, N.A. ("**GIRG**"). Any successor to GIRG or any other third party appointed by the Index Sponsor may replace GIRG in the future. The Index Calculation Agent is appointed by the Index Sponsor to calculate and determine the Indices in accordance with the Rules. The Index Calculation Agent is under no obligation to continue the calculation, publication and dissemination of the Indices.

Who is the Index Sponsor?

The Index Sponsor is J.P. Morgan Securities Ltd. ("JPMSL"). The Index Sponsor will maintain all ownership rights with respect to the Indices, including the ability to license, sell or transfer any or all of its ownership rights with respect to the Indices. The Index Sponsor appoints the Index Calculation Agent to calculate and maintain the Indices.

Who is the JPMCCI Supervisory Committee?

The JPMCCI Supervisory Committee is a committee that oversees the calculations and determinations made by the Index Calculation Agent. All calculations and determinations made by the Index Calculation Agent in respect of the Indices are subject to review and approval by the JPMCCI Supervisory Committee.

The JPMCCI Supervisory Committee shall be composed of at least three (3) voting members, each of whom shall be appointed by the 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 either (a) an employee of the Global Index Research Group (such person, a "GIRG Member"), a "walled off", non-broker dealer entity within JPMorgan Chase Bank, National Association or (b) not an employee, director, officer, agent or affiliate of JPMorgan Chase & Co. or any of its affiliates (such person, a "Third Party Unaffiliated Member") and does not have a personal direct financial interest in the Indices or any product directly referencing one or more of the Indices for as long as they serve as a voting member of the JPMCCI Supervisory Committee. The JPMCCI Supervisory Committee must have at all times at least two Third Party Unaffiliated Members and at least one GIRG Member. Each decision made by the JPMCCI Supervisory Committee must be approved by at least one Third Party Unaffiliated Member to be effective. All voting members of the JPMCCI Supervisory Committee shall be knowledgeable about commodity futures and the commodities markets in general, as determined by the Index Calculation Agent in a good faith and commercially reasonable manner. The Index Calculation Agent may from time to time add

or remove voting members of the JPMCCI Supervisory Committee; provided that such addition or removal is a result of a particular vote of a specific committee member.

Does the Index Calculation Agent have discretion?

Yes. Subject to approval from the JPMCCI Supervisory Committee, the Index Calculation Agent is responsible for determining which agricultural commodity futures are included in the Indices and all other calculations and determinations related thereto. The 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 Indices.

For example, in November of each year the Index Calculation Agent will determine which agricultural commodities will be represented in the Indices in the following calendar year by reference to certain criteria. The 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 an Index if futures on that agricultural commodity have sufficient liquidity. Whether futures on a particular agricultural commodity have sufficient liquidity is determined by the Index Calculation Agent in its discretion without reference to any specific principles or rules. Similarly, an agricultural commodity will only be represented in an 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 such Index. However, the Index Calculation Agent may decide to include an agricultural commodity in an Index even if it has a shorter trading history if, in its discretion, it determines that the representative nature of such Index would be compromised if such agricultural commodity were excluded. Moreover, an agricultural commodity will only be represented in an Index if the Index Calculation Agent determines that it can obtain sufficient data on futures on such agricultural commodity. The 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 Indices and therefore on the level of the Indices. This impact may be positive or negative.

The Index Calculation Agent may exercise discretion in other determinations bearing on the composition of the Indices too. For example, futures on a particular agricultural commodity, say corn, may trade on more than one exchange. If the 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 an Index, the Index Calculation Agent will, generally speaking, only include the contracts from the exchange with the greatest open interest, but the Rules (available at www.jpmorgan.com/jpmcci) 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 relevant Index to the contracts included in the relevant Index thereby increasing the weight allocated to the contracts included in the relevant Index. Although the Index Calculation Agent will make this determination with the intention of improving the representative nature of the relevant Index, the exercise of such discretion may have a negative impact on the level of the relevant Index.

The Index Calculation Agent is also responsible for calculating and publishing the level of the Indices. The level of each Index will reflect the prices of the commodity futures included in such Index. In the event that the price published by any exchange for a particular futures contract is subsequently 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 relevant Index in respect of the relevant days to reflect the price correction. A correction will only be made if the 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 relevant Index. The exercise of this discretion will therefore affect the level of the relevant Index.

The foregoing is not meant to be an exhaustive list of the discretion that the Index Calculation Agent may exercise in relation to the Indices. It is only meant to illustrate some of the areas in which the Index Calculation Agent may exercise discretion and provide an indication of how the exercise of such discretion may impact the level of the Indices. Investors should refer to the Rules (available at www.jpmorgan.com/jpmcci) and read them carefully to ensure they understand when and how the Index Calculation Agent may exercise discretion in relation to the Indices.

All calculations and determinations made by the Index Calculation Agent in relation to the composition of the Indices are subject to review and approval by the JPMCCI Supervisory Committee (see *Who is the JPMCCI Supervisory Committee?* for more information).

Are there conflicts of interest?

Potential conflicts of interest may exist in the structure and operation of the Indices and the course of normal business activities for the 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 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 Indices or any of their 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 Indices or any of their 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 Indices. Neither the Index Calculation Agent nor 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 Indices.

When is the composition of the Indices determined?

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

Where can I find out what the composition of the Indices is?

The Index Calculation Agent will publish the components of each Index together with their corresponding weights on a semi-annual basis, once before the end of the calendar year, to announce the components of the Indices for the following January to June, and once before the end of June, to announce the components of the Indices 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 each Index determined?

The composition of the JPMCCI Agri Index is determined in two steps.

The First Step

The first step is to determine which agricultural commodities will be represented in each of the Indices. This determination occurs once a year in November in respect of the following year. An agricultural commodity may only be represented in an 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 Index Calculation Agent may determine 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 relevant Index, they must have an Estimated Market Size of at

least USD 250 million. If an agricultural commodity is already represented in the relevant 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 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 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 Index Calculation Agent determines, in its discretion, to waive this requirement. The 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 Index Calculation Agent in its discretion, to enable the Index Calculation Agent to perform its duties in relation to the Index. The data may be sourced from an independent supplier or be calculated by the 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 an Index such Index will, generally speaking, only include futures from the exchange with the greatest open interest. However, in that case the 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 relevant 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 each Index and assign a weight to such contracts. This determination is made on a semi-annual basis, once in November, in respect of the following January to June, and once in May, in respect of the following July to December.

For each calendar month and a particular agricultural commodity the 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 an Index in February 2008 the 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. monthly contracts with a preliminary weight of 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. 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 May 2008, July 2008 and September 2008 contracts on corn will be included in the JPMCCI Agri Index in February 2008 and their weights will be rescaled to32.46%, 32.74% and 34.79% respectively.

How are the components of the Indices weighted?

The weights for the monthly contracts on each agricultural commodity included in the Indices are determined in the manner described in How is the composition of the Indices determined? above. Each Index is intended to be a benchmark weighted across the relevant commodity curve by open interest so that it is representative of the investment opportunities in the relevant 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. Each Index is therefore weighted using historical average open interest figures, averaged over the previous three years. A three year average was chosen by the 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 commodity futures contract and therefore that the Indices will reflect the actual investment opportunities in the market.

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

Save in exceptional circumstances, the agricultural commodities represented in the Indices will not change more than once a year. However, in certain circumstances the composition of an 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 each Index to be modified or cancelled?).

Otherwise, the monthly contracts included in the JPMCCI Agri Index that are 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 Indices are weighted by open interest, all monthly contracts included in the Indices are re-weighted on a monthly basis, whether they are approaching maturity or not, to reflect the monthly change in their open interest. The re-weighting is achieved by rolling the monthly contracts included in the Indices into contracts with a different maturity.

What type of events may cause each 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 an Index by the 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 an 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 Index Calculation Agent may choose to modify or even cancel the Index (see How will the each Index be modified or cancelled?)

How will each Index be modified or cancelled?

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

agricultural commodity represented in the Index with a new replacement agricultural commodity future or exclude an agricultural commodity future represented in the Index.

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

If the Index Calculation Agent decides to exclude an agricultural commodity future represented in an Index, the Index Calculation Agent will adjust the weighting of the remaining agricultural commodities comprising the Index so that the aggregate weight of all such remaining futures 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 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 Index Calculation Agent may decide that the objective of the relevant Index can no longer be achieved and therefore may decide to cancel the Index. If this occurs, the Index Calculation Agent is under no obligation to continue the calculation and publication of the Index.

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

When is the level of each Index Calculated?

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

How is the level of each Index Calculated?

The level of each 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 an Index is due to

be calculated, the last available settlement price published by the relevant exchange will be used to calculate the level of such Index. In addition, if any exchange scheduled to be open on a day on which the level of an 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 such Index, the level of such 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. The price of agricultural commodity futures can be volatile and the level of the Indices may therefore vary considerably over time. It may go down as well as up and the past performance of the Indices should not be considered to be an indication of the future performance of the Indices.

What currency are the Indices calculated in?

The Index is denominated in USD.

Does anyone actually purchase the Agricultural Commodity Futures that comprise the Indices?

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

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

The level of the Index will be published free of charge at http://www.jpmorgan.com/jpmcci generally by 9 a.m. London time on the day following the day on which the level was calculated.

May the Rules be amended?

Yes. The Index Calculation Agent may amend or supplement the Rules from time to time in its discretion and will promptly publish any such amendment or supplement within thirty (30) calendar days of such amendment or supplement. The Index 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 Indices via an investment in any product or the participation in any transaction linked to the Indices.

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 Indices and not any particular investment product linked to an Index.

Each Index is Synthetic

Each 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 relevant Index or any other product referencing the Indices.

Price Return Risk

Each 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 markets are also subject to temporary trading suspensions, distortions or other disruptions due to various factors, including the lack of liquidity in the markets, 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 Indices and therefore the level of the Indices and the payout on any product referencing the Indices. Historical prices for agricultural commodity futures should not be considered to be indicative of future prices, the level of either Index or the amount that may be due under a product referencing an Index.

Roll Return Risk

Each Index is comprised of agricultural commodity futures with a variety of maturity dates selected on the basis of historical open interest. Each month, contracts that are 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 Indices are weighted by open-interest, all monthly contracts included in the Indices will be re-weighted on a monthly basis, whether they are approaching maturity or not, to reflect the monthly change in their open interest. The re-weighting is achieved by rolling the monthly contracts included in Indices into contracts with a different maturity. The act of replacing and re-weighting the agricultural commodity futures that comprise the Index will generate a profit or loss known as the “roll return” that will be reflected in the level of the Indices. 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 Index will have an effect, which may therefore be positive or negative, on the level of the Index.

Diversification

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

Excess or Total 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 excess return index 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 Index.

The total return index measures the returns accrued from investing in collateralized futures or, in other words, the sum of the price return, the roll return and the collateral return associated with an investment in and the roll of commodity futures. The Index assumes that the collateral return is based on the 91-day auction high rate for U.S. Treasury Bills. This may not be the same return you would get if you were investing directly in commodity futures.

Weighting Limitations

Each Index is intended to be a benchmark weighted across the relevant commodity futures curve by open interest 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. Each Index is therefore weighted using historical average open interest figures, averaged over the previous three years. A three year average was chosen by the 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 Indices will reflect the actual investment opportunities in the market.

The level of each Index

The level of each Index is determined on each day on which at least half of the exchanges on which the agricultural commodity futures comprising the relevant Index are listed 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 such 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 such Index. In these circumstances the level of the Index will only approximate the actual performance of the agricultural commodity futures that comprise the relevant Index.

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

Continuity of the Indices

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

Index Modification or Cancellation

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 an Index by the 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 commodity future comprising an Index, a lowering in allowable position limits by a trading facility on a certain commodity future which causes positions held on such commodity future to be exceeded, any suspension or limitation imposed on trading commodity futures or any event that causes trading in any commodity futures to cease. In the event of such occurring, the Index Calculation Agent may choose to modify the Index by either replacing an agricultural commodity future included in the Index with another commodity future or excluding an agricultural commodity future included in the Index. A replacement or exclusion of an

agricultural commodity future may adversely affect the level of the Index and consequently, the value of any product linked to the Indices. In certain circumstances, the Index Calculation Agent may also decide that it is necessary to cancel the Index.

Amendment to the Rules

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

Index Calculation Agent Discretion

Subject to approval from the JPMCCI Supervisory Committee, the Index Calculation Agent is responsible for determining which agricultural commodity futures are included in the Indices and all other calculations and determinations related thereto. The 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 Indices and therefore on the return on any product linked to the Indices.

For example, in November of each year the Index Calculation Agent will determine which agricultural commodities will be represented in the Indices in the following calendar year by reference to certain criteria. The 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 an Index if futures on that agricultural commodity have sufficient liquidity. Whether futures on a particular agricultural commodity have sufficient liquidity is determined by the Index Calculation Agent in its discretion without reference to any specific principles or rules. Similarly, an agricultural commodity will only be represented in an 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 such Index. However, the Index Calculation Agent may decide to include an agricultural commodity in an Index even if it has a shorter trading history if, in its discretion, it determines that the representative nature of such Index would be compromised if such agricultural commodity were excluded. Moreover, an agricultural commodity will only be represented in an Index if the Index Calculation Agent determines that it can obtain sufficient data on futures on such agricultural commodity. The 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 Indices and therefore on the level of the Indices and the return on any products linked to the Indices. This impact may be positive or negative.

The Index Calculation Agent may exercise discretion in other determinations bearing on the composition of the Indices too. For example, futures on a particular agricultural commodity, say corn, may trade on more than one exchange. If the 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 an Index, the Index Calculation Agent will, generally speaking, only include the contracts from the exchange with the greatest open interest, but the 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 relevant Index to the contracts included in the relevant Index thereby increasing the weight allocated to the contracts included in the relevant Index. Although the 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 relevant Index and therefore on the return of any products linked to the Indices.

The Index Calculation Agent is also responsible for calculating and publishing the level of the Indices. The level of each Index will reflect the prices of the agricultural commodity futures included in such Index. In the event that the price published by any exchange for a particular futures contract is subsequently 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 relevant Index in respect of the relevant days to reflect the price correction. A correction will only be made if the 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 relevant Index. The exercise of this discretion will therefore affect the level of the relevant Index.

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

All calculations and determinations made by the Index Calculation Agent in relation to the composition of the Indices are subject to review and approval by the JPMCCI Supervisory Committee that will, except in exceptional circumstances, always be composed of at least three (3) voting members, each of whom shall be appointed by the 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 either (a) an employee of the Global Index Research Group (such person, a “GIRG Member”), a “walled off”, non-broker dealer entity within JPMorgan Chase Bank, National Association or (b) not an employee, director, officer, agent or affiliate of JPMorgan Chase & Co. or any of its affiliates (such person, a “Third

Party Unaffiliated Member") and does not have a personal direct financial interest in the Indices or any product directly referencing one or more of the Indices for as long as they serve as a voting member of the JPMCCI Supervisory Committee. The JPMCCI Supervisory Committee must have at all times at least two Third Party Unaffiliated Members and at least one GIRG Member. Each decision made by the JPMCCI Supervisory Committee must be approved by at least one Third Party Unaffiliated Member to be effective. All voting members of the JPMCCI Supervisory Committee shall be knowledgeable about commodity futures and the commodities markets in general, as determined by the Index Calculation Agent in a good faith and commercially reasonable manner. The Index Calculation Agent may from time to time add or remove voting members of the JPMCCI Supervisory Committee; provided that such addition or removal is a result of a particular vote of a specific committee member.

Potential Conflicts of Interest

Potential conflicts of interest may exist in the structure and operation of the Indices and the course of normal business activities for the 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 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 Indices or any of their 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 Indices or any of their 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 Indices. Neither the Index Calculation Agent nor 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 Indices through any product referencing the Indices.

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.