

THE J.P. MORGAN INDIAN EQUITY FUTURES TRACKER —
RULES

STRICTLY PRIVATE AND CONFIDENTIAL

The Tracker Rules set out below constitute proprietary confidential information of J.P. Morgan and each person agrees not to disclose such information to any third party without J.P. Morgan's express prior written consent.

Date: 26 March 2010

Table of contents

1. Introduction	1
2. General Notes on the Futures Tracker	2
3. Calculation Agent.....	3
4. The Futures Contracts.....	4
4.1 The SGX CNX Nifty Index Future	4
4.2 The Spread Futures Contract	4
5. Composition of the Futures Tracker	5
6. Futures Tracker Rebalancing.....	6
7. Futures Tracker Level.....	7
8. Market Disruption Events.....	9
8.1 Impact on rebalancings on any Tracker Rolling Date	9
8.2 Impact on Tracker Level on a Tracker Business Day (including the Tracker Rolling Dates)	9
9. Extraordinary events	10
9.1 Successor Futures Contract	10
9.2 Alteration of Futures Contracts	10
9.3 Material Change	10
9.4 Cancellation of rights; loss of index licence	11
10. Corrections	12
11. Responsibility.....	13
11.1 Standard of care; ambiguities; limitation of liability; determinations	13
11.2 Governing law	13
12. Miscellaneous.....	14

1. Introduction

This document comprises the rules (the “**Rules**”) of the J.P. Morgan Indian Equity Futures Tracker (the “**Futures Tracker**”). The Rules may be amended from time to time at the discretion of J.P. Morgan Securities Ltd. (“**JPMSL**”) in its capacity as Calculation Agent. The Rules will be re-published no later than one calendar month following amendment to reflect any such changes. Copies of the current Rules are available from JPMSL upon request.

The Rules are published by J.P. Morgan Securities (Asia Pacific) Limited (“**JPMSAPL**”) of 25/F, Chater House, 8 Connaught Road Central, Hong Kong in its capacity as INDEX Calculation Agent.

ALL PERSONS READING THIS DOCUMENT SHOULD REFER TO THE RISK FACTORS, DISCLAIMERS AND CONFLICTS SECTIONS BELOW AND CONSIDER THE INFORMATION CONTAINED IN THIS DOCUMENT IN LIGHT OF SUCH RISK FACTORS, DISCLAIMERS AND CONFLICTS.

NOTHING IN THESE RULES CONSTITUTES AN OFFER TO BUY OR SELL ANY SECURITIES, PARTICIPATE IN ANY TRANSACTION OR ADOPT ANY INVESTMENT STRATEGY OR LEGAL, TAX, REGULATORY OR ACCOUNTING ADVICE.

2. General Notes on the Futures Tracker

The Futures Tracker is a dynamic strategy that aims to replicate the returns of a long position in the near month futures contract (each a “**Futures Contract**” and together the “**Futures Contracts**”) on the Base Underlying. The Futures Contracts are traded on the Relevant Exchange. A futures contract is a standardised contract traded on an exchange to buy or sell a standard quantity of an asset at a specific date in the future (such date being its expiry date), at a price specified today

On each Tracker Business Day, except Tracker Rolling Dates, the Futures Tracker shall be synthetically exposed to the nearest expiry Futures Contract (the “**Near Futures Contract**”).

The Futures Tracker maintains its synthetic exposure until two (2) Tracker Business Days before the expiry date of such Near Futures Contract (the first if three “**Tracker Rolling Dates**”). One each Tracker Rolling Date, one third (1/3) of the strategy shall be synthetically rebalanced from the Near Futures Contract to the Futures Contract having an Expiry Date immediately after the Near Futures Contract Expiry Date (the “**Far Futures Contract**”).

On any Tracker Business Day after the Near Futures Contract Expiry Date, the Far Futures Contract shall then become the Near Futures Contract.

No assurance can be given that the investment strategy used to construct the Futures Tracker will be successful or that the Futures Tracker will outperform any alternative basket or strategy that might be constructed from the Futures Contracts.

Subject to the occurrence of Market Disruption Events, the level of the Futures Tracker (the “**Tracker Level**”) shall be calculated by the Calculation Agent on each Tracker Business Day to an accuracy of two decimal places. The Tracker Level is calculated in USD in accordance with the methodology set out in Section 7 (*the Futures Tracker Level*).

The Futures Tracker is described as a notional basket of assets because there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Futures Tracker merely references certain assets, the performance of which is used as a reference point for calculating the Tracker Level.

3. Calculation Agent

JPMSL or any affiliate or subsidiary designated by it will act as calculation agent (the “**Calculation Agent**”) for the Futures Tracker.

The Calculation Agent’s determinations in respect of the Futures Tracker and interpretation of these Rules are final.

Further information is contained in the statement of responsibility set out in Section 11 (*Responsibility*) below.

4. The Futures Contracts

4.1 The SGX CNX Nifty Index Future

There are 12 listed Futures Contracts per calendar year on the Base Underlying as set out in Exhibit 1 below. These Futures Contracts expire on the last Thursday of each month or, if such day is not a Dealing Day, the previous Dealing Day (each such day, an “Expiry Date”).

Exhibit 1

Futures Contracts				
i	Futures Contract	Bloomberg Month Code	Expected Bloomberg Code*	Currency
1	January	F	IHF & “Year” <Index>	USD
2	February	G	IHG & “Year” <Index>	USD
3	March	H	IHH & “Year” <Index>	USD
4	April	J	IHJ & “Year” <Index>	USD
5	May	K	IHK & “Year” <Index>	USD
6	June	M	IHM & “Year” <Index>	USD
7	July	N	IHN & “Year” <Index>	USD
8	August	Q	IHQ & “Year” <Index>	USD
9	September	U	IHU & “Year” <Index>	USD
10	October	V	IHV & “Year” <Index>	USD
11	November	X	IHX & “Year” <Index>	USD
12	December	Z	IHZ & “Year” <Index>>	USD

*The Bloomberg codes are typically constructed as “IH” followed by the Bloomberg Month Code followed by the year in which the Expiry Date falls, so that the October 09 Futures Contract shall have the ticker <IHV9 Index >.

Bloomberg also publishes the levels of Near Futures Contract and Far Futures Contract, under the ticker <IH1 Index>, respectively <IH2 Index>.

4.2 The Spread Futures Contract

The Spread Futures Contract is a standardised contract traded on the Singapore Exchange to buy or sell the spread between two SGX CNX Nifty Index Futures. The Spread Futures Contract is the futures contract which, at any time, maintains a long position in the Far Futures Contract and a short position in the Near Futures Contract.

The Bloomberg codes for the Spread Futures Contracts, for the daily session, are typically constructed as:

IH & “Near month Bloomberg Code” && “Year” & PIT Index; and
IH & “Far month Bloomberg Code” && “Year” & PIT Index.

For example, the September 09 Spread Futures Contract shall have the ticker:

<IHU9IHV9 PIT Index>

5. Composition of the Futures Tracker

On **25 September** 2009 (the "**Base Date**"), the Futures Tracker comprised a synthetic exposure to the **October 2009** Futures Contract. (<IHV9 Index >)

Thereafter, the composition of the Futures Tracker is rebalanced in accordance with Section 7.

6. Futures Tracker Rebalancing

Unless a Market Disruption Event has occurred and is continuing, the Futures Tracker shall rebalance over the 3 Tracker Rolling Dates, on:

- (1) the Tracker Business Day occurring 2 Tracker Business Days before the relevant Expiry Date (the **"First Tracker Rolling Date"**);
- (2) the Tracker Business Day occurring 1 Tracker Business Day before the relevant Expiry Date (the **"Second Tracker Rolling Date"**); and
- (3) the relevant Expiry Date (the **"Third Tracker Rolling Date"**),

in accordance with the formula in Section 7.

On each Tracker Rolling Date, one third (1/3) of the strategy shall rebalance its synthetic exposure from the Near Futures Contract to the Far Futures Contract.

For the avoidance of doubt, on each Expiry Date, the strategy's entire synthetic exposure will have been rebalanced to the Far Futures Contract.

7. Futures Tracker Level

The Calculation Agent shall calculate and publish the Tracker Level on each Tracker Business Day on Bloomberg page CIJPIDEE <Index>, subject to the occurrence of Market Disruption Events.

On each subsequent Tracker Business Day_t (Day_t), the Tracker Level is calculated in accordance with the following formula:

$$\text{Tracker}_t = \begin{cases} \text{if Day}_t = t; \text{ where } t \neq \{r1, r2, r3\} \\ \sum_{i=1}^3 \text{Unit}_t^i \times \text{Level}_t^i \\ \text{where} \\ \text{Unit}_t^i = \text{Unit}_{t-1}^i \\ \text{Level}_t^i = \text{Near Futures}_t \\ \text{Unit}_0^i = \frac{100}{\text{Near Futures}_0} \times \frac{1}{3} \end{cases}$$

$$\text{Tracker}_t = \begin{cases} \text{if Day}_t = r1; \\ \sum_{i=1}^3 \text{Unit}_t^i \times \text{Level}_t^i \\ \text{where} \\ \text{Unit}_t^1 = \frac{\text{Near Futures}_t \times \sum_{i=1}^3 \text{Unit}_{t-1}^i}{3} \times \frac{1}{\text{Near Futures}_t + \text{SPREAD}_t^* + A_t} \\ \text{Unit}_t^2 = \text{Unit}_{t-1}^3 = \frac{\text{Near Futures}_t \times \sum_{i=1}^3 \text{Unit}_{t-1}^i}{3} \times \frac{1}{\text{Near Futures}_t} \\ \text{Level}_t^1 = \text{Near Futures}_t + \text{SPREAD}_t^* \\ \text{Level}_t^2 = \text{Level}_t^3 = \text{Near Futures}_t \end{cases}$$

$$\text{Tracker}_t = \begin{cases} \text{if Day}_t = r2; \\ \sum_{i=1}^3 \text{Unit}_t^i \times \text{Level}_t^i \\ \text{where} \\ \text{Unit}_t^1 = \text{Unit}_{t-1}^1 \\ \text{Unit}_t^2 = \text{Unit}_{t-1}^2 \times \frac{\text{Near Futures}_t}{\text{Near Futures}_t + \text{SPREAD}_t^* + A_t} \\ \text{Unit}_{t-1}^3 = \text{Unit}_t^3 \\ \text{Level}_t^1 = \text{Far Futures}_t \\ \text{Level}_t^2 = \text{Near Futures}_t + \text{SPREAD}_t^* \\ \text{Level}_t^3 = \text{Near Futures}_t \end{cases}$$

$$\text{Tracker}_t = \begin{cases} \text{if } \text{Day}_t = r3; \\ \sum_{i=1}^3 \text{Unit}_t^i \times \text{Level}_t^i \\ \text{where} \\ \text{Unit}_t^1 = \text{Unit}_{t-1}^1 \\ \text{Unit}_t^2 = \text{Unit}_{t-1}^2 \\ \text{Unit}_{t-1}^3 = \text{Unit}_{t-1}^3 \times \frac{\text{NearFutures}_t}{\text{NearFutures}_t + \text{SPREAD}_t^* + A_t} \\ \text{Level}_t^1 = \text{FarFutures}_t \\ \text{Level}_t^2 = \text{FarFutures}_t \\ \text{Level}_t^3 = \text{NearFutures}_t + \text{SPREAD}_t^* \end{cases}$$

$$\text{Day}_t = \begin{cases} t & \text{if } t \text{ is Tracker Business Day, except that} \\ r1 & \text{if } t \text{ is the First Tracker Rolling Date} \\ r2 & \text{if } t \text{ is the Second Tracker Rolling Date} \\ r3 & \text{if } t \text{ is the Last Tracker Rolling Date} \end{cases}$$

Where:

Tracker_t	means the Tracker Level on Tracker Business Day t ;
Near Futures_t	means the Closing Price on Tracker Business Day t of the Near Futures Contract;
Far Futures_t	means the Closing Price on Tracker Business Day t of the Far Futures Contract;
SPREAD_t^*	means the VWAP Price, during the day session, on Tracker Business Day t of the Spread Futures Contract; VWAP Price, (the volume weighted average price), calculated by Bloomberg and available on Bloomberg on Spread Futures Contract page (IH & "Near month Bloomberg Code" && "Year" & IH & "Far month Bloomberg Code" && "Year" & PIT Index) with VWAP <GO> function, calculated from 8 a.m. to 8 p.m. for the Tracker Business Day t ; and
A or Adjustment Factor	equals 0.10% * the Closing Price of the Near Futures Contract on Tracker Business Day t .

8. Market Disruption Events

8.1 Impact on rebalancings on any Tracker Rolling Date

If, with respect to any Futures Contract or Spread Futures Contract, any Tracker Rolling Date, including the Third Tracker Rolling Date, is a Disrupted Day (such contract, an “**Affected Futures Contract**”), then any portion of the exposure underlying the due to be rebalanced on such date, that is not rebalanced, shall be rebalanced to the following Tracker Rolling Date.

8.2 Impact on Tracker Level on a Tracker Business Day (including the Tracker Rolling Dates)

Notwithstanding Section 8.1, if any Tracker Business Day is a Disrupted Day for any Affected Futures Contract, the Calculation Agent may either:

- (a) calculate its good faith estimate of the Tracker Level for such Tracker Business Day, using its good faith estimate of the level of the Affected Futures Contract. Any such estimated level may be subject to correction on the first subsequent Tracker Business Day which is not a Disrupted Day in respect of any Futures Contract; or
- (b) suspend the calculation and publication of the Tracker Level until the first subsequent Tracker Business Day which is not a Disrupted Day in respect of any relevant Futures Contract.

9. Extraordinary events

9.1 Successor Futures Contract

If, on any Tracker Business Day, any Futures Contract is:

- (a) not calculated and quoted by the Relevant Exchange but by a successor exchange acceptable to the Calculation Agent; or
- (b) replaced by a successor futures contract using, in the determination of the Calculation Agent, the same or substantially similar formula and method of calculation as used in the calculation of the relevant Futures Contract,

then in each case that successor futures contract (the “**Successor Futures Contract**”) shall replace the relevant Futures Contract with effect from a date determined by the Calculation Agent who may make such adjustment to these Rules, as it determines in good faith is appropriate, to account for such change.

9.2 Alteration of Futures Contracts

Without prejudice to the ability of the Calculation Agent to amend the Rules (see Section 1), the Calculation Agent may, acting in good faith and in a commercially reasonable manner:

- (a) exclude; or
- (b) substitute,

any Futures Contract following the occurrence (and/or continuation) of a Change in Law or in circumstances where it considers it reasonably necessary to do so to reflect the intention of the Futures Tracker, including (without prejudice to the generality of the foregoing) changes announced by the Relevant Exchange relating to the modification, exclusion, inclusion or substitution of any Futures Contract or any perception among market participants generally that the published price of the relevant Futures Contract is inaccurate (and the Relevant Exchange fails to correct such level), and if it so excludes or substitutes for any Futures Contract, then the Calculation Agent may adjust the Rules as it determines in good faith to be appropriate to account for such exclusion or substitution on such date(s) selected by the Calculation Agent. The Calculation Agent is under no obligation to continue the calculation and publication of the Futures Tracker upon the occurrence or existence of a Change in Law; and the Calculation Agent may decide to cancel the strategy if it determines, acting in good faith, that the objective of the strategy can no longer be achieved.

9.3 Material Change

If, at any time, any Relevant Exchange:

- (a) announces that it will make a material change in the definition of any Futures Contract or in any other way materially modifies such contract (other than a modification prescribed in the definition of such contract); or
- (b) (i) permanently cancels any Futures Contract and no Successor Futures Contract exists or (ii) is otherwise unable or unwilling to publish levels of the Futures Contract,

then the Calculation Agent may remove such futures contract from the Futures Tracker and may adjust the Rules as it determines in good faith to be appropriate to account for such change(s)

(including, without limitation, selecting (a) a replacement underlying futures contract traded on an equivalent exchange and having similar characteristics to the relevant Futures Contract; and (b) the date of such replacement) on such date(s) as selected by the Calculation Agent.

9.4 Cancellation of rights; loss of index licence

If, at any time, any licence granted to the Calculation Agent by any relevant exchange or index sponsor, to the extent applicable, with respect to Futures Contract to use such contract for the purposes of this strategy terminates, or the Calculation Agent's right to use the relevant Futures Contract for the purposes hereof is otherwise impaired or ceases (for any reason), then the Calculation Agent shall either substitute such Futures Contract with a futures contract or other underlying which it determines in its sole discretion gives an equivalent economic exposure to the Futures Contract in question and may make such adjustment to these Rules as it determines in good faith to be appropriate to account for such change(s) on such date(s) selected by the Calculation Agent, or, if the Calculation Agent determines it is unable to make such substitution, it may terminate the calculation and publication of the Futures Tracker.

10. Corrections

If, with respect to any Tracker Business Day:

- (i) the Closing Price of any Futures Contract published or otherwise made available by or on behalf of the Relevant Exchange is subsequently corrected and such correction is published or otherwise made available by or on behalf of the Relevant Exchange; or
- (ii) the Calculation Agent identifies an error or omission in any of its calculations or determinations in respect of the Tracker Level,

then the Calculation Agent may, if practicable and the Calculation Agent determines acting in good faith that such correction, error or omission (as the case may be) is material, adjust or correct the relevant calculation or determination and/or the Tracker Level as of any Tracker Business Day to take into account such correction.

11. Responsibility

11.1 Standard of care; ambiguities; limitation of liability; determinations

The Calculation Agent shall act in good faith and in a commercially reasonable manner with respect to the performance of its obligations and the exercise of its discretions pursuant to these Rules.

Whilst these Rules are intended to be comprehensive, ambiguities may arise. In such circumstances, the Calculation Agent will resolve such ambiguities in a reasonable manner and, if necessary, amend these Rules to reflect such resolution.

Neither the Calculation Agent nor any of its affiliates or subsidiaries or any of their respective directors, officers, employees, representatives, delegates or agents (each a “**Relevant Person**”) shall have any responsibility to any person (whether as a result of negligence or otherwise) for any determinations made or anything done (or omitted to be determined or done) in respect of the Futures Tracker and any use to which any person may put the Futures Tracker or the Tracker Level. All determinations of the Calculation Agent in respect of the Futures Tracker shall be final, conclusive and binding and no person shall be entitled to make any claim against any Relevant Person in respect thereof.

Once a determination or calculation is made or action taken by the Calculation Agent in respect of the Futures Tracker, neither the Calculation Agent or any other Relevant Person shall be under any obligation to revise any determination or calculation made or action taken for any reason.

11.2 Governing law

These Rules shall be governed by and construed in accordance with the laws of England.

12. Miscellaneous

Terms not otherwise defined herein, shall have the following meanings:

Definitions	
“Adjustment Factor”	see Section 7;
“Affected Futures Contract”	see Section 8.1;
“Base Date”	see Section 5;
“Base Underlying”	means the S&P CNX Nifty Index;
“Calculation Agent”	see Section 3;
“Change in Law”	<p>means:</p> <ul style="list-style-type: none"> (a) due to: <ul style="list-style-type: none"> (i) the adoption of, or any change in, any applicable law, regulation or rule (including, without limitation, any tax law); or (ii) the promulgation of, or any change in, the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law, rule, regulation or order (including, without limitation, as implemented by the U.S. Commodity and Futures Trading Commission or exchange or trading facility), <p>in each case, the Calculation Agent determines in good faith that (x) it is contrary to such law, rule, regulation or order for any market participants that are brokers or financial intermediaries (individually or collectively) to hold, acquire or dispose of (in whole or in part) any Futures Contract or any transaction referencing any Futures Contract or, (y) holding a position in any Futures Contract or any transaction referencing any Futures Contract is (or, but for the consequent disposal or termination thereof, would otherwise be) in excess of any allowable position limit(s) applicable to any market participants that are brokers or financial intermediaries (individually or collectively) under any such law, rule, regulation in relation to such Futures Contract traded on any exchange(s) or other trading facility (including, without limitation, any Relevant Exchange); or</p> (b) the occurrence or existence of any: <ul style="list-style-type: none"> (i) suspension or limitation imposed on trading specific futures contracts (including, without limitation the Futures Contracts); or (ii) any other event that causes trading in specific futures contracts (including, without limitation Futures Contracts) to cease;
“Closing Price”	means, in respect of a Futures Contract and a Dealing Day, the Official Settlement Price;
“Currency”	means, in respect of a Futures Contract, the currency in which such Futures Contract is quoted, as specified the heading “Currency” in Exhibit 1 in Section 4.1;
“Dealing Day”	means, in respect of a Futures Contract, a day upon which the Official Settlement Price for such Futures Contract is, or but for the occurrence of a Market Disruption Event would have been, scheduled to be calculated and published by the Relevant Exchange by whichever means (notwithstanding the Relevant may be closed on such day);

“Disrupted Day”	means, in respect of a Futures Contract or a Spread Futures Contract (as the case may be), a Dealing Day on which a Market Disruption Event occurs or is continuing, provided that, for the purposes of determining whether any day is a Disrupted Day with respect to any Affected Futures Contract pursuant to Sections 8.1 and 8.2 respectively, a day shall additionally be deemed to be a Disrupted Day upon the occurrence of a Market Disruption Event with respect to the S&P CNX Nifty IDX futures contract traded on the NSE and denoted by the same Bloomberg ticker series set out in Exhibit 1 of Section 4.1 save that the future contract ticker will commence with “NZ” instead of “IH”. For the avoidance of doubt, the November 2009 contract has Bloomberg ticker “NZX9”;
“Early Closure”	means the closure on any Tracker Business Day of the Relevant Exchange or NSE (as the case may be) prior to its scheduled closing time unless such earlier closing time is announced by such exchange(s) at least one hour prior to the actual closing time for the regular trading session on such exchange(s) on such Tracker Business Day;
“Exchange Disruption”	means any event (other than an Early Closure) that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for futures (including, without limitation, the Futures Contracts) or options contracts relating to the Base Underlying on the Relevant Exchange;
“Expiry Date”	see Section 4;
“Far Futures Contracts”	see Section 2; Futures Contract having an Expiry Date immediately after the Near Futures Contract Expiry Date;
“First Tracker Rolling Date”	see Section 6;
“Futures Contracts”	means, subject to Section 9, the futures contracts referenced in Exhibit 1 in Section 4.1, irrespective of whether such contracts are classified as Near Futures Contracts or Far Futures Contracts;
“Futures Tracker”	see Section 1;
“JPMSL”	means J.P. Morgan Securities Ltd.;
“Market Disruption Event”	means, in respect of a Futures Contract or a Spread Futures Contract and a Dealing Day, a failure by the Relevant Exchange to calculate and publish the Closing Price for the Futures Contract on such Dealing Day, or any event that, in the determination of the Calculation Agent, disrupts or impairs the ability of market participants generally to effect transactions in or obtain market values for such Futures Contract. Such events may include, but not be limited to, the occurrence of any of a Trading Disruption, Exchange Disruption or Early Closure;
“Near Futures Contract”	see Section 2; nearest expiry Futures Contract;
“NSE”	means the National Stock Exchange of India;
“Official Settlement Price”	means, with respect to a Futures Contract and a Dealing Day, the official settlement price (however described under the rules of the Relevant Exchange or its clearing house) of any of the relevant exchange-traded contracts published by the Relevant Exchange or its clearing house;
“Relevant Exchanges”	means, as at the Base Date, SGX or any successor thereof or otherwise any exchange on which any Successor Futures Contract is traded, from time to time;
“Tracker Rolling Dates”	see Section 6;
“Rules”	means this document, as may be supplemented, amended or restated from time to time;

"Second Tracker Rolling Date"	see Section 6;
"Successor Futures Contract"	see Section 9.1;
"Spread Futures Contract"	see Section 4.2;
"Third Tracker Rolling Date"	see Section 6;
"Tracker Business Day"	means a day on which the NSE is open for trading during its regular trading session;
"Tracker Level"	see Sections 2 and 7;
"Trading Disruption"	means any suspension of or limitation imposed on trading by the Relevant Exchange or by the NSE (where applicable) or otherwise and whether by reason of movements in price exceeding limits permitted by the Relevant Exchange or otherwise in futures (including, without limitation, the Futures Contracts) or options contracts relating to the Base Underlying on the Relevant Exchange; and
"VWAP Price"	means, in respect of a Futures Contract and a Tracker Business Day, the Volume Weighted Average Price, calculated by Bloomberg and available on Bloomberg on Spread Futures Contract page (IH & "Near month Bloomberg Code" && "Year" & IH & "Far month Bloomberg Code" && "Year" & PIT Index) with VWAP <GO> function, calculated from 8 .00 a.m. to 8 p.m. for the Tracker Business Day t.

APPENDIX

Risk factors

The following list of risk factors does not purport to be a complete enumeration or explanation of all the risks associated with the Futures Tracker.

(a) Proprietary and Rules-Based Trading Strategy

The Futures Tracker follows a notional rules-based proprietary trading strategy that operates on the basis of pre-determined rules. Accordingly, potential investors in financial products which are linked to the performance of the Futures Tracker should determine whether those rules as described in the Rules of the Futures Tracker are appropriate in light of their individual circumstances and investment objectives.

No assurance can be given that the investment strategy on which the Futures Tracker is based will be successful or that the Futures Tracker will outperform any alternative strategy that might be employed in respect of the Futures Contracts. Such differences may arise for a number of reasons including, but not limited to, the adjustment factor which is included in the calculation of the Tracker Level.

(b) Synthetic Exposures

The Futures Tracker comprises synthetic assets and liability exposures. These exposures exist solely in the records maintained by or on behalf of the Calculation Agent. Consequently, investors in financial products which are linked to the performance of the Futures Tracker will not have any claim against any of the reference assets which comprise the Futures Tracker.

(c) Lack of Operating History

The Futures Tracker is only recently established and therefore has no history to evaluate its likely performance. Any back-testing or similar analysis performed by any person in respect of the Futures Tracker must be considered illustrative only and may be based on estimates or assumptions not used by the Calculation Agent when determining the Tracker Level of the Futures Tracker.

Past performance should not be considered indicative of future performance.

(d) Market Risks

The performance of the Futures Tracker is dependent on the performance of the relevant Futures Contract. As a consequence, investors in financial products the return of which is linked to the Futures Tracker should appreciate that their investment is exposed to the price performance of the Futures Contracts.

A futures contract often displays on any given day considerably higher volatility than an index or tracker product comprising equities such as the Base Underlying and investors should be willing to accept additional risks such as increased volatility, futures contract liquidity and supply and demand factors. These factors are likely to influence the Tracker Level, whereas such factors may not be relevant in respect of the level or volatility of the Base Underlying. The exposure of the Futures Tracker to the relevant Futures Contract is affected by the roll return. Additionally, the Tracker Level is affected by the magnitude of the Adjustment Factor.

Generally, futures contracts are often less liquid than the Base Underlying. Given the construction of the Futures Contract, factors relevant to the price of the Base Underlying are also expected to drive equivalent movements in the Closing Price of the Futures Contract, all other things being equal.

(e) Extraordinary Events

Following the occurrence of certain extraordinary events as described in Section 9 of the Rules, with respect to a Futures Contract, the affected Futures Contract may be replaced by a substitute Futures Contract. Such substitution may have a material effect on the economics of the Futures Tracker.

(f) Calculation Agent Discretion

The Rules of the Futures Tracker confer on the Calculation Agent 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 Futures Tracker. Without limitation to the generality of the foregoing, the Calculation Agent has a discretion in relation to the calculation of the Tracker Level in the event of a Market Disruption Event.

(g) Potential Conflicts of Interest

Potential conflicts of interest may exist in the structure and operation of the Futures Tracker and in the course of the normal business activities of JPMorgan or any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents. Further information is set out in the disclaimer below.

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 Calculation Agent or any of its affiliates or subsidiaries or any of their respective directors, officers, employees, representatives, delegates or agents.

NOTICES, DISCLAIMERS AND CONFLICTS

These Rules have been prepared solely for informational purposes and nothing in these Rules constitutes an offer to buy or sell any securities, participate in any transaction or adopt any investment Index or as legal, tax, regulatory, financial or accounting advice. These Rules may change at any time without prior notice.

Neither the Calculation Agent nor any of its affiliates or subsidiaries or their respective directors, officers, employees, representatives, delegates or agents (each a "**Relevant Person**") make any representation or warranty, whatsoever, express or implied, as to the results that may be obtained through the use of this document or the Futures Tracker. Each Relevant Person hereby expressly disclaims, to the fullest extent permitted by law, all warranties of accuracy, completeness, merchantability, or fitness for a particular purpose with respect to any information contained in this document and no Relevant Person shall have any liability (direct or indirect, special, punitive consequential or otherwise) to any person even if notified of the possibility of any such damages.

The Calculation Agent is under no obligation to continue the calculation, publication and dissemination of the Futures Tracker or the Tracker Level.

During the course of their normal business, the Calculation Agent or any Relevant Person may enter into or promote, offer or sell transactions or investments (structured or otherwise) linked to the Futures Tracker. In addition, any Relevant Person may have, or may have had, interests or positions, or may buy, sell or otherwise trade positions in or relating to the Futures Tracker, or may invest or engage in transactions with other persons, or on behalf of such persons relating to such contracts. Such activity may or may not have an impact on the Tracker Level but all persons reading this document should be aware that a conflict of interest could arise where anyone is acting in more than one capacity, and such conflict may have an impact, positive or negative on the Tracker Level. Neither the Calculation Agent nor any other Relevant Person 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 Futures Tracker.

The Rules have been developed with the possibility of the Calculation Agent or any of the other Relevant Persons entering into or promoting, offering or selling transactions or investments (structured or otherwise) linked to the Futures Tracker and hedging such transactions or investments in any manner that they see fit.

As mentioned above, the Futures Tracker is synthetic strategy because there is no actual portfolio of assets to which any person is entitled or in which any person has any ownership interest. The Futures Tracker merely identifies certain reference assets, the performance of which will be used as a reference point calculating the Tracker Level.

No one may reproduce or disseminate the information contained in this document or the Tracker Level of the Futures Tracker without the prior written consent of the Calculation Agent. This document is not intended for distribution to, or use by any person in, a jurisdiction where such distribution is prohibited by law or regulation.

Copyright JPMorgan Chase & Co. 2010. All rights reserved.

J.P. Morgan is the marketing name for J.P. Morgan Chase & Co. and its subsidiaries and affiliates worldwide. J.P. Morgan Securities Inc. is a member of NYSE and SIPC. JPMorgan Chase Bank is a member of FDIC. J.P. Morgan Futures Inc. is a member of the NFA. J.P. Morgan Securities Ltd. and J.P. Morgan plc are authorised by the FSA and members of the LSE. J.P. Morgan Europe Limited is authorised by the FSA. J.P. Morgan Equities Limited is a member of the Johannesburg Securities Exchange and is regulated by the FSB. J.P. Morgan Securities (Asia Pacific) Limited and Jardine Fleming Securities Limited are registered as investment advisers with the Securities & Futures Commission in Hong Kong and their CE numbers are AAJ321 and AAB026 respectively. Jardine Fleming Singapore Securities Pte Ltd is a member of Singapore Exchange

Securities Trading Limited and is regulated by the Monetary Authority of Singapore ("MAS"). J.P. Morgan Securities Asia Private Limited is regulated by the MAS and the Financial Supervisory Agency in Japan. J.P.Morgan Australia Limited (ABN 52 002 888 011) is a licensed securities dealer.