



**JPMorgan Chase & Co.**

**Principal Protected Notes Linked to a Weighted Basket Consisting of the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the Dow Jones — AIG Commodity Index<sup>SM</sup>, the S&P GSCI<sup>TM</sup> Excess Return Index, the FTSE<sup>TM</sup> 100 Index, the FTSE/Xinhua China 25 Index, the Korea Stock Price Index 200, the MSCI EAFE<sup>®</sup> Index, the iShares<sup>®</sup> MSCI Emerging Markets Index Fund, the MSCI Taiwan Index, the MSCI Singapore Index, the Nikkei 225 Index, the Russell 2000<sup>®</sup> Index, the Russell 3000<sup>®</sup> Index and the S&P 500<sup>®</sup> Index, or Linked to Any One of the Foregoing**

**General**

- JPMorgan Chase & Co. may offer and sell principal protected notes linked to a weighted Basket consisting of up to twelve equity indices, and/or two commodity indices, and/or one exchange traded fund, or linked to any one of the foregoing, as described below, from time to time. This product supplement no. 32-IX describes terms that will apply generally to the principal protected notes, and supplements the terms described in the accompanying prospectus supplement and prospectus. A separate term sheet or pricing supplement, as the case may be, will describe terms that apply specifically to the notes, including any changes to the terms specified below. We refer to such term sheets and pricing supplements generally as terms supplements. If the terms described in the relevant terms supplement are inconsistent with those described herein or in the accompanying prospectus supplement or prospectus, the terms described in the relevant terms supplement will control.
- The notes are senior unsecured obligations of JPMorgan Chase & Co.
- Payment is linked to a weighted Basket consisting of some or all of the following components: the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the Dow Jones — AIG Commodity Index<sup>SM</sup>, the S&P GSCI<sup>TM</sup> Excess Return Index (together with the Dow Jones — AIG Commodity Index<sup>SM</sup>, the “Commodity Indices”), the FTSE<sup>TM</sup> 100 Index, the FTSE/Xinhua China 25 Index, the Korea Stock Price Index 200 (the “KOSPI 200”), the MSCI EAFE<sup>®</sup> Index, the iShares<sup>®</sup> MSCI Emerging Markets Index Fund (the “Basket Fund”), the MSCI Taiwan Index, the MSCI Singapore Index, the Nikkei 225 Index, the Russell 2000<sup>®</sup> Index, the Russell 3000<sup>®</sup> Index and the S&P 500<sup>®</sup> Index, or linked to any one of the foregoing, as described below.
- Unless otherwise specified in the relevant terms supplement, full principal protection if the notes are held to maturity.
- Unless otherwise specified in the relevant terms supplement, cash payment at maturity of principal plus the Additional Amount.
- The Additional Amount will depend on the Basket Return and the specific terms of the notes as set forth in the relevant terms supplement. Unless otherwise specified, the Additional Amount per \$1,000 principal amount note will equal (A) \$1,000 x the Basket Return x the Participation Rate, but will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable, or (B) an amount calculated according to the formula in clause A, unless the Basket Closing Level exceeds a specified level (which we refer to as the Knock-Out Level) on one of the trading days specified in the relevant terms supplement, in which case the Additional Amount will equal \$1,000 x the Knock-Out Rate, or (C) if the Ending Basket Level is greater than or equal to the Starting Basket Level, a fixed amount specified in the relevant terms supplement (which amount we refer to as the Fixed Payment) and otherwise zero (or the Minimum Return, if applicable).
- In addition to a cash payment at maturity of principal plus the Additional Amount, if any, the notes may pay interest prior to maturity, as specified in the relevant terms supplement.
- For important information about tax consequences, see “Certain U.S. Federal Income Tax Consequences” beginning on page PS-130.
- Minimum denominations of \$1,000 and integral multiples thereof, unless otherwise specified in the relevant terms supplement.
- Investing in the notes is not equivalent to investing in the Basket, any of the Basket Components or any of their component stocks or component commodity futures contracts.
- The notes will not be listed on any securities exchange unless otherwise specified in the relevant terms supplement.

**Key Terms**

**Basket:** Unless otherwise specified in the relevant terms supplement, the Basket will be composed of up to twelve equity indices, two commodity indices and one exchange traded fund (each a “Basket Component,” and together, the “Basket Components”):

<u>Basket Component</u>	<u>Weight</u>
AMEX Hong Kong 30 Index	†
Dow Jones EURO STOXX 50 <sup>®</sup> Index	†
Dow Jones — AIG Commodity Index <sup>SM</sup>	†
S&P GSCI <sup>TM</sup> Excess Return Index	†
FTSE <sup>TM</sup> 100 Index	†
FTSE/Xinhua China 25 Index	†
Korea Stock Price Index 200	†
MSCI EAFE <sup>®</sup> Index	†
iShares <sup>®</sup> MSCI Emerging Markets Index Fund	†
MSCI Taiwan Index	†
MSCI Singapore Index	†
Nikkei 225 Index	†
Russell 2000 <sup>®</sup> Index	†
Russell 3000 <sup>®</sup> Index	†
S&P 500 <sup>®</sup> Index	†

† The relevant terms supplement will specify either (i) the weight of each Basket Component in the Basket, which will be fixed for the term of the notes, or (ii) the manner in which the weight of each Basket Component will be determined. For example, the relevant terms supplement may specify that each Basket Component has an equal weight in the Basket, in which case each Basket Component makes up 1/14 of the value of the Basket, or the relevant terms supplement may specify a different weighting for each of the fifteen Basket Components. Alternatively, the relevant terms supplement may specify that, for a Basket consisting of the S&P 500<sup>®</sup> Index and the Nikkei 225 Index, the Basket Component with the greater

Component Return will make up 70% of the value of the Basket, and the Basket Component with the lesser Component Return will make up 30% of the value of the Basket.

The Basket may consist of fewer than all fifteen Basket Components, in which case the weight of each Basket Component not included in the Basket will be deemed to be 0%. In certain cases, only one Basket Component may compose the entire Basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the Basket and the remaining Basket Components will each be weighted as 0% of the Basket.

Payment at Maturity:	Unless otherwise specified in the relevant terms supplement, at maturity you will receive a cash payment for each \$1,000 principal amount note of \$1,000 plus the Additional Amount, which may be zero (or the Minimum Return, if applicable).
Additional Amount (Notes with neither a Knock-Out Level nor a Fixed Payment):	For notes with neither a Knock-Out Level nor a Fixed Payment, the Additional Amount per \$1,000 principal amount note paid at maturity will equal, unless otherwise specified in the relevant terms supplement, \$1,000 x the Basket Return x the Participation Rate; <i>provided</i> that the Additional Amount will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable.
Additional Amount (Notes with a Knock-Out Level):	For notes with a Knock-Out Level, the Additional Amount per \$1,000 principal amount note paid at maturity will equal, unless otherwise specified in the relevant terms supplement: <ol style="list-style-type: none"><li>(1) If the Basket Closing Level is less than the Knock-Out Level on each of the trading days specified in the relevant terms supplement, \$1,000 x the Basket Return x the Participation Rate; <i>provided</i> that the Additional Amount will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable; or</li><li>(2) If the Basket Closing Level is greater than or equal to the Knock-Out Level on any of the trading days specified in the relevant terms supplement, which we refer to as a Knock-Out Event, \$1,000 x the Knock-Out Rate.</li></ol>
Additional Amount (Notes with a Fixed Payment):	For notes with a Fixed Payment, the Additional Amount per \$1,000 principal amount note paid at maturity will equal: <ol style="list-style-type: none"><li>(1) If the Ending Basket Level is greater than or equal to the Starting Basket Level, an amount specified in the relevant terms supplement; or</li><li>(2) If the Ending Basket Level is less than the Starting Basket Level, zero (or the Minimum Return, if applicable).</li></ol>
Minimum Return:	If applicable, then the Additional Amount will equal at least the amount specified as the Minimum Return in the relevant terms supplement.
Maximum Return:	If applicable, then the Additional Amount will equal no more than the amount specified as the Maximum Return in the relevant terms supplement.
Other Terms:	In each case if applicable, the Partial Principal Protection Percentage, Participation Rate, Knock-Out Level, Knock-Out Rate, Knock-Out Event, Fixed Payment, Interest Rate, Interest Period, Interest Determination Dates and/or Interest Payment Date(s) will be set forth in the relevant terms supplement.
Basket Return:	Unless otherwise specified in the relevant terms supplement: $\frac{\text{Ending Basket Level} - \text{Starting Basket Level}}{\text{Starting Basket Level}}$
Starting Basket Level:	Unless otherwise specified in the relevant terms supplement, set equal to 100 on the pricing date, the final Initial Averaging Date, if applicable, or on such other date as specified in the relevant terms supplement, or, if the Basket consists of a single Basket Component, the closing level or closing price of the Basket Component on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels or closing price of the Basket Component on each of the Initial Averaging Dates.
Ending Basket Level:	The Basket Closing Level on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the Basket Closing Levels on each of the Ending Averaging Dates.
Basket Closing Level:	Unless otherwise specified in the relevant terms supplement, the Basket Closing Level on any trading day will be calculated as follows: $100 \times [1 + (\text{AMEX Hong Kong Return} * \text{AMEX Hong Kong Weighting}) + (\text{EURO STOXX Return} * \text{EURO STOXX Weighting}) + (\text{AIG Commodity Return} * \text{AIG Commodity Weighting}) + (\text{S\&P GSCI Commodity Return} * \text{S\&P GSCI Commodity Weighting}) + (\text{FTSE 100 Return} * \text{FTSE 100 Weighting}) + (\text{FTSE/Xinhua Return} * \text{FTSE/Xinhua Weighting}) + (\text{KOSPI 200 Return} * \text{KOSPI 200 Weighting}) + (\text{MSCI EAFE Return} * \text{MSCI EAFE Weighting}) + (\text{MSCI Emerging Markets Return} * \text{MSCI Emerging Markets Weighting}) + (\text{MSCI Taiwan Return} * \text{MSCI Taiwan Weighting}) + (\text{MSCI Singapore Return} * \text{MSCI Singapore Weighting}) + (\text{Nikkei 225 Return} * \text{Nikkei 225 Weighting}) + (\text{Russell 2000 Return} * \text{Russell 2000 Weighting}) + (\text{Russell 3000 Return} * \text{Russell 3000 Weighting}) + (\text{S\&P 500 Return} * \text{S\&P 500 Weighting})]$ Unless otherwise specified in the relevant terms supplement, on any trading day, each of the AMEX Hong Kong Return, the EURO STOXX Return, the AIG Commodity Return, the S&P GSCI Commodity Return, the FTSE 100 Return, the FTSE/Xinhua Return, the KOSPI 200 Return, the MSCI EAFE Return, the MSCI Taiwan Return, the MSCI Singapore Return, the Nikkei 225 Return, the Russell 2000 Return, the Russell 3000 Return and the S&P 500 Return (each, an "Index Return") reflects the performance of the respective Basket Component, expressed as a percentage, from the relevant index starting level to the relevant index closing level on such trading day. Unless otherwise specified in the relevant terms supplement, on any trading day, the MSCI Emerging Markets Return (each Index Return and the MSCI Emerging Markets Return, a "Component Return") reflects the performance of the iShares <sup>®</sup> MSCI Emerging Markets Index Fund, expressed as a percentage, from the relevant MSCI Emerging Markets Initial Share Price to the MSCI Emerging Markets Final Share Price on such trading day. The AMEX Hong Kong Weighting, the EURO STOXX Weighting, the AIG Commodity Weighting, the S&P

GSCI Weighting, the FTSE 100 Weighting, the FTSE/Xinhua Weighting, the KOSPI 200 Weighting, the MSCI EAFE Weighting, the MSCI Emerging Markets Weighting, the MSCI Taiwan Weighting, the MSCI Singapore Weighting, Nikkei 225 Weighting, the Russell 2000 Weighting, the Russell 3000 Weighting and the S&P 500 Weighting (each a "Component Weighting," and collectively, the "Component Weightings") are the respective weights of each of the Basket Components in the Basket.

The relevant terms supplement will specify either (i) the weight of each Basket Component in the Basket, which will be fixed for the term of the notes, or (ii) the manner in which the weight of each Basket Component will be determined. For example, if the relevant terms supplement specifies that the S&P 500 Index is weighted to compose 18% of the value of the Basket, the S&P 500 Weighting is 18%. Alternatively, the relevant terms supplement may specify that, for a Basket consisting of the S&P 500<sup>®</sup> Index and the Nikkei 225 Index, the Basket Component with the greater Component Return will make up 70% of the value of the Basket, and the Basket Component with the lesser Component Return will make up 30% of the value of the Basket. The Basket may consist of fewer than all fifteen Basket Components, in which case the weight of each Basket Component not included in the Basket will be deemed to be 0%. In certain cases, only one Basket Component may compose the entire Basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the Basket and the remaining Basket Components will each be weighted as 0% of the Basket. For additional information, see "Description of Notes — Payment at Maturity."

Basket Valuation Date(s):	The Ending Basket Level will be calculated on a single date, which we refer to as an Observation Date, or on several dates, each of which we refer to as an Ending Averaging Date, as specified in the relevant terms supplement. We refer to such dates generally as Basket Valuation Dates in this product supplement. Any Basket Valuation Date is subject to postponement in the event of a market disruption event and as described under "Description of Notes — Payment at Maturity."
Initial Averaging Dates:	As specified, if applicable, in the relevant terms supplement. Any Initial Averaging Date is subject to postponement in the event of certain market disruption events and as described under "Description of Notes — Payment at Maturity."
Knock-Out Event:	For notes with a Knock-Out Level, the relevant terms supplement may specify any trading day(s) during the term of the notes as the day(s) on which a Knock-Out Event can occur.
Maturity Date:	As specified in the relevant terms supplement. The maturity date of the notes is subject to postponement in the event of a market disruption event and as described under "Description of Notes — Payment at Maturity."

**Investing in the Principal Protected Notes involves a number of risks. See "Risk Factors" beginning on page PS-13.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the notes or passed upon the accuracy or the adequacy of this product supplement no. 32-IX, the accompanying prospectus supplement and prospectus, or any related terms supplement. Any representation to the contrary is a criminal offense.

***The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency, nor are they obligations of, or guaranteed by, a bank.***

**JPMorgan**

March 31, 2008

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In making your investment decision, you should rely only on the information contained or incorporated by reference in the terms supplement relevant to your investment, this product supplement no. 32-IX and the accompanying prospectus supplement and prospectus with respect to the notes offered by the relevant terms supplement and this product supplement no. 32-IX and with respect to JPMorgan Chase & Co. This product supplement no. 32-IX, together with the relevant terms supplement and the accompanying prospectus and prospectus supplement, contains the terms of the notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours. The information in the relevant terms supplement, this product supplement no. 32-IX and the accompanying prospectus supplement and prospectus may only be accurate as of the dates of each of these documents, respectively.

The notes described in the relevant terms supplement and this product supplement no. 32-IX are not appropriate for all investors, and involve important legal and tax consequences and investment risks, which should be discussed with your professional advisers. You should be aware that the regulations of the Financial Industry Regulatory Authority and the laws of certain jurisdictions (including regulations and laws that require brokers to ensure that investments are suitable for their customers) may limit the availability of the notes. The relevant terms supplement, this product supplement no. 32-IX and the accompanying prospectus supplement and prospectus do not constitute an offer to sell or a solicitation of an offer to buy the notes in any circumstances in which such offer or solicitation is unlawful.

In this product supplement no. 32-IX and the accompanying prospectus supplement and prospectus, “we,” “us” and “our” refer to JPMorgan Chase & Co., unless the context requires otherwise.

We are offering to sell, and are seeking offers to buy, the notes only in jurisdictions where offers and sales are permitted. Neither this product supplement no. 32-IX nor the accompanying prospectus supplement, prospectus or terms supplement constitutes an offer to sell, or a solicitation of an offer to buy, any notes by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. Neither the delivery of this product supplement no. 32-IX nor the accompanying prospectus supplement, prospectus or terms supplement nor any sale made hereunder implies that there has been no change in our affairs or that the information in this product supplement no. 32-IX and accompanying prospectus supplement, prospectus and terms supplement is correct as of any date after the date hereof.

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement and the purchase, offer or sale of the notes and (ii) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales; neither we nor the agents shall have any responsibility therefor.

#### Argentina

The notes have not been and will not be authorized by the *Comisión Nacional de Valores* (the “CNV”) for public offer in Argentina and therefore may not be offered or sold to the public at large or to sectors or specific groups thereof by any means, including but not limited to personal offerings, written materials, advertisements, the internet or the media, in circumstances which constitute a public offering of securities under Argentine Law No. 17,811, as amended (the “Argentine Public Offering Law”).

The Argentine Public Offering Law does not expressly recognize the concept of private placement. Notwithstanding the foregoing, pursuant to the general rules on public offering and the few existing judicial and administrative precedents, the following private placement rules have been outlined:

- (i) target investors should be qualified or sophisticated investors, capable of understanding the risk of the proposed investment.
- (ii) investors should be contacted on an individual, direct and confidential basis, without using any type of massive means of communication.
- (iii) the number of contacted investors should be relatively small.
- (iv) investors should receive complete and precise information on the proposed investment.
- (v) any material, brochures, documents, etc, regarding the investment should be delivered in a personal and confidential manner, identifying the name of the recipient.
- (vi) the documents or information mentioned in item (v) should contain a legend or statement expressly stating that the offer is a private offer not subject to the approval or supervision of the CNV, or any other regulator in Argentina.
- (vii) the aforementioned documents or materials should also contain a statement prohibiting the re-sale or re-placement of the relevant securities within the Argentine territory or their sale through any type of transaction that may constitute a public offering of securities pursuant to Argentine law.

#### The Bahamas

The notes have not been and shall not be offered or sold in or into The Bahamas except in circumstances that do not constitute a ‘public offering’ according to the Securities Industry Act, 1999.

The offer of the notes, directly or indirectly, in or from within The Bahamas may only be made by an entity or person who is licensed as a Broker Dealer by the Securities Commission of The Bahamas.

Persons deemed “resident” in The Bahamas pursuant to the Exchange Control Regulations, 1956 must receive the prior approval of the Central Bank of The Bahamas prior to accepting an offer to purchase any notes.

#### Bermuda

This product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement have not been registered or filed with any regulatory authority in Bermuda. The offering of the notes pursuant to this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and any terms supplement to persons resident in Bermuda is not prohibited, *provided* we are not thereby carrying on business in Bermuda.

#### Brazil

The notes have not been and will not be registered with the “*Comissão de Valores Mobiliários*” –the Brazilian Securities and Exchange Commission (“CVM”) and accordingly, the notes may not and will not be sold, promised to be sold, offered, solicited, advertised and/or marketed within the Federal Republic of Brazil,

except in circumstances that cannot be construed as a public offering or unauthorized distribution of securities under Brazilian laws and regulations. The notes are not being offered into Brazil. Documents relating to an offering of the notes, as well as the information contained herein and therein, may not be supplied or distributed to the public in Brazil nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil.

#### British Virgin Islands

The notes may not be offered in the British Virgin Islands unless we or the person offering the notes on our behalf is licensed to carry on business in the British Virgin Islands. We are not licensed to carry on business in the British Virgin Islands. The notes may be offered to British Virgin Islands “business companies” (from outside the British Virgin Islands) without restriction. A British Virgin Islands “business company” is a company formed under or otherwise governed by the BVI Business Companies Act, 2004 (British Virgin Islands).

#### Cayman Islands

This product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement, and the notes offered hereby and thereby have not been, and will not be, registered under the laws and regulations of the Cayman Islands, nor has any regulatory authority in the Cayman Islands passed comment upon or approved the accuracy or adequacy of this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement. The notes have not been, and will not be, offered or sold, directly or indirectly, in the Cayman Islands.

#### Chile

None of the Agents, we or the notes have been registered with the *Superintendencia de Valores y Seguros de Chile* (Chilean Securities and Insurance Commission) pursuant to *Ley No. 18,045 de Mercado de Valores* (the “Chilean Securities Act”), as amended, of the Republic of Chile and, accordingly, the notes have not been and will not be offered or sold within Chile or to, or for the account of benefit of persons in Chile except in circumstances which have not resulted and will not result in a public offering and/or securities intermediation in Chile within the meaning of the Chilean Securities Act.

None of the Agents is a bank or a licensed broker in Chile, and therefore each Agent has not and will not conduct transactions or any business operations in any of such qualities, including the marketing, offer and sale of the notes, except in circumstances which have not resulted and will not result in a “public offering” as such term is defined in Article 4 of the Chilean Securities Act, and/or have not resulted and will not result in the intermediation of securities in Chile within the meaning of Article 24 of the Chilean Securities Act and/or the breach of the brokerage restrictions set forth in Article 39 of Decree with Force of Law No. 3 of 1997.

The notes will only be sold to specific buyers, each of which will be deemed upon purchase:

- (i) to be a financial institution and/or an institutional investor or a qualified investor with such knowledge and experience in financial and business matters as to be capable of evaluating the risks and merits of an investment in the notes;
- (ii) to agree that it will only resell the notes in the Republic of Chile in compliance with all applicable laws and regulations; and that it will deliver to each person to whom the notes are transferred a notice substantially to the effect of this selling restriction;
- (iii) to acknowledge receipt of sufficient information required to make an informed decision whether or not to invest in the notes; and
- (iv) to acknowledge that it has not relied upon advice from any Agent and/or us, or its or our respective affiliates, regarding the determination of the convenience or suitability of notes as an investment for the buyer or any other person; and has taken and relied upon independent legal, regulatory, tax and accounting advice.

#### Colombia

The notes have not been and will not be registered in the National Securities Registry of Colombia (*Registro Nacional de Valores y Emisores*) kept by the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*) or in the Colombian Stock Exchange (*Bolsa de Valores de Colombia*).

Therefore, the notes shall not be marketed, offered, sold or distributed in Colombia or to Colombian residents in any manner that would be characterized as a public offering, as such is defined in article 1.2.1.1 of Resolution 400, issued on May 22, 1995 by the Securities Superintendency General Commission (*Sala General de la Superintendencia de Valores*), as amended from time to time.

If the notes are to be marketed within Colombian territory or to Colombian residents, regardless of the number of persons to which said marketing is addressed to, any such promotion or advertisement of the notes must be made through a local financial entity, a representative’s office, or a local correspondent, in accordance with Decree 2558, issued on June 6, 2007 by the Ministry of Finance and Public Credit of Colombia, as amended from time to time.

Therefore, the notes should not be marketed within Colombian territory or to Colombian residents, by any given means, that may be considered as being addressed to an indeterminate number of persons or to more than ninety-nine (99) persons, including but not limited to: (i) any written material or other means of communication, such as subscription lists, bulletins, pamphlets or advertisements; (ii) any offer or sale of the notes at offices or branches open to the public; (iii) use of any oral or written advertisements, letters, announcements, notices or any other means of communication that may be perceived to be addressed to an indeterminate number of persons for the purpose of marketing and/or offering the notes; or (iv) use (a) non-solicited emails or (b) email distributions lists to market the notes.

#### El Salvador

The notes may not be offered to the general public in El Salvador, and according to Article 2 of the *Ley de Mercado de Valores* (Securities Market Law) of the Republic of El Salvador, Legislative Decree number 809 dated 16 February 1994, published on the *Diario Oficial* (Official Gazette) number 73-BIS, Number 323, dated 21 April 1994, and in compliance with the aforementioned regulation, each Agent has represented and agreed that it will not make an invitation for subscription or purchase of the notes to indeterminate individuals, nor it will make known this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement in the territory of El Salvador through any mass media communication such as television, radio, press, or any similar medium, other than publications of an international nature that are received in El Salvador, such as internet access or foreign cable advertisements, which are not directed to the Salvadoran public. The offering of the notes has not been registered with an authorized stock exchange in the Republic of El Salvador. Any negotiation for the purchase or sale of notes in the Republic of El Salvador shall only be negotiated on an individual basis with determinate individuals or entities in strict compliance with the aforementioned Article 2 of the Salvadoran Securities Market Law, and shall in any event be effected in accordance with all securities, tax and exchange control of the Dominican Republic, Central America, and United States Free Trade Agreements, and other applicable laws or regulations of the Republic of El Salvador.

#### Hong Kong

The notes may not be offered or sold in Hong Kong, by means of any document, other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or in circumstances that do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. Each Agent has not issued and will not issue any advertisement, invitation or document relating to the notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

#### Jersey

Each Agent has represented to and agreed with us that it will not circulate in Jersey any offer for subscription, sale or exchange of any notes which would constitute an offer to the public for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958.

#### Mexico

The notes have not been, and will not be, registered with the Mexican National Registry of Securities maintained by the Mexican National Banking and Securities Commission nor with the Mexican Stock Exchange and therefore, may not be offered or sold publicly in the United Mexican States. This product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement may not be publicly distributed in the United Mexican States. The notes may be privately placed in Mexico among institutional and qualified investors, pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law.

#### The Netherlands

An offer to the public of any notes which are the subject of the offering and placement contemplated by this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement may not be made in The Netherlands and each Agent has represented and agreed that it has not made and will not make an offer of such notes to the public in The Netherlands, unless such an offer is made exclusively to one or more of the following categories of investors in accordance with the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the “FMSA”):

1. Regulated Entities: (a) any person or entity who or which is subject to supervision by a regulatory authority in any country in order to lawfully operate in the financial markets (which includes: credit institutions, investment firms, financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, commodity dealers) (“Supervised Entities”); and (b) any person or entity who or which engages in a regulated activity on the financial markets but who or which is not subject to supervision by a regulatory authority because it benefits from an exemption or dispensation (“Exempt Entities”);

2. **Investment Funds and Entities:** any entity whose corporate purpose is solely to invest in securities (which includes, without limitation, hedge funds);
3. **Governmental institutions:** the Dutch State, the Dutch Central Bank, Dutch regional, local or other decentralized governmental institutions, international treaty organizations and supranational organizations;
4. **Self-certified Small and Medium-Sized Enterprises (“SMEs”):** any company having its registered office in The Netherlands which does not meet at least two of the three criteria mentioned in (6) below and which has (a) expressly requested the Netherlands Authority for the Financial Markets (the “AFM”) to be considered as a qualified investor, and (b) been entered on the register of qualified investors maintained by the AFM;
5. **Self-certified Natural Persons:** any natural person who is resident in The Netherlands if this person meets at least two (2) of the following criteria:
  - (i) the investor has carried out transactions of a significant size on securities markets at an average frequency of, at least, ten (10) per quarter over the previous four (4) quarters;
  - (ii) the size of the investor’s securities portfolio exceeds €500,000;
  - (iii) the investor works or has worked for at least one (1) year in the financial sector in a professional position which requires knowledge of investment in securities,

*provided* this person has:

  - (a) expressly requested the AFM to be considered as a qualified investor; and
  - (b) been entered on the register of qualified investors maintained by the AFM;
6. **Large Enterprises:** any company or legal entity which meets at least two of the following three criteria according to its most recent consolidated or non-consolidated annual accounts:
  - (a) an average number of employees during the financial year of at least 250;
  - (b) total assets of at least €43,000,000; or
  - (c) an annual net turnover of at least €50,000,000.
7. **Discretionary individual portfolio managers:** any portfolio manager in The Netherlands who or which purchases the notes for the account of clients who are not Qualified Investors on the basis of a contract of agency that allows for making investment decisions on the client’s behalf without specific instructions of or consultation with any such client;
8. **Minimum consideration:** any person or entity for a minimum consideration of €50,000 or more (or equivalent in foreign currency) for each offer of notes; or
9. **Fewer than 100 Offerees:** fewer than 100 natural or legal persons (other than Qualified Investors).

For the purposes of this provision, the expression:

- (a) an “offer to the public” in relation to any notes means making a sufficiently determined offer as meant in Section 217(1) of Book 6 of the Dutch Civil Code (*Burgerlijk Wetboek*) addressed to more than one person to conclude a contract to purchase or otherwise acquire notes, or inviting persons to make an offer in respect of such notes;
- (b) “Qualified Investors” means the categories of investors listed under (1) up to and including (6) above.

Zero Coupon Notes may not, directly or indirectly, as part of their initial distribution (or immediately thereafter) or as part of any re-offering be offered, sold, transferred or delivered in The Netherlands. For purposes of this paragraph “Zero Coupon Notes” are notes (whether in definitive or in global form) that are in bearer form and that constitute a claim for a fixed sum against us and on which interest does not become due prior to maturity or on which no interest is due whatsoever.

#### Panama

The notes have not been and will not be registered with the National Securities Commission of the Republic of Panama under Decree Law No. 1 of July 8, 1999 (the “Panamanian Securities Law”) and may not be publicly offered or sold within Panama, except in certain limited transactions exempt from the registration requirements of the Panamanian Securities Law. The notes do not benefit from the tax incentives provided by the Panamanian Securities Law and are not subject to regulation or supervision by the National Securities Commission of the Republic of Panama.

#### Peru

The notes have been and will be offered only to institutional investors (as defined by the Peruvian Securities Market Law – “*Ley de Mercado de Valores*” enacted by Legislative Decree No. 861 – Unified Text of the Law



approved by Supreme Decree No. 093-2002-EF) and not to the public in general or a segment of it. The placement of the notes shall comply with article 5 of the Peruvian Securities Market Law.

#### **Singapore**

Neither this product supplement no. 32-IX nor the accompanying prospectus supplement, prospectus or terms supplement has been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this product supplement no. 32-IX, the accompanying prospectus supplement, prospectus or terms supplement, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

#### **Switzerland**

The notes have not been and will not be offered or sold, directly or indirectly, to the public in Switzerland, and this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement do not constitute a public offering prospectus as that term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations.

We have not applied for a listing of the notes on the SWX Swiss Exchange or on any other regulated securities market and, consequently, the information presented in this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement does not necessarily comply with the information standards set out in the relevant listing rules.

The notes do not constitute a participation in a collective investment scheme in the meaning of the Swiss Federal Act on Collective Investment Schemes and are not licensed by the Swiss Federal Banking Commission. Accordingly, neither the notes nor holders of the notes benefit from protection under the Swiss Federal Act on Collective Investment Schemes or supervision by the Swiss Federal Banking Commission.

#### **Uruguay**

The offering of notes in Uruguay constitutes a private offering and each Agent has agreed that the notes and us will not be registered with the Central Bank of Uruguay pursuant to section 2 of Uruguayan law 16.749.

#### **Venezuela**

The notes comprising this offering have not been registered with the Venezuelan National Securities Commission (*Comisión Nacional de Valores*) and are not being publicly offered in Venezuela. No document related to the offering of the notes shall be interpreted to constitute a public offer of securities in Venezuela. This document has been sent exclusively to clients of the Agents and the information contained herein is private, confidential and for the exclusive use of the addressee. Investors wishing to acquire the notes may use only funds located outside of Venezuela, which are not of mandatory sale to the Central Bank of Venezuela (*Banco Central de Venezuela*) or are not otherwise subject to restrictions or limitations under the exchange control regulation currently in force in Venezuela.

## DESCRIPTION OF NOTES

The following description of the terms of the notes supplements the description of the general terms of the debt securities set forth under the headings “Description of Notes” in the accompanying prospectus supplement and “Description of Debt Securities” in the accompanying prospectus. A separate terms supplement will describe the terms that apply specifically to the notes, including any changes to the terms specified below. Capitalized terms used but not defined in this product supplement no. 32-IX have the meanings assigned in the accompanying prospectus supplement, prospectus and the relevant terms supplement. The term “note” refers to each \$1,000 principal amount of our Principal Protected Notes Linked to a Basket Consisting of the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the Dow Jones — AIG Commodity Index<sup>SM</sup>, the S&P GSCI<sup>TM</sup> Excess Return Index, the FTSE<sup>TM</sup> 100 Index, the FTSE/Xinhua China 25 Index, the Korea Stock Price Index 200, the MSCI EAFE<sup>®</sup> Index, the iShares<sup>®</sup> MSCI Emerging Markets Index Fund, the MSCI Taiwan Index, the MSCI Singapore Index, the Nikkei 225 Index, the Russell 2000<sup>®</sup> Index, the Russell 3000<sup>®</sup> Index and the S&P 500<sup>®</sup> Index, or Linked to Any One of the Foregoing.

### General

The Principal Protected Notes are senior unsecured obligations of JPMorgan Chase & Co. that are linked to a Basket consisting of the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the Dow Jones — AIG Commodity Index<sup>SM</sup>, the S&P GSCI<sup>TM</sup> Excess Return Index (together with the Dow Jones — AIG Commodity Index<sup>SM</sup>, the “Commodity Indices”), the FTSE<sup>TM</sup> 100 Index, the FTSE/Xinhua China 25 Index, the Korea Stock Price Index 200 (the “KOSPI 200”), the MSCI EAFE<sup>®</sup> Index, the iShares<sup>®</sup> MSCI Emerging Markets Index Fund (the “Basket Fund”), the MSCI Taiwan Index, the MSCI Singapore Index, the Nikkei 225 Index, the Russell 2000<sup>®</sup> Index, the Russell 3000<sup>®</sup> Index and the S&P 500<sup>®</sup> Index (each a “Basket Component,” and together, the “Basket Components”), or linked to any one of the Basket Components. We refer to each of the Basket Components other than the Basket Fund as a “Basket Index,” and collectively, the “Basket Indices.” The notes are a series of securities referred to in the accompanying prospectus supplement, prospectus and the relevant terms supplement. The notes will be issued by JPMorgan Chase & Co. under an indenture dated May 25, 2001, as may be amended or supplemented from time to time, between us and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as trustee.

Unless otherwise specified in the relevant terms supplement, the notes will not pay interest or a fixed amount at maturity. Instead, at maturity you will receive a payment in cash, the amount of which will vary depending on the performance of the Basket over the term of the notes, calculated in accordance with the applicable formula as set out below. Unless otherwise specified in the relevant terms supplement, we will pay you at maturity at least the principal amount of \$1,000 for each \$1,000 principal amount note and, if specified in the relevant terms supplement, accrued and unpaid interest and/or a Minimum Return.

The notes are not bank deposits and are not insured by the Federal Deposit Insurance Corporation or by any other governmental agency, nor are they obligations of, or guaranteed by, a bank.

The notes are our unsecured and unsubordinated obligations and will rank *pari passu* with all of our other unsecured and unsubordinated obligations.

The notes will be issued in denominations of \$1,000 and integral multiples thereof, unless otherwise specified in the relevant terms supplement. The principal amount and issue price of each note is \$1,000, unless otherwise specified in the relevant terms supplement. The notes will be represented by one or more permanent global notes registered in the name of The Depository Trust Company, or DTC, or its nominee, as described under “Description of Notes — Forms of Notes” in the prospectus supplement and “Forms of Securities — Global Securities” in the prospectus.

The specific terms of the notes will be described in the relevant terms supplement accompanying this product supplement no. 32-IX. The terms described in that document supplement those described herein and in the accompanying prospectus and prospectus supplement. If the terms described in the relevant terms supplement are inconsistent with those described herein or in the accompanying prospectus or prospectus supplement, the terms described in the relevant terms supplement will control.

## Payment at Maturity

The maturity date for the notes will be set forth in the relevant terms supplement and is subject to adjustment if such day is not a business day or if the final Basket Valuation Date is postponed as described below. We will specify, in each case if applicable, the Partial Principal Protection Percentage, Participation Rate, Minimum Return, Maximum Return, Knock-Out Level, Knock-Out Rate, Knock-Out Event and Fixed Payment and the applicable terms of any such payment terms in the relevant terms supplement.

Unless otherwise specified in the relevant terms supplement, your return on the notes will be linked to the performance of a weighted Basket consisting of the Basket Components during the life of the notes.

Unless otherwise specified in the relevant terms supplement, at maturity you will receive a cash payment for each \$1,000 principal amount note of \$1,000 plus the Additional Amount as described below, which amount may be zero unless a Minimum Return applies. Unless otherwise specified in the relevant terms supplement, you will not receive less than \$1,000 for each \$1,000 principal amount note if you hold the notes to maturity.

For notes with neither a Knock-Out Level nor a Fixed Payment, the "Additional Amount" per \$1,000 principal amount note paid at maturity will equal, unless otherwise specified in the relevant terms supplement,  $\$1,000 \times \text{the Basket Return} \times \text{the Participation Rate}$ ; *provided* that the Additional Amount will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable.

The "Partial Principal Protection Percentage" will be a percentage less than 100%, as specified in the relevant terms supplement.

The "Participation Rate" will be a percentage, which may be more or less than 100%, as specified in the relevant terms supplement.

The "Minimum Return" will be a fixed dollar amount per \$1,000 principal amount note as specified in the relevant terms supplement.

The "Maximum Return" will be a fixed dollar amount per \$1,000 principal amount note as specified in the relevant terms supplement.

For notes with a Knock-Out Level, the "Additional Amount" per \$1,000 principal amount note paid at maturity will equal, unless otherwise specified in the relevant terms supplement:

- (1) if the Basket Closing Level is less than the Knock-Out Level on each of the trading days specified in the relevant terms supplement,  $\$1,000 \times \text{the Basket Return} \times \text{the Participation Rate}$ ; *provided* that the Additional Amount will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable; or
- (2) if the Basket Closing Level is greater than or equal to the Knock-Out Level on any of the trading days specified by the relevant terms supplement, which we refer to as a "Knock-Out Event,"  $\$1,000 \times \text{the Knock-Out Rate}$ .

The "Knock-Out Level" will be a percentage of the Starting Basket Level or a fixed level of the Basket as specified in the relevant terms supplement.

The "Knock-Out Rate" will be a percentage as specified in the relevant terms supplement.

A "Knock-Out Event" occurs when the Basket Closing Level is greater than or equal to the Knock-Out Level on any of the trading days specified in the relevant terms supplement. For example, the terms supplement may specify a single trading day as the only trading day on which a Knock-Out Event can occur, or the terms supplement may specify that a Knock-Out Event can occur on any trading day during the term of the notes.

For notes with a Fixed Payment, the "Additional Amount" per \$1,000 principal amount note paid at maturity will equal:

- (1) if the Ending Basket Level is greater than or equal to the Starting Basket Level, the Fixed Payment;  
or
- (2) if the Ending Basket Level is less than the Starting Basket Level, zero (or the Minimum Return, if applicable).

The “Fixed Payment” is a fixed dollar amount per \$1,000 principal amount note as specified in the relevant terms supplement.

Unless otherwise specified in the relevant terms supplement, the “Basket Return,” as calculated by the calculation agent, is the percentage change of the Basket calculated by comparing the Ending Basket Level to the Starting Basket Level. The relevant terms supplement will specify the manner in which the Ending Basket Level will be determined. The Basket Return, unless otherwise specified in the relevant terms supplement, is calculated as follows:

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

Unless otherwise specified in the relevant terms supplement, the “Starting Basket Level” will be set equal to 100 on the pricing date, the final Initial Averaging Date, if applicable, or on such other date as specified in the relevant terms supplement, or, if the Basket consists of a single Basket Component, the closing level or closing price of the Basket Component on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels or closing price of the Basket Component on each of the Initial Averaging Dates. The “Ending Basket Level” is equal to the Basket Closing Level on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the Basket Closing Levels on each of the Ending Averaging Dates.

Unless otherwise specified in the relevant terms supplement, the “Basket Closing Level” on any trading day will be calculated as follows:

$$100 \times [1 + ((\text{AMEX Hong Kong Return} * \text{AMEX Hong Kong Weighting}) + (\text{EURO STOXX Return} * \text{EURO STOXX Weighting}) + (\text{AIG Commodity Return} * \text{AIG Commodity Weighting}) + (\text{S\&P GSCI Commodity Return} * \text{S\&P GSCI Commodity Weighting}) + (\text{FTSE 100 Return} * \text{FTSE 100 Weighting}) + (\text{FTSE/Xinhua Return} * \text{FTSE/Xinhua Weighting}) + (\text{KOSPI 200 Return} * \text{KOSPI 200 Weighting}) + (\text{MSCI EAFE Return} * \text{MSCI EAFE Weighting}) + (\text{MSCI Emerging Markets Return} * \text{MSCI Emerging Markets Weighting}) + (\text{MSCI Taiwan Return} * \text{MSCI Taiwan Weighting}) + (\text{MSCI Singapore Return} * \text{MSCI Singapore Weighting}) + (\text{Nikkei 225 Return} * \text{Nikkei 225 Weighting}) + (\text{Russell 2000 Return} * \text{Russell 2000 Weighting}) + (\text{Russell 3000 Return} * \text{Russell 3000 Weighting}) + (\text{S\&P 500 Return} * \text{S\&P 500 Weighting}))]$$

Unless otherwise specified in the relevant terms supplement, on any trading day, each of the AMEX Hong Kong Return, EURO STOXX Return, AIG Commodity Return, S&P GSCI Commodity Return, FTSE 100 Return, FTSE/Xinhua Return, KOSPI 200 Return, MSCI EAFE Return, MSCI Taiwan Return, MSCI Singapore Return, Nikkei 225 Index Return, Russell 2000 Return, Russell 3000 Return and S&P 500 Return (each an “Index Return”) reflects the performance of the respective Basket Component, expressed as a percentage, from the relevant index starting level to the relevant index closing level on such trading day.

Unless otherwise specified in the relevant terms supplement, on any trading day, the MSCI Emerging Markets Return (each Index Return and the MSCI Emerging Markets Return, a “Component Return”)

reflects the performance of the Basket Fund, expressed as a percentage, from the MSCI Emerging Markets Initial Share Price to the MSCI Emerging Markets Final Share Price on such trading day.

The AMEX Hong Kong Weighting, the EURO STOXX Weighting, the AIG Commodity Weighting, the S&P GSCI Commodity Weighting, the FTSE 100 Weighting, the FTSE/Xinhua Weighting, the KOSPI 200 Weighting, the MSCI EAFE Weighting, the MSCI Emerging Markets Weighting, the MSCI Taiwan Weighting, the MSCI Singapore Weighting, the Nikkei 225 Weighting, Russell 2000 Weighting, the Russell 3000 Weighting and the S&P 500 Weighting (each a “Component Weighting,” and collectively, the “Component Weightings”) are the respective weights of each of the Basket Components in the Basket.

The relevant terms supplement will specify either (i) the weight of each Basket Component in the Basket, which will be fixed for the term of the notes, or (ii) the manner in which the weight of each Basket Component will be determined. For example, if the relevant terms supplement specifies that the S&P 500<sup>®</sup> Index is weighted to compose 18% of the value of the Basket, the S&P 500 Weighting is 18%. Alternatively, the relevant terms supplement may specify that, for a Basket consisting of the S&P 500<sup>®</sup> Index and the Nikkei 225 Index, the Basket Component with the greater Component Return will make up 70% of the value of the Basket, and the Basket Component with the lesser Component Return will make up 30% of the value of the Basket. The Basket may consist of fewer than all fifteen Basket Components, in which case the weight of each Basket Component not included in the Basket will be deemed to be 0%. In certain cases, only one Basket Component may compose the entire Basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the Basket and the remaining Basket Components will each be weighted as 0% of the Basket.

On any trading day, the “AMEX Hong Kong Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{AMEX Hong Kong Return} = \frac{\text{AMEX Hong Kong Closing Level} - \text{AMEX Hong Kong Starting Level}}{\text{AMEX Hong Kong Starting Level}}$$

where the “AMEX Hong Kong Starting Level” is the closing level of the AMEX Hong Kong 30 Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the AMEX Hong Kong 30 Index on each of the Initial Averaging Dates, and the “AMEX Hong Kong Closing Level” is the closing level of the AMEX Hong Kong 30 Index on such trading day. However, if the Basket consists of only the AMEX Hong Kong 30 Index, the “AMEX Hong Kong Closing Level” is the closing level of the AMEX Hong Kong 30 Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the AMEX Hong Kong 30 Index on each of the Ending Averaging Dates.

On any trading day, the “EURO STOXX Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{EURO STOXX Return} = \frac{\text{EURO STOXX Closing Level} - \text{EURO STOXX Starting Level}}{\text{EURO STOXX Starting Level}}$$

where the “EURO STOXX Starting Level” is the closing level of the Dow Jones EURO STOXX 50<sup>®</sup> Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Dow Jones EURO STOXX 50<sup>®</sup> Index on each of the Initial Averaging Dates, and the “EURO STOXX Closing Level” is the closing level of the Dow Jones EURO STOXX 50<sup>®</sup> Index on such trading day. However, if the Basket consists of only the Dow Jones EURO STOXX 50<sup>®</sup> Index, the “EURO STOXX Closing Level” is the closing level of the Dow Jones EURO STOXX 50<sup>®</sup> Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Dow Jones EURO STOXX 50<sup>®</sup> Index on each of the Ending Averaging Dates.

On any trading day, the “AIG Commodity Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{AIG Commodity Return} = \frac{\text{AIG Commodity Closing Level} - \text{AIG Commodity Starting Level}}{\text{AIG Commodity Starting Level}}$$

where the “AIG Commodity Starting Level” is the closing level of the Dow Jones — AIG Commodity Index<sup>SM</sup>, on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Dow Jones — AIG Commodity Index<sup>SM</sup> on each of the Initial Averaging Dates, and the “AIG Commodity Closing Level” is the closing level of the Dow Jones — AIG Commodity Index<sup>SM</sup> on such trading day. However, if the Basket consists of only the Dow Jones — AIG Commodity Index<sup>SM</sup>, the “AIG Commodity Closing Level” is the closing level of the Dow Jones — AIG Commodity Index<sup>SM</sup> on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Dow Jones — AIG Commodity Index<sup>SM</sup> on each of the Ending Averaging Dates.

On any trading day, the “S&P GSCI Commodity Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{S\&P GSCI Commodity Return} = \frac{\text{S\&P GSI Commodity Closing Level} - \text{S\&P GSCI Commodity Starting Level}}{\text{S\&P GSCI Commodity Starting Level}}$$

where the “S&P GSCI Commodity Starting Level” is the closing level of the S&P GSCI<sup>TM</sup> Excess Return Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the S&P GSCI<sup>TM</sup> Excess Return Index on each of the Initial Averaging Dates, and the “S&P GSCI Commodity Closing Level” is the closing level of the S&P GSCI<sup>TM</sup> Excess Return Index on such trading day. However, if the Basket consists of only the S&P GSCI<sup>TM</sup> Excess Return Index, the “S&P GSCI Commodity Closing Level” is the closing level of the S&P GSCI<sup>TM</sup> Excess Return Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the S&P GSCI<sup>TM</sup> Excess Return Index on each of the Ending Averaging Dates.

On any trading day, the “FTSE 100 Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{FTSE 100 Return} = \frac{\text{FTSE 100 Closing Level} - \text{FTSE 100 Starting Level}}{\text{FTSE 100 Starting Level}}$$

where the “FTSE 100 Starting Level” is the closing level of the FTSE<sup>TM</sup> 100 Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the FTSE<sup>TM</sup> 100 Index on each of the Initial Averaging Dates, and the “FTSE 100 Closing Level” is the closing level of the FTSE<sup>TM</sup> 100 Index on such trading day. However, if the Basket consists of only the FTSE<sup>TM</sup> 100 Index, the “FTSE 100 Closing Level” is the closing level of the FTSE<sup>TM</sup> 100 Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the FTSE<sup>TM</sup> 100 Index on each of the Ending Averaging Dates.

On any trading day, the “FTSE/Xinhua Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{FTSE/Xinhua Return} = \frac{\text{FTSE/Xinhua Closing Level} - \text{FTSE/Xinhua Starting Level}}{\text{FTSE/Xinhua Starting Level}}$$

where the “FTSE/Xinhua Starting Level” is the closing level of the FTSE/Xinhua China 25 Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the FTSE/Xinhua China 25 Index on each of the Initial Averaging Dates, and the “FTSE/Xinhua Closing Level” is the closing level of the FTSE/Xinhua China 25 Index on such trading day. However, if the Basket consists of only the FTSE/Xinhua China 25 Index, the “FTSE/Xinhua Closing Level” is the closing level of the FTSE/Xinhua China 25 Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the FTSE/Xinhua China 25 Index on each of the Ending Averaging Dates.

On any trading day, the “KOSPI 200 Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{KOSPI 200 Return} = \frac{\text{KOSPI 200 Closing Level} - \text{KOSPI 200 Starting Level}}{\text{KOSPI 200 Starting Level}}$$

where the “KOSPI 200 Starting Level” is the closing level of the KOSPI 200 on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the KOSPI 200 on each of the Initial Averaging Dates, and the “KOSPI 200 Closing Level” is the closing level of the KOSPI 200 on such trading day. However, if the Basket consists of only the KOSPI 200, the “KOSPI 200 Closing Level” is the closing level of the KOSPI 200 on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the KOSPI 200 on each of the Ending Averaging Dates.

On any trading day, the “MSCI EAFE Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{MSCI EAFE Return} = \frac{\text{MSCI EAFE Closing Level} - \text{MSCI EAFE Starting Level}}{\text{MSCI EAFE Starting Level}}$$

where the “MSCI EAFE Starting Level” is the closing level of the MSCI EAFE<sup>®</sup> Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the MSCI EAFE<sup>®</sup> Index on each of the Initial Averaging Dates, and the “MSCI EAFE Closing Level” is the closing level of the MSCI EAFE<sup>®</sup> Index on such trading day. However, if the Basket consists of only the MSCI EAFE<sup>®</sup> Index, the “MSCI EAFE Closing Level” is the closing level of the MSCI EAFE<sup>®</sup> Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the MSCI EAFE<sup>®</sup> Index on each of the Ending Averaging Dates.

On any trading day, the “MSCI Emerging Markets Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{MSCI Emerging Markets Return} = \frac{\text{MSCI Emerging Markets Final Share Price} - \text{MSCI Emerging Markets Initial Share Price}}{\text{MSCI Emerging Markets Initial Share Price}}$$

where the “MSCI Emerging Markets Initial Share Price” is the closing price of one share of the Basket Fund on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing prices of one share of the Basket Fund on each of the Initial Averaging Dates, and the “MSCI Emerging Markets Final Share Price” is the closing price of one share of the Basket Fund times the Share Adjustment Factor on such trading day. Notwithstanding the foregoing, if the relevant terms supplement specifies that the MSCI Emerging Markets Initial Share Price will be determined based on the arithmetic average of the closing prices of the MSCI Emerging Markets Index Fund on each of the Initial Averaging Dates and an adjustment to the Share Adjustment Factor would have become effective in accordance with “Description of Notes — Anti-Dilution Adjustments” (an “Adjustment Effective Date”) after the first Initial Averaging Date but on or prior to the final Initial Averaging Date, then the closing price of the MSCI Emerging Markets Index Fund on each Initial Averaging Date occurring on or after the applicable Adjustment Effective Date to be used to determine the MSCI Emerging Markets Initial Share Price will be deemed to equal such closing price multiplied by the Share Adjustment Factor, as adjusted (assuming that the Share Adjustment Factor prior to such adjustment is equal to 1.0). However, if the Basket consists of only the Basket Fund, the “MSCI Emerging Markets Final Share Price” is the closing price of one share of the Basket Fund times the Share Adjustment Factor on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the products of the closing price of one share of the Basket Fund on each of the Ending Averaging Dates, each multiplied by the Share Adjustment Factor; *provided* that, in the latter case, if an adjustment to the Share Adjustment Factor would have become effective in accordance with “General Terms of Notes — Anti-Dilution Adjustments” after the first Ending Averaging Date but on or prior to the final Ending Averaging Date, the Share Adjustment Factor will be so adjusted for the event giving rise to such Adjustment Effective Date only on the Ending Averaging Dates occurring on or after such Adjustment Effective Date. The Share Adjustment Factor will continue to be subject to further adjustments in connection with Adjustment Effective Dates occurring after the final Ending Averaging Date as described under “General Terms of Notes — Anti-Dilution Adjustments.”

On any trading day, the “MSCI Taiwan Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{MSCI Taiwan Return} = \frac{\text{MSCI Taiwan Closing Level} - \text{MSCI Taiwan Starting Level}}{\text{MSCI Taiwan Starting Level}}$$

where the “MSCI Taiwan Starting Level” is the closing level of the MSCI Taiwan Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the MSCI Taiwan Index on each of the Initial Averaging Dates, and the “MSCI Taiwan Closing Level” is the closing level of the MSCI Taiwan Index on such trading day. However, if the Basket consists of only the MSCI Taiwan Index, the “MSCI Taiwan Closing Level” is the closing level of the MSCI Taiwan Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the MSCI Taiwan Index on each of the Ending Averaging Dates.

On any trading day, the “MSCI Singapore Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{MSCI Singapore Return} = \frac{\text{MSCI Singapore Closing Level} - \text{MSCI Singapore Starting Level}}{\text{MSCI Singapore Starting Level}}$$

where the “MSCI Singapore Starting Level” is the closing level of the MSCI Singapore Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the MSCI Singapore Index on each of the Initial Averaging Dates, and the “MSCI Singapore Closing Level” is the closing level of the MSCI Singapore Index on such trading day. However, if the Basket consists of only the MSCI Singapore Index, the “MSCI Singapore Closing Level” is the closing level of the MSCI Singapore Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the MSCI Singapore Index on each of the Ending Averaging Dates.

On any trading day, the “Nikkei 225 Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{Nikkei 225 Return} = \frac{\text{Nikkei 225 Closing Level} - \text{Nikkei 225 Starting Level}}{\text{Nikkei 225 Starting Level}}$$

where the “Nikkei 225 Starting Level” is the closing level of the Nikkei 225 Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Nikkei 225 Index on each of the Initial Averaging Dates, and the “Nikkei 225 Closing Level” is the closing level of the Nikkei 225 Index on such trading day. However, if the Basket consists of only the Nikkei 225 Index, the “Nikkei 225 Closing Level” is the closing level of the Nikkei 225 Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Nikkei 225 Index on each of the Ending Averaging Dates.

On any trading day, the “Russell 2000 Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{Russell 2000 Return} = \frac{\text{Russell 2000 Closing Level} - \text{Russell 2000 Starting Level}}{\text{Russell 2000 Starting Level}}$$

where the “Russell 2000 Starting Level” is the closing level of the Russell 2000<sup>®</sup> Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Russell 2000<sup>®</sup> Index on each of the Initial Averaging Dates, and the “Russell 2000 Closing Level” is the closing level of the Russell 2000<sup>®</sup> Index on such trading day. However, if the Basket consists of only the Russell 2000<sup>®</sup> Index, the “Russell 2000 Closing Level” is the closing level of the Russell 2000<sup>®</sup> Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Russell 2000<sup>®</sup> Index on each of the Ending Averaging Dates.

On any trading day, the “Russell 3000 Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:



$$\text{Russell 3000 Return} = \frac{\text{Russell 3000 Closing Level} - \text{Russell 3000 Starting Level}}{\text{Russell 3000 Starting Level}}$$

where the “Russell 3000 Starting Level” is the closing level of the Russell 3000<sup>®</sup> Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Russell 3000<sup>®</sup> Index on each of the Initial Averaging Dates, and the “Russell 3000 Closing Level” is the closing level of the Russell 3000<sup>®</sup> Index on such trading day. However, if the Basket consists of only the Russell 3000<sup>®</sup> Index, the “Russell 3000 Closing Level” is the closing level of the Russell 3000<sup>®</sup> Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Russell 3000<sup>®</sup> Index on each of the Ending Averaging Dates.

On any trading day, the “S&P 500 Return” is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{S\&P 500 Return} = \frac{\text{S\&P 500 Closing Level} - \text{S\&P 500 Starting Level}}{\text{S\&P 500 Starting Level}}$$

where the “S&P 500 Starting Level” is the closing level of the S&P 500<sup>®</sup> Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the S&P 500<sup>®</sup> Index on each of the Initial Averaging Dates, and the “S&P 500 Closing Level” is the closing level of the S&P 500<sup>®</sup> Index on such trading day. However, if the Basket consists of only the S&P 500<sup>®</sup> Index, the “S&P 500 Closing Level” is the closing level of the S&P 500<sup>®</sup> Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the S&P 500<sup>®</sup> Index on each of the Ending Averaging Dates.

With respect to each Basket Index, the “closing level” on any trading day will equal the official closing level of such Basket Index or any successor index thereto (as described below) published following the regular official weekday close of trading for such Basket Index on that trading day. In certain circumstances, the “closing level” for a Basket Index will be based on the alternate calculation of such Basket Index described under the index description section for the relevant Basket Index.

With respect to the Basket Fund, the “closing price” of one share of the iShares<sup>®</sup> MSCI Emerging Markets Index Fund (or any Emerging Markets successor index fund (as defined under “The iShares<sup>®</sup> MSCI Emerging Markets Index Fund — Discontinuation of the iShares<sup>®</sup> MSCI Emerging Markets Index Fund; Alternate Calculation of Closing Price”) or one unit of any other security for which a price must be determined) on any trading day (as defined below) means:

- if the Basket Fund (or any such Emerging Markets successor index fund or such other security) is listed or admitted to trading on a national securities exchange, the last reported sale price, regular way (or, in the case of The NASDAQ Stock Market, the official closing price) of the principal trading session on such day on the principal U.S. securities exchange registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on which the Basket Fund (or any such Emerging Markets successor index fund or such other security) is listed or admitted to trading;
- if the Basket Fund (or any such Emerging Markets successor index fund or such other security) is not listed or admitted to trading on any national securities exchange but is included in the OTC Bulletin Board Service operated by the Financial Industry Regulatory Authority (the “FINRA”), the last reported sale price of the principal trading session on the OTC Bulletin Board Service on such day;
- if the Basket Fund (or any such Emerging Markets successor index fund) is de-listed, liquidated or otherwise terminated, the price calculated pursuant to the alternative methods of calculation of price described under “The iShares<sup>®</sup> MSCI Emerging Markets Index Fund — Discontinuation of the iShares<sup>®</sup> MSCI Emerging Markets Index Fund; Alternate Calculation of Closing Price”; or

- if, because of a market disruption event (as defined under “General Terms of Notes — Market Disruption Events”) or otherwise, the last reported sale price for the Basket Fund (or any such Emerging Markets successor index fund or such other security) is not available pursuant to the preceding bullet points, the mean, as determined by the calculation agent, of the bid prices for the shares of the Basket Fund (or any such Emerging Markets successor index fund or such other security) obtained from as many recognized dealers in such security, but not exceeding three, as will make such bid prices available to the calculation agent. Bids of any of our affiliates may be included in the calculation of such mean, but only to the extent that any such bid is not the highest or the lowest of the bids obtained.

in each case subject to the provisions of “The iShares<sup>®</sup> MSCI Emerging Markets Index Fund — Discontinuation of the iShares<sup>®</sup> MSCI Emerging Markets Index Fund; Alternate Calculation of Closing Price.” The term OTC Bulletin Board Service will include any successor service thereto.

Unless otherwise specified in the terms supplement, the “Share Adjustment Factor” will be set initially at 1.0, subject to adjustment upon the occurrence of certain events affecting the Basket Fund. See “General Terms of Notes — Anti-Dilution Adjustments.”

With respect to each Basket Index other than the Commodity Indices (each an “Equity Index” and collectively, the “Equity Indices”) and the Basket Fund, a “trading day” is, unless otherwise specified in the relevant terms supplement, a day, as determined by the calculation agent, on which trading is generally conducted on (i) the relevant exchanges (as defined below) for securities underlying such Basket Component or the relevant successor index or successor index fund, if applicable, and (ii) the exchanges on which futures or options contracts related to such Basket Component or the relevant successor index or successor index fund, if applicable, are traded, other than a day on which trading on such relevant exchange or exchange on which such futures or options contracts are traded is scheduled to close prior to its regular weekday closing time.

With respect to each Commodity Index, a “trading day” is, unless otherwise specified in the relevant terms supplement, a day, as determined by the calculation agent, on which trading is generally conducted on (i) such Commodity Index or any Commodity Successor Index is calculated and (ii) futures contracts constituting more than 80% of the value of such Commodity Index or such Commodity Successor Index on such day are capable of being traded on their relevant exchanges during the one-half hour before the determination of the closing level of such Commodity Index or such Commodity Successor Index.

With respect to the S&P GSCI<sup>™</sup> Excess Return Index, a “trading day” is, unless otherwise specified in the relevant terms supplement, a day, as determined by the calculation agent, on which trading is generally conducted on (i) the S&P GSCI<sup>™</sup> Excess Return Index or any S&P GSCI Commodity successor index is calculated and (ii) futures contracts constituting more than 80% of the value of the S&P GSCI<sup>™</sup> Excess Return Index or such S&P GSCI Commodity successor index on such day are capable of being traded on their relevant exchanges during the one-half hour before the determination of the closing level of the S&P GSCI<sup>™</sup> Excess Return Index or such S&P GSCI Commodity successor index.

The Initial Averaging Dates, if applicable, will be specified in the relevant terms supplement and any such date is subject to adjustment as described below. If an Initial Averaging Date is not a trading day with respect to any Basket Component, or there is a market disruption event with respect to any Basket Component on such Initial Averaging Date (any such Basket Component affected by a non-trading day or a market disruption event, a “Disrupted Basket Component”), the applicable Initial Averaging Date will be the immediately succeeding trading day for any such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing; *provided* that the Basket Closing Level on such Initial Averaging Date, as postponed, will be determined by using (1) the closing level or closing price, as applicable, for each Basket Component (other than any such Disrupted Basket Component) on the originally scheduled Initial Averaging Date and (2) the closing level or closing price, as applicable, for any such Disrupted Basket Component on the immediately succeeding trading day for such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing. For the avoidance of doubt, if an Initial Averaging Date is to be postponed as described above, and there are two or more Disrupted

Basket Components and the first trading day on which there is no market disruption event relating to the first Disrupted Basket Component is different from such trading day for one or more of the other Disrupted Basket Components, such Initial Averaging Date will be postponed to the latest of such trading days. Under these circumstances, the calculation agent will calculate the Basket Closing Level for such Initial Averaging Date using the closing levels or prices of the Disrupted Basket Components on different trading days.

In no event, however, will any Initial Averaging Date be postponed more than ten business days following the date originally scheduled to be such Initial Averaging Date. If the tenth business day following the date originally scheduled to be the applicable Initial Averaging Date is not a trading day with respect to any Disrupted Basket Component, or there is a market disruption event with respect to any Disrupted Basket Component on such tenth business day, the calculation agent will determine the closing level or closing price for any such Disrupted Basket Component for such date in accordance with the formula for and method of calculating such closing level or closing price, as applicable, last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-trading day) on such tenth scheduled business day of each security most recently constituting such Disrupted Basket Component (or if the Disrupted Basket Component is the Basket Fund, of the Basket Fund).

The Basket Valuation Date(s), which will be either a single date, which we refer to as the Observation Date, or several dates, each of which we refer to as an Ending Averaging Date, will be specified in the relevant terms supplement, and any such date is subject to adjustment as described below.

The maturity date will be specified in the relevant terms supplement. If the scheduled maturity date (as specified in the relevant terms supplement) is not a business day, then the maturity date will be the next succeeding business day following such scheduled maturity date. If, due to a market disruption event or otherwise, the final Basket Valuation Date is postponed so that it falls less than three business days prior to the scheduled maturity date, the maturity date will be the third business day following the final Basket Valuation Date, as postponed, unless otherwise specified in the relevant terms supplement. We describe market disruption events under "General Terms of Notes — Market Disruption Events."

We will irrevocably deposit with DTC no later than the opening of business on the applicable date or dates funds sufficient to make payments of the amount payable at maturity and on the Interest Payment Dates, if any, with respect to the notes on such date. We will give DTC irrevocable instructions and authority to pay such amount to the holders of the notes entitled thereto.

A "business day" is, unless otherwise specified in the relevant terms supplement, any day other than a day on which banking institutions in The City of New York are authorized or required by law, regulation or executive order to close or a day on which transactions in dollars are not conducted.

Subject to the foregoing and to applicable law (including, without limitation, United States federal laws), we or our affiliates may, at any time and from time to time, purchase outstanding notes by tender, in the open market or by private agreement.

#### **Notes with a maturity of more than one year**

If a Basket Valuation Date is not a trading day with respect to any Basket Component, or there is a market disruption event with respect to any Basket Component on such Basket Valuation Date, the applicable Basket Valuation Date will be the immediately succeeding trading day for any such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing; *provided* that the Basket Closing Level on such Basket Valuation Date, as postponed, will be determined by using (1) the closing level or closing price, as applicable, for each Basket Component (other than any such Disrupted Basket Component) on the originally scheduled Basket Valuation Date and (2) the closing level or closing price, as applicable, for any such Disrupted Basket Component on the immediately succeeding trading day for such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing. For the avoidance of doubt, if a Basket Valuation Date is to be postponed as described above, and there are two or more Disrupted Basket Components and the first trading day on which there is no market disruption event relating to the first Disrupted Basket Component is different from such

trading day for one or more of the other Disrupted Basket Components, such Basket Valuation Date will be postponed to the latest of such trading days. Under such circumstances, the calculation agent will calculate the Basket Closing Level for such Basket Valuation Date using the closing levels or prices of the Disrupted Basket Components on different trading days.

In no event, however, will any Basket Valuation Date be postponed more than ten business days following the date originally scheduled to be such Basket Valuation Date. If the tenth business day following the date originally scheduled to be the applicable Basket Valuation Date is not a trading day with respect to any Disrupted Basket Component, or there is a market disruption event with respect to any Disrupted Basket Component on such tenth business day, the calculation agent will determine the closing level or closing price for any such Disrupted Basket Component for such date in accordance with the formula for and method of calculating such closing level or closing price, as applicable, last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-trading day) on such tenth scheduled business day of each security most recently constituting such Disrupted Basket Component (or if the Disrupted Basket Component is the Basket Fund, of the Basket Fund).

#### **Notes with a maturity of not more than one year**

If a Basket Valuation Date is not a trading day with respect to any Basket Component, or there is a market disruption event with respect to any Basket Component on such Basket Valuation Date, the applicable Basket Valuation Date will be the immediately succeeding trading day for any such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing; *provided* that the Basket Closing Level on such Basket Valuation Date, as postponed, will be determined by using (1) the closing level or closing price, as applicable, for each Basket Component (other than any such Disrupted Basket Component) on the originally scheduled Basket Valuation Date and (2) the closing level or closing price, as applicable, for any such Disrupted Basket Component on the immediately succeeding trading day for such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing; *provided, further*, that no Basket Valuation Date, as postponed, will produce a maturity date more than one year (counting for this purpose either the issue date or the maturity date, but not both) after the issue date (the last date that could serve as the final Basket Valuation Date without causing the maturity date to be more than one year after the issue date, the "Final Disrupted Valuation Date"). For the avoidance of doubt, if a Basket Valuation Date is to be postponed as described above, and there are two or more Disrupted Basket Components and the first trading day on which there is no market disruption event relating to the first Disrupted Basket Component is different from such trading day for one or more of the other Disrupted Basket Components, such Basket Valuation Date will be postponed to the latest of such trading days. Under these circumstances, the calculation agent will calculate the Basket Closing Level for such Basket Valuation Date using the closing levels or prices of the Disrupted Basket Components on different trading days.

In no event, however, will any Basket Valuation Date be postponed more than ten business days following the date originally scheduled to be such Basket Valuation Date. If the tenth business day following the date originally scheduled to be the applicable Basket Valuation Date is not a trading day with respect to any Disrupted Basket Component, or there is a market disruption event with respect to any Disrupted Basket Component on such tenth business day, the calculation agent will determine the closing level or closing price for any such Disrupted Basket Component for such date in accordance with the formula for and method of calculating such closing level or closing price, as applicable, last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-trading day) on such tenth scheduled business day of each security most recently constituting such Disrupted Basket Component (or if the Disrupted Basket Component is the Basket Fund, of the Basket Fund).

Notwithstanding the foregoing, if any Basket Valuation Date has been postponed to the Final Disrupted Valuation Date (treating any such Basket Valuation Date that is not the final Basket Valuation Date as if it were the final Basket Valuation Date), and such Final Disrupted Valuation Date is not a trading day with respect to any Disrupted Basket Component, or there is a market disruption event with respect to any Disrupted Basket Component on such Final Disrupted Valuation Date, the calculation agent will determine the closing level or closing price for any such Disrupted Basket Component for such Final Disrupted Valuation Date in accordance with the formula for and method of calculating such closing level or closing price, as applicable, last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-trading day) on the business day immediately preceding such Final Disrupted Valuation Date of each security most recently constituting such Disrupted Basket Component (or if the Disrupted Basket Component is the Basket Fund, of the Basket Fund). **For the avoidance of doubt, in no event will any Basket Valuation Date occur after the Final Disrupted Valuation Date.**

### **Interest Payments**

If the relevant terms supplement specifies that the notes will bear interest, the notes will bear interest at the rate per annum, or such other rate or rates, as specified in such terms supplement. Under these circumstances, interest will accrue from the issue date of the notes to but excluding the maturity date. Interest will be paid in arrears on each date specified in the relevant terms supplement (each such date an "Interest Payment Date") to but excluding the maturity date, to the holders of record at the close of business on the date 15 calendar days prior to that Interest Payment Date, whether or not such fifteenth calendar day is a business day, unless otherwise specified in the relevant terms supplement. Interest on the notes will be calculated based on a 360-day year of twelve 30-day months, unless otherwise specified in the relevant terms supplement. If any day on which a payment of interest or principal is due is not a business day, the payment will be made with the same force and effect on the next succeeding business day, but no additional interest will accrue as a result of the delayed payment, and the next interest payment period will commence as if the payment had not been delayed. If the maturity date is adjusted as the result of a market disruption event, the payment of interest due on the maturity date will be made on the maturity date as adjusted, with the same force and effect as if the maturity date had not been adjusted, but no additional interest will accrue or be payable as a result of the delayed payment.

### **Basket Consisting of a Single Basket Component**

If the Basket consists of only one Basket Component, unless otherwise specified in the relevant terms supplement, all references to (1) the "Basket Return" will be deemed to refer to the AMEX Hong Kong Return, the EURO STOXX Return, the AIG Commodity Return, the S&P GSCI Commodity Return, the FTSE 100 Return, the FTSE/Xinhua Return, the KOSPI 200 Return, the MSCI EAFE Return, the MSCI Emerging Markets Return, the MSCI Taiwan Return, the MSCI Singapore Return, Nikkei 225 Return, Russell 2000 Return, Russell 3000 Return or the S&P 500 Return, as applicable, and may be referred to as the "Index Return" or the "Fund Return," as applicable, in the relevant terms supplement, (2) the "Ending Basket Level" will be deemed to refer to the "AMEX Hong Kong Closing Level," the "EURO STOXX Closing Level," the "AIG Commodity Closing Level," the "S&P GSCI Commodity Closing Level," the "FTSE 100 Closing Level," the "FTSE/Xinhua Closing Level," the "KOSPI 200 Closing Level," the "MSCI EAFE Closing Level," the "MSCI Emerging Markets Final Share Price," the "MSCI Taiwan Closing Level," the "MSCI Singapore Closing Level," the "Nikkei 225 Closing Level," the "Russell 2000 Closing Level," the "Russell 3000 Closing Level" or the "S&P 500 Closing Level," as applicable, and may be referred to as the "Ending Index Level" or the "Final Share Price," as applicable, in the relevant terms supplement and (3) the "Starting Basket Level" will be deemed to refer to the "AMEX Hong Kong Starting Level," the "EURO STOXX Starting Level," the "AIG Commodity Starting Level," the "S&P GSCI Commodity Starting Level," the "FTSE 100 Starting Level," the "FTSE/Xinhua Starting Level," the "KOSPI 200 Starting Level," the "MSCI EAFE Starting Level," the "MSCI Emerging Markets Initial Share Price," the "MSCI Taiwan Starting Level," the "MSCI Singapore Starting Level," the "Nikkei 225 Starting Level," the "Russell 2000 Starting Level," the "Russell 3000 Starting Level" or the "S&P 500 Starting Level," as applicable, and may be referred to as the "Initial Index Level" or the "Initial Share Price," as applicable, in the relevant terms supplement.

## RISK FACTORS

*Your investment in the notes will involve certain risks. The notes may not pay interest or guarantee any return on principal prior to maturity unless otherwise specified in the relevant terms supplement. Investing in the notes is not equivalent to investing directly in the Basket, any of the Basket Components, or any of the component stocks underlying the Equity Indices or the Basket Fund, or any of the exchange-traded futures contracts on the commodities underlying the Commodity Indices. In addition, your investment in the notes entails other risks not associated with an investment in conventional debt securities. **You should consider carefully the following discussion of risks before you decide that an investment in the notes is suitable for you.***

### **The notes differ from conventional debt securities.**

The notes combine features of equity and debt. The terms of the notes differ from those of conventional debt securities in that we may not pay interest on the notes or, if we do pay interest, a significant portion of your total payment at maturity may be based on the performance of the Basket rather than the interest rate we will pay you. Where the relevant terms supplement does not provide for interest payments, if the Ending Basket Level does not exceed, or in certain cases, equal, the Starting Basket Level, and if the Basket Closing Level is less than the Knock-Out Level, if any, on each of the trading days specified in the relevant terms supplement, at maturity you will receive only \$1,000 (plus the Minimum Return, if any) for each \$1,000 principal amount note, unless otherwise specified in the relevant terms supplement. Therefore, the return on your investment in the notes may be less than the amount that would be paid on an ordinary debt security. The return at maturity of only the applicable principal amount of each note (plus the Minimum Return, if any) will not compensate you for any loss in value due to inflation and other factors relating to the value of money over time.

### **The notes may not pay more than the applicable principal amount, and accrued and unpaid interest, if applicable, at maturity.**

If the Ending Basket Level is less than, or, in certain cases, equal to the Starting Basket Level, and the Basket Closing Level is less than the Knock-Out Level, if any, on all of the trading days specified in the relevant terms supplement, you will receive only the applicable interest payments, if any, set forth in the terms supplement and, unless otherwise specified in the relevant terms supplement, \$1,000 (plus the Minimum Return, if any) for each \$1,000 principal amount note you hold at maturity. This will be true even if the value of the Basket was higher than the Starting Basket Level at some time during the life of the notes but later fell below the Starting Basket Level. Because the notes may accrue no interest or interest at an interest rate lower than that payable for other debt securities issued by us with a comparable maturity, the return on your investment in the notes may be less than the amount that would be paid on a conventional debt security of comparable maturity. This return may not fully compensate you for any loss in value due to inflation and other factors relating to the value of money over time.

### **The starting level or initial share price for the Basket Components may be determined after the issue date of the notes.**

If so specified in the relevant terms supplement, the starting level or initial share price for the Basket Components will be determined based on the arithmetic average of the closing levels or closing prices of the Basket Components on the Initial Averaging Dates specified in that relevant terms supplement. One or more of the Initial Averaging Dates specified may occur on or following the issue date of the notes; as a result, the starting level or initial share price for the Basket Components may not be determined, and you may therefore not know such value, until after the issue date. Similarly, the global note certificate constituting the notes, which will be deposited with DTC on the issue date as described under "General Terms of Notes — Book-Entry Only Issuance — The Depository Trust Company," will not set forth the starting level or initial share price for the Basket Components. The starting level or initial share price for the Basket Components will be used in the calculation of the returns for the various Basket Components, and the returns will be used in calculating the Basket Return and the payment at maturity. If there are

any increases in the closing levels or closing prices for the Basket Components on the Initial Averaging Dates that occur after the issue date and such increases result in the starting level or initial share price for one or more of the Basket Components being higher than the closing level or closing price of such Basket Component(s) on the issue date, this may establish higher levels that the Basket Components must achieve for you to receive at maturity more than the applicable principal amount of your notes and, if applicable, the Minimum Return.

**The appreciation potential of the notes will be limited by the Knock-Out Level, if applicable.**

If the notes have a Knock-Out Level, the appreciation potential of the notes is limited by the Knock-Out Level and the corresponding Knock-Out Rate. For example, if the Knock-Out Level equals 125% of the Starting Basket Level, the appreciation potential of the notes is limited to 24.99%. Once the Basket Closing Level equals or exceeds the Knock-Out Level, the appreciation potential of the notes is limited to the Knock-Out Rate, even if the Basket Return is greater than the Knock-Out Rate. For notes with a Knock-Out Level, if the Basket Closing Level is greater than or equal to the Knock-Out Level on any trading day specified in the relevant terms supplement, the return on the notes will equal the Knock-Out Rate multiplied by the applicable principal amount of the notes and will not be determined by reference to the Basket Return. This return may not compensate you for any loss in value due to inflation and other factors relating to the value of money over time. Therefore, your return may be less than the return you would have otherwise received if you had invested directly in the Basket Components, the stocks underlying the Basket Components or contracts relating to the Basket Components or their underlying stock. Under these circumstances, your return will not reflect any potential increase in the Ending Basket Level, as compared to the Starting Basket Level, of greater than the Knock-Out Rate.

**The Ending Basket Level may be less than the Basket Closing Level at the maturity date of the notes or at other times during the term of the notes.**

Because the Ending Basket Level is calculated based on the Basket Closing Level on one or more Basket Valuation Dates near the end of the term of the notes, the level of the Basket at various other times during the term of the notes could be higher than the Ending Basket Level. This difference could be particularly large if there is a significant increase in the level of the Basket after the Basket Valuation Dates, if there is a significant decrease in the level of the Basket during the latter portion of the term of the notes or if there is significant volatility in the Basket level during the term of the notes (especially on dates near the Basket Valuation Date(s)). For example, when the Basket Valuation Date for the notes is near the end of the term of the notes, then if Basket levels steadily increase or remain relatively constant during the initial term of the notes and then decreases below the Starting Basket Level, the Ending Basket Level may be significantly less than if it were calculated on a date earlier than the Basket Valuation Date(s). Under these circumstances, you may receive a lower payment at maturity than you would have received if you had invested in the Basket Components, component stocks of the Basket Components or contracts related to the Basket Components for which there is an active secondary market.

**The appreciation potential of the notes will be limited by the Fixed Payment, if applicable.**

If the notes have a Fixed Payment, the appreciation potential of the notes is limited to the appreciation represented by such Fixed Payment, even if the appreciation in the Basket would, but for the Fixed Payment, result in the payment of a greater Additional Amount at maturity. If the Ending Basket Level is greater than or equal to the Starting Basket Level, the return on the notes will equal the Fixed Payment and will not be determined by reference to the Basket Return. This return will be limited regardless of the appreciation of the Basket, which may be significant. Therefore, under certain circumstances, your return may be less than the return you would have otherwise received if you had invested directly in the Basket Components individually, the stocks underlying the Basket Components or contracts relating to the Basket Components for which there is an active secondary market.

**The appreciation potential of the notes will be limited by the Maximum Return, if applicable.**

If the notes have a Maximum Return, the appreciation potential of the notes is limited to the fixed dollar amount per \$1,000 principal amount note specified in the relevant terms supplement as the

Maximum Return. The Additional Amount will equal no more than the Maximum Return. Accordingly, the appreciation potential of the notes will be limited to the Maximum Return even if the Additional Amount calculated with reference to the Basket Return and Participation Rate would be greater than the Maximum Return.

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

Unless otherwise specified in the relevant terms supplement, the Basket is composed of up to twelve equity indices, two commodity indices and one exchange traded fund, each of which may have a different weight in determining the value of the Basket, depending on the Component Weightings specified in the relevant terms supplement. For example, the relevant terms supplement may specify that the AMEX Hong Kong Weighting, the EURO STOXX Weighting, the AIG Commodity Weighting, the S&P GSCI Commodity Weighting, the FTSE 100 Weighting, the FTSE/Xinhua Weighting, the KOSPI 200 Weighting, the MSCI EAFE Weighting, the MSCI Emerging Markets Weighting, the MSCI Taiwan Weighting, the MSCI Singapore Weighting, the Nikkei 225 Weighting, the Russell 2000 Weighting, the Russell 3000 Weighting and the S&P 500 Weighting are 4%, 4%, 2%, 1%, 10.5%, 25%, 23.4%, 9%, 2%, 4%, 1%, 4%, 1%, 7.1% and 2%, respectively. One consequence of such an unequal weighting of the Basket Components is that the same percentage change in two of the Basket Components may have a different effect on the Basket Closing Level. For example, if the AMEX Hong Kong Weighting is greater than the MSCI Singapore Weighting, a 5% decrease in the AMEX Hong Kong Index will have a greater effect on the Basket Closing Level than a 5% decrease in the MSCI Singapore Index.

**The weight of each Basket Component may be determined on a date other than the pricing date.**

If so specified in the relevant terms supplement, the weight of each Basket Component in the Basket may be determined on a date or dates other than the pricing date. For example, the relevant terms supplement may specify that the weights of the Basket Components in the Basket will be determined based on the relative magnitude of the Component Return of each Basket Component on the Observation Date. As a result, if the relevant terms supplement so specifies, you will not know the weight assigned to each Basket Component until a date later than the pricing date, and you may not know the weight assigned to each Basket Component in the Basket prior to the final Basket Valuation Date.

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

Unless otherwise specified in the relevant terms supplement, the notes are linked to a weighted Basket composed of the Basket Components. Price movements in the Basket Components may not correlate with each other. At a time when the value of one or more of the Basket Components increases, the value of the other Basket Components may not increase as much or may even decline in value. Therefore, in calculating the Ending Basket Level, increases in the value of one or more of the Basket Components may be moderated, or more than offset, by lesser increases or declines in the level of the other Basket Component or Indices, particularly if the Basket Component or Indices that appreciate are of relatively low weight in the Basket. There can be no assurance that the Ending Basket Level will be higher than the Starting Basket Level. Unless the relevant terms supplement provides for interest payments, a Knock-Out feature and/or a Minimum Return, if the Basket Return is flat or negative, you will only receive the principal amount of your notes at maturity.

**The Basket may consist of only one Basket Component.**

In certain cases, only one Basket Component may compose the entire Basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the Basket and the remaining Basket Components will each be weighted as 0% of the Basket. In such cases, the Basket Closing Level will be determined with respect to the closing level or closing price of the single Basket Component, as applicable, and changes in other Basket Components will have no effect on the Basket Closing Level.

**If the Participation Rate is less than 100%, the Additional Amount will be limited by the Participation Rate.**

If the Participation Rate is less than 100% and the Ending Basket Level exceeds the Starting Basket Level, the Additional Amount you receive at maturity will equal only a percentage, as specified in the



relevant terms supplement, of the Basket performance above the Starting Basket Level. Under these circumstances, the Additional Amount you receive at maturity will not fully reflect the performance of the Basket.

**Your return on the notes will not reflect dividends on the common stocks of the companies in the Basket.**

Your return on the notes will not reflect the return you would realize if you actually owned the common stocks of the companies included in the Equity Indices and the Basket Fund and received the dividends paid on those stocks. This is because the calculation agent will calculate the amount payable to you at maturity of the notes by reference to the Ending Basket Level. The Ending Basket Level reflects the prices of the common stocks as calculated in the Equity Indices and the Basket Fund without taking into consideration the value of dividends paid on those stocks.

**You will not have rights in the exchange-traded futures contracts on the commodities underlying the Commodity Indices.**

As an owner of the notes, you will not have rights that holders of exchange-traded futures contracts on the commodities underlying the Commodity Indices may have.

**Owning the notes is not the same as owning the Index Commodities or the commodities upon which the futures contracts that compose the Commodity Indices are based, or certain other commodity-related contracts directly.**

The return on your notes will not reflect the return you would realize if you actually purchased the Index Commodities or the commodities upon which the futures contracts that compose the Commodity Indices are based, or exchange-traded or over-the-counter instruments based on any of the Commodity Indices. You will not have any rights that holders of such assets or instruments have.

**The notes are designed to be held to maturity.**

The notes are not designed to be short-term trading instruments. The price at which you will be able to sell your notes prior to maturity, if at all, may be at a substantial discount from the principal amount of the notes, even in cases where the Basket has appreciated since the date of the issuance of the notes. The potential returns described in any terms supplement assume that your notes are held to maturity.

**Secondary trading may be limited.**

Unless otherwise specified in the relevant terms supplement, the notes will not be listed on any securities exchange. There may be little or no secondary market for the notes. Even if there is a secondary market for the notes, it may not provide enough liquidity to allow you to trade or sell the notes easily.

J.P. Morgan Securities Inc. may act as a market maker for the notes, but is not required to do so. Because we do not expect that other market makers will participate significantly in the secondary market for the notes, the price at which you may be able to trade your notes is likely to depend on the price, if any, at which J.P. Morgan Securities Inc. is willing to buy the notes. If at any time J.P. Morgan Securities Inc. does not act as a market maker, it is likely that there would be little or no secondary market for the notes.

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

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

- the expected volatility in the Basket Components;
- the time to maturity of the notes;

- the dividend rate on the common stocks underlying the Equity Indices and the Basket Fund;
- the market price of the physical commodities upon which the futures contracts that compose the Dow Jones — AIG Commodity Index<sup>SM</sup> (the “AIG Index Commodities”) and the S&P GSCI<sup>TM</sup> Excess Return Index (the “S&P GSCI Index Commodities and together with the AIG Index Commodities, the “Index Commodities”) are based or the exchange-traded futures contracts on the Index Commodities.
- the occurrence of certain events to the Basket Fund that may or may not require an adjustment to the Share Adjustment Factor;
- interest and yield rates in the market generally as well as in each of the markets of the securities or Indices composing the Basket Components;
- economic, financial, political, regulatory, geographical, agricultural, meteorological, or judicial events that affect the stocks composing the Basket Components (other than the Commodity Indices) or stock markets generally, or the Index Commodities or commodities markets generally and which may affect the Basket Return;
- the exchange rate and the volatility of the exchange rate between the U.S. dollar and the currencies in which the stocks composing each of the Basket Components are traded, and the correlation between those rates and the levels of the MSCI EAFE<sup>®</sup> Index and the prices of the Basket Fund; and
- our creditworthiness, including actual or anticipated downgrades in our credit ratings.

You cannot predict the future performance of any or all of the Basket Components based on their historical performance. The Ending Basket Level may be flat or negative as compared to the Starting Basket Level, in which event you will only receive the principal amount of your notes at maturity unless the relevant terms supplement provides for interest payments, a Partial Principal Protection Percentage, a Minimum Return or includes a Knock-Out feature.

**If the Basket includes a Commodity Index, suspension or disruptions of market trading in the commodity and related futures markets may adversely affect the value of the notes.**

The commodity markets are subject to temporary 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. In addition, U.S. futures exchanges and some foreign exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price.” Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. These circumstances could adversely affect the level of the Commodity Indices and, therefore, the value of your notes.

**If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, index calculation disruption events may require an adjustment to the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup>.**

At any time during the term of the notes, the daily calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> may be adjusted in the event that AIG Financial Products (“AIG-FP”) determines that any of the following index calculation disruption events exists: the termination or suspension of, or material limitation or disruption in the trading of, any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> on that day; the settlement price of any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> reflects the maximum permitted price change from the previous day’s settlement price; the failure of an exchange to publish official settlement prices for any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup>; or, with respect to any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> that trades on the London Metal Exchange (the “LME”), a business day on which the LME is not open for trading. Any such index calculation disruption event may have an adverse impact on the level of the Dow Jones — AIG

Commodity Index<sup>SM</sup> or the manner in which it is calculated and, therefore, the value of your notes. See “The Dow Jones — AIG Commodity Index<sup>SM</sup> — Index Calculation Disruption Events.”

**If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, AIG Financial Products may be required to replace a designated contract if the existing futures contract is terminated or replaced.**

A futures contract known as a “Designated Contract” has been selected as the reference contract for most of the commodities included in the Dow Jones — AIG Commodity Index<sup>SM</sup>. See “Dow Jones — AIG Commodity Index<sup>SM</sup> — Designated Contracts for Each Commodity.” Data concerning this Designated Contract will be used to calculate the Dow Jones — AIG Commodity Index<sup>SM</sup>. The termination or replacement of a futures contract on an established exchange occurs infrequently; if a Designated Contract were to be terminated or replaced by an exchange, a comparable futures contract, if available, would be selected by the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee to replace that Designated Contract. The termination or replacement of any Designated Contract may have an adverse impact on the level of the Dow Jones — AIG Commodity Index<sup>SM</sup> and, therefore, the value of your notes.

**If the Basket includes a Commodity Index, commodity prices may change unpredictably, affecting the Basket Return and the value of your notes in unforeseeable ways.**

Trading in futures contracts associated with the Index Commodities is speculative and can be extremely volatile. A decrease in the price of any of the commodities upon which the futures contracts that compose the Commodity Indices are based may have a material adverse effect on the value of the notes and your return on an investment in the notes. Market prices of the Index Commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships; governmental programs and policies, national and international political and economic events, changes in interest and exchange rates, speculation and trading activities in commodities and related contracts, general weather conditions, and trade, fiscal, monetary and exchange control policies; agriculture; trade; disease; and technological developments. Many commodities are also highly cyclical. These factors, some of which are specific to the market for each such commodity, as discussed below, may cause the value of the different commodities upon which the futures contracts that compose the Commodity Indices are based, as well as the futures contracts themselves, to move in inconsistent directions at inconsistent rates. This, in turn, will affect the value of the notes linked to the Basket. It is not possible to predict the aggregate effect of all or any combination of these factors.

**If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, the Basket will include the Dow Jones — AIG Commodity Index<sup>SM</sup>, not the Dow Jones — AIG Commodity Index Total Return<sup>SM</sup>.**

If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, the Basket will include the Dow Jones — AIG Commodity Index<sup>SM</sup>, which, as discussed below, reflects the returns that are potentially available through an unleveraged investment in the futures contracts on physical commodities constituting the Dow Jones — AIG Commodity Index<sup>SM</sup>. In contrast, the Dow Jones — AIG Commodity Index Total Return<sup>SM</sup> is a total return index which, in addition to reflecting such returns, also reflects interest that could be earned on cash collateral invested in 3-month U.S. Treasury bills. Because the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, the Basket Return will not reflect the total return feature of the Dow Jones — AIG Commodity Index Total Return<sup>SM</sup>.

**If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, risks associated with the Dow Jones — AIG Commodity Index<sup>SM</sup> may adversely affect the market price of the notes.**

If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, the Basket will reflect the return on exchange-traded futures contracts on nineteen different physical commodities, and it will be less diversified than other funds or investment portfolios investing in a broader range of products and, therefore, could experience greater volatility. Additionally, the annual composition of the Dow Jones — AIG Commodity Index<sup>SM</sup> will be calculated in reliance upon historical price, liquidity and production data that are subject to potential errors in data sources or errors that may affect the weighting of components of the Dow Jones — AIG Commodity Index<sup>SM</sup>. Any discrepancies that require revision are not applied retroactively but will be reflected in the weighting calculations of the Dow Jones — AIG Commodity Index<sup>SM</sup> for the following year. However, Dow Jones and AIG-FP may not discover every discrepancy.

Furthermore, the annual weightings for the Dow Jones — AIG Commodity Index<sup>SM</sup> are determined each year in June or July and announced in July or August by AIG-FP under the supervision of the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee, which has a significant degree of discretion in exercising its supervisory duties with respect to the Dow Jones — AIG Commodity Index<sup>SM</sup> and has no obligation to take the needs of any parties to transactions involving the Dow Jones — AIG Commodity Index<sup>SM</sup> into consideration when reweighting or making any other changes to the Dow Jones — AIG Commodity Index<sup>SM</sup>. Finally, subject to the minimum/maximum diversification limits described in “The Dow Jones — AIG Commodity Index<sup>SM</sup>—Diversification Rules,” the AIG Index Commodities underlying the exchange-traded futures contracts included in the Dow Jones — AIG Commodity Index<sup>SM</sup> from time to time are concentrated in a limited number of sectors, particularly energy and agriculture. If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, an investment in the notes may therefore carry risks similar to a concentrated securities investment in a limited number of industries or sectors.

**If the Basket includes a Commodity Index, higher future prices of the commodity futures contracts constituting the Commodity Indices relative to their current prices may decrease the amount payable at maturity.**

The Commodity Indices are composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for delivery of the underlying physical commodity. As the exchange-traded futures contracts that compose the Commodity Indices approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as “rolling.” If the market for these contracts is (putting aside other considerations) in “backwardation,” where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a “roll yield.” While many of the contracts included in the Commodity Indices have historically exhibited consistent periods of backwardation, backwardation will most likely not exist at all times. Moreover, certain Index Commodities, such as gold, have historically traded in “contango” markets. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. The absence of backwardation in the commodity markets could result in negative “roll yields,” which could adversely affect the level of the Commodity Indices and, therefore, the value of your notes. If there is an absence of backwardation, we expect the Commodity Indices will likely underperform a direct investment in a similarly weighted basket of index commodities over the life of the notes.

**If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, trading and other transactions by AIG-FP and Dow Jones in the futures contracts constituting the Dow Jones — AIG Commodity Index<sup>SM</sup> and the underlying commodities may affect the level of the Dow Jones — AIG Commodity Index<sup>SM</sup>.**

AIG-FP and its affiliates actively trade futures contracts and options on futures contracts on the AIG Index Commodities. AIG-FP and its affiliates also actively enter into or trade market securities, swaps, options, derivatives, and related instruments that are linked to the performance of the Dow Jones — AIG Commodity Index<sup>SM</sup>, the futures contracts underlying the Dow Jones — AIG Commodity Index<sup>SM</sup> or the AIG Index Commodities. Certain of AIG-FP’s affiliates may underwrite or issue other securities or financial instruments indexed to the Dow Jones — AIG Commodity Index<sup>SM</sup> and related indices, and Dow Jones and AIG-FP and certain of their affiliates may license the Dow Jones — AIG Commodity Index<sup>SM</sup> for publication or for use by unaffiliated third parties.

These activities could present conflicts of interest and could affect the level of the Dow Jones — AIG Commodity Index<sup>SM</sup>. For instance, a market maker in a financial instrument linked to the performance of the Dow Jones — AIG Commodity Index<sup>SM</sup> may expect to hedge some or all of its position in that financial instrument. Purchase (or selling) activity in the underlying Dow Jones — AIG Commodity Index<sup>SM</sup> components in order to hedge the market maker’s position in the financial instrument may affect the market price of the futures contracts included in the Dow Jones — AIG Commodity Index<sup>SM</sup>, which in turn may affect the level of the Dow Jones — AIG Commodity Index<sup>SM</sup> and, therefore, the value of your notes.

With respect to any of the activities described above, none of AIG-FP, Dow Jones or their respective affiliates has any obligation to take the needs of any buyers, sellers or holders of the notes into consideration at any time.

**If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, changes that affect the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> will affect the market value of the notes and the amount you will receive at maturity.**

The policies of Dow Jones and AIG-FP concerning the methodology and calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup>, additions, deletions or substitutions of the AIG Index Commodities or exchange-traded futures contracts on the AIG Index Commodities could affect the Dow Jones — AIG Commodity Index<sup>SM</sup> and, therefore, could affect the amount payable on the notes at maturity and the market value of the notes prior to maturity. The amount payable on the notes and their market value could also be affected if Dow Jones and AIG-FP, in their sole discretion, change these policies, for example, by changing the methodology for compiling and calculating the Dow Jones — AIG Commodity Index<sup>SM</sup>, or if Dow Jones and AIG-FP discontinue or suspend calculation or publication of the Dow Jones — AIG Commodity Index<sup>SM</sup>, in which case it may become difficult to determine the market value of the notes. If events such as these occur, or if either the AIG Commodity Starting Level or the AIG Commodity Closing Level is not available because of a market disruption event or for any other reason, the calculation agent — which will be JPMSI, an affiliate of ours — will make a good faith estimate in its sole discretion of the Dow Jones — AIG Commodity Index<sup>SM</sup> level that would have prevailed in the absence of the market disruption event. If the calculation agent determines that the market disruption event is due to the fact that the publication of the Dow Jones — AIG Commodity Index<sup>SM</sup> is discontinued and that there is no successor index on the date when the AIG Commodity Starting Level or the Dow Jones — AIG Commodity Index<sup>SM</sup> closing level on an Initial Averaging Date, if applicable, is required to be determined, the calculation agent will instead make a good faith estimate in its sole discretion of the AIG Commodity Closing Level or the Dow Jones — AIG Commodity Index<sup>SM</sup> closing level on an Initial Averaging Date, if applicable, by reference to a group of commodities or indexes and a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Dow Jones — AIG Commodity Index<sup>SM</sup>. For more information, see the section below called “The Dow Jones — AIG Commodity Index<sup>SM</sup> — Discontinuation of the Dow Jones — AIG Commodity Index<sup>SM</sup>; Alteration of Method of Calculation.”

**If the Basket includes the S&P GSCI<sup>TM</sup> Excess Return Index, changes that affect the calculation of the S&P GSCI<sup>TM</sup> Excess Return Index will affect the market value of the notes and the amount you will receive at maturity.**

The policies of Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (“S&P”) concerning the methodology and calculation of the S&P GSCI<sup>TM</sup> Excess Return Index, additions, deletions or substitutions of the commodities composing the S&P GSCI<sup>TM</sup> Excess Return Index or exchange-traded futures contracts on such commodities could affect the S&P GSCI<sup>TM</sup> Excess Return Index and, therefore, could affect the amount payable on the notes at maturity and the market value of the notes prior to maturity. The amount payable on the notes and their market value could also be affected if S&P, in its sole discretion, changes these policies, for example, by changing the methodology for compiling and calculating the S&P GSCI<sup>TM</sup> Excess Return Index, or if S&P discontinues or suspends calculation or publication of the Index, in which case it may become difficult to determine the market value of the notes. Any of these actions could adversely affect the value of the notes. S&P has no obligation to consider your interests in calculating or revising the S&P GSCI<sup>TM</sup> Excess Return Index. See “The S&P GSCI<sup>TM</sup> Excess Return Index.”

**The notes are not regulated by the Commodity Futures Trading Commission.**

The net proceeds to be received by us from the sale of the notes will not be used to purchase or sell any commodities futures contracts or options on futures contracts for your benefit. An investment in the notes thus does not constitute either an investment in futures contracts, options on futures contracts or in a collective investment vehicle that trades in these futures contracts (*i.e.*, the notes will not constitute a direct or indirect investment by you in the futures contracts), and you will not benefit from the regulatory

protections of the Commodity Futures Trading Commission, commonly referred to as the “CFTC.” We are not registered with the CFTC as a futures commission merchant and you will not benefit from the CFTC’s or any other non-U.S. regulatory authority’s regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered futures commission merchant. Unlike an investment in the notes, an investment in a collective investment vehicle that invests in futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the CFTC as a commodity pool operator, or qualify for an exemption from the registration requirement. Because the notes will not be interests in a commodity pool, the notes will not be regulated by the CFTC as a commodity pool, we will not be registered with the CFTC as a commodity pool operator, and you will not benefit from the CFTC’s or any non-U.S. regulatory authority’s regulatory protections afforded to persons who invest in regulated commodity pools.

**Regulation of the commodity markets is extensive and constantly changing; future regulatory developments are impossible to predict and may significantly and adversely affect the value of the notes.**

Futures contracts and options on futures contracts markets, including those future contracts related to the Index Commodities, are subject to extensive statutes, regulations, and margin requirements. The CFTC and the exchanges including NYMEX, are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily limits and the suspension of trading. Furthermore, NYMEX has regulations that limit the amount of fluctuations in futures contract prices which may occur during a single five-minute trading period. These limits could adversely affect the market price of the oil futures contracts and forward contracts. The regulation of commodity transactions in the U.S. is subject to ongoing modification by government and judicial action. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the commodity markets and the need to regulate the derivative markets in general. The effects of any future regulatory change on the value of the notes is impossible to predict, but could be substantial and adverse to the interests of noteholders.

**Some of the commodities underlying the Commodity Indices will be subject to pronounced risks of pricing volatility.**

As a general matter, the risk of low liquidity or volatile pricing around the maturity date of a commodity futures contract is greater than in the case of other futures contracts because (among other factors) a number of market participants take physical delivery of the underlying commodities. Many commodities, like those in the energy and industrial metals sectors, have liquid futures contracts that expire every month. Therefore, these contracts are rolled forward every month. Contracts based on certain other commodities, most notably agricultural and livestock products, tend to have only a few contract months each year that trade with substantial liquidity. Thus, these commodities, with related futures contracts that expire infrequently, roll forward less frequently than every month, and can have further pronounced pricing volatility during extended periods of low liquidity. In respect of sub-indices that represent energy, it should be noted that due to the significant level of its continuous consumption, limited reserves, and oil cartel controls, energy commodities are subject to rapid price increases in the event of perceived or actual shortages.

**S&P GSCI™ Excess Return Index calculation disruption events may require an adjustment to the calculation of the S&P GSCI™ Excess Return Index.**

At any time during the term of the notes, the daily calculation of the S&P GSCI™ Excess Return Index may be adjusted in the event that S&P, the publisher of the S&P GSCI™ Excess Return Index, determines that any of the following S&P GSCI™ Excess Return Index calculation disruption events exists: the termination or suspension of, or material limitation or disruption in the trading of any futures contract used in the calculation of the S&P GSCI™ Excess Return Index on that day; the settlement price of any futures contract used in the calculation of the S&P GSCI™ Excess Return Index reflects the maximum permitted price change from the previous day’s settlement price; or the failure of an exchange

to publish official settlement prices for any futures contract used in the calculation of the S&P GSCI™ Excess Return Index. Any such S&P GSCI™ Excess Return Index calculation disruption events may have an adverse impact on the value of the S&P GSCI™ Excess Return Index or the manner in which it is calculated.

**S&P may be required to replace a contract underlying the S&P GSCI™ Excess Return Index if the existing futures contract is terminated or replaced.**

A futures contract known as a “Designated Contract” has been selected as the reference contract for the underlying physical commodity included in the S&P GSCI™ Excess Return Index. Data concerning this Designated Contract will be used to calculate the S&P GSCI™ Excess Return Index. The termination or replacement of a futures contract on an established exchange occurs infrequently; however, if one or more Designated Contracts were to be terminated or replaced by an exchange, a comparable futures contract would be selected by the GSCI Index Committee, if available, to replace each such Designated Contract. The termination or replacement of any Designated Contract may have an adverse impact on the value of the S&P GSCI™ Excess Return Index, as well as the value of the Basket as a whole. Suspension or disruptions of market trading in the commodity and related futures markets may adversely affect the value of the notes.

The commodity markets are subject to temporary 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. In addition, U.S. futures exchanges and some foreign exchanges have regulations that limit the amount of fluctuation in futures contract prices that may occur during a single business day. These limits are generally referred to as “daily price fluctuation limits” and the maximum or minimum price of a contract on any given day as a result of these limits is referred to as a “limit price.” Once the limit price has been reached in a particular contract, no trades may be made at a different price. Limit prices have the effect of precluding trading in a particular contract or forcing the liquidation of contracts at disadvantageous times or prices. These circumstances could adversely affect the level of the S&P GSCI™ Excess Return Index, the Basket as a whole, and therefore, the value of your notes.

**The Commodity Indices may include contracts that are not traded on regulated futures exchanges.**

The Commodity Indices were originally based solely on futures contracts traded on regulated futures exchanges (referred to in the United States as “designated contract markets”). As described below, however, the Commodity Indices may include over-the-counter contracts (such as swaps and forward contracts) traded on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the same provisions of, and the protections afforded by, the Commodity Exchange Act, as amended, or other applicable statutes and related regulations that govern trading on regulated futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities and the inclusion of such contracts in the Commodity Indices may expose you to certain risks not presented by most exchange-traded futures contracts, including risks related to the liquidity and price histories of the relevant contracts.

**The Commodity Indices are excess return indices, and not total return indices.**

The notes may be linked to an excess return commodity futures index and not a total return index. An excess return index reflects the returns that are potentially available through an unleveraged investment in the contracts comprising such index. By contrast, the Dow Jones — AIG Commodity Index Total Return<sup>SM</sup>, the S&P GSCI™ Total Return Index are “total return” indices which, in addition to reflecting those returns, also reflect interest that could be earned on funds committed to the trading of the underlying futures contracts. None of the Commodity Indices include a “total return” feature.

**Historical performance of each Basket Index or Basket Fund should not be taken as an indication of the future performance of such Basket Index or Basket Fund during the terms of the notes.**

The actual performance of each Basket Index or Basket Fund over the term of the notes, as well as the amount payable at maturity, may bear little relation to the historical performance of such Basket Index or Basket Fund. The trading prices of the common stocks, exchange traded futures contracts on the index commodities and the value of the Basket Funds will determine the level of such Basket Index or Basket Fund. As a result, it is impossible to predict whether the level of each of the Basket Indices or Basket Funds will rise or fall.

**The Basket Return for the notes will not be adjusted for changes in exchange rates that might affect the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the FTSE<sup>™</sup> 100 Index, the FTSE/Xinhua China 25 Index, the KOSPI 200, the MSCI Taiwan Index, the MSCI Singapore Index and the Nikkei 225 Index.**

Although the stocks composing the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the FTSE<sup>™</sup> 100 Index, the FTSE/Xinhua China 25 Index, the KOSPI 200, the MSCI Taiwan Index, the MSCI Singapore Index and the Nikkei 225 Index are traded in currencies other than U.S. dollars, and the notes, which are linked to the Basket Components, are denominated in U.S. dollars, the amount payable on the notes at maturity will not be adjusted for changes in the exchange rate between the U.S. dollar and each of the currencies in which the stocks composing the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the FTSE<sup>™</sup> 100 Index, the FTSE/Xinhua China 25 Index, the KOSPI 200, the MSCI Taiwan Index, the MSCI Singapore Index, and the Nikkei 225 Index are denominated. Changes in exchange rates, however, may reflect changes in various non-U.S. economies that in turn may affect the Basket Return for the notes. The amount we pay in respect of the notes (including the Additional Amount, if any) on the maturity date will be determined solely in accordance with the procedures described in “Description of Notes — Payment at Maturity” and “Description of Notes — Interest Payments,” if applicable.

**If the Basket includes the MSCI EAFE<sup>®</sup> Index or the Basket Fund, the notes will be subject to currency exchange risk.**

Because the prices of the stocks composing the MSCI country indices (the “Component Securities”) that make up the MSCI EAFE<sup>®</sup> Index (the “Component Country Indices”) are converted into U.S. dollars for the purposes of calculating the value of the Component Country Indices and the MSCI EAFE<sup>®</sup> Index, and the prices of the equity securities held by the Basket Fund are converted into U.S. dollars for purposes of calculating the net asset value of the Basket Fund, holders of the notes will be exposed to currency exchange rate risk with respect to each of the currencies in which the Component Securities or the equity securities held by the Basket Fund trade. An investor’s net exposure will depend on the extent to which such currencies strengthen or weaken against the U.S. dollar and the relative weight of the Component Securities in the MSCI EAFE<sup>®</sup> Index and the equity securities held by the Basket Fund denominated in each such currency. If, taking into account such weighting, the U.S. dollar strengthens against such currencies, the value of the MSCI EAFE<sup>®</sup> Index or the Basket Fund will be adversely affected and the payment at maturity of the notes may be reduced.

Of particular importance to potential currency exchange risk are:

- existing and expected rates of inflation;
- existing and expected interest rate levels;
- the balance of payments; and
- the extent of governmental surpluses or deficits in the component countries and the United States of America.

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various component countries and the United States and other countries important to international trade and finance. See also “The MSCI EAFE<sup>®</sup> Index—The Index Is Subject to Currency Exchange Risk.”



**If the Basket includes the MSCI EAFE<sup>®</sup> Index or the Basket Fund, changes in the volatility of exchange rates, and the correlation between those rates and the levels of the MSCI EAFE<sup>®</sup> Index and the closing prices of the Basket Fund are likely to affect the market value of the notes.**

The exchange rate between the U.S. dollar and each of the currencies in which the Component Securities or the currencies in which the equity securities held by the Basket Fund are denominated refers to a foreign exchange spot rate that measures the relative values of two currencies — the particular currency in which a Component Security or an equity security held by the Basket Fund is denominated and the U.S. dollar. This exchange rate reflects the amount of the particular currency in which a Component Security or an equity security held by the Basket Fund is denominated that can be purchased for one U.S. dollar and thus increases when the U.S. dollar appreciates relative to the particular currency upon which a Component Security or an equity security held by the Basket Fund is denominated. The volatility of the exchange rate between the U.S. dollar and each of the currencies in which the Component Securities or an equity security held by the Basket Fund are denominated refer to the size and frequency of that exchange rate.

Because the MSCI EAFE<sup>®</sup> Index and the net asset value of the Basket Fund are calculated, in part, by converting the closing prices of the Component Securities and the equity securities held by the Basket Fund into U.S. dollars, the volatility of the exchange rate between the U.S. dollar and each of the currencies in which the Component Securities and the equity securities held by the Basket Fund are denominated could affect the market value of the notes

The correlation of the exchange rate between the U.S. dollar and each of the currencies in which the Component Securities and the equity securities held by the Basket Fund are denominated and the level of the MSCI EAFE<sup>®</sup> Index and the net asset value of the Basket Fund, as applicable, refer to the relationship between the percentage changes in that exchange rate and the percentage changes in the level of the MSCI EAFE<sup>®</sup> Index or the net asset value of the Basket Fund, as applicable. The direction of the correlation (whether positive or negative) and the extent of the correlation between the percentage changes in the exchange rate between the U.S. dollar and each of the currencies in which the Component Securities or the equity securities held by the Basket Fund are denominated and the percentage changes in the level of the MSCI EAFE<sup>®</sup> Index or the net asset value of the Basket Fund, as applicable, could affect the value of the notes.

**If the Basket includes the Basket Fund, the anti-dilution protection is limited.**

The calculation agent will make adjustments to the Share Adjustment Factor for a Basket Fund, which will initially be set at 1.0, for certain events affecting the shares of such Basket Fund. See “General Terms of Notes—Anti-Dilution Adjustments.” The calculation agent is not required, however, to make such adjustments in response to all events that could affect the shares of such Basket Fund. If an event occurs that does not require the calculation agent to make an adjustment, the value of the notes may be materially and adversely affected.

**The policies of MSCI Inc. and of Barclays Global Fund Advisors, the investment adviser for the Basket Fund, could affect the value and the amount payable on the notes.**

The policies of Barclays Global Fund Advisors (“BGFA”) concerning the calculation of the Basket Fund’s net asset value, additions, deletions or substitutions of equity securities held by the Basket Fund and manner in which changes affecting the MSCI Emerging Markets Index are reflected in the Basket Fund could affect the market price of the shares of the Basket Fund and, therefore, affect whether a Knock-Out Event has occurred or the amount payable on the notes at maturity, and the value of the notes before maturity. The amount payable on the notes and its value could also be affected if BGFA changes these policies, for example, by changing the manner in which it calculates the Basket Fund’s net asset value, or if BGFA discontinues or suspends calculation or publication of the Basket Fund’s net asset value, in which case it may become difficult to determine the value of the note.

In addition, MSCI Inc. (“MSCI”) owns the MSCI Emerging Markets Index and is responsible for the design and maintenance of the MSCI Emerging Markets Index. The policies of MSCI concerning the

calculation of the MSCI Emerging Markets Index, including decisions regarding the addition, deletion or substitution of the equity securities included in the MSCI Emerging Markets Index, could affect the level of the MSCI Emerging Markets Index and consequently could affect the market prices of the shares of the Basket Fund and, therefore, affect whether a Knock-Out Event has occurred or the amount payable on the notes at maturity, and the value of the note before maturity.

**There are risks associated with the Basket Fund.**

The Basket Fund has a limited operating history, having commenced trading in April 2003 on the American Stock Exchange and having switched to the New York Stock Exchange (the “NYSE”) in February 2007. Although its shares are listed for trading on the NYSE and a number of similar products have been traded on the NYSE for varying periods of time, there is no assurance that an active trading market will continue for the shares of the Basket Fund or that there will be liquidity in the trading market.

In addition, Barclays Global Fund Advisors (“BGFA”) is the Basket Fund’s investment adviser. The Basket Fund is subject to management risk, which is the risk that the BGFA’s investment strategy, the implementation of which is subject to a number of constraints, may not produce the intended results.

**The performance of the Basket Fund may not correlate with the performance of the MSCI Emerging Markets Index.**

The Basket Fund uses a representative sampling strategy (as described under “The iShares® MSCI Emerging Markets Index Fund — Representative Sampling”) to attempt to track the performance of the MSCI Emerging Markets Index. The Basket Fund invests in a representative sample of equity securities included in the MSCI Emerging Markets Index; however, the Basket Fund may not hold all or substantially all of the equity securities included in the MSCI Emerging Markets Index. Therefore, while the performance of the Basket Fund is linked principally to the performance of the MSCI Emerging Markets Index, the performance of the Basket Fund is also generally linked in part to shares of other exchange traded funds because BGFA may invest up to 10% of the Basket Fund’s assets in other iShares® funds that seek to track the performance of equity securities of constituent countries of the MSCI Emerging Markets Index. In addition, the performance of the Basket Fund will reflect additional transaction costs and fees that are not included in the calculation of the MSCI Emerging Markets Index. Also, corporate actions with respect to the sample of equity securities (such as mergers and spin-offs) may impact the variance between the Basket Fund and the MSCI Emerging Markets Index. Finally, because the shares of the Basket Fund are traded on the NYSE and are subject to market supply and investor demand, the market value of one share of the Basket Fund may differ from the net asset value per share of the Basket Fund.

For all of the foregoing reasons, the performance of the Basket Fund may not correlate with the performance of the MSCI Emerging Markets Index. Consequently, the return on the notes will not be the same as investing directly in the Basket Fund or in the MSCI Emerging Markets Index or in the equity securities included in the MSCI Emerging Markets Index, and will not be the same as investing in a debt security with a payment at maturity linked to the performance of the MSCI Emerging Markets Index.

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

While the payment at maturity will be based on the applicable principal amount of your notes as described in the relevant terms supplement, the original issue price of the notes includes each agent’s commission and the cost of hedging our obligations under the notes through one or more of our affiliates. Such cost includes our affiliates’ expected cost of providing such hedge, as well as the profit our affiliates expect to realize in consideration for assuming the risks inherent in providing such hedge. As a result, assuming no change in market conditions or any other relevant factors, the price, if any, at which J.P. Morgan Securities Inc. will be willing to purchase notes from you in secondary market transactions, if at all, will likely be lower than the original issue price. In addition, any such prices may differ from values

determined by pricing models used by J.P. Morgan Securities Inc., as a result of such compensation or other transaction costs.

**The American Stock Exchange may adjust the AMEX Hong Kong 30 Index in a way that affects its level, and AMEX has no obligation to consider your interests.**

The American Stock Exchange (the “AMEX”), the publisher of the AMEX Hong Kong 30 Index, is responsible for calculating and maintaining the AMEX Hong Kong 30 Index. AMEX can add, delete or substitute the stocks underlying the AMEX Hong Kong 30 Index or make other methodological changes that could change the level of the AMEX Hong Kong 30 Index. You should realize that the changing of companies included in the AMEX Hong Kong 30 Index may affect the AMEX Hong Kong 30 Index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, AMEX may alter, discontinue or suspend calculation or dissemination of the AMEX Hong Kong 30 Index. Any of these actions could adversely affect the value of the notes. AMEX has no obligation to consider your interests in calculating or revising the AMEX Hong Kong 30 Index. See “The AMEX Hong Kong 30 Index.”

**STOXX Limited may adjust the Dow Jones EURO STOXX 50<sup>®</sup> Index in a way that affects its level, and STOXX Limited has no obligation to consider your interests.**

STOXX Limited, a joint venture between Deutsche Börse AG, Dow Jones & Company and SWX Swiss Exchange, is responsible for calculating and maintaining the Dow Jones EURO STOXX 50<sup>®</sup> Index. STOXX Limited can add, delete or substitute the stocks underlying the Dow Jones EURO STOXX 50<sup>®</sup> Index or make other methodological changes that could change the level of the Dow Jones EURO STOXX 50<sup>®</sup> Index. You should realize that the changing of companies included in the Dow Jones EURO STOXX 50<sup>®</sup> Index may affect the Dow Jones EURO STOXX 50<sup>®</sup> Index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, STOXX Limited may alter, discontinue or suspend calculation or dissemination of the Dow Jones EURO STOXX 50<sup>®</sup> Index. Any of these actions could adversely affect the value of your notes. STOXX Limited has no obligation to consider your interests in calculating or revising the Dow Jones EURO STOXX 50<sup>®</sup> Index. See “The Dow Jones EURO STOXX 50<sup>®</sup> Index.”

**AIG-FP may adjust the Dow Jones — AIG Commodity Index<sup>SM</sup> in a way that affects its level, and AIG-FP has no obligation to consider your interests.**

AIG-FP, the publisher of the Dow Jones — AIG Commodity Index<sup>SM</sup>, is responsible for calculating and maintaining the Dow Jones — AIG Commodity Index<sup>SM</sup>. AIG-FP can add, delete or substitute a futures contract, known as a “Designated Contract”, selected as the reference contract for most the commodities included in the Dow Jones — AIG Commodity Index<sup>SM</sup> or make other methodological changes that could change the level of the Dow Jones — AIG Commodity Index<sup>SM</sup>. You should realize that the changing of futures contracts included in the Dow Jones — AIG Commodity Index<sup>SM</sup> may affect the Dow Jones — AIG Commodity Index<sup>SM</sup> as a newly added futures contract may perform significantly better or worse than the futures contract it replaces. Additionally, AIG-FP may discontinue or suspend calculation or dissemination of the Dow Jones — AIG Commodity Index<sup>SM</sup>. Any of these actions could adversely affect the value of the notes. AIG-FP has no obligation to consider your interests in calculating or revising the Dow Jones — AIG Commodity Index<sup>SM</sup>. See “The Dow Jones — AIG Commodity Index<sup>SM</sup>”

**S&P may adjust the S&P GSCI<sup>TM</sup> Excess Return Index in a way that affects its level, and S&P has no obligation to consider your interests.**

S&P, the publisher of the S&P GSCI<sup>TM</sup> Excess Return Index, is responsible for calculating and maintaining the S&P GSCI<sup>TM</sup> Excess Return Index. S&P can add, delete or substitute a futures contract selected as the reference contract for most the commodities included in the S&P GSCI<sup>TM</sup> Excess Return Index or make other methodological changes that could change the level of the S&P GSCI<sup>TM</sup> Excess Return Index. You should realize that the changing of futures contracts included in the S&P GSCI<sup>TM</sup> Excess Return Index may affect the S&P GSCI<sup>TM</sup> Excess Return Index as a newly added futures contract may perform significantly better or worse than the futures contract it replaces. Additionally, S&P may discontinue or suspend calculation or dissemination of the S&P GSCI<sup>TM</sup> Excess Return Index. Any of

these actions could adversely affect the value of the notes. S&P has no obligation to consider your interests in calculating or revising the S&P GSCI™ Excess Return Index. See “The S&P GSCI™ Excess Return Index”

**FTSE International Limited may adjust the FTSE™ 100 Index in a way that affects its level, and FTSE has no obligation to consider your interests.**

FTSE International Limited (“FTSE”) is responsible for calculating and maintaining the FTSE™ 100 Index. FTSE can add, delete or substitute the stocks underlying the FTSE™ 100 Index or make other methodological changes that could change the level of the FTSE™ 100 Index. You should realize that the changing of companies included in the FTSE™ 100 Index may affect the FTSE™ 100 Index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, FTSE may alter, discontinue or suspend calculation or dissemination of the FTSE™ 100 Index. Any of these actions could adversely affect the value of the notes. FTSE has no obligation to consider your interests in calculating or revising the FTSE™ 100 Index. See “FTSE™ 100 Index.”

**FTSE/Xinhua Index Limited may adjust the FTSE/Xinhua China 25 Index in a way that affects its level, and FTSE/Xinhua Index Limited has no obligation to consider your interests.**

FTSE/Xinhua Index Limited (“FXI”), the publisher of the FTSE/Xinhua China 25 Index, is responsible for calculating and maintaining the FTSE/Xinhua China 25 Index. FXI can add, delete or substitute the stocks underlying the FTSE/Xinhua China 25 Index or make other methodological changes that could change the level of the FTSE/Xinhua China 25 Index. You should realize that the changing of companies included in the FTSE/Xinhua China 25 Index may affect the FTSE/Xinhua China 25 Index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, FXI may discontinue or suspend calculation or dissemination of the FTSE/Xinhua China 25 Index. Any of these actions could adversely affect the value of the notes. FXI has no obligation to consider your interests in calculating or revising the FTSE/Xinhua China 25 Index. See “The FTSE/Xinhua China 25 Index.”

**Korea Exchange may adjust the KOSPI 200 in a way that affects its level, and Korea Exchange has no obligation to consider your interests.**

Korea Exchange (“KRX”), the publisher of the KOSPI 200, is responsible for calculating and maintaining the KOSPI 200. KRX can add, delete or substitute the stocks underlying the KOSPI 200 or make other methodological changes that could change the level of the KOSPI 200. You should realize that the changing of companies included in the KOSPI 200 may affect the KOSPI 200 as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, KRX may discontinue or suspend calculation or dissemination of the KOSPI 200. Any of these actions could adversely affect the value of the notes. KRX has no obligation to consider your interests in calculating or revising the KOSPI 200. See “The Korea Stock Price Index 200.”

**MSCI may adjust the MSCI EAFE® Index in a way that affects its level, and MSCI has no obligation to consider your interests.**

MSCI is responsible for calculating and maintaining the MSCI EAFE® Index. MSCI can add, delete or substitute the Component Country Indices underlying the MSCI EAFE® Index or the stocks underlying any Component Country Index or make other methodological changes that could change the level of the MSCI EAFE® Index. You should realize that the changing of Component Country Indices or stocks included in the MSCI EAFE® Index may affect the MSCI EAFE® Index as a newly added Component Country Index or stock may perform significantly better or worse than the Component Country Index or stock it replaces. Additionally, MSCI may alter, discontinue or suspend calculation or dissemination of the MSCI EAFE® Index. Furthermore, the policies and judgments for which MSCI is responsible with respect to the calculation of the MSCI EAFE® Index, including, without limitation, the selection of the foreign exchange rates used for the purpose of establishing the daily prices of the stocks underlying the MSCI EAFE® Index could also affect the value of the MSCI EAFE® Index. Any of these actions could adversely

affect the value of the notes. MSCI has no obligation to consider your interests in calculating or revising the MSCI EAFE<sup>®</sup> Index. See “The MSCI EAFE<sup>®</sup> Index.”

**MSCI may adjust the MSCI Taiwan Index in a way that affects its level, and MSCI has no obligation to consider your interests.**

MSCI is responsible for calculating and maintaining the MSCI Taiwan Index. MSCI can add, delete or substitute the stocks underlying the MSCI Taiwan Index or make other methodological changes that could change the level of the MSCI Taiwan Index. You should realize that the changing of companies included in the MSCI Taiwan Index may affect the MSCI Taiwan Index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, MSCI may alter, discontinue or suspend calculation or dissemination of the MSCI Taiwan Index. Any of these actions could adversely affect the value of the notes. MSCI has no obligation to consider your interests in calculating or revising the MSCI Taiwan Index. See “The MSCI Taiwan Index.”

**MSCI may adjust the MSCI Singapore Index in a way that affects its level, and MSCI has no obligation to consider your interests.**

MSCI is also responsible for calculating and maintaining the MSCI Singapore Index. MSCI can add, delete or substitute the stocks underlying the MSCI Singapore Index or make other methodological changes that could change the level of the MSCI Singapore Index. You should realize that the changing of companies included in the MSCI Singapore Index may affect the MSCI Singapore Index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, MSCI may alter, discontinue or suspend calculation or dissemination of the MSCI Singapore Index. Any of these actions could adversely affect the value of the notes. MSCI has no obligation to consider your interests in calculating or revising the MSCI Singapore Index. See “The MSCI Singapore Index.”

**Nikkei Inc. may adjust the Nikkei 225 Index in a way that affects its level, and Nikkei Inc. has no obligation to consider your interests.**

Nikkei Inc. is responsible for calculating and maintaining the Nikkei 225 Index. Nikkei Inc. can add, delete or substitute the stocks underlying the Nikkei 225 Index or make other methodological changes that could change the level of the Nikkei 225 Index. You should realize that the changing of companies included in the Nikkei 225 Index may affect the Nikkei 225 Index as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, Nikkei Inc. may alter, discontinue or suspend calculation or dissemination of the Nikkei 225 Index. Any of these actions could adversely affect the value of the notes. Nikkei Inc. has no obligation to consider your interests in calculating or revising the Nikkei 225 Index. See “The Nikkei 225 Index.”

**Frank Russell Company may adjust the Russell 2000<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index in a way that affects its level, and Frank Russell Company has no obligation to consider your interests.**

Frank Russell Company (“Frank Russell”) is responsible for calculating and maintaining the Russell 2000<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index. Frank Russell can add, delete or substitute the stocks underlying the Russell 2000<sup>®</sup> Index or the Russell 3000<sup>®</sup> Index or make other methodological changes that could change the level of the Russell 2000<sup>®</sup> Index or the Russell 3000<sup>®</sup> Index. You should realize that the changing of companies included in the Russell 2000<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index may affect the Russell 2000<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index, respectively, as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, Frank Russell may alter, discontinue or suspend calculation or dissemination of the Russell 2000<sup>®</sup> Index or the Russell 3000<sup>®</sup> Index. Any of these actions could adversely affect the value of the notes. Frank Russell has no obligation to consider your interests in calculating or revising the Russell 2000<sup>®</sup> Index or the Russell 3000<sup>®</sup> Index. See “The Russell 2000<sup>®</sup> Index” and “The Russell 3000<sup>®</sup> Index.”

**Standard & Poor’s may adjust the S&P 500<sup>®</sup> Index in a way that affects its level, and S&P has no obligation to consider your interests.**

S&P, is responsible for calculating and maintaining the S&P 500<sup>®</sup> Index. S&P can add, delete or substitute the stocks underlying the S&P 500<sup>®</sup> Index or make other methodological changes that could

change the level of the S&P 500<sup>®</sup> Index. On March 21, 2005, S&P began to use a revised methodology for calculating the S&P 500<sup>®</sup> Index and on September 16, 2005, S&P completed its transition to the new calculation methodology. You should realize that the changing of companies included in the S&P 500<sup>®</sup> Index may affect the S&P 500<sup>®</sup> Index, as a newly added company may perform significantly better or worse than the company or companies it replaces. Additionally, S&P may alter, discontinue or suspend calculation or dissemination of the S&P 500<sup>®</sup> Index. Any of these actions could adversely affect the value of the notes. S&P has no obligation to consider your interests in calculating or revising the S&P 500<sup>®</sup> Index. See “The S&P 500<sup>®</sup> Index.”

**We are currently one of the companies that make up the S&P 500<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index and we have announced our potential acquisition of The Bear Stearns Companies, Inc., another company included in the S&P 500<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index, but, to our knowledge, we are not currently affiliated with any other company included in the Basket Components.**

We are currently one of the companies that make up the S&P 500<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index. On March 16, 2008, and March 24, 2008, we issued press releases (which are included in Current Reports on Form 8-K filed with the Securities and Exchange Commission on March 18, 2008, and March 24, 2008, respectively) announcing our potential acquisition of The Bear Stearns Companies, Inc., which is also included in the S&P 500<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index. To our knowledge, we are not currently affiliated with any of the other companies whose stock is represented in the Basket Components. As a result, we will have no ability to control the actions of such other companies, including actions that could affect the value of the stocks underlying the Basket Components or your notes. None of the money you pay us will go to AMEX, Dow Jones, AIG-FP, S&P, STOXX Limited, Frank Russell, FTSE, NYSE, FXI, KRX, MSCI, or Nikkei Inc. or any of the other companies included in the Basket Components and none of those companies will be involved in the offering of the notes in any way. Neither those companies nor we will have any obligation to consider your interests as a holder of the notes in taking any corporate actions that might affect the value of your notes.

**To our knowledge we are not currently affiliated with any of the issuers of the equity securities held by the Basket Fund or included in the MSCI Emerging Markets Index.**

To our knowledge, we are not currently affiliated with any of the equity securities held by the Basket Fund. As a result, we will have no ability to control the actions of the issuers of such equity securities, including actions that could affect the value of the equity securities held by the Basket Fund or your notes. None of the money you pay us will go to BGFA or any of the issuers of the equity securities held by the Basket Fund and none of those issuers will be involved in the offering of the notes in any way. Neither those issuers nor we will have any obligation to consider your interests as a holder of the notes in taking any actions that might affect the value of your notes.

**You will have no shareholder rights in issuers of stocks that compose the Basket Indices or equity securities held by the Basket Fund.**

As a holder of the notes, you will not have voting rights or rights to receive dividends or other distributions or other rights that holders of the securities composing the Basket Indices or the equity securities held by the Basket Fund would have.

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

J.P. Morgan Securities Inc. and other affiliates of ours trade the stocks underlying the Equity Indices and the Basket Fund, the futures contracts that compose the Commodity Indices, options on such futures contracts, the Index Commodities and other financial instruments related to the Basket Components and their component stocks or futures contracts, or such options and Index Commodities on a regular basis, for their accounts and for other accounts under their management. J.P. Morgan Securities Inc. and these affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments linked to one or more of the Basket Components. To the extent that we or one of our affiliates serves as issuer, agent or underwriter for such securities or financial instruments, our or their interests with respect to such products may be adverse to those of the holders of the notes.

Any of these trading activities could potentially affect the level of one or more of the Basket Components and, accordingly, could affect the value of the notes and any Additional Amount payable to you at maturity.

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

In the course of our business, we or our affiliates may acquire non-public information about the Commodity Indices, the futures contracts underlying the Commodity Indices and the Index Commodities, and we will not disclose any such information to you. In addition, one or more of our affiliates may publish research reports or otherwise express views about the Commodity Indices, the Index Commodities or the Designated Contracts. Any prospective purchaser of notes should undertake an independent investigation of the Commodity Indices, the futures contracts underlying the Commodity Indices, the Index Commodities and the related Designated Contracts as in its judgment is appropriate to make an informed decision with respect to an investment in the notes.

Additionally, we or one of our affiliates may serve as issuer, agent or underwriter for additional issuances of notes with returns linked or related to changes in the level of the Basket Components, the Basket Fund, the stocks that compose the Basket Indices and the Basket Fund, the futures contracts underlying the Commodity Indices or the Index Commodities. By introducing competing products into the marketplace in this manner, we or one or more of our affiliates could adversely affect the value of the notes.

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

We or one of our affiliates may currently or from time to time engage in trading activities related to the currencies in which the stocks composing the MSCI EAFE<sup>®</sup> Index or equity securities held by the Basket Fund, are denominated. These trading activities could potentially affect the exchange rates with respect to such currencies and, because currency exchange rate calculations are involved in the calculation of the closing levels of the MSCI EAFE<sup>®</sup> Index and the closing prices of the Basket Fund, could affect the closing levels of the MSCI EAFE<sup>®</sup> Index and the closing prices of the Basket Fund and, accordingly, the value of the notes.

In the course of our or our affiliates' currency trading activities, we or our affiliates may acquire material nonpublic information with respect to currency exchange rates, and we will not disclose any such information to you. In addition, one or more of our affiliates may produce and/or publish research reports, or otherwise express views, with respect to expected movements in currency exchange rates. We do not make any representation or warranty to any purchaser of notes with respect to any matters whatsoever relating to future currency exchange rate movements and any prospective purchaser of notes should undertake an independent investigation of the currencies in which stocks composing or held by the MSCI EAFE<sup>®</sup> Index and the Basket Fund are denominated and their related exchange rates as, in its judgment, is appropriate to make an informed decision with respect to an investment in the notes.

J.P. Morgan Securities Inc., one of our affiliates, will act as the calculation agent. The calculation agent will determine, among other things, the Starting Level and Closing Level (or the Initial Share Price and the Final Share Price) for each of the Basket Components, the Starting Basket Level, the Ending Basket Level, the Basket Return, the Additional Amount, if any, we will pay you at maturity, the closing

level or closing price of each Basket Component on each Initial Averaging Date, if applicable, the Share Adjustment Factor and anti-dilution adjustments, if any, related to the Basket Fund, and the Basket Closing Level on any Basket Valuation Date, as well as whether the Basket Closing Level is greater than or equal to the Knock-Out Level, for notes with a Knock-Out feature, on any trading day during the term of the notes as specified in the relevant terms supplement, whether the Ending Basket Level is equal to or greater than the Starting Basket Level and, if the notes bear interest, the amount of interest payable, if any, on any Interest Payment Date. The calculation agent will also be responsible for determining whether a market disruption event has occurred, whether any of the Basket Components have been discontinued, whether there has been a material change in the method of calculation of any of the Basket Components and, if the notes bear interest, whether a day is an interest payment date, as well as which exchange traded fund will be substituted for the Basket Fund (or successor index fund, if applicable) if the Basket Fund (or successor index fund, if applicable) is de-listed, liquidated or otherwise terminated; whether the index underlying the Basket Fund (or the index underlying a successor index fund, if applicable) has been changed in a material respect and whether the Basket Fund (or successor index fund, if applicable) has been modified so that the Basket Fund (or successor index fund, if applicable) does not, in the opinion of the calculation agent, fairly represent the price of the Basket Fund (or successor index fund, if applicable) had those modifications not been made. In performing these duties, J.P. Morgan Securities Inc. may have interests adverse to the interests of the holders of the notes, which may affect your return on the notes, particularly where J.P. Morgan Securities Inc., as the calculation agent, is entitled to exercise discretion.

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

The calculation agent may, in its sole discretion, determine that the markets have been affected in a manner that prevents it from properly valuing the Basket Closing Level or the Basket Return on any Basket Valuation Date, or the closing levels or closing prices of the Basket Components on any Initial Averaging Date and calculating the Additional Amount, if any, that we are required to pay you. Market disruptions might also prevent the calculation agent from properly valuing the closing price or closing level of a Basket Component on an Initial Averaging Date, if applicable. These events may include disruptions or suspensions of trading in the markets as a whole. If the calculation agent, in its sole discretion, determines that any of these events prevents us or any of our affiliates from properly hedging our obligations under the notes, it is possible that one or more of the Basket Valuation Dates or Initial Averaging Dates, if applicable, and the maturity date will be postponed and your return will be adversely affected. See “General Terms of Notes — Market Disruption Events.”

**Trading and other transactions by us or our affiliates in the commodities underlying the Commodity Indices, futures, options, exchange-traded funds or other derivative products on commodities underlying the Commodity Indices or the Commodity Indices may impair the market value of the notes.**

As described below under “Use of Proceeds,” we or our affiliates may hedge our obligations under the notes by purchasing commodities underlying the Commodity Indices, futures, or options on commodities underlying the Commodity Indices or the Commodity Indices, or exchange-traded funds or other derivative instruments with returns linked or related to changes in the performance of commodities underlying the Commodity Indices or the Commodity Indices, and we may adjust these hedges by, among other things, purchasing or selling commodities underlying the Commodity Indices, futures, options or exchange-traded funds or other derivative instruments at any time. Although they are not expected to, any of these hedging activities or other hedging and investment activities of ours may adversely affect the market price of commodities underlying the Commodity Indices and the level of the Commodity Indices and, therefore, the market value of the notes. It is possible that we and our affiliates could receive substantial returns from these hedging activities while the market value of the notes declines.

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

Generally, if the term of the notes is not more than one year (including either the issue date or the last possible date that the notes could be outstanding, but not both), the notes will be treated as “short-term”



debt instruments for U.S. federal income tax purposes. No statutory, judicial or administrative authority directly addresses the treatment of notes or instruments similar to the notes for U.S. federal income tax purposes, and no ruling is being requested from the Internal Revenue Service with respect to the notes. As a result, certain aspects of the tax treatment of an investment in the notes are uncertain. You should review carefully the section entitled “Certain U.S. Federal Income Tax Consequences” in this product supplement no. 32-IX and consult your tax adviser regarding your particular circumstances.

**Generally, if the term of the notes is more than one year, the notes will be contingent payment debt instruments for U.S. federal income tax purposes.**

Generally, if the term of the notes is more than one year (including either the issue date or the last possible date that the notes could be outstanding, but not both), the notes will be treated as “contingent payment debt instruments” for U.S. federal income tax purposes. As a result, you will generally be required to recognize interest income in each year at a “comparable yield,” even though we may not make any payments with respect to the notes until maturity. Interest included in income will increase your basis in the notes and the projected amount of stated interest, if any, will reduce your basis in the notes. Generally, amounts received at maturity or upon an earlier sale or disposition in excess of your basis will be treated as additional interest income while any loss will generally be treated as an ordinary loss to the extent of all previous inclusions with respect to the notes, which will be deductible against other income (e.g., employment and interest income) with the balance treated as capital loss, which may be subject to limitations. Losses may be subject to special reporting requirements. You should review carefully the section entitled “Certain U.S. Federal Income Tax Consequences” in this product supplement no. 32-IX and consult your tax adviser regarding your particular circumstances.

**JPMorgan Chase & Co. employees holding the notes must comply with policies that limit their ability to trade the notes and may affect the value of their notes.**

If you are an employee of JPMorgan Chase & Co. or one of its affiliates, you may only acquire the notes for investment purposes and you must comply with all of our internal policies and procedures. Because these policies and procedures limit the dates and times that you may transact in the notes, you may not be able to purchase any notes described in the relevant terms supplement from us and your ability to trade or sell any such notes in the secondary market may be limited.

**An investment in the notes is subject to risks associated with non-U.S. securities markets.**

The underlying stocks that compose the AMEX Hong Kong 30 Index, the Dow Jones EURO STOXX 50<sup>®</sup> Index, the FTSE<sup>™</sup> 100 Index, the FTSE/Xinhua China 25 Index, the KOSPI 200, the MSCI EAFE<sup>®</sup> Index, the iShares<sup>®</sup> MSCI Emerging Markets Index Fund, the MSCI Taiwan Index, the MSCI Singapore Index, and the Nikkei 225 Index have been issued by non-U.S. companies. Investments in securities indexed to the value of such non-U.S. equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting requirements of the United States Securities and Exchange Commission (“SEC”), and generally non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

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

The economies of emerging market countries in particular face several concerns, including relatively unstable governments which may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and which may have less protection of property rights than more developed countries. These economies may also be based on only a few industries, be

highly vulnerable to changes in local and global trade conditions and may suffer from extreme and volatile debt burdens or inflation rates. In addition, local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. These risks of economies of emerging market countries are relevant for notes where the Basket includes the Basket Fund or a Basket Index composed of securities traded in one or more emerging market countries.

**SOME OR ALL OF THESE FACTORS MAY INFLUENCE THE CLOSING LEVEL OR CLOSING PRICE OF THE AMEX HONG KONG 30 INDEX, THE DOW JONES EURO STOXX 50<sup>®</sup> INDEX, THE FTSE<sup>™</sup> 100 INDEX, THE FTSE/XINHUA CHINA 25 INDEX, THE KOSPI 200, THE MSCI EAFE<sup>®</sup> INDEX, THE ISHARES<sup>®</sup> MSCI EMERGING MARKETS INDEX FUND, THE MSCI TAIWAN INDEX, THE MSCI SINGAPORE INDEX OR THE NIKKEI 225 INDEX. THE IMPACT OF ANY OF THE FACTORS SET FORTH ABOVE MAY ENHANCE OR OFFSET SOME OR ALL OF ANY CHANGE RESULTING FROM ANOTHER FACTOR OR FACTORS. YOU CANNOT PREDICT THE FUTURE PERFORMANCE OF SUCH BASKET COMPONENTS BASED ON THEIR HISTORICAL PERFORMANCE. THE VALUE OF ANY SUCH BASKET COMPONENT MAY DECREASE SUCH THAT YOU MAY NOT RECEIVE MORE THAN THE PRINCIPAL AMOUNT OF YOUR NOTES (OTHER THAN, IF APPLICABLE, ANY INTEREST PAYMENT OR PAYMENT OF THE MINIMUM RETURN). THERE CAN BE NO ASSURANCE THAT THE CLOSING LEVEL OR CLOSING PRICE OF ANY SUCH BASKET COMPONENT WILL NOT DECREASE SO THAT AT MATURITY, YOU WILL RECEIVE MORE THAN THE PRINCIPAL AMOUNT OF YOUR NOTES (OTHER THAN, IF APPLICABLE, ANY INTEREST PAYMENT OR PAYMENT OF THE MINIMUM RETURN).**

## USE OF PROCEEDS

Unless otherwise specified in the relevant terms supplement, the net proceeds we receive from the sale of the notes will be used for general corporate purposes and, in part, by us or by one or more of our affiliates in connection with hedging our obligations under the notes. The original issue price of the notes includes each agent's commissions (as shown on the cover page of the relevant terms supplement) paid with respect to the notes. Unless otherwise specified in the relevant terms supplement, these commissions will include the reimbursement of certain issuance costs and the estimated cost of hedging our obligations under the notes. The estimated cost of hedging includes the projected profit that our affiliates expect to realize in consideration for assuming the risks inherent in hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, the actual cost of such hedging may result in a profit that is more or less than expected, or could result in a loss. See also "Use of Proceeds" in the accompanying prospectus.

On or prior to the date of the relevant terms supplement, we, through our affiliates or others, may hedge some or all of our anticipated exposure in connection with the notes by taking positions in one or more Basket Components, the stocks underlying one or more Equity Indices or the Basket Fund, the futures contracts underlying the Commodity Indices, the AIG Index Commodities, the S&P GSCI Index Commodities or instruments the value of which is derived from one or more Basket Components or their underlying stocks, or futures contracts or the Index Commodities. While we cannot predict an outcome, such hedging activity or other hedging and investment activities of ours could potentially increase the level of one or more Basket Components and therefore effectively establish a higher level that the relevant Basket Component must achieve for you to receive, at maturity of the notes, more than the applicable principal amount of your notes (other than, if applicable, any interest payment or payment of the Minimum Return). From time to time, prior to maturity of the notes, we may pursue a dynamic hedging strategy which may involve taking long or short positions in one or more Basket Components, the stocks underlying one or more Equity Indices, or the Basket Fund, the futures contracts underlying the Commodity Indices, the AIG Index Commodities, the S&P GSCI Index Commodities or instruments the value of which is derived from one or more Basket Components or their underlying stocks or futures contracts or the AIG Index Commodities or the S&P GSCI Index Commodities. Although we have no reason to believe that any of these activities will have a material impact on the level of any of the Basket Components, or the value of the notes, we cannot assure you that these activities will not have such an effect.

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

## THE AMEX HONG KONG 30 INDEX

All information regarding the AMEX Hong Kong 30 Index (“AMEX Hong Kong 30 Index”) set forth in this product supplement, including, without limitation, its make-up, method of calculation, and changes in its components, has been derived from publicly available information. Such information reflects the policies of, and is subject to change by, the American Stock Exchange LLC (“AMEX” or the “American Stock Exchange”). The AMEX Hong Kong 30 Index is calculated, maintained and published by the American Stock Exchange. We make no representation or warranty as to the accuracy or completeness of such information.

The AMEX Hong Kong 30 Index is reported by Bloomberg Financial Markets under the ticker symbol “HKX.”

### AMEX Hong Kong 30 Index Composition and Maintenance

The AMEX Hong Kong 30 Index is a capitalization-weighted stock index that measures the market value performance (share price times the number of shares outstanding) of selected stocks listed on The Stock Exchange of Hong Kong Ltd. (the “HKSE”). The AMEX Hong Kong 30 Index currently is based on the capitalization of 30 stocks actively traded on the HKSE and is designed to represent a substantial segment of the Hong Kong stock market. The primary trading market for all of these stocks is either Hong Kong or London. Sectors comprising the AMEX Hong Kong 30 Index consist primarily of finance, property development, utilities and conglomerates, and also includes hotel/leisure, property investment, airlines and transportation.

The AMEX Hong Kong 30 Index will contain at least 30 stocks at all times. In addition, the stocks must meet certain listing and maintenance standards as discussed below. The American Stock Exchange may change the composition of the AMEX Hong Kong 30 Index at any time in order to more accurately reflect the composition and track the movement of the Hong Kong stock market. Any replacement stock must also meet the stock listing and maintenance standards as discussed below. Further, the American Stock Exchange may replace stocks in the event of certain corporate events, such as takeovers or mergers, that change the nature of the security. The American Stock Exchange selects stocks composing the AMEX Hong Kong 30 Index on the basis of their market weight, trading liquidity and representation of the business industries reflected on the HKSE. The American Stock Exchange requires that each stock be one issued by an entity with major business interests in Hong Kong, be listed for trading on the HKSE and have its primary trading market located in a country with which the American Stock Exchange has an effective surveillance sharing agreement. The American Stock Exchange will remove any stock failing to meet the above listing and maintenance criteria within 30 days after such failure occurs. Additional qualification criteria for the inclusion and maintenance of stocks include the following standards: all stocks selected for inclusion in the AMEX Hong Kong 30 Index must have, and thereafter maintain, (1) an average daily capitalization, as calculated by the total number of shares outstanding times the latest price per share (in Hong Kong dollars), measured over the prior 6-month period, of at least H.K.\$3,000,000,000; (2) an average daily closing price, measured over the prior 6-month period, not lower than H.K.\$2.50; (3) an average daily trading volume, measured over the prior 6-month period, of more than 1,000,000 shares per day, although up to, but no more than, three stocks may have an average daily trading volume, measured over the prior 6-month period, of less than 1,000,000 shares per day, but in no event less than 500,000 shares per day; and (4) a minimum “free float” value (total freely tradable outstanding shares minus insider holdings), based on a monthly average measured over the prior 3-month period, of U.S.\$238,000,000, although up to, but no more than, three stocks may have a free float value of less than U.S.\$238,000,000 but in no event less than U.S.\$150,000,000, measured over the same period.

The American Stock Exchange reviews and applies the above qualification criteria relating to the stocks comprising the AMEX Hong Kong 30 Index on a quarterly basis, conducted on the last business day in January, April, July and October. Any stock failing to meet the above listing and maintenance criteria will be reviewed on the second Friday of the second month following the quarterly review to again determine compliance with the above criteria. Any stock failing this second review will be replaced by a "qualified" stock effective upon the close of business on the following Friday, provided, however, that if such Friday is not a business day in The City of New York, the replacement will be effective at the close of business on the first preceding business day in The City of New York. The American Stock Exchange will notify its membership immediately after it determines to replace a stock.

### **AMEX Hong Kong 30 Index Calculation**

The AMEX Hong Kong 30 Index is a capitalization-weighted index. A company's market capitalization is calculated by multiplying the number of shares outstanding by the company's current share price (in Hong Kong dollars). For valuation purposes, one AMEX Hong Kong 30 Index unit (1.0) is assigned a fixed value of one U.S. dollar. The AMEX Hong Kong 30 Index measures the average changes in price of the stocks comprising the AMEX Hong Kong 30 Index, weighted according to the respective market capitalizations, so that the effect of a percentage price change in a stock will be greater the larger the stock's market capitalization. The AMEX Hong Kong 30 Index was established by the American Stock Exchange on June 25, 1993, on which date the AMEX Hong Kong 30 Index value was set at 350.00.

The AMEX Hong Kong 30 Index is calculated by (i) aggregating the market capitalization of each stock comprising the AMEX Hong Kong 30 Index and (ii) dividing such sum by an adjusted base market capitalization or divisor. On June 25, 1993, the market value of the underlying stocks was approximately H.K.\$1,152,829,149,500 and the divisor used to calculate the AMEX Hong Kong 30 Index was 3,293,797,570. The American Stock Exchange selected that particular divisor number in order, among other things, to ensure that the AMEX Hong Kong 30 Index was set at a general price level consistent with other well recognized stock market indices. The divisor is subject to periodic adjustments as set forth below. The AMEX Hong Kong 30 Index is calculated once each day by the American Stock Exchange based on the most recent official closing prices of each of the stocks comprising the AMEX Hong Kong 30 Index reported by the HKSE. Pricing of the AMEX Hong Kong 30 Index is disseminated before the opening of trading via the Consolidated Tape Authority Network-B and continuously during each business day in The City of New York. The dissemination value, however, will remain the same throughout the trading day because the trading hours of the HKSE do not overlap with trading hours in The City of New York. Accordingly, updated price information will be unavailable.

In order to maintain continuity in the level of the AMEX Hong Kong 30 Index in the event of certain changes due to non-market factors affecting the stocks comprising the AMEX Hong Kong 30 Index, such as the addition or deletion of stocks, substitution of stocks, stock dividends, stock splits, distributions of assets to stockholders or other capitalization events, the divisor used in calculating the AMEX Hong Kong 30 Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the AMEX Hong Kong 30 Index and in order that the value of the AMEX Hong Kong 30 Index immediately after such change will equal the level of the AMEX Hong Kong 30 Index immediately prior to the change. Thereafter, the divisor remains at the new value until a further adjustment is necessary as the result of another change. Nevertheless, changes in the identities and characteristics of the stocks comprising the AMEX Hong Kong 30 Index may significantly affect the behavior of the AMEX Hong Kong 30 Index over time.

## **The Stock Exchange of Hong Kong Ltd.**

Trading on The Stock Exchange of Hong Kong Ltd. (the "HKSE") is fully electronic through an Automatic Order Matching and Execution System. The system is an electronic order book in which orders are matched and executed instantaneously if there are matching orders in the book, and on the basis of time/price priority. On-line real-time order entry and execution have eliminated the previous limitations of telephone-based trading. Trading takes place through trading terminals on the trading floor. There are no market-makers on the HKSE, but exchange dealers may act as dual capacity broker-dealers. Trading is undertaken from 10:00 a.m. to 12:30 p.m. and then from 2:30 p.m. to 3:55 p.m. (Hong Kong time) every Hong Kong day except Saturdays, Sundays and other days on which the HKSE is closed. Hong Kong time is 12 hours ahead of Eastern Daylight Savings Time and 13 hours ahead of Eastern Standard Time. Settlement of trade is required within 48 hours and is conducted by electronic book-entry delivery through the Central Clearing and Settlement System.

Due to the time differences between New York City and Hong Kong, on any normal trading day, trading on the HKSE, as of the date of this product supplement, will cease at 12:30 a.m. or 3:55 a.m., Eastern Daylight Savings Time. Using the last reported closing prices of the stocks underlying the AMEX Hong Kong 30 Index on the HKSE, the closing level of the AMEX Hong Kong 30 Index on any such trading day generally will be calculated, published and disseminated by the American Stock Exchange in the United States shortly before the opening of trading on the American Stock Exchange in New York on the same calendar day.

The HKSE has adopted certain measures intended to prevent any extreme short-term price fluctuations resulting from order imbalances or market volatility. Where the HKSE considers it necessary for the protection of the investor or the maintenance of an orderly market, it may at any time suspend dealings in any securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the listed issuer or not. The HKSE may also do so where: (1) an issuer fails, in a manner which the HKSE considers material, to comply with the HKSE Listing Rules or its Listing Agreements; (2) the HKSE considers there are insufficient securities in the hands of the public; (3) the HKSE considers that the listed issuer does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the issuer's securities; or (4) the HKSE considers that the issuer or its business is no longer suitable for listing. Investors should also be aware that the HKSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, until certain price-sensitive information has been disclosed to the public. Trading will not be resumed until a formal announcement has been made. Trading of a company's shares may also be suspended if there is unusual trading activity in such shares.

An issuer may apply for suspension of its own accord. A suspension request will normally only be acceded to in the following circumstances: (1) where, for a reason acceptable to the HKSE, price-sensitive information cannot at that time be disclosed; (2) where the issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with, and agreement by, one or more major shareholders (suspensions will only normally be appropriate where no previous announcement has been made); (3) to maintain an orderly market; (4) where there is an occurrence of certain levels of notifiable transactions, such as substantial changes in the nature, control or structure of the issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned, or the approval of shareholders is required; (5) where the issuer is no longer suitable for listing, or becomes a "cash" company; or (6) for issuers going into receivership or liquidation. As a result of the foregoing, variations in the AMEX Hong Kong 30 Index may be limited by suspension of trading of individual stocks which comprise the AMEX Hong Kong 30 Index which may, in turn, adversely affect the value of the notes.

### **License Agreement with the American Stock Exchange**

We have entered into an agreement with AMEX providing us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the AMEX Hong Kong 30 Index, which is owned and published by AMEX, in connection with certain securities, including the notes.

The notes are not sponsored, endorsed, sold or promoted by the AMEX (including its affiliates). The American Stock Exchange has not passed on the legality or suitability of, or the accuracy or adequacy of descriptions and disclosures relating to the notes. The American Stock Exchange makes no representation or warranty, express or implied to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly, or the ability of the AMEX Hong Kong 30 Index to track general stock market performance. The American Stock Exchange has no relationship to JPMorgan Chase & Co. other than the licensing of the AMEX Hong Kong 30 Index and the related trademarks for use in connection with the notes, which index is determined, composed and calculated by the American Stock Exchange without regard to JPMorgan Chase & Co. or the notes. The American Stock Exchange has no obligation to take the needs of JPMorgan Chase & Co. or the owners of the notes into consideration in determining, composing or calculating the AMEX Hong Kong 30 Index. The American Stock Exchange is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the notes to be issued or in the determination or calculation of the equation by which the notes are to be converted into cash. The American Stock Exchange has no liability in connection with the administration, marketing or trading of the notes.

The American Stock Exchange is under no obligation to continue the calculation and dissemination of the AMEX Hong Kong 30 Index and the method by which the AMEX Hong Kong 30 Index is calculated and the name "AMEX Hong Kong 30 Index" may be changed at the discretion of the American Stock Exchange. No inference should be drawn from the information contained in this product supplement that the American Stock Exchange makes any representation or warranty, implied or express, to you or any member of the public regarding the advisability of investing in securities generally or in the notes in particular or the ability of the AMEX Hong Kong 30 Index to track general stock market performance. The American Stock Exchange has no obligation to take into account your interest, or that of anyone else having an interest in determining, composing or calculating the AMEX Hong Kong 30 Index. The American Stock Exchange is not responsible for, and has not participated in the determination of the timing of, prices for or quantities of, the notes or in the determination or calculation of the equation by which the notes are to be settled in cash. The American Stock Exchange has no obligation or liability in connection with the administration, marketing or trading of the notes. The use of and reference to the AMEX Hong Kong 30 Index in connection with the notes have been consented to by the American Stock Exchange.

The American Stock Exchange disclaims all responsibility for any inaccuracies in the data on which the AMEX Hong Kong 30 Index is based, or any mistakes or errors or omissions in the calculation or dissemination of the AMEX Hong Kong 30 Index.

### **Discontinuation of the AMEX Hong Kong 30 Index; Alteration of Method of Calculation**

If AMEX discontinues publication of the AMEX Hong Kong 30 Index and AMEX or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued AMEX Hong Kong 30 Index (such index being referred to herein as an "AMEX Hong Kong successor index"), then the closing level for the AMEX Hong Kong 30 Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the Amex Hong Kong 30 Index is to be determined will be determined by reference to the level of such AMEX Hong Kong successor index at the close of trading on the relevant exchange or market for the AMEX Hong Kong successor index on such day.

Upon any selection by the calculation agent of an AMEX Hong Kong successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If AMEX discontinues publication of the AMEX Hong Kong 30 Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, a Basket Valuation Date or any other relevant date on which the closing level for the Amex Hong Kong 30 Index is to be determined, and the calculation agent determines, in its sole discretion, that no AMEX Hong Kong successor index is available at such time, or the calculation agent has previously selected an AMEX Hong Kong successor index and publication of such AMEX Hong Kong successor index is discontinued prior to, and such discontinuation

is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the AMEX Hong Kong 30 Index for such date. The closing level for the AMEX Hong Kong 30 Index will be computed by the calculation agent in accordance with the formula for and method of calculating the AMEX Hong Kong 30 Index or AMEX Hong Kong successor Index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the AMEX Hong Kong 30 Index or AMEX Hong Kong successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the AMEX Hong Kong 30 Index or AMEX Hong Kong successor index, as applicable, may adversely affect the value of the notes.

If at any time the method of calculating the AMEX Hong Kong 30 Index or an AMEX Hong Kong successor index, or the level thereof, is changed in a material respect, or if the AMEX Hong Kong 30 Index or an AMEX Hong Kong successor index is in any other way modified so that the AMEX Hong Kong 30 Index or such AMEX Hong Kong successor index does not, in the opinion of the calculation agent, fairly represent the level of the AMEX Hong Kong 30 Index or such AMEX Hong Kong successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the AMEX Hong Kong Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the AMEX Hong Kong 30 Index or such AMEX Hong Kong successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the AMEX Hong Kong 30 Index with reference to the AMEX Hong Kong 30 Index or such AMEX Hong Kong successor index, as adjusted. Accordingly, if the method of calculating the AMEX Hong Kong 30 Index or an AMEX Hong Kong successor index is modified so that the level of the AMEX Hong Kong 30 Index or such AMEX Hong Kong successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the AMEX Hong Kong 30 Index), then the calculation agent will adjust its calculation of the AMEX Hong Kong 30 Index or such AMEX Hong Kong successor index in order to arrive at a level of the AMEX Hong Kong 30 Index or such AMEX Hong Kong successor index as if there had been no such modification (e.g., as if such split had not occurred).



## THE DOW JONES EURO STOXX 50® INDEX

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

The Dow Jones EURO STOXX 50® Index was created by STOXX Limited, a joint venture between Deutsche Börse AG, Dow Jones & Company and SWX Swiss Exchange. Publication of the Dow Jones EURO STOXX 50® Index began on February 26, 1998, based on an initial Dow Jones EURO STOXX 50® Index value of 1,000 at December 31, 1991. The Dow Jones EURO STOXX 50® Index is published in *The Wall Street Journal* and disseminated on the STOXX Limited website: <http://www.stoxx.com>, which sets forth, among other things, the country and industrial sector weightings of the securities included in the Dow Jones EURO STOXX 50® Index and updates these weightings at the end of each quarter. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this product supplement no. 32-IX or any terms supplement.

### Dow Jones EURO STOXX 50® Index Composition and Maintenance

The Dow Jones EURO STOXX 50® Index is composed of 50 component stocks of market sector leaders from within the Dow Jones EURO STOXX® Index, which includes stocks selected from the Eurozone. The component stocks have a high degree of liquidity and represent the largest companies across all market sectors defined by the Dow Jones Global Classification Standard.

The composition of the Dow Jones EURO STOXX 50® Index is reviewed annually, based on the closing stock data on the last trading day in August. The component stocks are announced the first trading day in September. Changes to the component stocks are implemented on the third Friday in September and are effective the following trading day. Changes in the composition of the Dow Jones EURO STOXX 50® Index are made to ensure that the Dow Jones EURO STOXX 50® Index includes the 50 market sector leaders from within the Dow Jones EURO STOXX® Index. A current list of the issuers that comprise the Dow Jones EURO STOXX 50® Index is available on the STOXX Limited website: <http://www.stoxx.com>. Information contained in the STOXX Limited website is not incorporated by reference in, and should not be considered a part of, this product supplement no. 32-IX or any terms supplement.

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

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

### Dow Jones EURO STOXX 50® Index Calculation

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

$$\text{Index} = \frac{\text{free float market capitalization of the Dow Jones EURO STOXX 50® Index}}{\text{adjusted base date market capitalization of the Dow Jones EURO STOXX 50® Index}} \times 1,000$$

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

The Dow Jones EURO STOXX 50® Index is also subject to a divisor, which is adjusted to maintain the continuity of Dow Jones EURO STOXX 50® Index values despite changes due to corporate actions.

The following is a summary of the adjustments to any component stock made for corporate actions and the effect of such adjustment on the divisor, where shareholders of the component stock will receive "B" number of shares for every "A" share held (where applicable).

<p><b>(1) Split and reverse split:</b></p> <p><i>Adjusted price = closing price * A/B</i></p> <p><i>New number of shares = old number of shares * B/A</i></p> <p><i>Divisor: no change</i></p>	<p><b>(2) Rights offering:</b></p> <p><i>Adjusted price = (closing price * A + subscription price * B) / (A + B)</i></p> <p><i>New number of shares = old number of shares * (A + B) / A</i></p> <p><i>Divisor: increases</i></p>
<p><b>(3) Stock dividend:</b></p> <p><i>Adjusted price = closing price * A / (A + B)</i></p> <p><i>New number of shares = old number of shares * (A + B) / A</i></p> <p><i>Divisor: no change</i></p>	<p><b>(4) Stock dividend of another company:</b></p> <p><i>Adjusted price = (closing price * A - price of other company * B) / A</i></p> <p><i>Divisor: decreases</i></p>
<p><b>(5) Return of capital and share consideration:</b></p> <p><i>Adjusted price = (closing price - dividend announced by company * (1 - withholding tax)) * A / B</i></p> <p><i>New number of shares = old number of shares * B / A</i></p> <p><i>Divisor: decreases</i></p>	<p><b>(6) Repurchase shares / self tender:</b></p> <p><i>Adjusted price = ((price before tender * old number of shares) - (tender price * number of tendered shares)) / (old number of shares - number of tendered shares)</i></p> <p><i>New number of shares = old number of shares - number of tendered shares</i></p> <p><i>Divisor: decreases</i></p>
<p><b>(7) Spin-off:</b></p> <p><i>Adjusted price = (closing price * A - price of spun-off shares * B) / A</i></p> <p><i>Divisor: decreases</i></p>	
<p><b>(8) Combination stock distribution (dividend or split) and rights offering:</b></p> <p><i>For this corporate action, the following additional assumptions apply:</i></p> <p><i>Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A share held.</i></p> <p><i>If A is not equal to one share, all the following “new number of shares” formulae need to be divided by A:</i></p>	
<p><b>- If rights are applicable after stock distribution (one action applicable to other):</b></p> <p><i>Adjusted price = (closing price * A + subscription price * C * (1 + B / A)) /</i></p>	<p><b>- If stock distribution is applicable after rights (one action applicable to other):</b></p> <p><i>Adjusted price = (closing price * A + subscription price * C) / (A + C)</i></p>

$((A + B) * (1 + C / A))$	$* (1 + B / A)$
$\text{New number of shares} = \frac{\text{old number of shares} * ((A + B) * (1 + C / A))}{A}$	$\text{New number of shares} = \frac{\text{old number of shares} * ((A + C) * (1 + B / A))}{(A + C)}$
<i>Divisor: increases</i>	<i>Divisor: increases</i>
<p><b>- Stock distribution and rights (neither action is applicable to the other):</b></p>	
$\text{Adjusted price} = (\text{closing price} * A + \text{subscription price} * C) / (A + B + C)$	
$\text{New number of shares} = \frac{\text{old number of shares} * (A + B + C)}{A}$	
<i>Divisor: increases</i>	

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#### **Discontinuation of the Dow Jones EURO STOXX 50<sup>®</sup> Index; Alteration of Method of Calculation**

If STOXX Limited discontinues publication of the Dow Jones EURO STOXX 50<sup>®</sup> Index and STOXX Limited or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Dow Jones EURO STOXX 50<sup>®</sup> Index (such index being referred to herein as a “EURO STOXX successor index”), then the closing level for the Dow Jones EURO STOXX 50<sup>®</sup> Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the Dow Jones EURO STOXX 50<sup>®</sup> Index is to be determined will be determined by reference to the level of such EURO STOXX successor index at the close of trading on the relevant exchange or market for the EURO STOXX successor index on such day. Upon any selection by the calculation agent of a EURO STOXX successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If STOXX Limited discontinues publication of the Dow Jones EURO STOXX 50<sup>®</sup> Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the Dow Jones EURO STOXX 50<sup>®</sup> Index is to be determined, and the calculation agent determines, in its sole discretion, that no EURO STOXX successor index is available at such time or the calculation agent has previously selected a EURO STOXX successor index and publication of such EURO STOXX successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the Dow Jones EURO STOXX 50<sup>®</sup> Index for such date. The closing level for the Dow Jones EURO STOXX 50<sup>®</sup> Index will be computed by the calculation agent in accordance with the formula for and method of calculating the Dow Jones EURO STOXX 50<sup>®</sup> Index or EURO STOXX successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent’s good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the Dow Jones EURO STOXX 50<sup>®</sup> Index or EURO STOXX successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Dow Jones EURO STOXX 50<sup>®</sup> Index may adversely affect the value of the notes.

If at any time the method of calculating the Dow Jones EURO STOXX 50<sup>®</sup> Index or a EURO STOXX successor index, or the level thereof, is changed in a material respect, or if the Dow Jones EURO STOXX 50<sup>®</sup> Index or a EURO STOXX successor index is in any other way modified so that the Dow Jones EURO STOXX 50<sup>®</sup> Index or such EURO STOXX successor index does not, in the opinion of the calculation agent, fairly represent the level of the Dow Jones EURO STOXX 50<sup>®</sup> Index or such EURO STOXX successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the Dow Jones EURO STOXX 50<sup>®</sup> Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Dow Jones EURO STOXX 50<sup>®</sup> Index or such EURO STOXX successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the Dow Jones EURO STOXX 50<sup>®</sup> Index with reference to the Dow Jones EURO STOXX 50<sup>®</sup> Index or such EURO STOXX successor index, as adjusted. Accordingly, if the method of calculating the Dow Jones EURO STOXX 50<sup>®</sup> Index or a EURO STOXX successor index is modified so that the level of the Dow Jones EURO STOXX 50<sup>®</sup> Index or such EURO STOXX successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Dow Jones EURO STOXX 50<sup>®</sup> Index), then the calculation agent will adjust its calculation of the Dow Jones EURO STOXX 50<sup>®</sup> Index or such EURO STOXX successor index in order to arrive at a level of the

Dow Jones EURO STOXX 50<sup>®</sup> Index or such EURO STOXX successor index as if there had been no such modification (e.g., as if such split had not occurred).

## THE DOW JONES — AIG COMMODITY INDEX<sup>SM</sup>

We have derived all information contained in this product supplement regarding the Dow Jones — AIG Commodity Index<sup>SM</sup>, including, without limitation, its make-up, method of calculation and changes in its components from (i) publicly available sources and (ii) a summary of the Dow Jones — AIG Commodity Index<sup>SM</sup> Handbook (a document that is considered proprietary to Dow Jones & Company, Inc. (“Dow Jones”) and AIG Financial Products (“AIG-FP”) and is available to those persons who enter into a license agreement available at [www.aigfp.com/home/commodities](http://www.aigfp.com/home/commodities)). Such information reflects the policies of, and is subject to change by, Dow Jones and AIG-FP. We have not independently verified this information. You, as an investor in the notes, should make your own investigation into the Dow Jones — AIG Commodity Index<sup>SM</sup>, AIG-FP and Dow Jones. Dow Jones and AIG-FP are not involved in the offer of the notes in any way and have no obligation to consider your interests as a holder of the notes. Dow Jones and AIG-FP have no obligation to continue to publish the Dow Jones — AIG Commodity Index<sup>SM</sup>, and may discontinue publication of the Dow Jones — AIG Commodity Index<sup>SM</sup> at any time in their sole discretion.

### Overview

The Dow Jones — AIG Commodity Index<sup>SM</sup> was introduced in July of 1998 to provide a unique, diversified, economically rational and liquid benchmark for commodities as an asset class. The Dow Jones — AIG Commodity Index<sup>SM</sup> currently is composed of the prices of nineteen exchange-traded futures contracts on physical commodities. A futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. For a general description of the commodity futures markets, please see “The Commodity Futures Markets.” The commodities included in the Dow Jones — AIG Commodity Index<sup>SM</sup> for 2008 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybean oil, soybeans, sugar, unleaded gasoline, wheat and zinc. Futures contracts and options on futures contracts on the Dow Jones — AIG Commodity Index<sup>SM</sup> are currently listed for trading on the Chicago Board of Trade (“CBOT”).

The Dow Jones — AIG Commodity Index<sup>SM</sup> is a proprietary index that Dow Jones and AIG-FP developed and that Dow Jones, in conjunction with AIG-FP, calculates. The methodology for determining the composition and weighting of the Dow Jones — AIG Commodity Index<sup>SM</sup> and for calculating its value is subject to modification by Dow Jones and AIG-FP at any time. As of the date of this product supplement, Dow Jones disseminates the Dow Jones — AIG Commodity Index<sup>SM</sup> level approximately every fifteen (15) seconds (assuming the Dow Jones — AIG Commodity Index<sup>SM</sup> level has changed within such fifteen-second interval) from 8:00 a.m. to 3:00 p.m. (New York time) and publishes the final Dow Jones — AIG Commodity Index<sup>SM</sup> level for each DJ-AIG Business Day (as defined below) at approximately 4:00 p.m. (New York time) on each such day on Reuters page AIGC11. Dow Jones — AIG Commodity Index<sup>SM</sup> levels can also be obtained from the official websites of both Dow Jones and AIG-FP and are also published in *The Wall Street Journal*.

A “DJ-AIG Business Day” is a day on which the sum of the Commodity Index Percentages (as defined below in “Annual Reweightings and Rebalancings of the Dow Jones — AIG Commodity Index<sup>SM</sup>”) for the Index Commodities that are open for trading is greater than 50%. For example, based on the weighting of the Index Commodities for 2008, if the CBOT and the New York Mercantile Exchange (“NYMEX”) are closed for trading on the same day, a DJ-AIG Business Day will not exist.

AIG-FP and its affiliates actively trade futures contracts and options on futures contracts on the commodities that underlie the Dow Jones — AIG Commodity Index<sup>SM</sup>, as well as commodities, including commodities included in the Dow Jones — AIG Commodity Index<sup>SM</sup>. For information about how this trading may affect the value of the Dow Jones — AIG Commodity Index<sup>SM</sup>, see “Risk Factors — If the Basket includes the Dow Jones — AIG Commodity Index<sup>SM</sup>, trading and other transactions by AIG-FP and Dow Jones in the futures contracts constituting the Dow Jones — AIG Commodity Index<sup>SM</sup> and the underlying commodities may affect the level of the Dow Jones — AIG Commodity Index<sup>SM</sup>.”

## The Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory and Advisory Committees

Dow Jones and AIG-FP have established the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee and the Dow Jones — AIG Commodity Index<sup>SM</sup> Advisory Committee to assist them in connection with the operation of the Dow Jones — AIG Commodity Index<sup>SM</sup>. The Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee is comprised of three members, two of whom are appointed by AIG-FP and one of whom is appointed by Dow Jones, and makes all final decisions related to the Dow Jones — AIG Commodity Index<sup>SM</sup>, with advice and recommendations from the Advisory Committee. The Dow Jones — AIG Commodity Index<sup>SM</sup> Advisory Committee includes six to twelve members drawn from the financial, academic and legal communities selected by AIG-FP. Both the Supervisory and Advisory Committees meet annually to consider any changes to be made to the Dow Jones — AIG Commodity Index<sup>SM</sup> for the coming year. These committees may also meet at such other times as may be necessary.

As described in more detail below, the Dow Jones — AIG Commodity Index<sup>SM</sup> is reweighted and rebalanced each year in January on a price-percentage basis. The annual weightings for the Dow Jones — AIG Commodity Index<sup>SM</sup> are determined each year in June or July by AIG-FP under the supervision of the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee following advice from the Dow Jones — AIG Commodity Index<sup>SM</sup> Advisory Committee. After the Supervisory and Advisory Committees' annual meetings in June or July, the annual weightings for the next calendar year are publicly announced.

For example, the composition of the Dow Jones — AIG Commodity Index<sup>SM</sup> for 2008 was approved by the Dow Jones — AIG Index Oversight Committee in August of 2007 and published on August 3, 2007. The January 2008 reweighting and rebalancing is based on the following percentages:

### The Dow Jones — AIG Commodity Index<sup>SM</sup> 2008 Commodity Index Percentages

COMMODITY	WEIGHTING
Crude Oil	13.156592%
Natural Gas	12.237084%
Soybeans	7.628541%
Gold	7.396190%
Aluminum	7.107971%
Copper	7.040516%
Corn	5.663457%
Live Cattle	4.887400%
Wheat	4.703406%
Heating Oil	3.822525%
Unleaded Gasoline	3.783798%
Sugar	3.185145%
Zinc	3.033016%
Coffee	3.001585%
Soybean Oil	2.811933%
Nickel	2.791708%
Silver	2.721423%
Lean Hogs	2.548123%
Cotton	2.479588%

Information concerning the Dow Jones — AIG Commodity Index<sup>SM</sup>, including weightings and composition, may be obtained at the Dow Jones web site ([www.djindexes.com](http://www.djindexes.com)). Information contained in the Dow Jones web site is not incorporated by reference in, and should not be considered part of, this product supplement or any terms supplement.

### Four Main Principles Guiding the Creation of the Dow Jones — AIG Commodity Index<sup>SM</sup>

The Dow Jones — AIG Commodity Index<sup>SM</sup> was created using the following four main principles:



- **ECONOMIC SIGNIFICANCE.** A commodity index should fairly represent the importance of a diversified group of commodities to the world economy. To achieve a fair representation, the Dow Jones — AIG Commodity Index<sup>SM</sup> uses both liquidity data and dollar-weighted production data in determining the relative quantities of included commodities. The Dow Jones — AIG Commodity Index<sup>SM</sup> primarily relies on liquidity data, or the relative amount of trading activity of a particular commodity, as an important indicator of the value placed on that commodity by financial and physical market participants. The Dow Jones — AIG Commodity Index<sup>SM</sup> also relies on production data as a useful measure of the importance of a commodity to the world economy. Production data alone, however, may underestimate the economic significance of storable commodities (e.g., gold) relative to non-storable commodities (e.g., live cattle). Production data alone also may underestimate the investment value that financial market participants place on certain commodities, and/or the amount of commercial activity that is centered around various commodities. Additionally, production statistics alone do not necessarily provide as accurate a blueprint of economic importance as the markets themselves. The Dow Jones — AIG Commodity Index<sup>SM</sup> thus relies on data that is both endogenous to the futures market (liquidity) and exogenous to the futures market (production) in determining relative weightings.
- **DIVERSIFICATION.** A second major goal of the Dow Jones — AIG Commodity Index<sup>SM</sup> is to provide diversified exposure to commodities as an asset class. Disproportionate weightings of any particular commodity or sector increase volatility and negate the concept of a broad-based commodity index. Instead of diversified commodities exposure, the investor is unduly subjected to micro-economic shocks in one commodity or sector. As described further below, diversification rules have been established and are applied annually. Additionally, the Dow Jones — AIG Commodity Index<sup>SM</sup> is re-balanced annually on a price-percentage basis in order to maintain diversified commodities exposure over time.
- **CONTINUITY.** The third goal of the Dow Jones — AIG Commodity Index<sup>SM</sup> is to be responsive to the changing nature of commodity markets in a manner that does not completely reshape the character of the Dow Jones — AIG Commodity Index<sup>SM</sup> from year to year. The Dow Jones — AIG Commodity Index<sup>SM</sup> is intended to provide a stable benchmark so that end-users may be reasonably confident that historical performance data (including such diverse measures as correlation, spot yield, roll yield and volatility) is based on a structure that bears some resemblance to both the current and future composition of the Dow Jones — AIG Commodity Index<sup>SM</sup>.
- **LIQUIDITY.** Another goal of the Dow Jones — AIG Commodity Index<sup>SM</sup> is to provide a highly liquid index. The explicit inclusion of liquidity as a weighting factor helps to ensure that the Dow Jones — AIG Commodity Index<sup>SM</sup> can accommodate substantial investment flows. The liquidity of an index affects transaction costs associated with current investments. It also may affect the reliability of historical price performance data.

These four principles represent goals of the Dow Jones — AIG Commodity Index<sup>SM</sup> and its creators, and there can be no assurance that these goals will be reached by either Dow Jones or AIG-FP.

### **Composition of the Dow Jones — AIG Commodity Index<sup>SM</sup> — Commodities Available for Inclusion**

A number of commodities have been selected which are believed to be sufficiently significant to the world economy to merit consideration for inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup> and which are the subject of a qualifying related futures contract. With the exception of several metals contracts (aluminum, lead, tin, nickel and zinc) that trade on the London Metal Exchange (“LME”), each of the potential commodities is the subject of a futures contract that trades on a U.S. exchange.

As of the date of this product supplement, the 23 commodities available for inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup> were aluminum, cocoa, coffee, copper, corn, cotton, crude oil, gold,

heating oil, lead, lean hogs, live cattle, natural gas, nickel, platinum, silver, soybean oil, soybeans, sugar, tin, unleaded gasoline, wheat and zinc.

The 19 Index Commodities for 2008 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybean oil, soybeans, sugar, unleaded gasoline, wheat and zinc.

### Designated Contracts for Each Commodity

A futures contract known as a Designated Contract is selected for each commodity available for inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup>. With the exception of several LME contracts, where the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee believes that there exists more than one futures contract with sufficient liquidity to be chosen as a Designated Contract for a commodity, the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee selects the futures contract that is traded in the United States and denominated in dollars. If more than one such contract exists, the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee selects the most actively traded contract. Data concerning each Designated Contract is used to calculate the Dow Jones — AIG Commodity Index<sup>SM</sup>. The termination or replacement of a futures contract on an established exchange occurs infrequently; if a Designated Contract were to be terminated or replaced, a comparable futures contract, if available, would be selected to replace that Designated Contract. The Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee may, however, terminate, replace or otherwise change a Designated Contract, or make other changes to the Dow Jones — AIG Commodity Index<sup>SM</sup>, pursuant to special meetings. Please see “Risk Factors – AIG Financial Products may be required to replace a designated contract if the existing futures contract is terminated or replaced.”

The Designated Contracts for 2008 Index Commodities are as follows:

### Dow Jones — AIG Commodity Index<sup>SM</sup> Breakdown by Commodity

Commodity	Designated Contract	Exchange	Units	Price quote
Aluminum	High Grade Primary Aluminum	LME	25 metric tons	\$/metric ton
Coffee	Coffee “C”	NYBOT*	37,500 lbs	cents/pound
Copper**	High Grade Copper	COMEX**	25,000 lbs	cents/pound
Corn	Corn	CBOT	5,000 bushels	cents/bushel
Cotton	Cotton	NYBOT	50,000 lbs	cents/pound
Crude Oil	Light, Sweet Crude Oil	NYMEX	1,000 barrels	\$/barrel
Gold	Gold	COMEX	100 troy oz.	\$/troy oz.
Heating Oil	Heating Oil	NYMEX	42,000 gallons	cents/gallon
Lean Hogs	Lean Hogs	CME^	40,000 lbs	cents/pound
Live Cattle	Live Cattle	CME	40,000 lbs	cents/pound
Natural Gas	Henry Hub Natural Gas	NYMEX	10,000 mmbtu	\$/mmbtu
Nickel	Primary Nickel	LME	6 metric tons	\$/metric ton
Silver	Silver	COMEX	5,000 troy oz.	cents/troy oz.
Soybean Oil	Soybean Oil	CBOT	60,000 lbs	cents/pound
Soybeans	Soybeans	CBOT	5,000 bushels	cents/bushel
Sugar	World Sugar No. 11	NYBOT	112,000 lbs	cents/pound
Unleaded Gasoline	Reformulated Gasoline Blendstock for Oxygen Blending†	NYMEX	42,000 gal	cents/gallon
Wheat	Wheat	CBOT	5,000 bushels	cents/bushel
Zinc	Special High Grade Zinc	LME	25 metric tons	\$/metric ton

\* The New York Board of Trade (“NYBOT”) located in New York City.

\*\* The Dow Jones — AIG Commodity Index<sup>SM</sup> uses the High Grade Copper Contract traded on the COMEX division of the New York Mercantile Exchange for copper contract prices and LME volume data in determining the weighting for the Dow Jones — AIG Commodity Index<sup>SM</sup>.

\*\*\* The New York Commodities Exchange (“COMEX”) located in New York City.

^ The Chicago Mercantile Exchange (“CME”) located in Chicago, Illinois.

† Represents a replacement of the New York Harbor Unleaded Gasoline contract. This replacement occurred during the regularly scheduled roll of futures contracts comprising the Dow Jones — AIG Commodity Index<sup>SM</sup> in April 2006.

In addition to the commodities set forth in the above table, cocoa, lead, platinum and tin also are considered annually for inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup>.

### Commodity Groups

For purposes of applying the diversification rules discussed above and below, the commodities available for inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup> are assigned to Commodity Groups. The Commodity Groups, and the commodities currently included in each Commodity Group, are as follows:

<u>Commodity Group:</u>	<u>Commodities:</u>	<u>Commodity Group:</u>	<u>Commodities:</u>
Energy	Crude Oil Heating Oil Natural Gas Unleaded Gasoline	Livestock	Lean Hogs Live Cattle
Precious Metals	Gold Silver Platinum	Grains	Corn Soybeans Soybean Oil Wheat
Industrial Metals	Aluminum Copper Lead Nickel Tin Zinc	Softs	Cocoa Coffee Cotton Sugar

### Dow Jones — AIG Commodity Index<sup>SM</sup> Breakdown by Commodity Group

The Commodity Group Breakdown set forth below is based on the weightings and composition of the Dow Jones — AIG Commodity Index<sup>SM</sup> set forth under “The Dow Jones — AIG Commodity Index<sup>SM</sup> 2008 Commodity Index Percentages.”

Energy	33.00%
Precious Metals	10.12%
Industrial Metals	19.97%
Livestock	7.44%
Grains	20.81%
Softs	8.67%

### Annual Reweightings and Rebalancings of The Dow Jones — AIG Commodity Index<sup>SM</sup>

The Dow Jones — AIG Commodity Index<sup>SM</sup> is reweighted and rebalanced each year in January on a price-percentage basis. The annual weightings for the Dow Jones — AIG Commodity Index<sup>SM</sup> are

determined each year in June or July by AIG-FP under the supervision of the Dow Jones — AIG Commodity Index<sup>SM</sup> Supervisory Committee following advice from the Dow Jones — AIG Commodity Index<sup>SM</sup> Advisory Committee. After the Supervisory and Advisory Committees' annual meetings in June or July, the annual weightings for the next calendar year are publicly announced and implemented the following January.

### **Determination of Relative Weightings**

The relative weightings of the AIG Index Commodities are determined annually according to both liquidity and dollar-adjusted production data in 2/3 and 1/3 shares, respectively. Each June, for each commodity designated for potential inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup>, liquidity is measured by the Commodity Liquidity Percentage ("CLP") and production by the Commodity Production Percentage ("CPP"). The CLP for each commodity is determined by taking a five-year average of the product of trading volume and the historical dollar value of the Designated Contract for that commodity, and dividing the result by the sum of such products for all commodities which were designated for potential inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup>. The CPP is determined for each commodity by taking a five-year average of annual world production figures, adjusted by the historical dollar value of the Designated Contract, and dividing the result by the sum of such production figures for all the commodities which were designated for potential inclusion in the Dow Jones — AIG Commodity Index<sup>SM</sup>. The CLP and the CPP are then combined (using a ratio of 2:1) to establish the Commodity Index Percentage ("CIP") for each commodity. This CIP is then adjusted in accordance with certain diversification rules in order to determine the commodities which will be included in the Dow Jones — AIG Commodity Index<sup>SM</sup> (the "AIG Index Commodities") and their respective percentage weights.

### **Diversification Rules**

The Dow Jones — AIG Commodity Index<sup>SM</sup> is designed to provide diversified exposure to commodities as an asset class. To ensure that no single commodity or commodity sector dominates the Dow Jones — AIG Commodity Index<sup>SM</sup>, the following diversification rules are applied to the annual reweighting and rebalancing of the Dow Jones — AIG Commodity Index<sup>SM</sup> as of January of each year:

- No related group of commodities designated as a "Commodity Group" (e.g., energy, precious metals, livestock or grains) may constitute more than 33% of the Dow Jones — AIG Commodity Index<sup>SM</sup>.
- No single commodity may constitute more than 15% of the Dow Jones — AIG Commodity Index<sup>SM</sup>.
- No single commodity, together with its derivatives (e.g., crude oil, together with heating oil and unleaded gasoline), may constitute more than 25% of the Dow Jones — AIG Commodity Index<sup>SM</sup>.
- No single commodity included in the Dow Jones — AIG Commodity Index<sup>SM</sup> may constitute less than 2% of the Dow Jones — AIG Commodity Index<sup>SM</sup>.

Following the annual reweighting and rebalancing of the Dow Jones — AIG Commodity Index<sup>SM</sup> in January, the percentage of any Index Commodity or Commodity Group at any time prior to the next reweighting or rebalancing will fluctuate and may exceed or be less than the percentages established in January.

### **Commodity Index Multipliers**

Following application of the diversification rules discussed above, CIPs are incorporated into the Dow Jones — AIG Commodity Index<sup>SM</sup> by calculating the new unit weights for each Index Commodity. Near the beginning of each new calendar year (the "CIM Determination Date"), the CIPs, along with the settlement prices on that date for Designated Contracts included in the Dow Jones — AIG Commodity Index<sup>SM</sup>, are used to determine a Commodity Index Multiplier ("CIM") for each Index Commodity. This

CIM is used to achieve the percentage weightings of the AIG Index Commodities, in dollar terms, indicated by their respective CIPs. After the CIMs are calculated, they remain fixed throughout the year. As a result, the observed price percentage of each Index Commodity will float throughout the year, until the CIMs are reset the following year based on new CIPs.

## Calculations

The Dow Jones — AIG Commodity Index<sup>SM</sup> is calculated by Dow Jones, in conjunction with AIG-FP, by applying the impact of the changes to the futures prices of commodities included in the Dow Jones — AIG Commodity Index<sup>SM</sup> (based on their relative weightings). Once the CIMs are determined as discussed above, the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> is a mathematical process whereby the CIMs for the AIG Index Commodities are multiplied by the prices in U.S. dollars for the applicable Designated Contracts. These products are then summed. The percentage change in this sum is then applied to the prior Dow Jones — AIG Commodity Index<sup>SM</sup> level to calculate the new Dow Jones — AIG Commodity Index<sup>SM</sup> level. Dow Jones disseminates the Dow Jones — AIG Commodity Index<sup>SM</sup> level approximately every fifteen (15) seconds (assuming the Dow Jones — AIG Commodity Index<sup>SM</sup> level has changed within such fifteen-second interval) from 8:00 a.m. to 3:00 p.m. (New York time), and publishes the final Dow Jones — AIG Commodity Index<sup>SM</sup> level for each DJ-AIG Business Day at approximately 4:00 p.m. (New York time) on each such day on Reuters page AIGCI1. Dow Jones — AIG Commodity Index<sup>SM</sup> levels can also be obtained from the official websites of both Dow Jones and AIG-FP and are also published in *The Wall Street Journal*.

## The Dow Jones — AIG Commodity Index<sup>SM</sup> is a Rolling Index

The Dow Jones — AIG Commodity Index<sup>SM</sup> is composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying commodity. In order to avoid delivering the underlying physical commodities and to maintain exposure to the underlying physical commodities, periodically futures contracts on physical commodities specifying delivery on a nearby date must be sold and futures contracts on physical commodities that have not yet reached the delivery period must be purchased. The rollover for each contract occurs over a period of five DJ-AIG Business Days each month according to a pre-determined schedule. This process is known as “rolling” a futures position. The Dow Jones — AIG Commodity Index<sup>SM</sup> is a “rolling index.”

## Dow Jones — AIG Commodity Index<sup>SM</sup> Calculation Disruption Events

From time to time, disruptions can occur in trading futures contracts on various commodity exchanges. The daily calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> will be adjusted in the event that AIG-FP determines that any of the following index calculation disruption events exists:

- (a) the termination or suspension of, or material limitation or disruption in the trading of any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> on that day;
- (b) the settlement price of any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> reflects the maximum permitted price change from the previous day’s settlement price;
- (c) the failure of an exchange to publish official settlement prices for any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup>; or
- (d) with respect to any futures contract used in the calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> that trades on the LME, a business day on which the LME is not open for trading.

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This product supplement and the relevant terms supplement relates only to the notes and does not relate to the exchange-traded physical commodities underlying any of the Dow Jones — AIG Commodity Index<sup>SM</sup> components. Purchasers of the notes should not conclude that the inclusion of a futures contract in the Dow Jones — AIG Commodity Index<sup>SM</sup> is any form of investment recommendation of the futures contract or the underlying exchange-traded physical commodity by Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates. The information in this product supplement regarding the Dow Jones — AIG Commodity Index<sup>SM</sup> components has been derived solely from publicly available documents. None of Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates has made any due diligence inquiries with respect to the Dow Jones — AIG Commodity Index<sup>SM</sup> components in connection with the notes. None of Dow Jones, American International Group, AIG-FP or any of their respective subsidiaries or affiliates makes any representation that these publicly available documents or any other publicly available information regarding the Dow Jones — AIG Commodity Index<sup>SM</sup> components, including, without limitation, a description of factors that affect the prices of such Dow Jones — AIG Commodity Index<sup>SM</sup> components, are accurate or complete.

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### **The Commodity Futures Markets**

Contracts on physical commodities are traded on regulated futures exchanges, in the over-the-counter market and on various types of physical and electronic trading facilities and markets. As of the date of this product supplement, all of the contracts included in the Dow Jones — AIG Commodity Index<sup>SM</sup> are exchange-traded futures contracts. An exchange-traded futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. A futures contract on an index of commodities typically provides for the payment and receipt of a cash settlement based on the value of such commodities. A futures contract provides for a specified settlement month in which the commodity or financial instrument is to be delivered by the seller (whose position is described as “short”) and acquired by the purchaser (whose position is described as “long”) or in which the cash settlement amount is to be made.

There is no purchase price paid or received on the purchase or sale of a futures contract. Instead, an amount of cash or cash equivalents must be deposited with the broker as “initial margin.” This amount varies based on the requirements imposed by the exchange clearing houses, but may be as low as 5% or less of the value of the contract. This margin deposit provides collateral for the obligations of the parties to the futures contract.

By depositing margin in the most advantageous form (which may vary depending on the exchange, clearing house or broker involved), a market participant may be able to earn interest on its margin funds, thereby increasing the potential total return that may be realized from an investment in futures contracts. The market participant normally makes to, and receives from, the broker subsequent payments on a daily basis as the price of the futures contract fluctuates. These payments are called “variation margin” and make the existing positions in the futures contract more or less valuable, a process known as “marking to market.”

Futures contracts are traded on organized exchanges, known as “contract markets” in the United States, through the facilities of a centralized clearing house and a brokerage firm which is a member of the clearing house. The clearing house guarantees the performance of each clearing member which is a party to the futures contract by, in effect, taking the opposite side of the transaction. At any time prior to the expiration of a futures contract, subject to the availability of a liquid secondary market, a trader may elect to close out its position by taking an opposite position on the exchange on which the trade obtained the position. This operates to terminate the position and fix the trader’s profit or loss.

U.S. contract markets, as well as brokers and market participants, are subject to regulation by the Commodity Futures Trading Commission. Futures markets outside the United States are generally subject to regulation by comparable regulatory authorities. However, the structure and nature of trading on non-U.S. exchanges may differ from the foregoing description. From its inception to the present, the Dow Jones — AIG Commodity Index<sup>SM</sup> has been composed exclusively of futures contracts traded on regulated exchanges.

### **Discontinuation of the Dow Jones — AIG Commodity Index<sup>SM</sup>; Alteration of Method of Calculation**

If Dow Jones discontinues publication of the Dow Jones — AIG Commodity Index<sup>SM</sup> and Dow Jones or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Dow Jones — AIG Commodity Index<sup>SM</sup> (such index being referred to herein as an “AIG Commodity successor index”), then the closing level for the Dow Jones — AIG Commodity Index<sup>SM</sup> will be determined by reference to the level of such AIG Commodity successor index at the close of trading on the relevant exchange or market of the AIG Commodity successor index last to close on the relevant Initial Averaging Date, if applicable, or Basket Valuation Date or other relevant date on which the closing level for the Dow Jones — AIG Commodity Index<sup>SM</sup> is to be determined.

Upon any selection by the calculation agent of an AIG Commodity successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If Dow Jones discontinues publication of the Dow Jones — AIG Commodity Index<sup>SM</sup> prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, or Basket Valuation Date or any other relevant date on which the closing level for the Dow Jones — AIG Commodity Index<sup>SM</sup> is to be determined, and the calculation agent determines, in its sole discretion, that no AIG Commodity successor index is available at such time, or the calculation agent has previously selected an AIG Commodity successor index and publication of such AIG Commodity successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, if applicable, or Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the Dow Jones — AIG Commodity Index<sup>SM</sup> for such date. The closing level for the Dow Jones — AIG Commodity Index<sup>SM</sup> will be computed by the calculation agent in accordance with the formula for and method of calculating the Dow Jones — AIG Commodity Index<sup>SM</sup> last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant futures contracts has been materially suspended or materially limited, the calculation agent’s good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each futures contract most recently composing the Dow Jones — AIG Commodity Index<sup>SM</sup> or AIG Commodity successor index, if applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Dow Jones — AIG Commodity Index<sup>SM</sup>, or AIG Commodity Successor Index, as applicable on the relevant exchange may adversely affect the value of the notes.

If at any time the method of calculating the Dow Jones — AIG Commodity Index<sup>SM</sup> or an AIG Commodity successor index, or the level thereof, is changed in a material respect, or if the Dow Jones — AIG Commodity Index<sup>SM</sup> or an AIG Commodity successor index is in any other way modified so that the Dow Jones — AIG Commodity Index<sup>SM</sup> or such AIG Commodity successor index does not, in the opinion of the calculation agent, fairly represent the level of the Dow Jones — AIG Commodity Index<sup>SM</sup> or such AIG Commodity successor index had such changes or modifications not been made, then, from and after such time, the calculation agent will, at the close of business in New York City on each date on which the closing level for the Dow Jones — AIG Commodity Index<sup>SM</sup> is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a commodity index comparable to the Dow Jones — AIG Commodity Index<sup>SM</sup> or such AIG Commodity successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the Dow Jones — AIG Commodity Index<sup>SM</sup> with reference to the Dow Jones — AIG Commodity Index<sup>SM</sup> or such AIG Commodity successor index, as adjusted. Accordingly, if the method of calculating the Dow Jones — AIG Commodity Index<sup>SM</sup> or an AIG Commodity successor index is modified so that the level of the Dow Jones — AIG Commodity



Index<sup>SM</sup> or such AIG Commodity successor index is a fraction of what it would have been if there had been no such modification, then the calculation agent will adjust its calculation of the Dow Jones — AIG Commodity Index<sup>SM</sup> or such AIG Commodity successor index in order to arrive at a level of the Dow Jones — AIG Commodity Index<sup>SM</sup> or such AIG Commodity successor index as if there had been no such modification.

## THE S&P GSCI™ EXCESS RETURN INDEX

We have obtained all information contained in this pricing supplement regarding the S&P GSCI™ Excess Return Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Standard & Poor's ("S&P"), a division of the McGraw Hill Companies, Inc., the publisher of the S&P GSCI™ Excess Return Index. The S&P GSCI™ Excess Return Index is determined, composed and calculated by S&P without regard to the notes. S&P acquired the rights to the S&P GSCI™ from Goldman, Sachs & Co. in February 2007. Goldman, Sachs & Co. established and began calculating the S&P GSCI™ in May 1991. The former name of the S&P GSCI™ was the Goldman Sachs Commodity Index, or GSCI®. We make no representation or warranty as to the accuracy or completeness of such information.

The S&P GSCI™ Excess Return Index is an index on a world production-weighted basket of principal non-financial commodities (*i.e.*, physical commodities) that satisfy specified criteria. The S&P GSCI™ Excess Return Index is designed to be a measure of the performance over time of the markets for these commodities. The only commodities represented in the S&P GSCI™ Excess Return Index are those physical commodities on which active and liquid contracts are traded on trading facilities in major industrialized countries. The commodities included in the S&P GSCI™ Excess Return Index are weighted, on a production basis, to reflect the relative significance (in the view of S&P, in consultation with its Index Advisory Panel, as described below) of such commodities to the world economy. The fluctuations in the value of the S&P GSCI™ Excess Return Index are intended generally to correlate with changes in the prices of such physical commodities in global markets. The S&P GSCI™ Excess Return Index has been normalized such that its hypothetical level on January 2, 1970 was 100. Futures contracts on the S&P GSCI™ Excess Return Index, and options on such futures contracts, are currently listed for trading on the Chicago Mercantile Exchange.

Set forth below is a summary of the composition of and the methodology used to calculate the S&P GSCI™ Excess Return Index. The methodology for determining the composition and weighting of the S&P GSCI™ Excess Return Index and for calculating its value is subject to modification in a manner consistent with the purposes of the S&P GSCI™ Excess Return Index, as described below. S&P makes the official calculations of the S&P GSCI™ Excess Return Index.

### **The Index Committee and the Index Advisory Panel**

S&P has established an index committee to oversee the daily management and operations of the S&P GSCI™ Excess Return Index, and is responsible for all analytical methods and calculation of the indices. The index committee is comprised of three full-time professional members of S&P's staff and two members of Goldman Sachs Group, Inc. At each meeting, the index committee reviews any issues that may affect index constituents, statistics comparing the composition of the indices to the market, commodities that are being considered as candidates for an addition to an index, and any significant market events. In addition, the index committee may revise index policy covering rules for selecting commodities or other matters.

S&P considers information about changes to its indices and related matters to be potentially market-moving and material. Therefore, all index committee discussions are confidential.

S&P has established an index advisory panel (the "Advisory Panel") to assist it in connection with the operation of the S&P GSCI™ Excess Return Index. The Advisory Panel meets on an annual basis and at other times at the request of S&P. The principal purpose of the Advisory Panel is to advise S&P with respect to, among other things, the calculation of the S&P GSCI™ Excess Return Index, the effectiveness of the S&P GSCI™ Excess Return Index as a measure of commodity futures market performance and the need for changes in the composition or in the methodology of the S&P GSCI™ Excess Return Index. The Advisory Panel acts solely in an advisory and consultative capacity; all decisions with respect to the composition, calculation and operation of the S&P GSCI™ Excess Return Index are made by S&P.

The Advisory Panel meets on a regular basis, once during each year. Prior to the meeting, S&P determines the commodities and contracts to be included in the S&P GSCI™ Excess Return Index for the

following calendar year, as well as the weighting factors for each commodity. The Advisory Panel members receive the proposed composition of the S&P GSCI™ Excess Return Index in advance of the meeting and discuss the composition at the meeting. S&P also consults the Advisory Panel on any other significant matters with respect to the calculation or operation of the S&P GSCI™ Excess Return Index. The Advisory Panel may, if necessary or practicable, meet at other times during the year as issues arise that warrant its consideration.

### **Composition of the S&P GSCI™ Excess Return Index**

In order to be included in the S&P GSCI™ Excess Return Index, a contract must satisfy the following eligibility criteria:

- The contract must be in respect of a physical commodity and not a financial commodity.
- In addition, the contract must:
  - have a specified expiration or term or provide in some other manner for delivery or settlement at a specified time, or within a specified period, in the future; and
  - at any given point in time, be available for trading at least five months prior to its expiration or such other date or time period specified for delivery or settlement.

From January 2007, the trading facility on which the contract trades must allow market participants to execute spread transactions, through a single order entry, between the pairs of contract expirations (defined below) included in the S&P GSCI™ Excess Return Index that, at any given point in time, will be involved in the rolls to be effected in the next three roll periods (defined below).

The commodity must be the subject of a contract that:

- is denominated in U.S. dollars; and
- is traded on or through an exchange, facility or other platform (referred to as a “trading facility”) that has its principal place of business or operations in a country that is a member of the Organization for Economic Cooperation and Development and that:
  - makes price quotations generally available to its members or participants (and to S&P) in a manner and with a frequency that is sufficient to provide reasonably reliable indications of the level of the relevant market at any given point in time;
  - makes reliable trading volume information available to S&P with at least the frequency required by S&P to make the monthly determinations;
  - accepts bids and offers from multiple participants or price providers; and
  - is accessible by a sufficiently broad range of participants.

With respect to inclusion on each sub-index of the S&P GSCI™, a contract must be in respect to the physical commodity that is described by that specific index.

The price of the relevant contract that is used as a reference or benchmark by market participants (referred to as the “daily contract reference price”) generally must have been available on a continuous basis for at least two years prior to the proposed date of inclusion in the S&P GSCI™ Excess Return Index. In appropriate circumstances, however, S&P, in consultation with the Advisory Panel, may determine that a shorter time period is sufficient or that historical daily contract reference prices for such contract may be derived from daily contract reference prices for a similar or related contract. The daily contract reference price may be (but is not required to be) the settlement price or other similar price published by the relevant trading facility for purposes of margining transactions or for other purposes.

At and after the time a contract is included in the S&P GSCI™ Excess Return Index, the daily contract reference price for such contract must be published between 10:00 a.m. and 4:00 p.m., New York City time, on each business day relating to such contract by the trading facility on or through which it is traded and must generally be available to all members of, or participants in, such facility (and to S&P) on the same day from the trading facility or through a recognized third-party data vendor. Such

publication must include, at all times, daily contract reference prices for at least one expiration or settlement date that is five months or more from the date the determination is made, as well as for all expiration or settlement dates during such five-month period.

For a contract to be eligible for inclusion in the S&P GSCI™ Excess Return Index, volume data with respect to such contract must be available for at least the three months immediately preceding the date on which the determination is made. The following eligibility criteria apply:

- A contract that is not included in the S&P GSCI™ Excess Return Index at the time of determination and that is based on a commodity that is not represented in the S&P GSCI™ Excess Return Index at such time must, in order to be added to the S&P GSCI™ Excess Return Index at such time, have a total dollar value traded, over the relevant period, as the case may be and annualized, of at least U.S. \$15 billion. The total dollar value traded is the dollar value of the total quantity of the commodity underlying transactions in the relevant contract over the period for which the calculation is made, based on the average of the daily contract reference prices on the last day of each month during the period.
- A contract that is already included in the S&P GSCI™ Excess Return Index at the time of determination and that is the only contract on the relevant commodity included in the S&P GSCI™ Excess Return Index must, in order to continue to be included in the S&P GSCI™ Excess Return Index after such time, have a total dollar value traded, over the relevant period, as the case may be and annualized, of at least U.S. \$5 billion and at least U.S. \$10 billion during at least one of the three most recent annual periods used in making the determination.
- A contract that is not included in the S&P GSCI™ Excess Return Index at the time of determination and that is based on a commodity on which there are one or more contracts already included in the S&P GSCI™ at such time must, in order to be added to the S&P GSCI™ Excess Return Index at such time, have a total dollar value traded, over the relevant period, as the case may be and annualized of at least U.S. \$30 billion.
- A contract that is already included in the S&P GSCI™ Excess Return Index at the time of determination and that is based on a commodity on which there are one or more contracts already included in the S&P GSCI™ Excess Return Index at such time must, in order to continue to be included in the S&P GSCI™ Excess Return Index after such time, have a total dollar value traded, over the relevant period, as the case may be and annualized, of at least U.S. \$10 billion and at least U.S. \$20 billion during at least one of the three most recent annual periods used in making the determination.

In addition:

- A contract that is already included in the S&P GSCI™ Excess Return Index at the time of determination must, in order to continue to be included after such time, have a reference percentage dollar weight of at least 0.10%. The reference percentage dollar weight of a contract is determined by multiplying the CPW (defined below) of a contract by the average of its daily contract reference prices on the last day of each month during the relevant period. These amounts are summed for all contracts included in the S&P GSCI™ Excess Return Index and each contract's percentage of the total is then determined.
- A contract that is not included in the S&P GSCI™ Excess Return Index at the time of determination must, in order to be added to the S&P GSCI™ Excess Return Index at such time, have a reference percentage dollar weight of at least 1.0%.
- In the event that two or more contracts on the same commodity satisfy the eligibility criteria, such contracts will be included in the S&P GSCI™ Excess Return Index in the order of their respective total quantity traded during the relevant period (determined as the total quantity of the commodity underlying transactions in the relevant contract), with the contract having the highest total quantity traded being included first, provided that no further contracts will be included if such inclusion would result in the portion of the S&P GSCI™ Excess Return Index attributable to such commodity exceeding a particular level.

- If additional contracts could be included with respect to several commodities at the same time, that procedure is first applied with respect to the commodity that has the smallest portion of the S&P GSCI™ Excess Return Index attributable to it at the time of determination. Subject to the other eligibility criteria relating to the composition of the S&P GSCI™ Excess Return Index the contract with the highest total quantity traded on such commodity will be included. Before any additional contracts on the same commodity or on any other commodity are included, the portion of the S&P GSCI™ Excess Return Index attributable to all commodities is recalculated. The selection procedure described above is then repeated with respect to the contracts on the commodity that then has the smallest portion of the S&P GSCI™ Excess Return Index attributable to it.

The contracts currently included in the S&P GSCI™ Excess Return Index are all futures contracts traded on the NYMEX, the ICE Futures, the Chicago Mercantile Exchange (“CME”), the CBOT, the Coffee, Sugar & Cocoa Exchange, Inc. (“CSC”), the New York Cotton Exchange (“NYC”), the Kansas City Board of Trade (“KBT”), the Commodities Exchange Inc. (“CMX”) and the LME.

The quantity of each of the contracts included in the S&P GSCI™ Excess Return Index is determined on the basis of a five-year average (referred to as the “world production average”) of the production quantity of the underlying commodity as published by the United Nations Statistical Yearbook, the Industrial Commodity Statistics Yearbook and other official sources. However, if a commodity is primarily a regional commodity, based on its production, use, pricing, transportation, or other factors, S&P, in consultation with its advisory committee may calculate the weight of such commodity based on regional, rather than world, production data. At present, natural gas is the only commodity the weight of which is calculated on the basis of regional production data, with the relevant region being North America.

The five-year moving average is updated annually for each commodity included in the S&P GSCI™ Excess Return Index, based on the most recent five-year period (ending approximately two years prior to the date of calculation and moving backwards) for which complete data for all commodities is available. The contract production weights, or CPWs, used in calculating the S&P GSCI™ Excess Return Index are derived from world or regional production averages, as applicable, of the relevant commodities, and are calculated based on the total quantity traded for the relevant contract and the world or regional production average, as applicable, of the underlying commodity. However, if the volume of trading in the relevant contract, as a multiple of the production levels of the commodity, is below specified thresholds, the CPW of the contract is reduced until the threshold is satisfied. This is designed to ensure that trading in each such contract is sufficiently liquid relative to the production of the commodity.

In addition, S&P performs this calculation on a monthly basis and, if the multiple of any contract is below the prescribed threshold, the composition of the S&P GSCI™ Excess Return Index is reevaluated, based on the criteria and weighting procedure described above. This procedure is undertaken to allow the S&P GSCI™ Excess Return Index to shift from contracts that have lost substantial liquidity into more liquid contracts, during the course of a given year. As a result, it is possible that the composition or weighting of the S&P GSCI™ Excess Return Index will change on one or more of these monthly evaluation dates. In addition, regardless of whether any changes have occurred during the year, S&P reevaluates the composition of the S&P GSCI™, in consultation with the Advisory Panel, at the conclusion of each year, based on the above criteria. Other commodities that satisfy such criteria, if any, will be added to the S&P GSCI™ Excess Return Index. Commodities included in the S&P GSCI™ Excess Return Index which no longer satisfy such criteria, if any, will be deleted.

S&P, in consultation with the Advisory Panel, also determines whether modifications in the selection criteria or the methodology for determining the composition and weights of and for calculating the S&P GSCI™ Excess Return Index are necessary or appropriate in order to assure that the S&P GSCI™ Excess Return Index represents a measure of commodity market performance. S&P has the discretion to make any such modifications, in consultation with the Advisory Panel.

### **Contract Expirations**

Because the S&P GSCI™ Excess Return Index comprises actively traded contracts with scheduled expirations, it can only be calculated by reference to the prices of contracts for specified expiration, delivery or settlement periods, referred to as “contract expirations.” The contract expirations included in

the S&P GSCI™ Excess Return Index for each commodity during a given year are designated by S&P, in consultation with the Advisory Panel, provided that each such contract must be an “active contract.” An “active contract” for this purpose is a liquid, actively traded contract expiration, as defined or identified by the relevant trading facility or, if no such definition or identification is provided by the relevant trading facility, as defined by standard custom and practice in the industry.

If a trading facility deletes one or more contract expirations, the S&P GSCI™ Excess Return Index will be calculated during the remainder of the year in which such deletion occurs on the basis of the remaining contract expirations designated by S&P. If a trading facility ceases trading in all contract expirations relating to a particular contract, S&P may designate a replacement contract on the commodity. The replacement contract must satisfy the eligibility criteria for inclusion in the S&P GSCI™ Excess Return Index. To the extent practicable, the replacement will be effected during the next monthly review of the composition of the S&P GSCI™ Excess Return Index. If that timing is not practicable, S&P will determine the date of the replacement and will consider a number of factors, including the differences between the existing contract and the replacement contract with respect to contractual specifications and contract expirations.

### **Contract Daily Return**

The contract daily return on any given day is equal to the sum, for each of the commodities included in the S&P GSCI™ Excess Return Index, of the applicable daily contract reference price on the relevant contract multiplied by the appropriate CPW and the appropriate “roll weight,” divided by the total dollar weight of the S&P GSCI™ Excess Return Index on the preceding day, minus one.

The “roll weight” of each commodity reflects the fact that the positions in contracts must be liquidated or rolled forward into more distant contract expirations as they approach expiration. If actual positions in the relevant markets were rolled forward, the roll would likely need to take place over a period of days. Since the S&P GSCI™ Excess Return Index is designed to replicate the performance of actual investments in the underlying contracts, the rolling process incorporated in the S&P GSCI™ Excess Return Index also takes place over a period of days at the beginning of each month (referred to as the “roll period”). On each day of the roll period, the “roll weights” of the first nearby contract expiration on a particular commodity and the more distant contract expiration into which it is rolled are adjusted, so that the hypothetical position in the contract on the commodity that is included in the S&P GSCI™ Excess Return Index is gradually shifted from the first nearby contract expiration to the more distant contract expiration.

If on any day during a roll period any of the following conditions exists, the portion of the roll that would have taken place on that day is deferred until the next day on which such conditions do not exist:

- no daily contract reference price is available for a given contract expiration;
- any such price represents the maximum or minimum price for such contract month, based on exchange price limits (referred to as a “Limit Price”);
- the daily contract reference price published by the relevant trading facility reflects manifest error, or such price is not published by 4:00 p.m., New York City time. In that event, S&P may, but is not required to, determine a daily contract reference price and complete the relevant portion of the roll based on such price; provided, that, if the trading facility publishes a price before the opening of trading on the next day, S&P will revise the portion of the roll accordingly; or
- trading in the relevant contract terminates prior to its scheduled closing time.

If any of these conditions exist throughout the roll period, the roll with respect to the affected contract, will be effected in its entirety on the next day on which such conditions no longer exist.

The daily contract reference price used in calculating the dollar weight of each commodity on any given day is the most recent daily contract reference price made available by the relevant trading facility, except that the daily contract reference price for the most recent prior day will be used if the exchange is closed or otherwise fails to publish a daily contract reference price on that day. In addition, if the trading facility fails to make a daily contract reference price available or publishes a daily contract reference price that, in the reasonable judgment of S&P, reflects manifest error, the relevant calculation will be delayed

until the price is made available or corrected; provided, that, if the price is not made available or corrected by 4:00 p.m., New York City time, S&P may, if it deems such action to be appropriate under the circumstances, determine the appropriate daily contract reference price for the applicable futures contract in its reasonable judgment for purposes of the relevant S&P GSCI™ Excess Return Index calculation.

### **Value of the S&P GSCI™ Excess Return Index**

The value of the S&P GSCI™ Excess Return Index on any given day is equal to the product of (1) the value of the S&P GSCI™ Excess Return Index on the immediately preceding day multiplied by (2) one plus the Contract Daily Return on the given day on which the calculation is made.

### **Information**

All information contained herein relating to the S&P GSCI™ Excess Return Index, including its make-up, method of calculation, changes in its components and historical performance, has been derived from publicly available information.

The information contained herein with respect to each of the S&P GSCI™ Excess Return Index reflects the policies of, and is subject to change by, S&P.

Current information regarding the market value of the S&P GSCI™ Excess Return Index is available from S&P and from numerous public information sources. We make no representation that the publicly available information about the S&P GSCI™ Excess Return Index is accurate or complete.

### **License Agreement with Standard & Poor's**

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## **Discontinuation of the S&P GSCI™ Excess Return Index; Alteration of Method of Calculation**

If S&P discontinues publication of the S&P GSCI™ Excess Return Index and S&P or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued S&P GSCI™ Excess Return Index (such index being referred to herein as an “S&P GSCI Commodity successor index”, and together with the AIG Commodity successor index, the “Commodity Successor Indices”), then the closing level for the S&P GSCI™ Excess Return Index will be determined by reference to the level of such S&P GSCI Commodity successor index at the close of trading on the relevant exchange or market of the S&P GSCI Commodity successor index last to close on the relevant Initial Averaging Date, if applicable, or Basket Valuation Date or other relevant date on which the closing level for the S&P GSCI™ Excess Return Index is to be determined.

Upon any selection by the calculation agent of an S&P GSCI Commodity successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If S&P discontinues publication of the S&P GSCI™ Excess Return Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the S&P GSCI™ Excess Return Index is to be determined, and the calculation agent determines, in its sole discretion, that no S&P GSCI Commodity successor index is available at such time, or the calculation agent has previously selected an S&P GSCI Commodity successor index and publication of such S&P GSCI Commodity successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the S&P GSCI™ Excess Return Index for such date. The closing level for the S&P GSCI™ Excess Return Index will be computed by the calculation agent in accordance with the formula for and method of calculating the S&P GSCI™ Excess Return Index or S&P GSCI Commodity successor index, as applicable, last in effect prior to such discontinuation, using the daily settlement price (or, if trading in the relevant futures contracts has been materially suspended or materially limited, the calculation agent’s good faith estimate of the daily settlement price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each futures contract most recently composing the S&P GSCI™ Excess Return Index or S&P GSCI Commodity successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the S&P GSCI™ Excess Return Index or S&P GSCI Commodity successor index, as applicable, may adversely affect the value of the notes.

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



## THE FTSE™ 100 INDEX

We have derived all information regarding the FTSE™ 100 Index contained in this product supplement, including, without limitation, its make-up, method of calculation, and changes in its components, from publicly available information. The FTSE™ 100 Index is an index calculated, published and disseminated by FTSE International Limited (“FTSE”), a company owned equally by the London Stock Exchange (the “LSE”) and the Financial Times, in association with the Institute and the Faculty of Actuaries. We make no representation or warranty as to the accuracy or completeness of such information. FTSE has no obligation to continue to publish, and may discontinue publication of, the FTSE™ 100 Index.

The FTSE™ 100 Index measures the composite price performance of stocks of the largest 100 companies (determined on the basis of market capitalization) traded on the LSE. Publication of the FTSE™ 100 Index began in February 1984.

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

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

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

### License Agreement with FTSE

The use of and reference to the FTSE™ 100 Index in connection with the notes has been consented to by the FTSE. All rights to the FTSE™ 100 Index are owned by the FTSE, the publisher of the FTSE™ 100 Index. JPMorgan Chase & Co., the agent, the calculation agent and the trustee disclaim all responsibility for the calculation or other maintenance of or any adjustments to the FTSE™ 100 Index. In addition, none of the LSE, the Financial Times and FTSE has any relationship to JPMorgan Chase & Co. or the notes. None of the LSE, the Financial Times and the FTSE sponsors, endorses, authorizes, sells or promotes the notes, or has any obligation or liability in connection with the administration, marketing or trading of the notes or with the calculation of the Ending Basket Level on the Basket Valuation Date.

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### **Discontinuation of the FTSE™ 100 Index; Alteration of Method of Calculation**

If FTSE discontinues publication of the FTSE™ 100 Index and FTSE or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued FTSE™ 100 Index (such index being referred to herein as an “FTSE successor index”), then the closing level for the FTSE™ 100 Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the FTSE™ 100 Index is to be determined will be determined by reference to the level of such FTSE successor index at the close of trading on the relevant exchange or market for the FTSE successor index on such day.

Upon any selection by the calculation agent of a FTSE successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If FTSE discontinues publication of the FTSE™ 100 Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the FTSE™ 100 Index is to be determined, and the calculation agent determines, in its sole discretion, that no FTSE successor index is available at such time, or the calculation agent has previously selected an FTSE successor index and publication of such FTSE successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the FTSE™ 100 Index on such date. The closing level for the FTSE™ 100 Index will be computed by the calculation agent in accordance with the formula for and method of calculating the FTSE™ 100 Index or FTSE successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent’s good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the FTSE™ 100 Index or FTSE successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the FTSE™ 100 Index or FTSE successor index, as applicable, may adversely affect the value of the notes.

If at any time the method of calculating the FTSE™ 100 Index or an FTSE successor index, or the level thereof, is changed in a material respect, or if the FTSE™ 100 Index or an FTSE successor index is in any other way modified so that the FTSE™ 100 Index or such FTSE successor index does not, in the opinion of the calculation agent, fairly represent the level of the FTSE™ 100 Index or such FTSE successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the FTSE™ 100 Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the FTSE™ 100 Index or such FTSE successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the FTSE™ 100 Index with reference to the FTSE™ 100 Index or such FTSE successor index, as adjusted. Accordingly, if the method of calculating the FTSE™ 100 Index or an FTSE successor index is modified so that the level of the FTSE™ 100 Index or such FTSE or successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the FTSE™ 100 Index), then the calculation agent

will adjust its calculation of the FTSE™ 100 Index or such FTSE successor index in order to arrive at a level of the FTSE™ 100 Index or such FTSE successor index as if there had been no such modification (e.g., as if such split had not occurred).

## THE FTSE/XINHUA CHINA 25 INDEX

We have obtained all information contained in this pricing supplement regarding the FTSE/Xinhua China 25 Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, FTSE/Xinhua Index Limited. FTSE/Xinhua Index Limited has no obligation to continue to publish, and may discontinue publication of, the FTSE/Xinhua China 25 Index.

The FTSE/Xinhua China 25 Index is a stock index calculated, published and disseminated by FTSE/Xinhua Index Limited ("FXI"), a joint venture of FTSE International Limited ("FTSE") and Xinhua Financial Network Limited ("Xinhua"), and is designed to represent the performance of the mainland Chinese market that is available to international investors. The FTSE/Xinhua China 25 Index is quoted in Hong Kong dollars ("HKD") and currently is based on the 25 largest and most liquid Chinese stocks (called "H" shares and "Red Chip" shares), listed and trading on the Stock Exchange of Hong Kong Ltd. ("HKSE"). "H" shares are securities of companies incorporated in the People's Republic of China and nominated by the Chinese Government for listing and trading on the HKSE. "Red Chip" shares are securities of Hong Kong-incorporated companies, which are substantially owned directly or indirectly by the Chinese government and have the majority of their business interests in mainland China. Both "H" shares and "Red Chip" shares are quoted and traded in Hong Kong Dollars and are available only to international investors, who are not citizens of the People's Republic of China.

The FTSE/Xinhua China 25 Index is reported by Bloomberg L.P. under the ticker symbol "XIN01."

### Computation of the Index

The FTSE/Xinhua China 25 Index is calculated using the free float index calculation methodology of the FTSE Group. The index is calculated using the following algorithm:

$$\frac{\sum p(n) e(n) s(n) f(n) c(n)}{d}$$

where p is the latest trade price of the component security n, e is the exchange rate required to convert the security's home currency into the index's base currency, s is the number of shares of the security in issue, f is the portion of free floating shares, adjusted in accordance with the policies of the FTSE/Xinhua Index Limited, c is the capping factor published by the FTSE/Xinhua Index Limited at the most recent quarterly review of the index, and d is the divisor, a figure that represents the total issued share capital of the index at the base date, which may be adjusted to allow for changes in the issued share capital of individual securities without distorting the index.

The FTSE/Xinhua China 25 Index uses actual trade prices for securities with local stock exchange quotations and Reuters real-time spot currency rates for its calculations. Under this methodology, FTSE/Xinhua Index Limited excludes from free floating shares trade investments in a FTSE/Xinhua China 25 Index constituent company by another FTSE/Xinhua China 25 Index constituent company, significant long-term holdings by founders, directors and/or their families, employee share schemes (if restricted), government holdings, foreign ownership limits, and portfolio investments subject to lock-in clauses (for the duration of the clause). Free float restrictions are calculated using available published information. The initial weighting of a FTSE/Xinhua China 25 Index constituent stock is applied in bands, as follows:

Free float less than or equal to 15% .....	Ineligible for inclusion in the FTSE/Xinhua China 25 Index, unless free float is also greater than 5% and the full market capitalization is greater than US\$2.5 billion (or local currency equivalent), in which case actual free float is used.
--------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Free float greater than 15% but less than or equal to 20% .....	20%
Free float greater than 20% but less than or equal to 30% .....	30%
Free float greater than 30% but less than or equal to 40% .....	40%
Free float greater than 40% but less than or equal to 50% .....	50%
Free float greater than 50% but less than or equal to 75% .....	75%
Free float greater than 75% .....	100%

These bands are narrow at the lower end, to ensure that there is sufficient sensitivity in order to maintain accurate representation, and broader at the higher end, in order to ensure that the weightings of larger companies do not fluctuate absent a significant corporate event. Following the application of an initial free float restriction, a FTSE/Xinhua China 25 Index constituent stock's free float will only be changed if its actual free float is more than 5 percentage points above the minimum or 5 percentage points below the maximum of an adjacent band. This 5 percentage point threshold does not apply if the initial free float is less than 15%. Foreign ownership limits, if any, are applied after calculating the actual free float restriction, but before applying the bands shown above. If the foreign ownership limit is more restrictive than the free float restriction, the precise foreign ownership limit is applied. If the foreign ownership limit is less restrictive or equal to the free float restriction, the free float restriction is applied, subject to the bands shown above. The FTSE/Xinhua China 25 Index is periodically reviewed for changes in free float. These reviews coincide with the quarterly reviews undertaken of the FTSE/Xinhua China 25 Index. Implementation of any changes takes place after the close of the index calculation on the third Friday in January, April, July and October. A stock's free float is also reviewed and adjusted if necessary following certain corporate events. If the corporate event includes a corporate action which affects the FTSE/Xinhua China 25 Index, any change in free float is implemented at the same time as the corporate action. If there is no corporate action, the change in free float is applied as soon as practicable after the corporate event. Securities must be sufficiently liquid to be traded. The following criteria, among others, are used to ensure that illiquid securities are excluded:

*Price.* FXI must be satisfied that an accurate and reliable price exists for the purposes of determining the market value of a company. FXI may exclude a security from the FTSE/Xinhua China 25 Index if it considers that an "accurate and reliable" price is not available. The FTSE/Xinhua China 25 Index uses the last trade prices from the relevant stock exchanges, when available.

*Liquidity.* Securities in the FTSE/Xinhua China 25 Index will be reviewed annually for liquidity. Securities which do not turn over at least 2% of their shares in issue, after the application of any free float restrictions, per month for ten of the twelve months prior to the quarterly review by FXI will not be eligible for inclusion in the FTSE/Xinhua China 25 Index. An existing constituent failing to trade at least 2.0% of its shares in issue, after the application of any free float restrictions, per month for more than four of the twelve months prior to the quarterly review will be removed after close of the index calculation on the next trading day following the third Friday in January, April, July and October. Any period when a share is suspended will be excluded from the calculation.

*New Issues.* New issues must have a minimum trading record of at least 20 trading days prior to the date of the review and turnover of a minimum of 2% of their shares in issue, after the application of any free float restrictions, per month each month, except in certain circumstances.

The FTSE/Xinhua China 25 Index, like other indices of FXI, is governed by an independent advisory committee that ensures that the index is operated in accordance with its published ground rules, and that the rules remain relevant to the FTSE/Xinhua China 25 Index.

### **The Stock Exchange of Hong Kong Ltd.**

Trading on the HKSE is fully electronic through an Automatic Order Matching and Execution System. The system is an electronic order book in which orders are matched and executed instantaneously if there are matching orders in the book, and on the basis of time/price priority. On-line real-time order entry and execution have eliminated the previous limitations of telephone-based trading. Trading takes place through trading terminals on the trading floor. There are no market-makers on the HKSE, but

exchange dealers may act as dual capacity broker-dealers. Trading is undertaken from 10:00 a.m. to 12:30 p.m. and then from 2:30 p.m. to 3:55 p.m. (Hong Kong time) every Hong Kong day except Saturdays, Sundays and other days on which the HKSE is closed. Hong Kong time is 12 hours ahead of Eastern Daylight Savings Time and 13 hours ahead of Eastern Standard Time. Settlement of trade is required within 48 hours and is conducted by electronic book-entry delivery through the Central Clearing and Settlement System.

Due to the time differences between New York City and Hong Kong, on any normal trading day, trading on the HKSE currently will cease at 12:30 a.m. or 3:55 a.m., Eastern Daylight Savings Time. Using the last reported closing prices of the stocks underlying the FTSE/Xinhua China 25 Index on the HKSE, the closing level of the FTSE/Xinhua China 25 Index on any such trading day generally will be calculated, published and disseminated by the American Stock Exchange in the United States shortly before the opening of trading on the American Stock Exchange in New York on the same calendar day.

The HKSE has adopted certain measures intended to prevent any extreme short-term price fluctuations resulting from order imbalances or market volatility. Where the HKSE considers it necessary for the protection of the investor or the maintenance of an orderly market, it may at any time suspend dealings in any securities or cancel the listing of any securities in such circumstances and subject to such conditions as it thinks fit, whether requested by the listed issuer or not. The HKSE may also do so where: (1) an issuer fails, in a manner which the HKSE considers material, to comply with the HKSE Listing Rules or its Listing Agreements; (2) the HKSE considers there are insufficient securities in the hands of the public; (3) the HKSE considers that the listed issuer does not have a sufficient level of operations or sufficient assets to warrant the continued listing of the issuer's securities; or (4) the HKSE considers that the issuer or its business is no longer suitable for listing. Investors should also be aware that the HKSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, until certain price-sensitive information has been disclosed to the public. Trading will not be resumed until a formal announcement has been made. Trading of a company's shares may also be suspended if there is unusual trading activity in such shares.

An issuer may apply for suspension of its own accord. A suspension request will normally only be acceded to in the following circumstances: (1) where, for a reason acceptable to the HKSE, price-sensitive information cannot at that time be disclosed; (2) where the issuer is subject to an offer, but only where terms have been agreed in principle and require discussion with, and agreement by, one or more major shareholders (suspensions will only normally be appropriate where no previous announcement has been made); (3) to maintain an orderly market; (4) where there is an occurrence of certain levels of notifiable transactions, such as substantial changes in the nature, control or structure of the issuer, where publication of full details is necessary to permit a realistic valuation to be made of the securities concerned, or the approval of shareholders is required; (5) where the issuer is no longer suitable for listing, or becomes a "cash" company; or (6) for issuers going into receivership or liquidation. As a result of the foregoing, variations in the FTSE/Xinhua China 25 Index may be limited by suspension of trading of individual stocks which comprise the FTSE/Xinhua China 25 Index which may, in turn, adversely affect the value of the notes.

### **License Agreement with FTSE/Xinhua Index Limited**

The notes are not in any way sponsored, endorsed, sold or promoted by FXI, FTSE or Xinhua or by the London Stock Exchange PLC (the "London Stock Exchange") or by The Financial Times Limited ("FT") and neither FXI, FTSE, Xinhua nor the London Stock Exchange nor FT makes any warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE/Xinhua China 25 Index and/or the figure at which the FTSE/Xinhua China 25 Index stands at any particular time on any particular day or otherwise. The FTSE/Xinhua China 25 Index is compiled and calculated by or on behalf of FXI. However, neither FXI or FTSE or Xinhua or the London Stock Exchange or FT shall be liable (whether in negligence or otherwise) to any person for any error in the FTSE/Xinhua China 25 Index and neither FXI, FTSE, Xinhua or the London Stock Exchange or FT shall be under any obligation to advise any person of any error therein.

The FTSE/Xinhua China 25 Index is calculated by or on behalf of FXI. FXI does not sponsor, endorse or promote the notes.

All copyright in the FTSE/Xinhua China 25 Index values and constituent list vest in FXI. JPMorgan Chase & Co. has obtained full license from FXI to use such copyright in the creation of the notes.

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### **Discontinuation of the FTSE/Xinhua China 25 Index; Alteration of Method of Calculation**

If FXI discontinues publication of the FTSE/Xinhua China 25 Index and FXI or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued FTSE/Xinhua China 25 Index (such index being referred to herein as a “FTSE/Xinhua successor index”), then the closing level for the FTSE/Xinhua China 25 Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the FTSE/Xinhua China 25 Index is to be determined will be determined by reference to the level of such FTSE/Xinhua successor index at the close of trading on the relevant exchange or market for the FTSE/Xinhua successor index on such day.

Upon any selection by the calculation agent of a FTSE/Xinhua successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If FXI discontinues publication of the FTSE/Xinhua China 25 Index prior to, and such discontinuation is continuing on, a Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the FTSE/Xinhua China 25 Index is to be determined, and the calculation agent determines, in its sole discretion, that no FTSE/Xinhua successor index is available at such time, or the calculation agent has previously selected a FTSE/Xinhua successor index and publication of such FTSE/Xinhua successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the FTSE/Xinhua China 25 Index for such date. The closing level for the FTSE/Xinhua China 25 Index will be computed by the calculation agent in accordance with the formula for and method of calculating the FTSE/Xinhua China 25 Index or FTSE/Xinhua successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent’s good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the FTSE/Xinhua China 25 Index or FTSE/Xinhua successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the FTSE/Xinhua China 25 Index or FTSE/Xinhua successor index, as applicable, may adversely affect the value of the notes.

If at any time the method of calculating the FTSE/Xinhua China 25 Index or a FTSE/Xinhua successor index, or the level thereof, is changed in a material respect, or if the FTSE/Xinhua China 25 Index or a FTSE/Xinhua successor index is in any other way modified so that the FTSE/Xinhua China 25 Index or such FTSE/Xinhua successor index does not, in the opinion of the calculation agent, fairly represent the level of the FTSE/Xinhua China 25 Index or such FTSE/Xinhua successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the FTSE/Xinhua 25 Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the FTSE/Xinhua China 25 Index or such FTSE/Xinhua successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the FTSE/Xinhua China 25 Index with reference to the FTSE/Xinhua China 25 Index or such FTSE/Xinhua successor index, as adjusted. Accordingly, if the method of calculating the FTSE/Xinhua China 25 Index or a FTSE/Xinhua successor index is modified so that the level of the FTSE/Xinhua China 25 Index or such FTSE/Xinhua successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in FTSE/Xinhua China 25 Index), then the calculation agent will adjust its calculation of the FTSE/Xinhua China 25 Index or such FTSE/Xinhua successor index in order to arrive at a level of the FTSE/Xinhua

China 25 Index or such FTSE/Xinhua successor index as if there had been no such modification (e.g., as if such split had not occurred).



## THE KOREA STOCK PRICE INDEX 200

We have obtained all information contained in this pricing supplement regarding the KOSPI 200, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Korea Exchange (“KRX”), the publisher of the KOSPI 200. KRX has no obligation to continue to publish, and may discontinue publication of, the KOSPI 200.

The KOSPI 200 is a capitalization-weighted index of 200 Korean blue-chip stocks which make up a large majority of the total market value of the Korea Stock Exchange (“KSE”). The KOSPI 200 is the underlying index for stock index futures and options trading. The constituent stocks are selected on a basis of the market value of the individual stocks, liquidity and their relative positions in their respective industry groups.

The KOSPI 200 is reported by Bloomberg L.P. under the ticker symbol “KOSPI2.”

### Selection Criteria

All common stocks listed on the KSE as of the periodic realignment date will be included in the selection process, except for the stocks which fall into one of the following categories:

- stocks with administrative issues;
- stocks with liquidation issues;
- stocks issued by securities investment companies;
- stocks that have been listed less than one year as of the last trading in April of the year in which the periodic review and selection process occurs;
- stocks belonging to the industry groups other than those industry groups listed below;
- a constituent stock merged into a non-constituent stock;
- a company established as a result of a merger between two constituent stocks; and
- any other stocks that are deemed unsuitable to be included in the constituents of the KOSPI 200.

The companies listed on the KOSPI 200 are classified into the following industry groups: (i) fisheries, (ii) mining, (iii) manufacturing, (iv) construction, (v) electricity and gas, (vi) services, (vii) post and communication and (viii) finance. The constituents of the KOSPI 200 are selected first from the non-manufacturing industry cluster, and then from the manufacturing industry cluster.

The constituents from the non-manufacturing industry cluster are selected in accordance with the following:

- Selection is made in descending order of market capitalization, from large to small, in the same industry group, while ensuring the accumulated market capitalization of the concerned industry group is within 70% of that of all industry groups.
- Notwithstanding the above, the stocks whose ranking of trading volume in descending order is below 85% of the stocks included in deliberation within the same industry group are excluded. In such case, the excluded stock is replaced by a stock that is next in ranking in market capitalization, but satisfies the trading volume criteria.

The constituents from the manufacturing industry cluster are selected in descending order of market capitalization, while excluding stocks whose ranking of trading volume in descending order is below 85% of the stocks included in the process within the same industry group. The excluded stock is replaced by a stock that is next in ranking in market capitalization, but satisfies the trading volume criteria.

Notwithstanding anything above, if a stock whose market capitalization is within the top 50 in terms of market capitalization, such stock may be included in the constituents of the KOSPI 200, by taking into consideration the influence that the industry group has on the KOSPI 200, as well as the liquidity of the concerned stock. Stocks to be placed on the replacement list are selected from the stocks included for deliberation, excluding those already selected as constituents of the KOSPI 200.

### **KOSPI 200 Calculation**

The KOSPI 200 is computed by multiplying (i) the market capitalization as of the calculation time divided by the market capitalization as of the base date, by (ii) 100. The base date of the KOSPI 200 is January 3, 1990 with a base index of 100. Market capitalization is obtained by multiplying the number of listed common shares of the constituents by the price of the concerned common share.

If the number of listed shares increases due to rights offering, bonus offering and stock dividend, which accompany ex-right or ex-dividend, such increase is included in the number of listed shares on the ex-right date or ex-dividend date.

Share prices refer to the market price established during the regular trading session. If no trading took place on such day, quotation price is used and if no quotation price is available, the closing price of the most recent trading day is used.

### **Stock Revision**

The constituents of the KOSPI 200 are realigned once a year while observing each of the following:

- An existing constituent will not be removed if the ranking of the market capitalization of such stock is within 100/110 of the ranking of the KOSPI 200 constituents of the same industry group;
- In order to be included in the constituents of the KOSPI 200, the ranking of the market capitalization of a stock must be within 90/100 of the ranking of the KOSPI 200 constituents of the same industry group;
- If the ranking of the market capitalization of an existing constituent falls below 100/110 of the ranking of the KOSPI 200 constituents of the same industry group, but there is no stock satisfying the requirement specified in the preceding clause, the existing constituent will not be removed; and
- When removing the existing constituents, a constituent whose ranking of market capitalization within the same industry group is the lowest will be removed first.

The periodic realignment date is the trading day following the last trading day of June contracts in the KOSPI 200 index futures and index options. With respect to any component security in the KOSPI 200, if any of the following events occur, such component security will be removed from the KOSPI 200 and the removal date is as follows:

- Delisting: the trading day following the delisting date;
- Designation as administrative issue: the designation date;
- Merger: the day of trading halt; and
- It is determined that the stock is unsuitable as a component security of the KOSPI 200: the trading day following the day of such determination, which is the last trading day of the nearest month contracts of both the index futures and index options, after the date of such decision.

When realigning the component securities of the KOSPI 200, the replacement stocks are chosen from the replacement list in accordance with the rank order. In the case of an industry group that has no stock listed on the replacement list, a replacement stock is chosen from the replacement list of manufacturing industry cluster.

### **The Korea Stock Exchange**

The KSE's predecessor, the Daehan Stock Exchange, was established in 1956. The KSE is a typical order-driven market, where buy and sell orders compete for best prices. The KSE seeks to maintain a fair and orderly market for trading and regulates and supervises its member firms.

Throughout the trading hours, orders are matched at a price satisfactory to both buy and sell sides, according to price and time priorities. The opening and closing prices, however, are determined by call auctions: at the market opening and closing, orders received for a certain period of time are pooled and matched at the price at which the most number of shares can be executed. The KSE uses electronic trading procedures, from order placement to trade confirmation. The KSE is open from 9:00 a.m. to 3:00 p.m., Korean time, during weekdays. Investors can submit their orders from 8:00 a.m., one hour before the market opening. Orders delivered to the market during the period from 8:00 a.m. to 9:00 a.m. are queued in the order book and matched by call auction method at 9:00 a.m. to determine opening prices. After opening prices are determined, the trades are conducted by continuous auctions until 2:50 p.m. (10 minutes before the market closing). Besides the regular session, the KSE conducts pre-hours and after-hours sessions for block trading and basket trading. During pre-hours sessions from 7:30 to 8:30 a.m., orders are matched at previous day's respective closing prices. After-hours sessions are open for 50 minutes from 3:10 p.m. to 4:00 p.m. During after-hours sessions, orders are matched at the closing prices of the day.

On January 26, 2004, the KSE introduced the random-end system at the opening and closing call auctions. The stated purpose of the random-end system is to prevent any distortion in the price discovery function of the KSE caused by "fake" orders placed with an intention of misleading other investors. In cases where the highest or lowest indicative price of a stock set during the last 5 minutes before the closing time of the opening (or closing) call session, 8:55-9:00 a.m. (or 2:55-3:00 p.m.), deviates from the provisional opening (or closing) price by 5% or more, the KSE delays the determination of the opening (or closing) price of the stock up to five minutes. The official opening (or closing) price of such stock is determined at a randomly chosen time within five minutes after the regular opening (or closing) time. The KSE makes public the indicative prices during the opening (or closing) call trading sessions. Pooling together all bids and offers placed during the order receiving hours for the opening (or closing) session, 8:10-9:00 a.m. (or 2:50-3:00 p.m.), the indicative opening (or closing) prices of all stocks are released to the public on a real-time basis.

The KSE sets a limit on the range that the price of individual stocks can change during a day. As of June 2004, that limit was set at 15%, which meant that the price of each stock could neither fall nor rise by more than 15% from the previous day's closing price. In addition, when the price and/or trading activities of a stock are expected to show an abnormal movement in response to an unidentified rumor or news, or when an abnormal movement is observed in the market, the KSE may halt the trading of the stock. In such cases, the KSE requests the company concerned to make a disclosure regarding the matter. Once the company makes an official announcement regarding the matter, trading can resume within an hour; however, if the KSE deems that the situation was not fully resolved by the disclosure, trading resumption may be delayed.

The KSE introduced circuit breakers in December 1998. The trading in the equity markets is halted for 20 minutes when the KOSPI 200 falls by 10% or more from the previous day's closing and the situation lasts for one minute or longer. The trading resumes by call auction where the orders submitted during the 10 minutes after the trading halt ended are matched at a single price.

## **License Agreement with Korea Exchange**

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### **Discontinuation of the KOSPI 200; Alteration of Method of Calculation**

If KRX discontinues publication of the KOSPI 200 and KRX or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued KOSPI 200 (such index being referred to herein as a "KOSPI 200 successor index"), then the closing level for the KOSPI 200 on any relevant Initial Averaging Date, if applicable, Basket Valuation Date(s) or other relevant date on which the closing level for the KOSPI 200 is to be determined will be determined by reference to the level of such KOSPI 200 successor index at the close of trading on the relevant exchange or market for the KOSPI 200 successor index on such day.

Upon any selection by the calculation agent of a KOSPI 200 successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If KRX discontinues publication of the KOSPI 200 prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the KOSPI 200 is to be determined, and the calculation agent determines, in its sole discretion, that no KOSPI 200 successor index is available at such time, or the calculation agent has previously selected a KOSPI 200 successor index and publication of such KOSPI 200 successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the KOSPI 200 for such date. The closing level for the KOSPI 200 will be computed by the calculation agent in accordance with the formula for and method of calculating the KOSPI 200 or KOSPI 200 successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the KOSPI 200 or KOSPI 200 successor index, as applicable. Notwithstanding these alternative arrangements,

discontinuation of the publication of the KOSPI 200 or KOSPI 200 successor index, as applicable, may adversely affect the value of the notes.

If at any time the method of calculating the KOSPI 200 or a KOSPI 200 successor index, or the level thereof, is changed in a material respect, or if the KOSPI 200 or a KOSPI 200 successor index is in any other way modified so that the KOSPI 200 or such KOSPI 200 successor index does not, in the opinion of the calculation agent, fairly represent the level of the KOSPI 200 or such KOSPI 200 successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the KOSPI 200 is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the KOSPI 200 or such KOSPI 200 successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the KOSPI 200 with reference to the KOSPI 200 or such KOSPI 200 successor index, as adjusted. Accordingly, if the method of calculating the KOSPI 200 or a KOSPI 200 successor index is modified so that the level of the KOSPI 200 or such KOSPI 200 successor index is a fraction of what it would have been if there had been no such modification (*e.g.*, due to a split in the KOSPI 200), then the calculation agent will adjust its calculation of the KOSPI 200 or such KOSPI 200 successor index in order to arrive at a level of the KOSPI 200 or such KOSPI 200 successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).

## THE MSCI EAFE<sup>®</sup> INDEX

We have derived all information regarding the MSCI EAFE<sup>®</sup> Index contained in this product supplement, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by MSCI Inc. (“MSCI”). We make no representation or warranty as to the accuracy or completeness of such information. MSCI has no obligation to continue to publish, and may discontinue publication of, the MSCI EAFE<sup>®</sup> Index.

The MSCI EAFE<sup>®</sup> Index is intended to provide performance benchmarks for certain developed equity markets in Europe, Asia, Australia and the Far East. Equity markets in Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom are currently represented in the MSCI EAFE<sup>®</sup> Index.

MSCI recently announced changes to the methodology used to calculate its MSCI Standard Indices, including the MSCI EAFE<sup>®</sup> Index. The current MSCI Standard Indices are transitioning to the new Global Investable Market Indices methodology. During the transition period, MSCI will publish the MSCI Provisional Standard Indices to assist investors in understanding the changes that would occur if the Global Investable Market Indices methodology were immediately implemented in the current MSCI Standard Indices. The first phase of the transition of the MSCI Standard Indices was completed on November 30, 2007. Currently, half of the differences between the Provisional Standard and Standard Indices have been implemented. All companies in the Provisional Standard Index not in the Standard Index were added to the Standard Index at half of their free float-adjusted market capitalization, and companies previously in the Standard Index and not in the Provisional Standard Index had half of their free float-adjusted market capitalization removed. The “Index Calculation,” “Selection of Component Securities and Calculating and Adjusting for Free Float,” and “Maintenance of the MSCI EAFE<sup>®</sup> Index and the Component Country Indices” sections below are based on the existing index methodology and do not reflect the new Global Investable Market Indices methodology. For additional information regarding the transition process, please see the “Supplemental Information — Transition of the MSCI EAFE<sup>®</sup> Index to a New Index Methodology” below.

### Index Calculation

The performance of the MSCI EAFE<sup>®</sup> Index is a free float weighted average of the U.S. dollar values of all of the equity securities (the “Component Securities”) constituting the MSCI country indices for 21 selected countries (each a “Component Country Index,” and collectively, the “Component Country Indices”). Each Component Country Index is a sampling of equity securities across industry groups in such country’s equity markets. See “— Maintenance of the Index and the Component Country Indices” below.

Prices used to calculate the Component Securities are the official exchange closing prices or prices accepted as such in the relevant market. In general, all prices are taken from the main stock exchange in each market. Closing prices are converted into U.S. dollars using the closing exchange rates calculated by WM Reuters at 4:00 p.m., London time. The U.S. dollar value of the MSCI EAFE<sup>®</sup> Index is calculated based on the free float-adjusted market capitalization in U.S. dollars of the Component Securities. The MSCI EAFE<sup>®</sup> Index was launched on December 31, 1969 at an initial value of 100.

### Selection of Component Securities and Calculating and Adjusting for Free Float

The selection of the Component Securities for each Component Country Index is based on the following guidelines:

- (i) Define the universe of listed securities within each country;
- (ii) Adjust the total market capitalization for each security for its respective free float available to foreign investors;

(iii) Classify securities into industry groups under the Global Industry Classification Standard (the “GICS”); and

(iv) Select securities for inclusion according to MSCI’s index construction rules and guidelines.

### **Define the Universe of Listed Securities**

The index construction process starts at the country level, with the identification of the universe of investment opportunities. MSCI classifies each company and its securities in one and only one country. This allows securities to be sorted distinctly by their respective countries. In general, companies and their respective securities are classified as belonging to the country in which they are incorporated. All listed equity securities, or listed securities that exhibit characteristics of equity securities, except investment trusts, mutual funds, equity derivatives and limited partnerships, are eligible for inclusion in the universe. Generally, only equity or equity-like securities that are listed in the country of classification are included in the universe.

### **Adjust the Total Market Capitalization of Securities for Free Float**

After identifying the universe of securities, MSCI calculates the free float-adjusted market capitalization of each security in that universe. The process of free floating-adjusting market capitalization involves:

- Defining and estimating the free float available to foreign investors for each security, using MSCI’s definition of free float.
- Assigning a free float-adjustment factor to each security.
- Calculating the free float-adjustment market capitalization of each security.

MSCI defines the free float of a security as the proportion of shares outstanding that are deemed to be available for purchase in the public equity markets by international investors.

In practice, limitations on free float available to international investors include:

- Strategic and other shareholdings not considered part of available free float.
- Limits on share ownership for foreign investors.

MSCI’s estimation of free float is based solely on publicly available shareholder information obtained from multiple information sources. For each security, all available shareholdings are considered where public data is available, regardless of the size of the shareholding. Construction may be conducted with analysts, other industry experts and official company contacts, particularly where disclosure standards or data quality make the estimation of free float difficult.

### ***Classifying the Universe of Securities Under the GICS***

In addition to the free floating-adjustment of market capitalization, all securities in the universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed the GICS in conjunction with Standard & Poor’s. This comprehensive classification scheme provides a universal approach to industries worldwide and forms the basis for achieving MSCI’s objective of reflecting broad and fair representation in its indices. The GICS currently consists of 10 sectors, 24 industry groups, 67 industries and 147 sub-industries.

Under the GICS, each company is assigned uniquely to one sub-industry according to its principal business activity. Therefore, a company can only belong to one industry grouping at each of the four levels of the GICS. A security is classified in a sub-industry according to the business activities that generate approximately 60% or more of the company’s revenues. For those companies that are engaged in two or more substantially different business activities, none of which contributes 60% or more of revenues, the company is classified in the sub-industry that provides the majority of both the company’s revenues and earnings. Where no sub-industry provides the majority of both the company’s revenues and earnings, the classification will be determined based on further MSCI research and analysis. In addition, a company significantly diversified across three or more sectors, none of which contributes the majority of revenues or earnings, will be classified in the industrial conglomerate or multi-sector holdings sub-industry. S&P and MSCI must agree on the current company classification for it to be labeled as “officially” classified under the GICS structure.

A company's industry classification is reviewed upon significant corporate events or when new information is made publicly available. S&P and MSCI meet annually to review the overall structure of the GICS system.

### **Selecting Securities for Index Inclusion**

In order to ensure a broad and fair representation in the indices of the diversity of business activities in the universe, MSCI follows a "bottom-up" approach to index construction, building indices from the industry group level up. The bottom-up approach to index construction requires a thorough analysis and understanding of the characteristics of the universe. This analysis drives the individual security selection decisions, which aim to reflect the overall features of the universe in the country index.

MSCI targets an 85% free float-adjusted market representation level within each industry group, within each country. The security selection process within each industry group is based on the analysis of:

- Each company's business activities and the diversification that its securities would bring to the index.
- The size (based on free float-adjusted market capitalization) and liquidity of securities. All other things being equal, MSCI targets for inclusion the most sizable and liquid securities in an industry group. In addition, securities that do not meet the minimum size guidelines and/or securities with inadequate liquidity are not considered for inclusion.
- The estimated free float for the company and its individual share classes. Only securities of companies with an estimated overall and/or security free float greater than or equal to 15% are, in general, considered for inclusion.

These guidelines and the policies implementing the guidelines are the responsibility of, and, ultimately, subject to adjustment by, MSCI.

### **Maintenance of the Index and the Component Country Indices**

In order to maintain the representativeness of the MSCI EAFE<sup>®</sup> Index, structural changes to the MSCI EAFE<sup>®</sup> Index as a whole may be made by adding or deleting Component Country Indices and the related Component Securities. Currently, such changes in the MSCI EAFE<sup>®</sup> Index may only be made on four dates per year. These dates are the last scheduled MSCI EAFE<sup>®</sup> Index close in February, May, August and November.

MSCI may add additional Component Country Indices to the MSCI EAFE<sup>®</sup> Index or subtract one or more of its current Component Country Indices prior to the expiration of the notes. Any such adjustments are made to the MSCI EAFE<sup>®</sup> Index so that the value of the MSCI EAFE<sup>®</sup> Index at the effective date of such change is the same as it was immediately prior to such change.

Each Component Country Index is maintained with the objective of reflecting, on a timely basis, the evolution of the underlying equity markets. In maintaining each Component Country Index, emphasis is also placed on its continuity, replicability and on minimizing turnover.

Index maintenance also includes monitoring and completing the adjustments for share changes, stock splits, stock dividends, and stock price adjustments due to company restructurings or spin-offs. Index maintenance of the Component Country Indices is reflected in the MSCI EAFE<sup>®</sup> Index.

MSCI classifies index maintenance in three broad categories. The first consists of ongoing event-related changes, such as mergers and acquisitions, which are generally implemented in the indices in which they occur. The second category consists of quarterly index reviews, aimed at promptly reflecting other significant market events. The third category consists of full Component Country Index reviews that systematically reassess the various dimensions of the equity universe for all countries simultaneously and are conducted on a fixed annual timetable.



Potential changes in the status of countries (whether they are classified as standalone, emerging or developed countries) follow their own separate timetables. These changes are normally implemented in one or more phases at the regular annual full country index review and quarterly index review dates.

### ***Ongoing Event-Related Changes***

Ongoing event-related changes to the indices are the result of mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events. They can also result from capital reorganizations in the form of rights issues, bonus issues, public placements and other similar corporate actions that take place on a continuing basis. These changes are reflected in the indices at the time of the event.

### ***Quarterly Index Review***

The quarterly index review process is designed to ensure that the indices continue to be an accurate reflection of evolving equity markets. This goal is achieved by rapidly reflecting significant market driven changes that were not captured in the index at the time of their actual occurrence and that should not wait until the annual full Component Country Index review due to their importance.

These quarterly index reviews may result in additions and deletions of Component Securities from a Component Country Index and changes in “foreign inclusion factors” and in number of shares. Additions and deletions to Component Securities may result from:

- the addition or deletion of securities due to the significant over- or under-representation of one or more industry groups as a result of mergers, acquisitions, restructurings or other major market events affecting the industry group;
- the addition or deletion of securities resulting from changes in industry classification, significant increases or decreases in free float or relaxation/removal or decreases of foreign ownership limits not implemented immediately;
- the additions of large companies that did not meet the minimum size criterion for inclusion at the time of their initial public offering or secondary offering;
- the replacement of companies which are no longer suitable industry representatives;
- the deletion of securities whose company and/or security free float has fallen to less than 15% as a result of a corporate event (other than conversion of share classes or merger of different share classes) and that do not meet specified criteria;
- the deletion of securities that have become very small or illiquid;
- the replacement of securities resulting from the review of price source for Component Securities with both domestic and foreign board quotations; and
- the addition or deletion of securities as a result of other market events.

Significant changes in free float estimates and corresponding changes in the foreign inclusion factor for Component Securities may result from:

- large market transactions involving strategic shareholders that are publicly announced;
- secondary offerings that, given lack of sufficient notice, were not reflected immediately;
- increases in foreign ownership limits;
- decreases in foreign ownership limits not applied earlier;
- corrections resulting from the reclassification of shareholders from strategic to non-strategic, and vice versa;
- updates to foreign inclusion factors following the public disclosure of new shareholder structures for companies involved in mergers, acquisitions or spin-offs, where different from MSCI's pro forma free float estimate at the time of the event;
- large conversions of exchangeable bonds and other similar securities into already existing shares;
- the end of lock-up periods or expiration of loyalty incentives for non-strategic shareholders; and
- changes in the foreign inclusion factor as a result of other events of similar nature.

Adjustments for small changes in a Component Security's shares outstanding are generally deferred to the quarterly index review, and may result from, for example, exercise of options or warrants, conversion of convertible bonds or other instruments or share buybacks. The implementation of changes resulting from quarterly index reviews occurs on only three dates per year. These dates are the close of the last business day of February, August and November. Any country may be impacted at the quarterly index review.

### ***Annual Full Country Index Review***

The annual full Component Country Index review includes a reappraisal of the free float-adjusted industry group representation within a country relative to the 85% target (*i.e.*, MSCI targets an 85% free float-adjusted market representation level within each industry group, within each country), a detailed review of the shareholder information used to estimate free float for Component and non-Component Securities, updating the minimum size guidelines for new and existing Component Securities, as well as changes typically considered for quarterly index reviews. During a full Component Country Index review, securities may be added or deleted from a Component Country Index for a range of reasons, including the reasons discussed in the preceding sentence and the reasons for Component Securities changes during quarterly index reviews as discussed above. The annual review is conducted once every 12 months and implemented at the close of the last business day of May.

### ***Announcement Policy***

The results of the annual full country index review are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May.

The results of the quarterly index reviews are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February, August and November.

All changes resulting from the corporate events are announced prior to their implementation.

The changes are typically announced at least ten business days prior to these changes becoming effective in the indices as an "expected" announcement, or as an "undetermined" announcement, when the effective dates are not known yet or when aspects of the event are uncertain. MSCI sends "confirmed" announcements at least two business days prior to events becoming effective in the indices, provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, at 5:30 p.m., U.S. Eastern Standard Time (EST).

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of large secondary offerings for existing constituents, where possible, these changes will be announced prior to the end of a relevant subscription period and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both equity offerings and secondary offerings for U.S. securities will be confirmed through an announcement during market hours for same or next day implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcy or other significant cases are announced as soon as practicable prior to their implementation.

### **The MSCI EAFE<sup>®</sup> Index Is Subject to Currency Exchange Risk**

Because the closing prices of the Component Securities are converted into U.S. dollars for purposes of calculating the value of the MSCI EAFE<sup>®</sup> Index, investors in the notes will be exposed to currency

exchange rate risk with respect to each of the currencies in which the Component Securities trade. Exposure to currency changes will depend on the extent to which such currencies strengthen or weaken against the U.S. dollar and the relative weight of the Component Securities in the MSCI EAFE<sup>®</sup> Index denominated in each such currency. The devaluation of the U.S. dollar against the currencies in which the Component Securities trade will result in an increase in the value of the MSCI EAFE<sup>®</sup> Index. Conversely, if the U.S. dollar strengthens against such currencies, the value of the MSCI EAFE<sup>®</sup> Index will be adversely affected and may reduce or eliminate the payment at maturity, if any, on the notes. Fluctuations in currency exchange rates can have a continuing impact on the value of the MSCI EAFE<sup>®</sup> Index, and any negative currency impact on the MSCI EAFE<sup>®</sup> Index may significantly decrease the value of the notes. The return on an index composed of the Component Securities where the closing price is not converted into U.S. dollars can be significantly different from the return on the MSCI EAFE<sup>®</sup> Index, which is converted into U.S. dollars.

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## **Discontinuation of the MSCI EAFE<sup>®</sup> Index; Alteration of Method of Calculation**

If MSCI discontinues publication of the MSCI EAFE<sup>®</sup> Index and MSCI or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued MSCI EAFE<sup>®</sup> Index (such index being referred to herein as an “EAFE successor index”), then the closing level for the MSCI EAFE<sup>®</sup> Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the MSCI EAFE<sup>®</sup> Index is to be determined will be determined by reference to the level of such EAFE successor index at the close of trading on the relevant exchange or market for the EAFE successor index on such day.

Upon any selection by the calculation agent of an EAFE successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If MSCI discontinues publication of the MSCI EAFE<sup>®</sup> Index prior to, and such discontinuation is continuing on an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the MSCI EAFE<sup>®</sup> Index is to be determined, and the calculation agent determines, in its sole discretion, that no EAFE successor index is available at such time, or the calculation agent has previously selected an EAFE successor index and publication of such EAFE successor index is discontinued prior to and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the MSCI EAFE<sup>®</sup> Index for such date. The closing level for the MSCI EAFE<sup>®</sup> Index will be computed by the calculation agent in accordance with the formula for and method of calculating the MSCI EAFE<sup>®</sup> Index or EAFE successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the MSCI EAFE<sup>®</sup> Index or EAFE successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the MSCI EAFE<sup>®</sup> Index or any EAFE successor index, as applicable, may adversely affect the value of the notes.

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

## **SUPPLEMENTAL INFORMATION — TRANSITION OF THE MSCI EAFE<sup>®</sup> INDEX TO A NEW INDEX METHODOLOGY**

The information contained in this section will supplement the information contained in “The MSCI EAFE<sup>®</sup> Index” above. We have derived all information regarding the MSCI EAFE<sup>®</sup> Index contained in this section of product supplement from the MSCI Global Investable Market Indices Methodology published by MSCI and other publicly available information. We make no representation or warranty as to the accuracy

or completeness of such information. Additional information concerning the transition of the MSCI EAFE<sup>®</sup> Index may be obtained at the MSCI website ([www.msci.com](http://www.msci.com)). Information contained in the MSCI website is not incorporated by reference in, and should not be considered part of, this product supplement or any relevant terms supplement.

#### Transition

MSCI recently announced changes to the methodology used to calculate its MSCI Standard Indices, including the MSCI EAFE Index. The current MSCI Standard and MSCI Small Cap Indices, along with the other MSCI equity indices based on them, are transitioning to the Global Investable Market Indices methodology described below. During the transition period, MSCI will publish the MSCI Provisional Standard and Provisional Small Cap Indices to assist investors in understanding the changes that would occur if the Global Investable Market Indices methodology were immediately implemented in the current MSCI Standard and Small Cap Indices. The first phase of the transition of the MSCI Standard Indices was completed on November 30, 2007. Currently, half of the differences between the Provisional Standard Indices or the Provisional Small Cap Indices, as applicable, and the Standard Indices or Small Cap Indices, as applicable, have been implemented. All companies in a Provisional Standard Index or Provisional Small Cap Index, as applicable, not in the corresponding Standard Index or Small Cap Index were added to the Standard Index or Small Cap Index, as applicable, at half of their free float-adjusted market capitalization, and companies previously in the Standard Index or Small Cap Index, as applicable, and not in the corresponding Provisional Standard Index or Provisional Small Cap Index, as applicable, had half of their free float-adjusted market capitalization removed.

The second phase of the transition of the MSCI Standard and the MSCI Small Cap Indices to the MSCI Global Investable Market Indices methodology will take place on May 30, 2008 (the first phase having been completed on November 30, 2007). The final additions and deletions of constituents for the second phase will be announced at least four weeks in advance of their implementation in the Standard and Small Cap Indices. All indices derived from the MSCI Standard Indices will follow the two-phase transition, except for the MSCI Euro and Pan Euro Indices which were transitioned in one phase on November 30, 2007. The transition will be synchronized for all markets and composites.

At the end of the transition period (May 30, 2008), the current MSCI Standard Indices will be composed of the MSCI Large Cap and Mid Cap Indices. The current MSCI Small Cap Index will transition to the MSCI Small Cap Index resulting from the new methodology. Together, the relevant MSCI Large Cap, Mid Cap and Small Cap Indices will make up the MSCI Investable Market Index for each country, composite, sector and style index that MSCI offers.

#### Constructing the MSCI Global Investable Market Indices

MSCI undertakes an index construction process, which involves: (i) defining the Equity Universe; (ii) determining the Market Investable Equity Universe for each market; (iii) determining market capitalization size segments for each market; (iv) applying Index Continuity Rules for the MSCI Standard Index; (v) creating style segments within each size segment within each market; and (vi) classifying securities under the Global Industry Classification Standard (the "GICS").

##### *Defining the Equity Universe*

- (i) **Identifying Eligible Equity Securities:** The Equity Universe initially looks at securities listed in any of the countries in the MSCI Global Index Series, which will be classified as either Developed Markets ("DM") or Emerging Markets ("EM"). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds, ETFs, equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the Equity Universe. Real Estate Investment Trusts ("REITs") in some countries and certain income trusts in Canada are also eligible for inclusion
- (ii) **Country Classification of Eligible Securities:** Each company and its securities (*i.e.*, share classes) are classified in one and only one country, which allows for a distinctive sorting of each company by its respective country.

## Determining the Market Investable Equity Universes

A Market Investable Equity Universe for a market is derived by applying investability screens to individual companies and securities in the Equity Universe that are classified in that market. A market is equivalent to a single country, except in DM Europe, where all DM countries in Europe are aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the Global Investable Market Indices methodology.

The investability screens used to determine the Investable Equity Universe in each market are as follows:

- (i) **Equity Universe Minimum Size Requirement:** This investability screen is applied at the company level. In order to be included in a Market Investable Equity Universe, a company must have the required minimum full market capitalization.
- (ii) **Equity Universe Minimum Float Adjusted Market Capitalization Requirement:** This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have a free float adjusted market capitalization equal to or higher than 50% of the Equity Universe Minimum Size Requirement.
- (iii) **DM and EM Minimum Liquidity Requirement:** This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have adequate liquidity. The Annualized Traded Value Ratio (“ATVR”), a measure that offers the advantage of screening out extreme daily trading volumes and taking into account the free float-adjusted market capitalization size of securities, is used to measure liquidity. In the calculation of the ATVR, the trading volumes in depository receipts associated with that security, such as ADRs or GDRs, are also considered. A minimum liquidity level of 20% ATVR is required for inclusion of a security in a Market Investable Equity Universe of a Developed Market, and a minimum liquidity level of 15% ATVR is required for inclusion of a security in a Market Investable Equity Universe of an Emerging Market.
- (iv) **Global Minimum Foreign Inclusion Factor Requirement:** This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security’s Foreign Inclusion Factor (“FIF”) must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a Market Investable Equity Universe.
- (v) **Minimum Length of Trading Requirement:** This investability screen is applied at the individual security level. For an initial public offering (“IPO”) to be eligible for inclusion in a Market Investable Equity Universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a Semi-Annual Index Review. This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in a Market Investable Equity Universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

## Defining Market Capitalization Size Segments for Each Market

Once a Market Investable Equity Universe is defined, it is segmented into the following size-based indices:

- Investable Market Index (Large + Mid + Small)
- Standard Index (Large + Mid)
- Large Cap Index
- Mid Cap Index
- Small Cap Index

Creating the Size Segment Indices in each market involves the following steps: (i) defining the Market Coverage Target Range for each size segment; (ii) determining the Global Minimum Size Range for each size segment; (iii) determining the Market Size-Segment Cutoffs and associated Segment Number of Companies; (iv) assigning companies to the size segments; and (v) applying final size-segment investability requirements.

#### *Index Continuity Rules for the Standard Indices*

In order to achieve index continuity, as well as provide some basic level of diversification within a market index, notwithstanding the effect of other index construction rules, a minimum number of five constituents will be maintained for a DM Standard Index and a minimum number of three constituents will be maintained for an EM Standard Index.

If after the application of the index construction methodology, a Standard Index contains fewer than five securities in a Developed Market or three securities in an Emerging Market, then the largest securities by free float-adjusted market capitalization are added to the Standard Index in order to reach five constituents in that Developed Market or three in that Emerging Market. At subsequent Index Reviews, if the free float-adjusted market capitalization of a non-index constituent is at least 1.50 times the free float-adjusted market capitalization of the smallest existing constituent after rebalancing, the larger free float-adjusted market capitalization security replaces the smaller one.

#### *Creating Style Indices within Each Size Segment*

All securities in the investable equity universe are classified into Value or Growth segments using the MSCI Global Value and Growth methodology.

#### *Classifying Securities under the Global Industry Classification Standard*

All securities in the Global Investable Equity Universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed, in conjunction with Standard & Poor's, the Global Industry Classification Standard. Under the GICS, each company is assigned uniquely to one sub-industry according to its principal business activity. Therefore, a company can belong to only one industry grouping at each of the four levels of the GICS.

### **Index Maintenance**

The MSCI Global Investable Market Indices are maintained with the objective of reflecting the evolution of the underlying equity markets and segments on a timely basis, while seeking to achieve index continuity, continuous investability of constituents and replicability of the indices, and index stability and low index turnover.

In particular, index maintenance involves:

- (i) Semi-Annual Index Reviews ("SAIRs") in May and November of the Size Segment and Global Value and Growth Indices which include:
  - Updating the indices on the basis of a fully refreshed Equity Universe.
  - Taking buffer rules into consideration for migration of securities across size and style segments.
  - Updating FIFs and Number of Shares ("NOS").

The objective of the SAIRs is to systematically reassess the various dimensions of the Equity Universe for all markets on a fixed semi-annual timetable. A SAIR involves a comprehensive review of the Size Segment and Global Value and Growth Indices.

- Quarterly Index Reviews ("QIRs") in February and August of the Size Segment Indices aimed at: Including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index.

- Allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR.
- Reflecting the impact of significant market events on FIFs and updating NOS.

QIRs are designed to ensure that the indices continue to be an accurate reflection of the evolving equity marketplace. This is achieved by a timely reflection of significant market driven changes that were not captured in the index at the time of their actual occurrence but are significant enough to be reflected before the next SAIR. QIRs may result in additions or deletions due to migration to another Size Segment Index, and changes in FIFs and in NOS. Only additions of significant new investable companies are considered, and only for the Standard Index. The buffer zones used to manage the migration of companies from one segment to another are wider than those used in the SAIR. The style classification is reviewed only for companies that are reassigned to a different size segment.

(iii) Ongoing event-related changes. Ongoing event-related changes to the indices are the result of mergers, acquisitions, spin-offs, bankruptcies, reorganizations and other similar corporate events. They can also result from capital reorganizations in the form of rights issues, bonus issues, public placements and other similar corporate actions that take place on a continuing basis. These changes generally are reflected in the indices at the time of the event. Significantly large IPOs are included in the indices after the close of the company's tenth day of trading.

### **Announcement Policy**

The results of the SAIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May and November.

The results of the QIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February and August.

All changes resulting from corporate events are announced prior to their implementation.

The changes are typically announced at least ten business days prior to the changes becoming effective in the indices as an "expected" announcement, or as an "undetermined" announcement, when the effective dates are not known yet or when aspects of the event are uncertain. MSCI sends "confirmed" announcements at least two business days prior to events becoming effective in the indices, provided that all necessary public information concerning the event is available. The full list of all new and pending changes is delivered to clients on a daily basis, at 5:30 p.m., US Eastern Time.

In exceptional cases, events are announced during market hours for same or next day implementation. Announcements made by MSCI during market hours are usually linked to late company disclosure of corporate events or unexpected changes to previously announced corporate events.

In the case of secondary offerings representing more than 5% of a security's number of shares for existing constituents, these changes will be announced prior to the end of the subscription period when possible and a subsequent announcement confirming the details of the event (including the date of implementation) will be made as soon as the results are available.

Both primary equity offerings and secondary offerings for U.S. securities, representing at least 5% of the security's number of shares, will be confirmed through an announcement during market hours for next day or shortly after implementation, as the completion of the events cannot be confirmed prior to the notification of the pricing.

Early deletions of constituents due to bankruptcy or other significant cases are announced as soon as practicable prior to their implementation.



## THE iSHARES<sup>®</sup> MSCI EMERGING MARKETS INDEX FUND

We have derived all information contained in this product supplement no. 32-IX regarding the iShares<sup>®</sup> MSCI Emerging Markets Index Fund (the “Basket Fund”), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, iShares<sup>®</sup>, Inc. (“iShares<sup>®</sup>”), Barclays Global Investors, N.A. (“BGI”), and Barclays Global Fund Advisors (“BGFA”). The Basket Fund is an investment portfolio maintained and managed by iShares<sup>®</sup>. BGFA is the investment adviser to the Basket Fund. The Basket Fund is an exchange traded fund (“ETF”) that trades on the New York Stock Exchange (the “NYSE”) under the ticker symbol “EEM.” We make no representations or warranty as to the accuracy or completeness of the information derived from these public sources.

iShares<sup>®</sup> is a registered investment company that consists of numerous separate investment portfolios, including the Basket Fund. Information provided to or filed with the SEC by iShares<sup>®</sup> pursuant to the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, can be located by reference to SEC file numbers 033-97598 and 811-09102, respectively, through the SEC’s website at <http://www.sec.gov>. For additional information regarding iShares<sup>®</sup>, BGFA, the Basket Fund, please see the Prospectus, dated January 1, 2008 (as supplemented on January 16, 2008). In addition, information about iShares and the Basket Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the iShares<sup>®</sup> website at [www.ishares.com](http://www.ishares.com). We make no representation or warranty as to the accuracy or completeness of such information. Information contained in the iShares<sup>®</sup> website is not incorporated by reference in, and should not be considered a part of, this product supplement no. 32-IX or any terms supplement.

### Investment Objective and Strategy

The Basket Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in emerging markets, as measured by the MSCI Emerging Markets Index (the “Underlying Index”). The Basket Fund holds equity securities traded primarily in the global emerging markets. The Underlying Index was developed by MSCI Inc. (“MSCI”) as an equity benchmark for international stock performance, and is designed to measure equity market performance in the global emerging markets.

As of December 31, 2007, the Basket Fund holdings by country consisted of the following 22 countries: Argentina, Brazil, Chile, China, Czech Republic, Egypt, Hong Kong, Hungary, India, Indonesia, Israel, Malaysia, Mexico, Peru, Philippines, Russia, South Africa, South Korea, Taiwan, Thailand, Turkey and the United States. In addition, as of such date, the Basket Fund’s three largest holdings by country were China, Brazil and South Korea. As of February 29, 2008, its three largest equity securities were OAO Gazprom, Samsung Electronics Co., Ltd. and POSCO and its three largest sectors were financials, energy and materials.

The Basket Fund uses a representative sampling strategy (as described below under “— Representative Sampling”) to try to track the Underlying Index. In addition, in order to improve its portfolio liquidity and its ability to track the Underlying Index, the Basket Fund may invest up to 10% of its assets in shares of other iShares<sup>®</sup> funds that seek to track the performance of equity securities of constituent countries of the Underlying Index. BGFA will not charge portfolio management fees on that portion of the Basket Fund’s assets invested in shares of other iShares<sup>®</sup> funds.

### Representative Sampling

The Basket Fund pursues a “representative sampling” strategy in attempting to track the performance of the Underlying Index, and generally does not hold all of the equity securities included in the Underlying Index. The Basket Fund invests in a representative sample of securities in the Underlying Index, which have a similar investment profile as the Underlying Index. Securities selected have aggregate investment

characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the Underlying Index.

### Correlation

The Underlying Index is a theoretical financial calculation, while the Basket Fund is an actual investment portfolio. The performance of the Basket Fund and the Underlying Index will vary somewhat due to transaction costs, market impact, corporate actions (such as mergers and spin-offs) and timing variances. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called "tracking error." The Basket Fund, using a representative sampling strategy, can be expected to have a greater tracking error than a fund using replication strategy. Replication is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

### Industry Concentration Policy

The Basket Fund will not concentrate its investments (*i.e.*, hold 25% or more of its total assets in the stocks of a particular industry or group of industries), except that, to the extent practicable, the Basket Fund will concentrate to approximately the same extent that the Underlying Index concentrates in the stocks of such particular industry or group of industries.

### Holdings Information

As of February 29, 2008, 99.49% of the Basket Fund's holdings consisted of equity securities, 0.17% consisted of cash and 0.35% was in other assets, including dividends booked but not yet received. The following tables summarize the Basket Fund's top holdings in individual companies and by sector as of such date.

#### Top holdings in individual securities as of February 29, 2008

<u>Company</u>	<u>Percentage of Total Holdings</u>
OAQ Gazprom	3.59%
Samsung Electronics Co., Ltd.	3.07%
POSCO	2.70%
Petroleo Brasileiro S.A. (preferred class A shares)	2.64%
China Mobile, Ltd.	2.50%
Petroleo Brasileiro S.A. Companhia Vale do Rio Doce (preferred class A shares)	2.44%
Taiwan Semiconductor Manufacturing Co., Ltd.	2.43%
Chunghwa Telecom Co., Ltd.	2.23%
Cia Vale do Rio Doce, Preferred Class A	1.97%
Companhia Vale do Rio Doce	1.74%

#### Top holdings by sector as of February 29, 2008

<u>Sector</u>	<u>Percentage of Total Holdings</u>
Financials	19.06%
Energy	18.52%
Materials	15.99%
Information Technology	13.32%

Telecommunication Services	12.15%
Industrials	7.38%
Utilities	4.21%
Consumer Staples	3.22%
Consumer Discretionary	3.15%
Health Care	1.86%

The information above was compiled from the iShares® website. We make no representation or warranty as to the accuracy of the information above. Information contained in the iShares® website is not incorporated by reference in, and should not be considered a part of, this product supplement no. 32-IX or any terms supplement.

### **Historical Performance of the Basket Fund**

We will provide historical price information with respect to the shares of the Basket Fund in the relevant terms supplement. You should not take any such historical prices as an indication of future performance.

### **Disclaimer**

The notes are not sponsored, endorsed, sold or promoted by BGI. BGI makes no representations or warranties to the owners of the notes or any member of the public regarding the advisability of investing in the notes. BGI has no obligation or liability in connection with the operation, marketing, trading or sale of the notes.

### **The MSCI Emerging Markets Index**

We have derived all information contained in this product supplement no. 32-IX regarding the Underlying Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. The Underlying Index is a stock index calculated, published and disseminated daily by MSCI, a majority-owned subsidiary of Morgan Stanley, through numerous data vendors, on the MSCI website and in real time on Bloomberg Financial Markets and Reuters Limited. Neither MSCI nor Morgan Stanley has any obligation to continue to calculate and publish, and may discontinue calculation and publication of the Underlying Index.

The Underlying Index was developed by MSCI as an equity benchmark for international stock performance, and is designed to measure equity market performance in the global emerging markets.

MSCI recently announced changes to the methodology used to calculate its MSCI Standard Indices, including the Underlying Index. The current MSCI Standard Indices are transitioning to the new Global Investable Market Indices methodology. During the transition period, MSCI will publish the MSCI Provisional Standard Indices to assist investors in understanding the changes that would occur if the Global Investable Market Indices methodology were immediately implemented in the current MSCI Standard Indices. The first phase of the transition of the MSCI Standard Indices was completed on November 30, 2007. Currently, half of the differences between the Provisional Standard and Standard Indices have been implemented. All companies in the Provisional Standard Index not in the Standard Index were added to the Standard Index at half of their free float-adjusted market capitalization, and companies previously in the Standard Index and not in the Provisional Standard had half of their free float-adjusted market capitalization removed. For additional information regarding the transition process, please see the “Supplemental Information — Transition of the MSCI EAFE® Index to a New Index Methodology” starting on page PS-82 above.

### ***Underlying Index Calculation***

The performance of the Underlying Index is a free float-adjusted average of the U.S. dollar values of all of the equity securities (the “component securities”) constituting the MSCI indices for the selected

countries (the “component country indices”). The Underlying Index has a base date of December 31, 1987. As of March 5, 2008, the Underlying Index consisted of the following 25 component country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Jordan, Korea, Malaysia, Mexico, Morocco, Pakistan, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand and Turkey. Each of the component country indices is a sampling of equity securities across industry groups in such country’s equity markets.

Prices used to calculate the component securities are the official exchange closing prices or prices accepted as such in the relevant market. In general, all prices are taken from the main stock exchange in each market. The Underlying Index is rebalanced quarterly, calculated in U.S. dollars on a real time basis, and disseminated every 60 seconds during market trading hours. It is also calculated on an end of day basis.

### **License Agreement with MSCI**

We have entered into an agreement with MSCI providing us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the Underlying Index, which is owned and published by MSCI, in connection with certain securities, including the notes.

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**Discontinuation of the iShares<sup>®</sup> MSCI Emerging Markets Index Fund; Alternate Calculation of Closing Price**

If the Basket Fund (or an Emerging Markets successor index fund (as defined herein)) is de-listed from the New York Stock Exchange (or any other relevant exchange), liquidated or otherwise terminated, the calculation agent will substitute an exchange traded fund that the calculation agent determines, in its sole discretion, is comparable to the discontinued Basket Fund (or such Emerging Markets successor index fund) (such successor fund being referred to herein as an "Emerging Markets successor index fund"). If the Basket Fund (or an Emerging Markets successor index fund) is de-listed, liquidated or otherwise terminated and the calculation agent determines that no Emerging Markets successor index fund is available, then the calculation agent will, in its sole discretion, calculate the appropriate closing price of the shares of the Basket Fund by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Basket Fund. If an Emerging Markets successor index fund is selected or the calculation agent calculates a closing price by a computation methodology that the calculation agent determines will as closely as reasonably possible replicate the Basket Fund, that Emerging Markets successor index fund or closing price will be substituted for the Basket Fund (or such Emerging Markets successor index fund) for all purposes of the notes.

Upon any selection by the calculation agent of an Emerging Markets successor index fund, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If at any time, the Underlying Index or the underlying index related to an Emerging Markets successor index fund is changed in a material respect, or the Basket Fund or an Emerging Markets successor index fund in any other way is modified so that it does not, in the opinion of the calculation agent, fairly represent the price of the shares of the Basket Fund or such Emerging Markets successor index fund had those changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the MSCI Emerging Markets Final Share Price is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a closing price of an exchange traded fund comparable to the Basket Fund (or such Emerging Markets successor index fund) as if those changes or modifications had not been made, and calculate the closing price with reference to the Basket Fund (or such Emerging Markets successor index fund), as adjusted. The calculation agent may also determine that no adjustment is required by the modification of the method of calculation.

The calculation agent will be solely responsible for the method of calculating the closing price of the shares of the Basket Fund (or any Emerging Markets successor index fund) and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

The calculation agent will provide information as to the method of calculating the closing price of the shares of the Basket Fund upon written request by any investor in the notes.

## THE MSCI TAIWAN INDEX

We have derived all information regarding the MSCI Taiwan Index (“MSCI Taiwan Index”) contained in this product supplement, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, MSCI Inc. (“MSCI”). The MSCI Taiwan Index is calculated, maintained and published by MSCI. We make no representation or warranty as to the accuracy or completeness of such information.

MSCI recently announced changes to the methodology used to calculate its MSCI Standard Indices, including the MSCI Taiwan Index. The current MSCI Standard Indices are transitioning to the new Global Investable Market Indices methodology. During the transition period, MSCI will publish the MSCI Provisional Standard Indices to assist investors in understanding the changes that would occur if the Global Investable Market Indices methodology were immediately implemented in the current MSCI Standard Indices. The first phase of the transition of the MSCI Standard Indices was completed on November 30, 2007. Currently, half of the differences between the Provisional Standard and Standard Indices have been implemented. All companies in the Provisional Standard Index not in the Standard Index were added to the Standard Index at half of their free float-adjusted market capitalization, and companies previously in the Standard Index and not in the Provisional Standard had half of their free float-adjusted market capitalization removed. For additional information regarding the transition process, please see the “Supplemental Information — Transition of the MSCI EAFE<sup>®</sup> Index to a New Index Methodology” starting on page PS-82 above.

The MSCI Taiwan Index is a free float adjusted market capitalization index of securities listed on the Taiwan Stock Exchange. The MSCI Taiwan Index is reported by Bloomberg Financial Markets under the ticker symbol “TWY.”

### MSCI Taiwan Index Selection Criteria

MSCI targets an 85% free float adjusted market representation level within each industry group in Taiwan. The security selection process within each industry group is based on analysis of the following:

- Each company’s business activities and the diversification that its securities would bring to the index.
- The size of the securities based on free float adjusted market capitalization. All other things being equal, MSCI targets for inclusion the most sizable securities in an industry group. In addition, securities that do not meet the minimum size guidelines are not considered for inclusion. Though the following limits are subject to revision, as of the date of this product supplement, a security will be eligible for inclusion in the MSCI Taiwan Index if it achieves a free float adjusted market capitalization of U.S.\$450 million and will be eligible for deletion if such capitalization falls below U.S.\$225 million as of the yearly review. If, however, the free float adjusted market capitalization level falls significantly below the free float adjusted market capitalization level for deletions prior to a yearly review, for example during a quarterly review, then the security may be deleted prior to such yearly review.
- The liquidity of the securities. All other things being equal, MSCI targets for inclusion the most liquid securities in an industry group. In addition, securities that have inadequate liquidity are not considered for inclusion. MSCI does not define absolute minimum or maximum liquidity levels for stock inclusion or exclusion from the MSCI Taiwan Index but considers each stock’s relative standing within Taiwan and between cycles. A useful measure to compare liquidity within the same market is the Annualized Traded Value Ratio (“ATVR”), which screens out extreme daily trading volumes and takes into account the difference in market capitalization size. The ATVR Ratio of each security is calculated via the following 3-step process:

- First, monthly median traded values are computed using the daily median traded value, multiplied by the number of days in the month that the security traded. The daily traded value of a security is equal to the number of shares traded during the day, multiplied by the closing price of that security. The daily median traded value is the median of the daily traded values in a given month.
- Second, the monthly median traded value ratio is obtained by dividing the monthly median traded value of a security by its free float adjusted security market capitalization at the end of the month.
- Third, the ATVR is obtained by multiplying the average of the monthly median trade value ratios of the previous 12 months — or the number of months for which this data is available — by 12.

Only securities of companies with an estimated overall or security free float greater than 15% are generally considered for inclusion in the MSCI Taiwan Index.

For securities not subject to foreign ownership limitations, the free float of a security is estimated as its total number of shares outstanding less shareholdings classified as strategic and/or non-free float. For securities subject to foreign ownership limitations, the estimated free float available to foreign investors is equal to the lesser of (a) the total number of shares outstanding less shareholdings classified as strategic or non-free float and (b) foreign ownership limitation adjusted for non-free float stakes held by foreign investors.

MSCI free float adjusts the market capitalization of each security using an adjustment factor referred to as the Foreign Inclusion Factor (“FIF”). Securities not subject to foreign ownership limitations have a FIF equal to (a) the estimated free float, rounded up to the closest 5%, if the securities have a free float greater than 15% or (b) the estimated free float, rounded to the closest 1%, if the securities have a free float less than 15%. For securities subject to foreign ownership limitations, the FIF is equal to the lesser of (a) the estimated free float available to foreign investors (i) rounded up to the closest 5%, if the free float is greater than 15% or (ii) rounded to the closest 1%, if the free float is less than 15% and (b) foreign ownership limitation rounded to the closest 1%.

The free float adjusted market capitalization of a security is calculated as the product of the FIF and the security’s full market capitalization.

### **MSCI Taiwan Index Calculation**

The MSCI Taiwan Index is computed generally by multiplying the previous day’s index level by the free float adjusted market capitalization level of each share in the MSCI Taiwan Index on the prior day divided by the free float adjusted market capitalization level of each share in the MSCI Taiwan Index on the current day. The numerator is adjusted market capitalization, but the denominator is unadjusted, meaning that the price adjustment factor is applied to the numerator, but not to the denominator.

### **MSCI Taiwan Index Maintenance**

There are three broad categories of MSCI Taiwan Index maintenance:

- An annual full country index review that reassesses the various dimensions of the equity universe in Taiwan;
- Quarterly index reviews, aimed at promptly reflecting other significant market events; and
- Ongoing event-related changes, such as mergers and acquisitions, which are generally implemented in the index rapidly as they occur.



During the annual review, additions or deletions of securities are made (i) following the re-appraisal of the free float adjusted industry group representation within a country relative to an 85% target, (ii) following an update of the minimum size guidelines for additions and deletions and (iii) based on a company's and/or security's free float of less than 15% that has decreased in size in terms of free float adjusted market capitalization due to reduction in free float or due to performance and that no longer meet certain criteria.

During a quarterly index review, securities may be added to or deleted from the MSCI Taiwan Index for a variety of reasons, including the following:

- Additions or deletions of securities, due to one or more industry groups having become significantly over- or under-represented as a result of mergers, acquisitions, restructuring and other major market events affecting that industry group.
- Additions or deletions resulting from changes in industry classification, significant increases or decreases in free float and relaxation/removal or decreases of foreign ownership limits not implemented immediately.
- Additions of large companies that did not meet the minimum size criterion for early inclusion at the time of their initial public offering or secondary offering.
- Replacement of companies which are no longer suitable industry representatives.
- Deletion of securities whose issuing company and/or security free float has fallen to less than 15% and which do not meet certain criteria.
- Deletion of securities that have become very small or illiquid.
- Replacement of securities (additions or deletions) resulting from the review of price source for constituents with both domestic and foreign board quotations.

#### **License Agreement with MSCI Inc. for the MSCI Taiwan Index**

We have entered into an agreement with MSCI Inc. ("MSCI") providing us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the MSCI Taiwan Index, which is owned and published by MSCI, in connection with certain securities, including the notes.

The notes are not sponsored, endorsed, sold or promoted by MSCI. Neither MSCI nor any other party makes any representation or warranty, express or implied to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly, or the ability of the MSCI Taiwan Index to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of MSCI Taiwan Index which index is determined, composed and calculated by MSCI without regard to the issuer of these notes. MSCI has no obligation to take the needs of the issuer of these notes or the owners of these notes into consideration in determining, composing or calculating the MSCI Taiwan Index. MSCI is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the notes to be issued or in the determination or calculation of the equation by which the notes are to be converted into cash. Neither MSCI nor any other party has an obligation or liability to owners of these notes in connection with the administration, marketing or trading of the notes.

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#### **Discontinuation of the MSCl Taiwan Index; Alteration of Method of Calculation**

If MSCl discontinues publication of the MSCl Taiwan Index and MSCl or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued MSCl Taiwan Index (such index being referred to herein as a "MSCl Taiwan successor index"), then the closing level for the MSCl Taiwan Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing for the MSCl Taiwan Index is to be determined will be determined by reference to the level of such MSCl Taiwan successor index at the close of trading on the relevant exchange or market for the MSCl Taiwan successor index on such day.

Upon any selection by the calculation agent of a MSCl Taiwan successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If MSCl discontinues publication of the MSCl Taiwan Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the MSCl Taiwan Index is to be determined, and the calculation agent determines, in its sole discretion, that no MSCl Taiwan successor index is available at such time, or the calculation agent has previously selected a MSCl Taiwan successor index and publication of such MSCl Taiwan successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the MSCl Taiwan Index for such date. The closing level for the MSCl Taiwan Index will be computed by the calculation agent in accordance with the formula for and method of calculating the MSCl Taiwan Index or MSCl Taiwan successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the MSCl Taiwan Index or MSCl Taiwan successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the MSCl Taiwan Index or MSCl Taiwan successor index, as applicable, may adversely affect the value of the notes.

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

(e.g., due to a split in the MSCI Taiwan Index), then the calculation agent will adjust its calculation of the MSCI Taiwan Index or such MSCI Taiwan successor index in order to arrive at a level of the MSCI Taiwan Index or such MSCI Taiwan successor index as if there had been no such modification (e.g., as if such split had not occurred).

## THE MSCI SINGAPORE INDEX

We have derived all information contained in this product supplement regarding the MSCI Singapore Index (“MSCI Singapore Index”), including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, the MSCI Inc. (“MSCI”). The MSCI Singapore Index is calculated, maintained and published by MSCI. We make no representation or warranty as to the accuracy or completeness of such information.

MSCI recently announced changes to the methodology used to calculate its MSCI Standard Indices, including the MSCI Singapore. The current MSCI Standard Indices are transitioning to the new Global Investable Market Indices methodology. During the transition period, MSCI will publish the MSCI Provisional Standard Indices to assist investors in understanding the changes that would occur if the Global Investable Market Indices methodology were immediately implemented in the current MSCI Standard Indices. The first phase of the transition of the MSCI Standard Indices was completed on November 30, 2007. Currently, half of the differences between the Provisional Standard and Standard Indices have been implemented. All companies in the Provisional Standard Index not in the Standard Index were added to the Standard Index at half of their free float-adjusted market capitalization, and companies previously in the Standard Index and not in the Provisional Standard had half of their free float-adjusted market capitalization removed. For additional information regarding the transition process, please see the “Supplemental Information — Transition of the MSCI EAFE<sup>®</sup> Index to a New Index Methodology” starting on page PS-82 above.

The MSCI Singapore Index is reported by Bloomberg Financial Markets under the ticker symbol “SGY.”

### MSCI Singapore Index Selection Criteria

MSCI targets an 85% free float adjusted market representation level within each industry group in Singapore. The security selection process within each industry group is based on analysis of the following:

- Each company’s business activities and the diversification that its securities would bring to the index.
- The size of the securities based on free float adjusted market capitalization. All other things being equal, MSCI targets for inclusion the most sizable securities in an industry group. In addition, securities that do not meet the minimum size guidelines are not considered for inclusion. Though the following limits are subject to revision, as of the date of this product supplement, a security will be eligible for inclusion in the MSCI Singapore Index if it achieves a free float adjusted market capitalization of U.S.\$250 million and will be eligible for deletion if such capitalization falls below U.S.\$125 million as of the yearly review. If, however, the free float adjusted market capitalization level falls significantly below the free float adjusted market capitalization level for deletions prior to a yearly review, for example during a quarterly review, then the security may be deleted prior to such yearly review.
- The liquidity of the securities. All other things being equal, MSCI targets for inclusion the most liquid securities in an industry group. In addition, securities that have inadequate liquidity are not considered for inclusion. MSCI does not define absolute minimum or maximum liquidity levels for stock inclusion or exclusion from the MSCI Singapore Index but considers each stock’s relative standing within Singapore and between cycles. A useful measure to compare liquidity within the same market is the Annualized Traded Value Ratio (“ATVR”), which screens out extreme daily trading volumes and takes into account the difference in market capitalization size. The ATVR Ratio of each security is calculated via the following 3-step process:

- First, monthly median traded values are computed using the daily median traded value, multiplied by the number of days in the month that the security traded. The daily traded value of a security is equal to the number of shares traded during the day, multiplied by the closing price of that security. The daily median traded value is the median of the daily traded values in a given month.
- Second, the monthly median traded value ratio is obtained by dividing the monthly median traded value of a security by its free float adjusted security market capitalization at the end of the month.
- Third, the ATVR is obtained by multiplying the average of the monthly median trade value ratios of the previous 12 months—or the number of months for which this data is available—by 12.

Only securities of companies with an estimated overall or security free float greater than 15% are generally considered for inclusion in the MSCI Singapore Index.

For securities not subject to foreign ownership limitations, the free float of a security is estimated as its total number of shares outstanding less shareholdings classified as strategic and/or non-free float. For securities subject to foreign ownership limitations, the estimated free float available to foreign investors is equal to the lesser of (a) the total number of shares outstanding less shareholdings classified as strategic or non-free float and (b) foreign ownership limitation adjusted for non-free float stakes held by foreign investors.

MSCI free float adjusts the market capitalization of each security using an adjustment factor referred to as the Foreign Inclusion Factor (“FIF”). Securities not subject to foreign ownership limitations have a FIF equal to (a) the estimated free float, rounded up to the closest 5%, if the securities have a free float greater than 15% or (b) the estimated free float, rounded to the closest 1%, if the securities have a free float less than 15%. For securities subject to foreign ownership limitations, the FIF is equal to the lesser of (a) the estimated free float available to foreign investors (i) rounded up to the closest 5%, if the free float is greater than 15% or (ii) rounded to the closest 1%, if the free float is less than 15% and (b) foreign ownership limitation rounded to the closest 1%.

The free float adjusted market capitalization of a security is calculated as the product of the FIF and the security’s full market capitalization.

### **MSCI Singapore Index Calculation**

The MSCI Singapore Index is computed generally by multiplying the previous day’s index level by the free float adjusted market capitalization level of each share in the MSCI Singapore Index on the prior day divided by the free float adjusted market capitalization level of each share in the MSCI Singapore Index on the current day. The numerator is adjusted market capitalization, but the denominator is unadjusted, meaning that the price adjustment factor is applied to the numerator, but not to the denominator.

### **MSCI Singapore Index Maintenance**

There are three broad categories of MSCI Singapore Index maintenance:

- An annual full country index review that reassesses the various dimensions of the equity universe in Singapore;
- Quarterly index reviews, aimed at promptly reflecting other significant market events; and
- Ongoing event-related changes, such as mergers and acquisitions, which are generally implemented in the index rapidly as they occur.

During the annual review, additions or deletions of securities are made (i) following the re-appraisal of the free float adjusted industry group representation within a country relative to an 85% target, (ii) following an update of the minimum size guidelines for additions and deletions and (iii) based on a company's and/or security's free float of less than 15% that has decreased in size in terms of free float adjusted market capitalization due to reduction in free float or due to performance and that no longer meet certain criteria.

During a quarterly index review, securities may be added to or deleted from the MSCI Singapore Index for a variety of reasons, including the following:

- Additions or deletions of securities, due to one or more industry groups having become significantly over- or under-represented as a result of mergers, acquisitions, restructuring and other major market events affecting that industry group.
- Additions or deletions resulting from changes in industry classification, significant increases or decreases in free float and relaxation/removal or decreases of foreign ownership limits not implemented immediately.
- Additions of large companies that did not meet the minimum size criterion for early inclusion at the time of their initial public offering or secondary offering.
- Replacement of companies which are no longer suitable industry representatives.
- Deletion of securities whose issuing company and/or security free float has fallen to less than 15% and which do not meet certain criteria.
- Deletion of securities that have become very small or illiquid.
- Replacement of securities (additions or deletions) resulting from the review of price source for constituents with both domestic and foreign board quotations.

#### **License Agreement with MSCI Inc. for the MSCI Singapore Index**

We have entered into an agreement with MSCI Inc. ("MSCI") providing us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the MSCI Singapore Index, which is owned and published by MSCI, in connection with certain securities, including the notes.

The notes are not sponsored, endorsed, sold or promoted by MSCI. Neither MSCI nor any other party makes any representation or warranty, express or implied to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly, or the ability of the MSCI Singapore Index to track general stock market performance. MSCI is the licensor of certain trademarks, service marks and trade names of MSCI and of MSCI Singapore Index which index is determined, composed and calculated by MSCI without regard to the issuer of these notes. MSCI has no obligation to take the needs of the issuer of these notes or the owners of these notes into consideration in determining, composing or calculating the MSCI Singapore Index. MSCI is not responsible for and has not participated in the determination of the timing of, prices at, or quantities of the notes to be issued or in the determination or calculation of the equation by which the notes are to be converted into cash. Neither MSCI nor any other party has an obligation or liability to owners of these notes in connection with the administration, marketing or trading of the notes.

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### **Discontinuation of the MSCl Singapore Index; Alteration of Method of Calculation**

If MSCl discontinues publication of the MSCl Singapore Index and MSCl or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued MSCl Singapore Index (such index being referred to herein as a "MSCl Singapore successor index"), then the closing level for the MSCl Singapore Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the MSCl Singapore Index is to be determined will be determined by reference to the level of such MSCl Singapore successor index at the close of trading on the relevant exchange or market for the MSCl Singapore successor index on such day.

Upon any selection by the calculation agent of a MSCl Singapore successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If MSCl discontinues publication of the MSCl Singapore Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the MSCl Singapore Index is to be determined, and the calculation agent determines, in its sole discretion, that no MSCl Singapore successor index is available at such time, or the calculation agent has previously selected a MSCl Singapore successor index and publication of such MSCl Singapore successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the MSCl Singapore Index for such date. The closing level for the MSCl Singapore Index will be computed by the calculation agent in accordance with the formula for and method of calculating the MSCl Singapore Index or MSCl Singapore successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the MSCl Singapore Index or MSCl Singapore successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the MSCl Singapore Index MSCl Singapore successor index, as applicable, may adversely affect the value of the notes.

If at any time the method of calculating the MSCl Singapore Index or a MSCl Singapore successor index, or the level thereof, is changed in a material respect, or if the MSCl Singapore Index or a MSCl Singapore successor index is in any other way modified so that the MSCl Singapore Index or such MSCl Singapore successor index does not, in the opinion of the calculation agent, fairly represent the level of the MSCl Singapore Index or such MSCl Singapore successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the MSCl Singapore Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the MSCl Singapore Index or such MSCl Singapore successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the MSCl Singapore Index with reference to the MSCl Singapore Index or such MSCl Singapore successor index, as adjusted. Accordingly, if the method of calculating the MSCl Singapore Index or a MSCl Singapore successor index is modified so that the level of the MSCl Singapore Index or such MSCl Singapore successor index is a fraction of what it would have been if there

had been no such modification (*e.g.*, due to a split in the MSCI Singapore Index), then the calculation agent will adjust its calculation of the MSCI Singapore Index or such MSCI Singapore successor index in order to arrive at a level of the MSCI Singapore Index or such MSCI Singapore successor index as if there had been no such modification (*e.g.*, as if such split had not occurred).



## THE NIKKEI 225 INDEX

We have derived all information regarding the Nikkei 225 Index contained in this product supplement, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by Nikkei Inc. Nikkei Inc. has no obligation to continue to publish, and may discontinue publication of, the Nikkei 225 Index.

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

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

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

The Nikkei 225 Index is a modified, price-weighted index (*i.e.*, an Nikkei Underlying Stock’s weight in the index is based on its price per share rather than the total market capitalization of the issuer) which is calculated by (i) multiplying the per share price of each Nikkei Underlying Stock by the corresponding weighting factor for such Nikkei Underlying Stock (a “Weight Factor”), (ii) calculating the sum of all these products and (iii) dividing such sum by a divisor (the “Divisor”). The Divisor was initially set at 225 for the date of May 16, 1949 using historical numbers from May 16, 1949, the date on which the TSE was reopened. The Divisor was 24.211 as of March 26, 2008 and is subject to periodic adjustments as set forth below. Each Weight Factor is computed by dividing ¥50 by the par value of the relevant Nikkei Underlying Stock, so that the share price of each Nikkei Underlying Stock when multiplied by its Weight Factor corresponds to a share price based on a uniform par value of ¥50. The stock prices used in the calculation of the Nikkei 225 Index are those reported by a primary market for the Nikkei Underlying Stocks (currently the TSE). The level of the Nikkei 225 Index is calculated once per minute during TSE trading hours.

In order to maintain continuity in the Nikkei 225 Index in the event of certain changes due to non-market factors affecting the Nikkei Underlying Stocks, such as the addition or deletion of stocks, substitution of stocks, stock splits or distributions of assets to stockholders, the Divisor used in calculating the Nikkei 225 Index is adjusted in a manner designed to prevent any instantaneous change or discontinuity in the level of the Nikkei 225 Index. Thereafter, the Divisor remains at the new value until a further adjustment is necessary as the result of another change. As a result of such change affecting any Nikkei Underlying Stock, the Divisor is adjusted in such a way that the sum of all share prices immediately after such change multiplied by the applicable Weight Factor and divided by the new Divisor (*i.e.*, the

level of the Nikkei 225 Index immediately after such change) will equal the level of the Nikkei 225 Index immediately prior to the change.

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

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

#### **License Agreement with Nikkei Inc. and Disclaimers**

We expect to enter into an agreement with Nikkei Inc. that would provide us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the Nikkei 225 Index, which is owned and published by Nikkei Inc., in connection with certain securities.

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

The Nikkei 225 Index is an intellectual property of Nikkei Inc. Nikkei Inc. was formerly known as Nihon Keizai Shimbun, Inc. The name was changed on January 1, 2007. “Nikkei,” “Nikkei 225” and “Nikkei Stock Average” are the service marks of Nikkei Inc. Nikkei Inc. reserves all the rights, including copyright, to the index. Nikkei Digital Media, Inc., a wholly-owned subsidiary of Nikkei Inc., calculates and disseminates the Nikkei 225 Index under exclusive agreement with Nikkei Inc. Nikkei Inc. and Nikkei Digital Media Inc. are collectively referred to as the “Nikkei 225 Index Sponsor.”

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In addition, the Nikkei 225 Index Sponsor gives no assurance regarding any modification or change in any methodology used in calculating the Nikkei 225 Index and is under no obligation to continue the calculation, publication and dissemination of the Nikkei 225 Index.

#### **Discontinuation of the Nikkei 225 Index; Alteration of Method of Calculation**

If Nikkei Inc. discontinues publication of the Nikkei 225 Index and Nikkei Inc. or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Nikkei 225 Index (such index being referred to herein as a “Nikkei successor index”), then the closing level for the Nikkei 225 Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the Nikkei 225 Index is to be determined will be determined by reference to the level of such Nikkei successor index at

the close of trading on the TSE (2<sup>nd</sup> session) or the relevant exchange or market for the Nikkei successor index on such day.

Upon any selection by the calculation agent of a Nikkei successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If Nikkei Inc. discontinues publication of the Nikkei 225 Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the Nikkei 225 Index is to be determined, and the calculation agent determines, in its sole discretion, that no Nikkei successor index is available at such time, or the calculation agent has previously selected a Nikkei successor index and publication of such Nikkei successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date or dates, then the calculation agent will determine the closing level for the Nikkei 225 Index for such date. The closing level for the Nikkei 225 Index will be computed by the calculation agent in accordance with the formula for and method of calculating the Nikkei 225 Index or Nikkei successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the Nikkei 225 Index or Nikkei successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Nikkei 225 Index may adversely affect the value of the notes.

If at any time the method of calculating the Nikkei 225 Index or a Nikkei successor index, or the level thereof, is changed in a material respect, or if the Nikkei 225 Index or a Nikkei successor index is in any other way modified so that the Nikkei 225 Index or such Nikkei successor index does not, in the opinion of the calculation agent, fairly represent the level of the Nikkei 225 Index or such Nikkei successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the Nikkei 225 Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Nikkei 225 Index or such Nikkei successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the Nikkei 225 Index with reference to the Nikkei 225 Index or such Nikkei successor index, as adjusted. Accordingly, if the method of calculating the Nikkei 225 Index or a Nikkei successor index is modified so that the level of the Nikkei 225 Index or such Nikkei successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Nikkei 225 Index), then the calculation agent will adjust its calculation of the Nikkei 225 Index or such Nikkei successor index in order to arrive at a level of the Nikkei 225 Index or such Nikkei successor index as if there had been no such modification (e.g., as if such split had not occurred).

### **The Tokyo Stock Exchange**

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

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

The TSE has adopted certain measures, including daily price floors and ceilings on individual stocks, intended to prevent any extreme short-term price fluctuations resulting from order imbalances. In general, any stock listed on the TSE cannot be traded at a price lower than the applicable price floor or higher than the applicable price ceiling. These price floors and ceilings are expressed in absolute Japanese yen, rather than percentage limits based on the closing price of the stock on the previous trading day. In addition, when there is a major order imbalance in a listed stock, the TSE posts a "special

bid quote” or a “special asked quote” for that stock at a specified higher or lower price level than the stock’s last sale price in order to solicit counter-orders and balance supply and demand for the stock. Prospective investors should also be aware that the TSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, including, for example, unusual trading activity in that stock. As a result, changes in the Nikkei 225 Index may be limited by price limitations or special quotes, or by suspension of trading, on individual stocks that make up the Nikkei 225 Index, and these limitations, in turn, may adversely affect the value of the notes.

## THE RUSSELL 2000<sup>®</sup> INDEX

We have derived all information contained in this product supplement regarding the Russell 2000<sup>®</sup> Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Frank Russell Company ("Frank Russell"). The Russell 2000<sup>®</sup> Index was developed by Frank Russell and is calculated, maintained and published by Frank Russell. We make no representation or warranty as to the accuracy or completeness of such information.

The Russell 2000<sup>®</sup> Index is an index calculated, published and disseminated by Frank Russell, and measures the capitalization-weighted price performance of the stocks included in the Russell 2000<sup>®</sup> Index (the "Russell 2000 Component Stocks"). All stocks included in the Russell 2000<sup>®</sup> Index are traded on the NYSE, the AMEX or The NASDAQ Stock Market and are the middle 2,000 of the securities that form the Russell 3000E<sup>™</sup> Index. The Russell 3000E<sup>™</sup> Index is composed of the 4,000 largest U.S. companies as determined by market capitalization and represents approximately 99% of the U.S. equity market.

The Russell 2000<sup>®</sup> Index consists of the middle 2,000 companies included in the Russell 3000E<sup>™</sup> Index. The Russell 2000<sup>®</sup> Index is designed to track the performance of the small capitalization segment of the U.S. equity market.

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

U.S.-incorporated companies are eligible for inclusion in the Russell 3000E<sup>™</sup> Index and, consequently, the Russell 2000<sup>®</sup> Index. Beginning May 31, 2007, companies incorporated in the following countries/regions are also reviewed for eligibility: the Bahamas, Belize, Bermuda, the British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Netherlands Antilles and Panama. However, not all companies incorporated in these regions are eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 2000<sup>®</sup> Index. Companies incorporated in these regions are specifically considered eligible for the Russell 2000<sup>®</sup> Index, only if the company meets one of the following criteria: (i) the company headquarters are in the U.S. or (ii) the company headquarters are also in the designated region/country, and the primary exchange for local shares is in the United States. ADRs are not eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 2000<sup>®</sup> Index.

The following securities are specifically excluded from the Russell 2000<sup>®</sup> Index: (i) stocks that are not traded on a major U.S. exchange; (ii) preferred stock, convertible preferred stock, redeemable shares, participating preferred stock, warrants and rights; and (iii) trust receipts, royalty trusts, limited liability companies, OTC Bulletin Board companies, pink sheets, over-the-counter traded securities, closed-end investment companies and limited partnerships. In addition, Berkshire Hathaway is excluded as a special exception.

The primary criteria used to determine the initial list of securities eligible for the Russell 3000E<sup>™</sup> Index is total market capitalization, which is defined as the price of the shares times the total number of available shares. All common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary trading vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (e.g., tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above \$1.00 on May 31<sup>st</sup> of each year to be eligible for inclusion in the Russell 2000<sup>®</sup> Index. However, if a stock falls below \$1.00 intra-year, it will not be removed until the next reconstitution if it is still trading below \$1.00.

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

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

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

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

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

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

- “No Replacement” Rule – Securities that leave the Russell 2000<sup>®</sup> Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 2000<sup>®</sup> Index over a year will fluctuate according to corporate activity.

- Rules for Deletions – When a stock is acquired, delisted or moves to the pink sheets or bulletin boards on the floor of a U.S. securities exchange, the stock is deleted from the Russell 2000® Index at the market close on the effective date or when the stock is no longer trading on the exchange if the corporate action is considered to be final prior to 2:00 p.m. Eastern Standard Time, or the following day if the corporate action is considered to be final after 2:00 p.m. Eastern Standard Time. Companies that file for a Chapter 7 liquidation bankruptcy will be removed from the Russell 2000® Index at the time of the bankruptcy filing; whereas, companies filing for a Chapter 11 reorganization bankruptcy will remain a member of the Russell 2000® Index, unless the company is de-listed from the primary exchange, in which case normal de-listing rules apply. Members of the Russell 2000® Index that are re-incorporated in another country are deleted when the re-incorporation is final.
- Rules for Additions – The only additions between reconstitution dates are as a result of spin-offs and initial public offerings. Spin-off companies are added to the parent company's index and capitalization tier of membership, *if* the spin-off company is sufficiently large. To be eligible, the spun-off company's total market capitalization must be greater than the market-adjusted total market capitalization of the smallest security in the Russell 3000E™ Index at the latest reconstitution. If a U.S. spin-off occurs from a Russell Global ex-U.S. Index member, the spun-off company will be placed in the parent's index and capitalization tier of the Russell Global Index.
- Merger and Acquisition – When mergers or acquisitions occur, changes to the membership and weighting of members within the Russell 2000® Index occur. In the event a merger or acquisition occurs between members of the Russell 2000® Index, the acquired company is deleted and its market capitalization moves to the acquiring stock according to the terms of the merger, hence, mergers have no effect on the Russell 2000® Index total capitalization. Shares are updated for the acquiring stock at the time the transaction is final. If the acquiring company is a member of the Russell 2000® Index, but the acquired company is not, the shares for the acquiring stock are adjusted at month-end. If the acquiring company is not a member of any of the Russell Indexes, there are two possibilities:
  - Reverse Merger – If the acquiring company is a private, non-publicly traded company or OTC company, Frank Russell will review the action to determine if it is considered a reverse merger, defined as a transaction that results in a publicly traded company that meets all requirements for inclusion in a Russell Index. If it is determined that an action is a reverse merger, the newly formed entity will be placed in the appropriate market capitalization index after the close of the day following the completion of the merger. The acquired company will be removed from the current index simultaneously.
  - Standard Action – The acquired company is deleted after the action is final.
- De-listed Stocks – When stocks from the Russell 2000® Index are deleted as a result of exchange de-listing or reconstitution, the price used will be the closing primary exchange price on the day of deletion, or the following day using the closing OTC bulletin board price. However, there may be corporate events, such as mergers or acquisitions, that result in the lack of current market price for the deleted security and in such an instance the latest primary exchange closing price available will be used.
- Rule for Re-Classification and Re-Incorporation – For re-classification of shares, adjustments will be made at the open of the ex-date using previous day closing prices. For re-incorporations, deleted entities will be removed either after the close of the current day using the last traded price, if the re-incorporation achieves final status prior to 2:00 p.m. Eastern Standard Time, or after the close of the following day at the

last traded price, if the re-incorporation achieves final status after 2:00 p.m. Eastern Standard Time.

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

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

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#### **Discontinuation of the Russell 2000® Index; Alteration of Method of Calculation**

If Frank Russell discontinues publication of the Russell 2000® Index, and Frank Russell or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued Russell 2000® Index (such index being referred to herein as a "Russell 2000 successor index"), then the closing level for the Russell 2000® Index on any relevant



Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the Russell 2000<sup>®</sup> Index is to be determined will be determined by reference to the level of such Russell 2000 successor index at the close of trading on NYSE, AMEX, The NASDAQ Stock Market or the relevant exchange or market for the Russell 2000 successor index on such day.

Upon any selection by the calculation agent of a Russell 2000 successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If Frank Russell discontinues publication of the Russell 2000<sup>®</sup> Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the Russell 2000<sup>®</sup> Index is to be determined, and the calculation agent determines, in its sole discretion, that no Russell 2000 successor index is available at such time, or the calculation agent has previously selected a Russell 2000 successor index and publication of such Russell 2000 successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the Russell 2000<sup>®</sup> Index for such date. The closing level for the Russell 2000<sup>®</sup> Index will be computed by the calculation agent in accordance with the formula for and method of calculating the Russell 2000<sup>®</sup> Index or Russell 2000 successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the Russell 2000<sup>®</sup> Index or Russell 2000 successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Russell 2000<sup>®</sup> Index or Russell 2000 successor index, as applicable, may adversely affect the value of the notes.

If at any time the method of calculating the Russell 2000<sup>®</sup> Index or a Russell 2000 successor index, or the level thereof, is changed in a material respect, or if the Russell 2000<sup>®</sup> Index or a Russell 2000 successor index is in any other way modified so that the Russell 2000<sup>®</sup> Index or such Russell 2000 successor index does not, in the opinion of the calculation agent, fairly represent the level of the Russell 2000<sup>®</sup> Index or such Russell 2000 successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the Index Closing Level for the Russell 2000<sup>®</sup> Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Russell 2000<sup>®</sup> Index or such Russell 2000 successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the Russell 2000<sup>®</sup> Index with reference to the Russell 2000<sup>®</sup> Index or such Russell 2000 successor index, as adjusted. Accordingly, if the method of calculating the Russell 2000<sup>®</sup> Index or a Russell 2000 successor index is modified so that the level of the Russell 2000<sup>®</sup> Index or such Russell 2000 successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Russell 2000<sup>®</sup> Index), then the calculation agent will adjust its calculation of the Russell 2000<sup>®</sup> Index or such Russell 2000 successor index in order to arrive at a level of the Russell 2000<sup>®</sup> Index or such Russell 2000 successor index as if there had been no such modification (e.g., as if such split had not occurred).

## THE RUSSELL 3000<sup>®</sup> INDEX

We have derived all information contained in this product supplement regarding the Russell 3000<sup>®</sup> Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Frank Russell. The Russell 3000<sup>®</sup> Index was developed by Frank Russell and is calculated, maintained and published by Frank Russell. We make no representation or warranty as to the accuracy or completeness of such information.

The Russell 3000<sup>®</sup> Index is an index calculated, published and disseminated by Frank Russell, and measures the capitalization-weighted price performance of the stocks included in the Russell 3000<sup>®</sup> Index (the "Russell 3000 Component Stocks") All stocks included in the Russell 3000<sup>®</sup> Index are traded on the NYSE, the AMEX or The NASDAQ Stock Market. The stocks included in the Russell 3000<sup>®</sup> Index are 3,000 of the largest securities that form the Russell 3000E<sup>™</sup> Index. The Russell 3000E<sup>™</sup> Index is composed of the 4,000 largest U.S. companies as determined by market capitalization and represents approximately 99% of the U.S. equity market.

The Russell 3000<sup>®</sup> Index consists of the 3,000 stocks included in the Russell 1000<sup>®</sup> Index and the Russell 2000<sup>®</sup> Index, which are subsets of the Russell 3000E<sup>™</sup> Index, and represents approximately 98% of the U.S. equity market. The Russell 3000<sup>®</sup> Index is designed to represent the broad U.S. equity market.

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

U.S.-incorporated companies are eligible for inclusion in the Russell 3000E<sup>™</sup> Index and, consequently, the Russell 3000<sup>®</sup> Index. Beginning May 31, 2007, companies incorporated in the following countries/regions are also reviewed for eligibility: the Bahamas, Belize, Bermuda, the British Virgin Islands, Cayman Islands, Channel Islands, Cook Islands, Gibraltar, Isle of Man, Liberia, Marshall Islands, Netherlands Antilles and Panama. However, not all companies incorporated in these regions are eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 3000<sup>®</sup> Index. Companies incorporated in these regions are specifically considered eligible for the Russell 3000<sup>®</sup> Index only if the company meets one of the following criteria: (i) the company headquarters are in the U.S. or (ii) the company headquarters are also in the designated region/country, and the primary exchange for local shares is in the United States. ADRs are not eligible for inclusion in the Russell 3000E<sup>™</sup> Index, and, consequently, the Russell 3000<sup>®</sup> Index.

The following securities are specifically excluded from the Russell 3000<sup>®</sup> Index: (i) stocks that are not traded on a major U.S. exchange; (ii) preferred stock, convertible preferred stock, redeemable shares, participating preferred stock, warrants and rights; and (iii) trust receipts, royalty trusts, limited liability companies, OTC Bulletin Board companies, pink sheets, over-the-counter traded securities, closed-end investment companies and limited partnerships. In addition, Berkshire Hathaway is excluded as a special exception.

The primary criteria used to determine the initial list of securities eligible for the Russell 3000E<sup>™</sup> Index is total market capitalization, which is defined as the price of the shares times the total number of available shares. All common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary trading vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (e.g., tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above \$1.00 on May 31 of each year to be eligible for inclusion in the Russell 3000<sup>®</sup> Index. However, if a stock falls below \$1.00 intra-year, it will not be removed until the next reconstitution if it is still trading below \$1.00.

The Russell 3000<sup>®</sup> Index is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on total market capitalization as of May 31, with the actual reconstitution effective on the first trading day following the final Friday of June each year, except that if the last Friday of June of any year is the 28<sup>th</sup>, 29<sup>th</sup> or 30<sup>th</sup>, reconstitution will occur on the preceding Friday. Changes in the constituents are pre-announced and subject to change if any corporate activity occurs or if any new information is received prior to release.

*Capitalization Adjustments.* As a capitalization-weighted index, the Russell 3000<sup>®</sup> Index reflects changes in the capitalization, or market value, of the Russell 3000 Component Stocks relative to the capitalization on a base date. The current Russell 3000<sup>®</sup> Index value is calculated by adding the market values of the Russell 3000 Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 3,000 stocks. The total market capitalization is then divided by a divisor, which represents the “adjusted” capitalization of the Russell 3000<sup>®</sup> Index on the base date of December 31, 1986. To calculate the Russell 3000<sup>®</sup> Index, last sale prices will be used for exchange-traded and NASDAQ stocks. If a Russell 3000 Component Stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 3000<sup>®</sup> Index. In order to provide continuity for the Russell 3000<sup>®</sup> Index’s value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 3000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

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

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

- ESOP or LESOP shares – corporations that have Employee Stock Ownership Plans that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – corporate cross-ownership occurs when shares of a company in the Russell 3000<sup>®</sup> Index are held by another member of a Russell index (including Russell Global Indexes). Any percentage held in this class will be adjusted;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the Russell 3000<sup>®</sup> Index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies not in the Russell 3000<sup>®</sup> Index, partnerships, insurance companies not in the Russell 3000<sup>®</sup> Index, mutual funds, banks not in the Russell 3000<sup>®</sup> Index or venture capital funds;
- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange; and
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the Russell 3000<sup>®</sup> Index.

*Corporate Actions Affecting the Russell 3000<sup>®</sup> Index.* The following summarizes the types of Russell 3000<sup>®</sup> Index maintenance adjustments and indicates whether or not a Russell 3000<sup>®</sup> Index adjustment is required.

- “No Replacement” Rule – Securities that leave the Russell 3000<sup>®</sup> Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 3000<sup>®</sup> Index over a year will fluctuate according to corporate activity.

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

last traded price, if the re-incorporation achieves final status after 2:00 p.m. Eastern Standard Time.

*Updates to Share Capital Affecting the Russell 3000® Index.* Each month, the Russell 3000® Index is updated for changes to shares outstanding as companies report changes in share capital to the SEC. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% are reflected in the Russell 3000® Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

*Pricing of Securities Included in the Russell 3000® Index.* Effective on January 1, 2002, primary exchange closing prices are used in the daily Russell 3000® Index calculations. FT Interactive data is used as the primary source for U.S. security prices, income, and total shares outstanding. Prior to January 1, 2002, composite closing prices, which are the last trade price on any U.S. exchange, were used in the daily Russell 3000® Index calculations.

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#### **Discontinuation of the Russell 3000® Index; Alteration of Method of Calculation**

If Frank Russell discontinues publication of the Russell 3000® Index and Frank Russell or another entity publishes a successor or substitute index that the calculation agent, determines, in its sole discretion, to be comparable to the discontinued Russell 3000® Index (such index being referred to herein

as a “Russell 3000 successor index”), then the closing level for the Russell 3000<sup>®</sup> Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the Russell 3000<sup>®</sup> Index is to be determined will be determined by reference to the level of such Russell 3000 successor index at the close of trading on NYSE, AMEX, the NASDAQ Stock Market or the relevant exchange or market for the Russell 3000 successor index on such day.

Upon any selection by the calculation agent of a Russell 3000 successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If Frank Russell discontinues publication of the Russell 3000<sup>®</sup> Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the Russell 3000<sup>®</sup> Index is to be determined, and the calculation agent determines, in its sole discretion, that no Russell 3000 successor index is available at such time, or the calculation agent has previously selected a Russell 3000 successor index and publication of such Russell 3000 successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the Russell 3000<sup>®</sup> Index for such date. The closing level for the Russell 3000<sup>®</sup> Index will be computed by the calculation agent in accordance with the formula for and method of calculating the Russell 3000<sup>®</sup> Index or Russell 3000 successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent’s good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the Russell 3000<sup>®</sup> Index or Russell 3000 successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the Russell 3000<sup>®</sup> Index or Russell 3000 successor index, as applicable, may adversely affect the value of the notes.

If at any time the method of calculating the Russell 3000<sup>®</sup> Index or a Russell 3000 successor index, or the level thereof, is changed in a material respect, or if the Russell 3000<sup>®</sup> Index or a Russell 3000 successor index is in any other way modified so that the Russell 3000<sup>®</sup> Index or such Russell 3000 successor index does not, in the opinion of the calculation agent, fairly represent the level of the Russell 3000<sup>®</sup> Index or such Russell 3000 successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the Russell 3000<sup>®</sup> Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the Russell 3000<sup>®</sup> Index or such Russell 3000 successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the Russell 3000<sup>®</sup> Index with reference to the Russell 3000<sup>®</sup> Index or such Russell 3000 successor index, as adjusted. Accordingly, if the method of calculating the Russell 3000<sup>®</sup> Index or a Russell 3000 successor index is modified so that the level of the Russell 3000<sup>®</sup> Index or such Russell 3000 successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the Russell 3000<sup>®</sup> Index), then the calculation agent will adjust its calculation of the Russell 3000<sup>®</sup> Index or such Russell 3000 successor index in order to arrive at a level of the Russell 3000<sup>®</sup> Index or such Russell 3000 successor index as if there had been no such modification (e.g., as if such split had not occurred).

## THE S&P 500<sup>®</sup> INDEX

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

The S&P 500<sup>®</sup> Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the level of the S&P 500<sup>®</sup> Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies (the "Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Historically, the "Market Value" of any Component Stock was calculated as the product of the market price per share and the number of the then-outstanding shares of such Component Stock. As discussed below, on March 21, 2005, S&P began to use a new methodology to calculate the Market Value of the Component Stocks and on September 16, 2005, S&P completed its transition to the new calculation methodology. The 500 companies are not the 500 largest companies listed on the New York Stock Exchange (the "NYSE") and not all 500 companies are listed on such exchange. S&P chooses companies for inclusion in the S&P 500<sup>®</sup> Index with the objective of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500<sup>®</sup> Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely-held and the Market Value and trading activity of the common stock of that company.

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

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

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;
- holdings by government entities, including all levels of government in the United States or foreign countries; and
- holdings by current or former officers and directors of the company, founders of the company, or family trusts of officers, directors or founders, as well as holdings of trusts, foundations, pension funds, employee stock ownership plans, or other investment vehicles associated with and controlled by the company.

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

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

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

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

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

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

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



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

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

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

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

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

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

A large part of the Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P 500® Index companies. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the S&P 500® Index are updated as required by

any changes in the number of shares outstanding. After the totals are updated, the Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P 500<sup>®</sup> Index. In addition, any changes over 5% in the current common shares outstanding for the S&P 500<sup>®</sup> Index companies are carefully reviewed on a weekly basis, and when appropriate, an immediate adjustment is made to the Index Divisor.

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### **Discontinuation of the S&P 500<sup>®</sup> Index; Alteration of Method of Calculation**

If S&P discontinues publication of the S&P 500<sup>®</sup> Index and S&P or another entity publishes a successor or substitute index that the calculation agent determines, in its sole discretion, to be comparable to the discontinued S&P 500<sup>®</sup> Index (such index being referred to herein as an “S&P successor index”), then the closing level for the S&P 500<sup>®</sup> Index on any relevant Initial Averaging Date, if applicable, Basket Valuation Date or other relevant date on which the closing level for the S&P 500<sup>®</sup> Index is to be determined will be determined by reference to the level of such S&P successor index at the close of trading on the NYSE, the AMEX, The NASDAQ Stock Market or the relevant exchange or market for the S&P successor index on such day.

Upon any selection by the calculation agent of an S&P successor index, the calculation agent will cause written notice thereof to be promptly furnished to the trustee, to us and to the holders of the notes.

If S&P discontinues publication of the S&P 500<sup>®</sup> Index prior to, and such discontinuation is continuing on, an Initial Averaging Date, if applicable, Basket Valuation Date or any other relevant date on which the closing level for the S&P 500<sup>®</sup> Index is to be determined, and the calculation agent determines, in its sole discretion, that no S&P successor index is available at such time, or the calculation agent has previously selected an S&P successor index and publication of such S&P successor index is discontinued prior to, and such discontinuation is continuing on, such Initial Averaging Date, Basket Valuation Date or other relevant date, then the calculation agent will determine the closing level for the S&P 500<sup>®</sup> Index for such date. The closing level for the S&P 500<sup>®</sup> Index will be computed by the calculation agent in accordance with the formula for and method of calculating the S&P 500<sup>®</sup> Index or S&P successor index, as applicable, last in effect prior to such discontinuation, using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation) at the close of the principal trading session on such date of each security most recently composing the S&P 500<sup>®</sup> Index or S&P successor index, as applicable. Notwithstanding these alternative arrangements, discontinuation of the publication of the S&P 500<sup>®</sup> Index may adversely affect the value of the notes.

If at any time the method of calculating the S&P 500<sup>®</sup> Index or an S&P successor index, or the level thereof, is changed in a material respect, or if the S&P 500<sup>®</sup> Index or an S&P successor index is in any other way modified so that the S&P 500<sup>®</sup> Index or such S&P successor index does not, in the opinion of the calculation agent, fairly represent the level of the S&P 500<sup>®</sup> Index or such S&P successor index had such changes or modifications not been made, then the calculation agent will, at the close of business in New York City on each date on which the closing level for the S&P 500<sup>®</sup> Index is to be determined, make such calculations and adjustments as, in the good faith judgment of the calculation agent, may be necessary in order to arrive at a level of a stock index comparable to the S&P 500<sup>®</sup> Index or such S&P successor index, as the case may be, as if such changes or modifications had not been made, and the calculation agent will calculate the closing level for the S&P 500<sup>®</sup> Index with reference to the S&P 500<sup>®</sup> Index or such S&P successor index, as adjusted. Accordingly, if the method of calculating the S&P 500<sup>®</sup> Index or an S&P successor index is modified so that the level of the S&P 500<sup>®</sup> Index or such S&P successor index is a fraction of what it would have been if there had been no such modification (e.g., due to a split in the S&P 500<sup>®</sup> Index), then the calculation agent will adjust its calculation of the S&P 500<sup>®</sup> Index or such S&P successor index in order to arrive at a level of the S&P 500<sup>®</sup> Index or such S&P successor index as if there had been no such modification (e.g., as if such split had not occurred).

## GENERAL TERMS OF NOTES

### Calculation Agent

J.P. Morgan Securities Inc. will act as the calculation agent. The calculation agent will determine, among other things, the Starting Level and Closing Level (or the Initial Share Price and the Final Share Price) for each of the Basket Components, the Starting Basket Level, the Ending Basket Level, the Basket Return, the Additional Amount, if any, we will pay you at maturity, the closing level or closing price of each Basket Component on each Initial Averaging Date, if applicable, the Share Adjustment Factor and anti-dilution adjustments, if any, related to the Basket Fund, and the Basket Closing Level on any Basket Valuation Date, including the AMEX Hong Kong Return, the AMEX Hong Kong Closing Level, the EURO STOXX Return, the EURO STOXX Closing Level, the AIG Commodity Return, the AIG Commodity Closing Level, the S&P GSCI Commodity Return, the S&P GSCI Commodity Closing Level, the FTSE 100 Return, the FTSE 100 Closing Level, the FTSE/Xinhua Return, the FTSE/Xinhua Closing Level, the KOSPI 200 Return, the KOSPI 200 Closing Level, the MSCI EAFE Return, the MSCI EAFE Closing Level, the MSCI Emerging Markets Return, the MSCI Emerging Markets Final Share Price, the MSCI Taiwan Return, the MSCI Taiwan Closing Level, the MSCI Singapore Return, the MSCI Singapore Closing Level, the Nikkei 225 Return, the Nikkei 225 Closing Level, the Russell 2000 Return, the Russell 2000 Closing Level, the Russell 3000 Return, the Russell 3000 Closing Level, the S&P 500 Return and the S&P 500 Closing Level, as well as, if applicable, whether a Knock-Out Event has occurred (for notes with a Knock-Out feature), whether the Ending Basket Level is equal to or greater than the Starting Basket Level and, if the notes bear interest, the amount of interest payable, if any, on any Interest Payment Date. In addition, the calculation agent will determine whether there has been a market disruption event or a discontinuation of any Basket Component, whether there has been a material change in the method of calculation of any of the Basket Components and, if the notes bear interest, whether a day is an interest payment date, as well as which exchange traded fund will be substituted for the Basket Fund (or successor index fund, if applicable) if the Basket Fund (or successor index fund, if applicable) is de-listed, liquidated or otherwise terminated; whether the index underlying the Basket Fund (or the index underlying a successor index fund, if applicable) has been changed in a material respect and whether the Basket Fund (or successor index fund, if applicable) has been modified so that the Basket Fund (or successor index fund, if applicable) does not, in the opinion of the calculation agent, fairly represent the price of the Basket Fund (or successor index fund, if applicable) had those modifications not been made. All determinations made by the calculation agent will be at the sole discretion of the calculation agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different calculation agent from time to time after the date of the relevant terms supplement without your consent and without notifying you.

The calculation agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity and each Interest Payment Date, if applicable, on or prior to 11:00 a.m., New York City time, on the business day preceding the maturity date and each Interest Payment Date, if applicable.

All calculations with respect to the Starting Basket Level, the Ending Basket Level, the Basket Return (including the AMEX Hong Kong Return, the EURO STOXX Return, the AIG Commodity Return, the S&P GSCI Commodity Return, the FTSE 100 Return, the FTSE/Xinhua Return, the KOSPI 200 Return, the MSCI EAFE Return, the MSCI Emerging Markets Return, the MSCI Taiwan Return, the MSCI Singapore Return, the Nikkei 225 Return, the Russell 2000 Return, the Russell 3000 Return and the S&P 500 Return) and the closing level or closing price of each Basket Component on the pricing date will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (e.g., .876545 would be rounded to .87655); all dollar amounts related to determination of the Additional Amount payable at maturity, if any, per \$1,000 principal amount note will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (e.g., .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of notes per holder will be rounded to the nearest cent, with one-half cent rounded upward.

## Market Disruption Events

Certain events may prevent the calculation agent from calculating the closing level or closing price of a Basket Component on any Initial Averaging Date, if applicable, the Basket Closing Level, Basket Valuation Date and, consequently, the Basket Return and the Additional Amount, if any, that we will pay to you at maturity of the notes. These events may include disruptions or suspensions of trading on the markets as a whole. We refer to these events individually as a “market disruption event.”

With respect to each Equity Index or any relevant successor index, a “market disruption event,” unless otherwise specified in the relevant terms supplement, means:

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

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

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

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

- the portion of the level of such Equity Index (or the relevant successor index) attributable to that security relative to
- the overall level of such Equity Index (or the relevant successor index),

in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to an Equity Index (or the relevant successor index) has occurred, unless otherwise specified in the relevant terms supplement:

- a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or market, or the primary exchange or market for trading in futures or options contracts related to such Equity Index (or the relevant successor index);
- limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80A (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80A as determined by the calculation

agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;

- a suspension of trading in futures or options contracts on such Equity Index (or the relevant successor index) by the primary securities market trading in such contracts by reason of
  - a price change exceeding limits set by such exchange or market,
  - an imbalance of orders relating to such contracts, or
  - a disparity in bid and ask quotes relating to such contracts

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

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

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

With respect to the Commodity Indices or any relevant AIG Commodity successor index or S&P GSCI Commodity successor index, a “market disruption event,” unless otherwise specified in the relevant terms supplement, means:

- the termination or suspension of, or material limitation or disruption in the trading of any exchange-traded futures contract included in such Commodity Index (or the relevant successor index); or
- the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price; or
- such Commodity Index (or the relevant successor index) is not published; or
- the settlement price is not published for any individual reference contract;

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

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

The following events will not be market disruption events, unless otherwise specified in the relevant terms supplement:

- a limitation on the hours or number of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant exchange or market; or
- a decision to permanently discontinue trading in the option or futures contracts relating to a Commodity Index (or the relevant successor index) or any Index Commodity.

“Relevant Exchange” means, with respect to each Commodity Index or the relevant successor index, any organized exchange or market of trading for any futures contract (or any combination thereof) then included in such Commodity Index or such successor index, as applicable.

With respect to the Basket Fund, a “market disruption event,” unless otherwise specified in the relevant terms supplement, means:

- the occurrence or existence of a suspension, absence or material limitation of trading of the shares of the Basket Fund (or such Emerging Markets successor index fund or such other security) on the primary market for such shares (or such Emerging Markets successor index fund or such other security) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session in such market;
- a breakdown or failure in the price and trade reporting systems of the primary market for the shares of the Basket Fund (or such Emerging Markets successor index fund or such other security) as a result of which the reported trading prices for such shares (or such Emerging Markets successor index fund or such other security) during the last one-half hour preceding the close of the principal trading session in such market are materially inaccurate; or
- the occurrence or existence of a suspension, absence or material limitation of trading on the primary market for trading in futures or options contracts related to the shares of the Basket Fund (or such Emerging Markets successor index fund or such other security), if available, during the one-half hour period preceding the close of the principal trading session in the applicable market,

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

- the occurrence or existence of a suspension, absence or material limitation of trading of equity securities then constituting 20 percent or more of the level of the Underlying Index (or the underlying index related to the Emerging Markets successor index fund) on the Relevant Exchanges for such securities for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on such Relevant Exchange, in each case as determined by the calculation agent in its sole discretion; or
- the occurrence or existence of a suspension, absence or material limitation of trading on any major U.S. securities market for trading in futures or options contracts related to the Underlying Index (or the underlying index related to the Emerging Markets successor index fund) or shares of the Basket Fund (or such Emerging Markets successor index fund or such other security) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on such market, in each case as determined by the calculation agent in its sole discretion; and

in each case, a determination by the calculation agent in its sole discretion that any event described in the clauses above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the notes.

For the purpose of determining whether a market disruption event with respect to the Basket Fund exists at any time, if trading in a security included in the Underlying Index (or the underlying index related to the Emerging Markets successor index fund) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Underlying Index (or the underlying index related to the Emerging Markets successor index fund) will be based on a comparison of (x) the portion of the level of the Underlying Index (or the underlying index related to the Emerging Markets successor index fund) attributable to that security relative to (y) the overall level of the Underlying Index (or the underlying index related to the Emerging Markets successor index fund), in each case immediately before that suspension or limitation.

For the purpose of determining whether a market disruption event with respect to the Basket Fund has occurred:

- (1) a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or market;
- (2) a decision to permanently discontinue trading in the relevant futures or options contract or exchange traded fund will not constitute a market disruption event;
- (3) limitations pursuant to the rules of any Relevant Exchange similar to NYSE Rule 80A (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80A as determined by the calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;
- (4) a suspension of trading in futures or options contracts on the Underlying Index or shares of the Basket Fund (or such Emerging Markets successor index fund or such other security) by the primary securities market trading in such contracts by reason of (a) a price change exceeding limits set by such securities exchange or market, (b) an imbalance of orders relating to such contracts or (c) a disparity in bid and ask quotes relating to such contracts, will constitute a suspension, absence or material limitation of trading in futures or options contracts related to the Underlying Index (or the underlying index related to the Emerging Markets successor index fund) or the shares of the Basket Fund (or such Emerging Markets successor index fund or such other security); and
- (5) a suspension, absence or material limitation of trading on any Relevant Exchange or on the primary market on which futures or options contracts related to the Underlying Index (or the underlying index related to the Emerging Markets successor index fund) or the shares of the Basket Fund (or such Emerging Markets successor index fund or such other security) are traded will not include any time when such securities market is itself closed for trading under ordinary circumstances.

“Relevant Exchange” means, with respect to the Basket Fund or any Emerging Markets successor index fund, the primary exchange or market of trading for the shares of the Basket Fund, or such Emerging Markets successor index fund, as applicable, or any security (or any combination thereof) then included in the Underlying Index, or any underlying index related to such Emerging Markets successor index fund, as applicable.

### **Anti-Dilution Adjustments**

The Share Adjustment Factor is subject to adjustment by the calculation agent as a result of the anti-dilution adjustments described in this section.

No adjustments to the Share Adjustment Factor will be required unless the Share Adjustment Factor adjustment would require a change of at least 0.1% in the Share Adjustment Factor then in effect. The Share Adjustment Factor resulting from any of the adjustments specified in this section will be rounded to the nearest one ten-thousandth with five one hundred-thousandths being rounded upward. The calculation agent will not be required to make any adjustments to the Share Adjustment Factor after the close of business on the business day immediately preceding the maturity date.

No adjustments to the Share Adjustment Factor will be required other than those specified below. The required adjustments specified in this section do not cover all events that could affect the closing price of one share of the Basket Fund on any trading day during the term of the notes.

With respect to the Basket Fund or any Emerging Markets successor index fund, Anti-Dilution Adjustments will be calculated as follows:

*Share Splits and Reverse Share Splits*



If the shares of the Basket Fund or such Emerging Markets successor index fund are subject to a share split or reverse share split, then once such split has become effective, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- the number of shares which a holder of one share of the Basket Fund (or such Emerging Markets successor index fund) before the effective date of the share split or reverse share split would have owned or been entitled to receive immediately following the applicable effective date.

#### *Share Dividends or Distributions*

If the Basket Fund (or such Emerging Markets successor index fund) is subject to a (i) share dividend, *i.e.*, an issuance of additional shares of the Basket Fund (or such Emerging Markets successor index fund) that is given ratably to all or substantially all holders of shares of the Basket Fund (or such Emerging Markets successor index fund) or (ii) distribution of shares of the Basket Fund (or such Emerging Markets successor index fund) as a result of the triggering of any provision of the corporate charter of the Basket Fund (or such Emerging Markets successor index fund), then, once the dividend or distribution has become effective and the shares of the Basket Fund (or such Emerging Markets successor index fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the prior Share Adjustment Factor plus the product of:

- the prior Share Adjustment Factor, and
- the number of additional shares issued in the share dividend or distribution with respect to one share of the Basket Fund (or such Emerging Markets successor index fund).

#### *Non-Cash Distributions or Distributions*

If the Basket Fund (or such Emerging Markets successor index fund) distributes shares of capital stock, evidences of indebtedness or other assets or property of the Basket Fund (or such Emerging Markets successor index fund) to all or substantially all holders of shares of the Basket Fund (or such Emerging Markets successor index fund) (other than (i) share dividends or distributions referred to under “— Share Dividends or Distributions” above and (ii) cash dividends referred to under “— Cash Dividends or Distributions” below), then, once the distribution has become effective and the shares of the Basket Fund (or such Emerging Markets successor index fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of one share of the Basket Fund (or such Emerging Markets successor index fund) and the denominator of which is the amount by which such Current Market Price exceeds the Fair Market Value of such distribution.

The “Current Market Price” of the Basket Fund (or such Emerging Markets successor index fund) means the closing price of one share of the Basket Fund (or such Emerging Markets successor index fund) on the trading day immediately preceding the ex-dividend date of the distribution requiring an adjustment to the Share Adjustment Factor.

“Ex-dividend date,” with respect to a dividend or other distribution, means the first trading day on which transactions in the shares of the Basket Fund (or such Emerging Markets successor index fund) trade on the Relevant Exchange without the right to receive that dividend or other distribution.

The “Fair Market Value” of any such distribution means the value of such distribution on the ex-dividend date for such distribution, as determined by the calculation agent. If such distribution consists of

property traded on the ex-dividend date on a U.S. national securities exchange, the Fair Market Value will equal the closing price of such distributed property on such ex-dividend date.

#### *Cash Dividends or Distributions*

If the Basket Fund (or such Emerging Markets successor index fund) pays dividends or makes other distributions consisting exclusively of cash to all or substantially all holders of shares of the Basket Fund (or such Emerging Markets successor index fund) during any fiscal quarter during the term of the notes, in an aggregate amount that, together with other such dividends or distributions made during such quarterly fiscal period, exceeds the Dividend Threshold, then, once the dividend or distribution has become effective and the shares of the Basket Fund (or such Emerging Markets successor index fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of one share of the Basket Fund (or such Emerging Markets successor index fund) and the denominator of which is the amount by which such Current Market Price exceeds the amount in cash per share the Basket Fund (or such Emerging Markets successor index fund) distributes to holders of shares of the Basket Fund (or such Emerging Markets successor index fund) in excess of the Dividend Threshold.

"Dividend Threshold" means the amount of any cash dividend or cash distribution distributed per share of the Basket Fund (or such Emerging Markets successor index fund) that exceeds the immediately preceding cash dividend or other cash distribution, if any, per share of the Basket Fund (or such Emerging Markets successor index fund) by more than 10% of the closing price of the Basket Fund (or such Emerging Markets successor index fund) on the trading day immediately preceding the ex-dividend date, unless otherwise specified in the relevant terms supplement.

The calculation agent will be solely responsible for the determination and calculation of any adjustments to the Share Adjustment Factor and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

The calculation agent will provide information as to any adjustments to the Share Adjustment Factor upon written request by any investor in the notes.

#### **Events of Default**

Under the heading "Description of Debt Securities — Events of Default, Waiver, Debt Securities in Foreign Currencies" in the accompanying prospectus is a description of events of default relating to debt securities including the notes.

#### **Alternate Additional Amount Calculation in Case of an Event of Default**

Unless otherwise specified in the relevant terms supplement, in case an event of default with respect to the notes shall have occurred and be continuing, the amount declared due and payable per \$1,000 principal amount note upon any acceleration of the notes will be equal to \$1,000 (or a portion of \$1,000 if there is a Partial Principal Protection Percentage set forth in the relevant terms supplement) plus the Additional Amount calculated as if the date of acceleration were the final Basket Valuation Date, plus, if applicable, any accrued and unpaid interest on the notes. If the notes have more than one Basket Valuation Date, then for each Basket Valuation Date scheduled to occur after the date of acceleration, the trading days immediately preceding the date of acceleration (in such number equal to the number of Basket Valuation Dates in excess of one) will be the corresponding Basket Valuation Dates, unless otherwise specified in the relevant terms supplement. Upon any acceleration of the notes, any interest will be calculated on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed from and including the previous Interest Payment Date for which interest was paid.

If the maturity of the notes is accelerated because of an event of default as described above, we will, or will cause the calculation agent to, provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, and to DTC of the cash amount due with respect to the notes as promptly as possible and in no event later than two business days after the date of acceleration.

### **Modification**

Under the heading “Description of Debt Securities — Modification of the Indenture; Waiver of Compliance” in the accompanying prospectus is a description of when the consent of each affected holder of debt securities is required to modify the indenture.

### **Defeasance**

The provisions described in the accompanying prospectus under the heading “Description of Debt Securities — Discharge, Defeasance and Covenant Defeasance” are not applicable to the notes, unless otherwise specified in the relevant terms supplement.

### **Listing**

The notes will not be listed on any securities exchange, unless otherwise specified in the relevant terms supplement.

### **Book-Entry Only Issuance — The Depository Trust Company**

DTC will act as securities depository for the notes. The notes will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC’s nominee). One or more fully-registered global notes certificates, representing the total aggregate principal amount of the notes, will be issued and will be deposited with DTC. See the descriptions contained in the accompanying prospectus supplement under the headings “Description of Notes — Forms of Notes” and “The Depository.”

### **Registrar, Transfer Agent and Paying Agent**

Payment of amounts due at maturity on the notes will be payable and the transfer of the notes will be registrable at the principal corporate trust office of The Bank of New York in The City of New York.

The Bank of New York or one of its affiliates will act as registrar and transfer agent for the notes. The Bank of New York will also act as paying agent and may designate additional paying agents.

Registration of transfers of the notes will be effected without charge by or on behalf of The Bank of New York, but upon payment (with the giving of such indemnity as The Bank of New York may require) in respect of any tax or other governmental charges that may be imposed in relation to it.

### **Governing Law**

The notes will be governed by and interpreted in accordance with the laws of the State of New York.

## CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES

The following is a general discussion of the principal U.S. federal income tax consequences of the acquisition, ownership and disposition of notes. This discussion applies to you if you are an initial holder of notes purchasing the notes at their issue price for cash and if you hold the notes as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Code").

This summary is based on the Code, existing and proposed Treasury regulations, revenue rulings, administrative interpretations and judicial decisions, in each case as currently in effect, all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of the U.S. federal income taxation of the notes that may be relevant to you in light of your particular circumstances or if you are a holder of notes who is subject to special treatment under the U.S. federal income tax laws, such as:

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

As the law applicable to the U.S. federal income taxation of instruments such as the notes is technical and complex, the discussion below necessarily represents only a general summary. Moreover, the effects of any applicable state, local or foreign tax laws are not discussed. You should consult your tax adviser concerning the U.S. federal income tax consequences of owning and disposing of the notes, as well as any consequences under the laws of any state, local or foreign taxing jurisdiction.

The following discussion does not apply to notes with a Fixed Payment. Prospective holders of these notes will be provided with a supplemental disclosure statement in the relevant terms supplement, describing the tax consequences relating to them.

### **Tax Treatment of the Notes**

We expect to seek an opinion from Sidley Austin LLP, our special tax counsel, regarding the treatment of the notes as debt for U.S. federal income tax purposes. The relevant terms supplement will describe Sidley Austin LLP's level of comfort on this issue, which will depend on the facts of the particular offering, its receipt of certain factual representations from us at the time of the relevant offering and any additional considerations that may be relevant to the particular offering. The following discussion describes the treatment of the notes assuming that Sidley Austin LLP has provided us an opinion that the notes will be treated as debt for U.S. federal income tax purposes.

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

The following discussion applies to you only if you are a "U.S. Holder" of notes. You are a "U.S. Holder" if you are a beneficial owner of a note for U.S. federal income tax purposes that is:

- a citizen or resident of the United States;

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

### **Notes with a Term of not More than One Year**

If the term of the notes (including either the issue date or the last possible date that the notes could be outstanding, but not both) is not more than one year, the following discussion applies. No statutory, judicial or administrative authority directly addresses the treatment of these notes or similar instruments for U.S. federal income tax purposes, and no ruling will be requested from the Internal Revenue Service (the “IRS”) with respect to the notes. As a result, certain aspects of the U.S. federal income tax consequences of an investment in these notes are uncertain.

#### ***Tax Treatment Prior to Maturity***

Because the term of these notes is not more than one year, they will be treated as short-term obligations. Cash-method holders will not be required to recognize income with respect to the notes prior to maturity, other than with respect to amounts received as stated interest, if any, or received pursuant to a sale or exchange, as described below. Although accrual-method holders and certain other holders are generally required to accrue interest on short-term notes on a straight line basis, because the amount of interest that will be received with respect to the notes is uncertain, it is not clear how such accruals should be determined. If the amount of interest that will be received has become fixed (or the likelihood of interest not being a fixed amount has become “remote”) prior to the maturity date, it is likely that the amount of interest to be accrued will be determined based on the fixed amount. You should consult your tax adviser regarding the determination of the amount of any interest accruals on the notes.

#### ***Sale, Exchange or Redemption of the Notes***

Upon a sale or exchange of a short-term note (including redemption of the notes at maturity), you should recognize gain or loss in an amount equal to the difference between the amount you receive and your adjusted basis in the note. Your adjusted basis in the note should equal the sum of the amount you paid to acquire the note and interest that you have previously included in income but not received, if any.

The amount of any resulting loss will be treated as a capital loss, and may be subject to special reporting requirements if the loss exceeds certain thresholds. In the case of gain resulting from redemption at maturity, the gain should be treated as ordinary interest income. It is not clear, however, whether or to what extent gain from a sale or exchange prior to maturity should be treated as capital gain or ordinary interest income. If the amount of interest to be received at maturity has become fixed (or the likelihood of the amount not being a fixed amount has become “remote”) prior to a sale or exchange, it is likely that the portion of gain on the sale or exchange that should be treated as accrued interest (and, therefore, taxed as ordinary interest income) will be determined based on the fixed amount. You should consult your tax adviser regarding the proper treatment of any gain or loss recognized upon a sale or exchange (including redemption at maturity) of a short-term note.

#### ***Interest on Indebtedness Incurred to Purchase the Notes***

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

### **Notes with a Term of More than One Year**

Unless otherwise provided in the relevant terms supplement, if the term of the notes (including either the issue date or last possible date that the notes could be outstanding, but not both) is more than one year, the notes will be treated as “contingent payment debt instruments” for U.S. federal income tax

purposes, with the consequences described below. The notes will generally be subject to the original issue discount (“OID”) provisions of the Code and the Treasury regulations issued thereunder, and you will be required to accrue as interest income the OID on the notes as described below.

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

Unless otherwise provided in the relevant terms supplement, we will provide, and you may obtain, the comparable yield for a particular offering of notes, and the related projected payment schedule, in the final terms supplement for such notes, which we will file with the SEC.

**Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount, if any, that we will pay on the notes.**

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

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

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

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

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

Special rules may apply if the contingent payment on the notes becomes fixed prior to its scheduled date of payment. For purposes of the preceding sentence, a payment will be treated as fixed if (and when) all remaining contingencies with respect to it are remote or incidental within the meaning of the applicable Treasury regulations. Generally, under these rules, you would be required to account for the difference between the originally projected payment at maturity and the fixed payment at maturity (*i.e.*, of principal, or principal plus the Minimum Return, if applicable) in a reasonable manner over the period to which the difference relates. In addition, you may be required to make adjustments to, among other things, your accrual periods and your adjusted basis in the notes. The character of any gain or loss on a sale or exchange of the notes could also be affected. You should consult your tax adviser concerning the application of these special rules.

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

The following discussion applies to you only if you are a “Non-U.S. Holder” of notes. You are a “Non-U.S. Holder” if you are a beneficial owner of a note for U.S. federal income tax purposes that is:

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

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

Payments to you on the notes, and any gain realized on a sale or exchange of the notes (including at maturity), will be exempt from U.S. federal income tax (including withholding tax) *provided* generally, in the case of notes with a term of more than 183 days, that you certify on IRS Form W-8BEN, under penalties of perjury, that you are not a U.S. person and provide your name and address or otherwise satisfy applicable documentation requirements, and these amounts are not effectively connected with your conduct of a U.S. trade or business.

Notwithstanding the preceding paragraph, if the notes have a term to maturity of 183 days or less and you do not provide a properly executed IRS Form W-8BEN, you may be subject to backup withholding, as described below, unless you provide documentation of your status as a non-U.S. person.

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

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

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

Interest (including OID) accrued or paid on the notes and the proceeds received from a sale, exchange or other disposition (including at maturity) of notes will be subject to information reporting if you are not an “exempt recipient” (such as a domestic corporation) and may also be subject to backup withholding at the rates specified in the Code if you fail to provide certain identifying information (such as an accurate taxpayer identification number, if you are a U.S. Holder) or meet certain other conditions. If

you are a Non-U.S. Holder and you comply with the identification procedures described in the preceding section, you will generally establish an exemption from backup withholding.

Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, *provided* the required information is timely furnished to the IRS.



## UNDERWRITING

Under the terms and subject to the conditions contained in the Master Agency Agreement entered into between JPMorgan Chase & Co. and J.P. Morgan Securities Inc. as agent (an "Agent" or "JPMSI"), and certain other agents that may be party to the Master Agency Agreement from time to time (each an "Agent," and collectively with JPMSI, the "Agents"), as amended or supplemented from time to time, each Agent participating in an offering of notes, acting as principal for its own account, has agreed to purchase, and we have agreed to sell, the principal amount of notes set forth on the cover page of the relevant terms supplement. Each such Agent proposes initially to offer the notes directly to the public at the public offering price set forth on the cover page of the relevant terms supplement. JPMSI will allow a concession to other dealers, or we may pay other fees, in the amount set forth on the cover page of the relevant terms supplement. After the initial offering of the notes, the Agents may vary the offering price and other selling terms from time to time.

We own, directly or indirectly, all of the outstanding equity securities of JPMSI. The underwriting arrangements for this offering comply with the requirements of NASD Rule 2720 regarding a FINRA member firm's underwriting of securities of an affiliate. In accordance with NASD Rule 2720, no underwriter may make sales in this offering to any discretionary account without the prior written approval of the customer.

JPMSI or another Agent may act as principal or agent in connection with offers and sales of the notes in the secondary market. Secondary market offers and sales will be made at prices related to market prices at the time of such offer or sale; accordingly, the Agents or a dealer may change the public offering price, concession and discount after the offering has been completed.

In order to facilitate the offering of the notes, JPMSI may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, JPMSI may sell more notes than it is obligated to purchase in connection with the offering, creating a naked short position in the notes for its own account. JPMSI must close out any naked short position by purchasing the notes in the open market. A naked short position is more likely to be created if JPMSI is concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, JPMSI may bid for, and purchase, notes in the open market to stabilize the price of the notes. Any of these activities may raise or maintain the market price of the notes above independent market levels or prevent or retard a decline in the market price of the notes. JPMSI is not required to engage in these activities, and may end any of these activities at any time.

No action has been or will be taken by us, JPMSI or any dealer that would permit a public offering of the notes or possession or distribution of this product supplement no. 32-IX or the accompanying prospectus supplement, prospectus or terms supplement, other than in the United States, where action for that purpose is required. No offers, sales or deliveries of the notes, or distribution of this product supplement no. 32-IX or the accompanying prospectus supplement, prospectus or terms supplement or any other offering material relating to the notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on us, the Agents or any dealer.

Each Agent has represented and agreed, and each dealer through which we may offer the notes has represented and agreed, that it (i) will comply with all applicable laws and regulations in force in each non-U.S. jurisdiction in which it purchases, offers, sells or delivers the notes or possesses or distributes this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement and (ii) will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the notes under the laws and regulations in force in each non-U.S. jurisdiction to which it is subject or in which it makes purchases, offers or sales of the notes. We shall not have responsibility for any Agent's or any dealer's compliance with the applicable laws and regulations or obtaining any required consent, approval or permission.

### *Argentina*

The notes have not been and will not be authorized by the *Comisión Nacional de Valores* (the “CNV”) for public offer in Argentina and therefore may not be offered or sold to the public at large or to sectors or specific groups thereof by any means, including but not limited to personal offerings, written materials, advertisements, the internet or the media, in circumstances which constitute a public offering of securities under Argentine Law No. 17,811, as amended (the “Argentine Public Offering Law”).

The Argentine Public Offering Law does not expressly recognize the concept of private placement. Notwithstanding the foregoing, pursuant to the general rules on public offering and the few existing judicial and administrative precedents, the following private placement rules have been outlined:

- (i) target investors should be qualified or sophisticated investors, capable of understanding the risk of the proposed investment
- (ii) investors should be contacted on an individual, direct and confidential basis, without using any type of massive means of communication.
- (iii) the number of contacted investors should be relatively small.
- (iv) investors should receive complete and precise information on the proposed investment.
- (v) any material, brochures, documents, etc, regarding the investment should be delivered in a personal and confidential manner, identifying the name of the recipient.
- (vi) the documents or information mentioned in item (v) should contain a legend or statement expressly stating that the offer is a private offer not subject to the approval or supervision of the CNV, or any other regulator in Argentina.
- (vii) the aforementioned documents or materials should also contain a statement prohibiting the re-sale or re-placement of the relevant securities within the Argentine territory or their sale through any type of transaction that may constitute a public offering of securities pursuant to Argentine law.

### *The Bahamas*

The notes have not been and shall not be offered or sold in or into The Bahamas except in circumstances that do not constitute a ‘public offering’ according to the Securities Industry Act, 1999.

The offer of the notes, directly or indirectly, in or from within The Bahamas may only be made by an entity or person who is licensed as a Broker Dealer by the Securities Commission of The Bahamas.

Persons deemed “resident” in The Bahamas pursuant to the Exchange Control Regulations, 1956 must receive the prior approval of the Central Bank of The Bahamas prior to accepting an offer to purchase any notes.

### *Bermuda*

This product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement have not been registered or filed with any regulatory authority in Bermuda. The offering of the notes pursuant to this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and any terms supplement to persons resident in Bermuda is not prohibited, *provided* we are not thereby carrying on business in Bermuda.

### *Brazil*

The notes have not been and will not be registered with the “*Comissão de Valores Mobiliários*” –the Brazilian Securities and Exchange Commission (“CVM”) and accordingly, the notes may not and will not be sold, promised to be sold, offered, solicited, advertised and/or marketed within the Federal Republic of Brazil, except in circumstances that cannot be construed as a public offering or unauthorized distribution of securities under Brazilian laws and regulations. The notes are not being offered into Brazil.

Documents relating to an offering of the notes, as well as the information contained herein and therein, may not be supplied or distributed to the public in Brazil nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil.

#### *British Virgin Islands*

The notes may not be offered in the British Virgin Islands unless we or the person offering the notes on our behalf is licensed to carry on business in the British Virgin Islands. We are not licensed to carry on business in the British Virgin Islands. The notes may be offered to British Virgin Islands “business companies” (from outside the British Virgin Islands) without restriction. A British Virgin Islands “business company” is a company formed under or otherwise governed by the BVI Business Companies Act, 2004 (British Virgin Islands).

#### *Cayman Islands*

This product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement, and the notes offered hereby and thereby have not been, and will not be, registered under the laws and regulations of the Cayman Islands, nor has any regulatory authority in the Cayman Islands passed comment upon or approved the accuracy or adequacy of this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement. The notes have not been, and will not be, offered or sold, directly or indirectly, in the Cayman Islands.

#### *Chile*

None of the Agents, we or the notes have been registered with the *Superintendencia de Valores y Seguros de Chile* (Chilean Securities and Insurance Commission) pursuant to *Ley No. 18,045 de Mercado de Valores* (the “Chilean Securities Act”), as amended, of the Republic of Chile and, accordingly, the notes have not been and will not be offered or sold within Chile or to, or for the account of benefit of persons in Chile except in circumstances which have not resulted and will not result in a public offering and/or securities intermediation in Chile within the meaning of the Chilean Securities Act.

None of the Agents is a bank or a licensed broker in Chile, and therefore each Agent has not and will not conduct transactions or any business operations in any of such qualities, including the marketing, offer and sale of the notes, except in circumstances which have not resulted and will not result in a “public offering” as such term is defined in Article 4 of the Chilean Securities Act, and/or have not resulted and will not result in the intermediation of securities in Chile within the meaning of Article 24 of the Chilean Securities Act and/or the breach of the brokerage restrictions set forth in Article 39 of Decree with Force of Law No. 3 of 1997.

The notes will only be sold to specific buyers, each of which will be deemed upon purchase:

- (i) to be a financial institution and/or an institutional investor or a qualified investor with such knowledge and experience in financial and business matters as to be capable of evaluating the risks and merits of an investment in the notes;
- (ii) to agree that it will only resell the notes in the Republic of Chile in compliance with all applicable laws and regulations; and that it will deliver to each person to whom the notes are transferred a notice substantially to the effect of this selling restriction;
- (iii) to acknowledge receipt of sufficient information required to make an informed decision whether or not to invest in the notes; and
- (iv) to acknowledge that it has not relied upon advice from any Agent and/or us, or its or our respective affiliates, regarding the determination of the convenience or suitability of notes as an investment for the buyer or any other person; and has taken and relied upon independent legal, regulatory, tax and accounting advice.

## *Colombia*

The notes have not been and will not be registered in the National Securities Registry of Colombia (*Registro Nacional de Valores y Emisores*) kept by the Colombian Financial Superintendency (*Superintendencia Financiera de Colombia*) or in the Colombian Stock Exchange (*Bolsa de Valores de Colombia*).

Therefore, the notes shall not be marketed, offered, sold or distributed in Colombia or to Colombian residents in any manner that would be characterized as a public offering, as such is defined in article 1.2.1.1 of Resolution 400, issued on May 22, 1995 by the Securities Superintendency General Commission (*Sala General de la Superintendencia de Valores*), as amended from time to time.

If the notes are to be marketed within Colombian territory or to Colombian residents, regardless of the number of persons to which said marketing is addressed to, any such promotion or advertisement of the notes must be made through a local financial entity, a representative's office, or a local correspondent, in accordance with Decree 2558, issued on June 6, 2007 by the Ministry of Finance and Public Credit of Colombia, as amended from time to time.

Therefore, the notes should not be marketed within Colombian territory or to Colombian residents, by any given means, that may be considered as being addressed to an indeterminate number of persons or to more than ninety-nine (99) persons, including but not limited to: (i) any written material or other means of communication, such as subscription lists, bulletins, pamphlets or advertisements; (ii) any offer or sale of the notes at offices or branches open to the public; (iii) use of any oral or written advertisements, letters, announcements, notices or any other means of communication that may be perceived to be addressed to an indeterminate number of persons for the purpose of marketing and/or offering the notes; or (iv) use (a) non-solicited emails or (b) email distributions lists to market the notes.

## *El Salvador*

The notes may not be offered to the general public in El Salvador, and according to Article 2 of the *Ley de Mercado de Valores* (Securities Market Law) of the Republic of El Salvador, Legislative Decree number 809 dated 16 February 1994, published on the *Diario Oficial* (Official Gazette) number 73-BIS, Number 323, dated 21 April 1994, and in compliance with the aforementioned regulation, each Agent has represented and agreed that it will not make an invitation for subscription or purchase of the notes to indeterminate individuals, nor it will make known this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement in the territory of El Salvador through any mass media communication such as television, radio, press, or any similar medium, other than publications of an international nature that are received in El Salvador, such as internet access or foreign cable advertisements, which are not directed to the Salvadoran public. The offering of the notes has not been registered with an authorized stock exchange in the Republic of El Salvador. Any negotiation for the purchase or sale of notes in the Republic of El Salvador shall only be negotiated on an individual basis with determinate individuals or entities in strict compliance with the aforementioned Article 2 of the Salvadoran Securities Market Law, and shall in any event be effected in accordance with all securities, tax and exchange control of the Dominican Republic, Central America, and United States Free Trade Agreements, and other applicable laws or regulations of the Republic of El Salvador.

## *Hong Kong*

The notes may not be offered or sold in Hong Kong, by means of any document, other than to persons whose ordinary business it is to buy or sell shares or debentures, whether as principal or agent, or in circumstances that do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32) of Hong Kong. Each Agent has not issued and will not issue any advertisement, invitation or document relating to the notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made thereunder.

### *Jersey*

Each Agent has represented to and agreed with us that it will not circulate in Jersey any offer for subscription, sale or exchange of any notes which would constitute an offer to the public for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958.

### *Mexico*

The notes have not been, and will not be, registered with the Mexican National Registry of Securities maintained by the Mexican National Banking and Securities Commission nor with the Mexican Stock Exchange and therefore, may not be offered or sold publicly in the United Mexican States. This product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement may not be publicly distributed in the United Mexican States. The notes may be privately placed in Mexico among institutional and qualified investors, pursuant to the private placement exemption set forth in Article 8 of the Mexican Securities Market Law.

### *The Netherlands*

An offer to the public of any notes which are the subject of the offering and placement contemplated by this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement may not be made in The Netherlands and each Agent has represented and agreed that it has not made and will not make an offer of such notes to the public in The Netherlands, unless such an offer is made exclusively to one or more of the following categories of investors in accordance with the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*, the "FMSA"):

1. Regulated Entities: (a) any person or entity who or which is subject to supervision by a regulatory authority in any country in order to lawfully operate in the financial markets (which includes: credit institutions, investment firms, financial institutions, insurance companies, collective investment schemes and their management companies, pension funds and their management companies, commodity dealers) ("Supervised Entities"); and (b) any person or entity who or which engages in a regulated activity on the financial markets but who or which is not subject to supervision by a regulatory authority because it benefits from an exemption or dispensation ("Exempt Entities");

2. Investment Funds and Entities: any entity whose corporate purpose is solely to invest in securities (which includes, without limitation, hedge funds);

3. Governmental institutions: the Dutch State, the Dutch Central Bank, Dutch regional, local or other decentralized governmental institutions, international treaty organizations and supranational organizations;

4. Self-certified Small and Medium-Sized Enterprises ("SMEs"): any company having its registered office in The Netherlands which does not meet at least two of the three criteria mentioned in (6) below and which has (a) expressly requested the Netherlands Authority for the Financial Markets (the "AFM") to be considered as a qualified investor, and (b) been entered on the register of qualified investors maintained by the AFM;

5. Self-certified Natural Persons: any natural person who is resident in The Netherlands if this person meets at least two (2) of the following criteria:

- (i) the investor has carried out transactions of a significant size on securities markets at an average frequency of, at least, ten (10) per quarter over the previous four (4) quarters;
- (ii) the size of the investor's securities portfolio exceeds €500,000;
- (iii) the investor works or has worked for at least one (1) year in the financial sector in a professional position which requires knowledge of investment in securities,

*provided this person has:*

- (a) expressly requested the AFM to be considered as a qualified investor; and

(b) been entered on the register of qualified investors maintained by the AFM;

6. Large Enterprises: any company or legal entity which meets at least two of the following three criteria according to its most recent consolidated or non-consolidated annual accounts:

(a) an average number of employees during the financial year of at least 250;

(b) total assets of at least €43,000,000; or

(c) an annual net turnover of at least €50,000,000.

7. Discretionary individual portfolio managers: any portfolio manager in The Netherlands who or which purchases the notes for the account of clients who are not Qualified Investors on the basis of a contract of agency that allows for making investment decisions on the client's behalf without specific instructions of or consultation with any such client;

8. Minimum consideration: any person or entity for a minimum consideration of €50,000 or more (or equivalent in foreign currency) for each offer of notes; or

9. Fewer than 100 Offerees: fewer than 100 natural or legal persons (other than Qualified Investors).

For the purposes of this provision, the expression:

(a) an "offer to the public" in relation to any notes means making a sufficiently determined offer as meant in Section 217(1) of Book 6 of the Dutch Civil Code (*Burgerlijk Wetboek*) addressed to more than one person to conclude a contract to purchase or otherwise acquire notes, or inviting persons to make an offer in respect of such notes;

(b) "Qualified Investors" means the categories of investors listed under (1) up to and including (6) above.

Zero Coupon Notes may not, directly or indirectly, as part of their initial distribution (or immediately thereafter) or as part of any re-offering be offered, sold, transferred or delivered in The Netherlands. For purposes of this paragraph "Zero Coupon Notes" are notes (whether in definitive or in global form) that are in bearer form and that constitute a claim for a fixed sum against us and on which interest does not become due prior to maturity or on which no interest is due whatsoever.

#### *Panama*

The notes have not been and will not be registered with the National Securities Commission of the Republic of Panama under Decree Law No. 1 of July 8, 1999 (the "Panamanian Securities Law") and may not be publicly offered or sold within Panama, except in certain limited transactions exempt from the registration requirements of the Panamanian Securities Law. The notes do not benefit from the tax incentives provided by the Panamanian Securities Law and are not subject to regulation or supervision by the National Securities Commission of the Republic of Panama.

#### *Peru*

The notes have been and will be offered only to institutional investors (as defined by the Peruvian Securities Market Law – "*Ley de Mercado de Valores*" enacted by Legislative Decree No. 861 – Unified Text of the Law approved by Supreme Decree No. 093-2002-EF) and not to the public in general or a segment of it. The placement of the notes shall comply with article 5 of the Peruvian Securities Market Law.

#### *Singapore*

Neither this product supplement no. 32-IX nor the accompanying prospectus supplement, prospectus or terms supplement has been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this product supplement no. 32-IX, the accompanying prospectus supplement, prospectus or

terms supplement, and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

#### *Switzerland*

The notes have not been and will not be offered or sold, directly or indirectly, to the public in Switzerland, and this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement do not constitute a public offering prospectus as that term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations.

We have not applied for a listing of the notes on the SWX Swiss Exchange or on any other regulated securities market and, consequently, the information presented in this product supplement no. 32-IX and the accompanying prospectus supplement, prospectus and terms supplement does not necessarily comply with the information standards set out in the relevant listing rules.

The notes do not constitute a participation in a collective investment scheme in the meaning of the Swiss Federal Act on Collective Investment Schemes and are not licensed by the Swiss Federal Banking Commission. Accordingly, neither the notes nor holders of the notes benefit from protection under the Swiss Federal Act on Collective Investment Schemes or supervision by the Swiss Federal Banking Commission.

#### *Uruguay*

The offering of notes in Uruguay constitutes a private offering and each Agent has agreed that the notes and us will not be registered with the Central Bank of Uruguay pursuant to section 2 of Uruguayan law 16.749.

#### *Venezuela*

The notes comprising this offering have not been registered with the Venezuelan National Securities Commission (*Comisión Nacional de Valores*) and are not being publicly offered in Venezuela. No document related to the offering of the notes shall be interpreted to constitute a public offer of securities in Venezuela. This document has been sent exclusively to clients of the Agents and the information contained herein is private, confidential and for the exclusive use of the addressee. Investors wishing to acquire the notes may use only funds located outside of Venezuela, which are not of mandatory sale to the Central Bank of Venezuela (*Banco Central de Venezuela*) or are not otherwise subject to restrictions or limitations under the exchange control regulation currently in force in Venezuela.

Unless otherwise specified in the relevant terms supplement, the settlement date for the notes will be the third business day following the pricing date (which is referred to as a "T+3" settlement cycle).

## BENEFIT PLAN INVESTOR CONSIDERATIONS

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, “ERISA Plans”) should consider the fiduciary standards of ERISA in the context of the ERISA Plans’ particular circumstances before authorizing an investment in the notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

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

Certain prohibited transaction class exemptions (“PTCEs”) issued by the U.S. Department of Labor may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), and PTCE 84-14 (for certain transactions determined by independent qualified asset managers). In addition, ERISA Section 408(b)(17) provides a limited exemption for the purchase and sale of the notes and the related lending transactions, provided that neither the issuer of the notes nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more than adequate consideration in connection with the transaction (the so-called “service provider exemption”).

Accordingly, the notes may not be purchased or held by any Plan, any entity whose underlying assets include “plan assets” by reason of any Plan’s investment in the entity (a “Plan Asset Entity”) or any person investing “plan assets” of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or there is some other basis on which the purchase and holding of the notes is not prohibited. Each purchaser or holder of the notes or any interest therein will be deemed to have represented by its purchase of the notes that (a) its purchase and holding of the notes is not made on behalf of or with “plan assets” of any Plan or (b) its purchase and holding of the notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

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

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



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