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Davis Polk

Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, NY 10017

December 14, 2012

Re: Request of J.P. Morgan Commodity ETF Services LLC for Relief from Certain Provisions of Regulation M Under the Securities Exchange Act of 1934

Ms. Josephine Tao
Assistant Director
Division of Trading and Markets
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

Dear Ms. Tao:

We are writing on behalf of J.P. Morgan Commodity ETF Services LLC, as sponsor (the "**Sponsor**") of JPM XF Physical Copper Trust (the "**Trust**"). The Sponsor, on behalf of itself, the Trust, and persons or entities engaging in transactions in shares of the Trust ("**Shares**"), hereby requests that the staff (the "**Staff**") of the Securities and Exchange Commission (the "**Commission**"), or the Commission, grant exemptions from, or interpretive or no-action advice regarding, Rules 101 and 102 of Regulation M under the Securities Exchange Act of 1934 (the "**Exchange Act**") in respect of trading of the Shares on any national securities exchange or national securities association.

The Trust is an exchange-traded investment vehicle that will hold only Grade A Copper in physical form ("**copper**"). The objective of the Trust is for the value of the Trust's Shares to reflect, at any given time, the value of copper owned by the Trust less the Trust's expenses and liabilities at that time. The Trust's objective is similar to the objectives of other exchange-traded vehicles that hold solely physical metals ("**Physical Metal ETVs**"), including SPDR Gold Trust ("**GLD**") (formerly known as StreetTRACKS Gold Trust), iShares Gold Trust (formerly known as iShares COMEX Gold Trust) and iShares Silver Trust, in respect of which the Staff has previously granted relief similar to the relief requested herein.[1] As discussed herein, the Sponsor

[1] See letters from James A. Brigagliano, Assistant Director, Division of Market Regulation, (i) to Kathleen Moriarty, Esq., Carter Ledyard & Milburn, dated November 17, 2004, with respect to the trading of StreetTRACKS Gold Trust, (ii) to David Yeres, dated April 27, 2006, with respect to the trading of iShares Silver Trust and (iii) to David Yeres, dated January 27, 2005, with respect to the trading of the iShares COMEX Gold Trust. The foregoing letters provide relief similar to the relief provided to exchange-traded funds registered as investment companies under the Investment Company Act of 1940, as amended (the "**Investment Company Act**"). *See*,

expects that the Trust will operate in a manner that is in many respects similar to other Physical Metal ETVs.[2] For example: [3]

- Shares of the Trust will trade on a national securities exchange (the "**Exchange**");[4]
- Shares will be issued and redeemed in basket-size aggregations ("**Creation Units**") to registered broker-dealers or certain other persons that have entered into a participation agreement with the Trust and the Sponsor ("**Authorized Participants**");
- Creation Units will be issued and redeemed daily in exchange for a specified amount (a "**Creation Unit Weight**") of physical metal that represents a *pro rata* share of the metal then held in the Trust; and
- the Trust will create arbitrage opportunities for Authorized Participants that should result in the market price of the Shares trading within a narrow range that is related to the price of physical metal held in the Trust.

Notwithstanding these similarities, certain aspects of the Trust's structure differ from the existing Physical Metal ETVs. As explained below, precious metals, such as gold and silver, are different in a number of respects from industrial (or "base") metals, such as copper. It is these differences, together with the Sponsor's desire to eliminate the potential for any manipulation of the Shares, that necessitate the structural differences between the Trust and existing Physical Metal ETVs. These structural differences also permit the Trust to hold physical copper globally, while operating in a consistent, transparent manner that is similar to other Physical Metal ETVs.

This letter is organized in four parts. Part 1 provides an overview of the Trust's organization and operation.[5] Part 2 discusses the physical copper market and certain ways in which the global market for physical copper and other base metals differs from the precious metal markets.[6] Part 3 explains key aspects of the Trust's operation and structure and how the Sponsor expects such features to affect the creation and redemption of Shares and the price of Shares in the secondary market. Part 4 discusses the specific relief that is being sought by this letter and the basis on which the Sponsor respectfully requests that the Staff or the Commission grant such relief.

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e.g., Letter from Nancy J. Sanow, Assistant Director, Division of Market Regulation to James F. Duffy, Senior Vice President and General Counsel, AMEX, dated January 22, 1993, with respect to the trading of the SPDR Trust, Series 1.

[2] The Trust will not be, and will not register as, an investment company under the Investment Company Act. The Trust will not be a commodity pool under the Commodity Exchange Act, and the Sponsor will not be a commodity pool operator or a commodity trading advisor to the Trust under the Commodity Exchange Act.

[3] Please see the chart attached as Annex A for a summary comparison of certain terms of the Trust with GLD, iShares Silver Trust and ETFS Palladium Trust.

[4] NYSE Arca, Inc. has filed with the SEC a rule change request pursuant to Section 19(b)(1) of the Exchange Act and Rule 19b-4 thereunder to permit the Shares to be listed on NYSE Arca.

[5] Please see Annex C for a detailed description of the Trust.

[6] Please see Annex B for a description of the global copper market, including a description of the copper that the Trust holds.

1. Overview of the Trust's Structure

The Trust is expected to offer and sell Shares on a continuous basis in accordance with Rule 415 under the Securities Act of 1933, as amended (the "**Securities Act**").[7] The Trust is a passive investment vehicle that is not actively managed and does not have any officers, directors or employees. The Trust will be governed by the provisions of the Trust Agreement by and between the Sponsor and Wilmington Trust Company, as trustee (the "**Trustee**"). The Trustee will delegate to the Sponsor its duty and authority to administer the Trust, as defined and limited by the terms of the Trust Agreement. Pursuant to a Trust Servicing Agreement and an Agency Services Agreement, the Trust and the Sponsor will appoint an administrative agent (the "**Administrative Agent**"), which will initially be J.P. Morgan Treasury Securities Services, a division of JPMorgan Chase Bank, National Association, to administer various daily functions of the Trust. Pursuant to a Valuation Agreement with the Sponsor, Metal Bulletin Ltd. will serve as an independent, third-party valuation agent for the Trust (the "**Valuation Agent**").[8] Each of the Sponsor, the Trust and each Authorized Participant will also enter into a separate Warehouse Agreement with Henry Bath Group (the "**Warehouse-keeper**"), pursuant to which the Warehouse-keeper will (i) store copper owned by the Sponsor, the Trust or the Authorized Participant, as applicable, and (ii) effect transfers of copper in connection with the creation and redemption of Creation Units and the payment of the Trust's expenses. The Administrative Agent and the Warehouse-keeper are affiliated with the Sponsor.[9] The Valuation Agent is independent of, and not affiliated with, the Sponsor.

Creations and Redemptions of Shares

Each Share of the Trust represents a fractional undivided interest in and ownership of the net assets of the Trust. The Trust will not issue or redeem Shares individually, but rather, only in aggregations of 2,500 Shares (or integral multiples thereof), referred to as Creation Units.[10] Only Authorized Participants, who will be registered broker-dealers or other securities market participants such as banks or other financial institutions that are not required to register as broker-dealers to engage in securities transactions, who are participants in The Depository Trust

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[7] On October 22, 2010, the Sponsor filed a registration statement on Form S-1 pursuant to the Securities Act to register 6,180,000 Shares. Amendment No. 1 to the registration statement was filed on December 20, 2010. Amendment No. 2 to the registration statement was filed on January 25, 2011. Amendment No. 3 to the registration statement was filed on May 13, 2011. Amendment No. 4 to the registration statement was filed on June 10, 2011. Amendment No. 5 to the registration statement was filed on July 12, 2011.

[8] The Valuation Agent, Metal Bulletin Ltd., is a United Kingdom limited company founded in 1916 and wholly owned by Euromoney Institutional Investor plc, a subsidiary of DMGT, a diversified media group. The Valuation Agent is a global multimedia publisher of metals and raw materials prices, currently publishing over 700 prices on products in the steel, base metals and raw materials markets.

[9] An affiliate of the Sponsor may also serve as an Authorized Participant of the Trust. The affiliated Authorized Participant will be walled off from the Administrative Agent and the Warehouse-keeper by JPMorgan Compliance and currently resides in a different physical location from the Administrative Agent and the Warehouse-keeper.

[10] The number of Shares in a Creation Unit was chosen because the Trust invests in lots of copper weighing approximately 25 metric tons per lot, each of which, as discussed below, is not physically divisible as part of the Trust's operations. A Creation Unit size of 2,500 Shares will result initially in a 100:1 ratio of Shares to a metric ton of copper on the effective date of the Trust. Assuming a price per metric ton of copper for the initial creation of $8,480.00, which was the LME settlement price on March 30, 2012, the resulting NAV per Share at the time of such creation would be $84.48.

Company and who have entered into an Authorized Participant Agreement with the Trust and a Warehouse Agreement with the Warehouse-keeper, are permitted to create or redeem Shares, and only in Creation Unit aggregations or integral multiples thereof. An Authorized Participant will pay the Administrative Agent a transaction fee for each creation order or redemption order.[11]

Similar to other Physical Metal ETVs that trade on a national securities exchange and issue shares that can be created and redeemed only by in-kind deposits and withdrawals of physical metal by authorized participants, the Trust creates and redeems Shares on the basis of a *pro rata* share of its assets – specifically, a *pro rata* share of the weight of the copper held by the Trust on a particular day. Because each Creation Unit of Shares will represent a *pro rata* portion of copper held by the Trust, the value of a Creation Unit can be expressed in terms of a weight of copper. Initially a Creation Unit will have a value equal to 25.0 metric tons of copper, but this weight, which is referred to as the Creation Unit Weight, will decrease gradually over time as the Trust incurs fees and expenses. Because the fees and expenses of the Trust accrue daily, the ratio of a Creation Unit Weight of copper to a Creation Unit, or the "**Creation Unit Ratio**," is expected to change from day to day.

The process of creating and redeeming Shares may be summarized as follows:

- To create one or more Creation Units of Shares, an Authorized Participant will transfer to the Trust, for each Creation Unit, a Creation Unit Weight of copper and wire the transaction fee to the Administrative Agent. A creation order will be effective if it is received by the Administrative Agent in completed form before 4:00 p.m. New York City time on the applicable business day. A creation order will be settled by the delivery of the applicable number of Creation Units of Shares on the third business day following the creation order date.

- To redeem one or more Creation Units of Shares, an Authorized Participant will transfer to the Trust the Creation Unit(s) to be redeemed and will wire the transaction fee to the Administrative Agent. A redemption order will be effective if it is received by the Administrative Agent in completed form before 4:00 p.m. New York City time on the applicable business day. A redemption order will be settled by the delivery to the Authorized Participant of a Creation Unit Weight of copper for each Creation Unit of Shares being redeemed on the third business day following the redemption order date, provided that the Administrative Agent's Depository Trust Company account has been credited with the Creation Units to be redeemed by 9:00 a.m. New York City time on the third business day following the redemption order date.

The Trust's Copper Holdings

The Trust's copper will be held in one or more warehouses maintained by the Warehouse-keeper in various locations throughout the world.[12] Initially, the Trust will be permitted to hold copper in any of the following warehouse locations (each such location, and any future permitted locations,

[11] The transaction fee will be a flat fee expressed as a fixed dollar amount regardless of the number of Creation Units created or redeemed by an Authorized Participant in any single creation order or redemption order.

[12] Please Annex C for further information about the Permitted Warehouse Locations for the Trust's copper.

a "**Permitted Warehouse Location**"): the Netherlands (Rotterdam), Singapore, South Korea (Busan and Gwangyang), China (Shanghai) and the United States (Baltimore, Chicago and New Orleans).[13] Although the Trust may hold copper in warehouses in any of these locations (or other locations that may be determined from time to time), the locations at which copper is actually held by the Trust will depend on (i) the warehouse locations at which Authorized Participants have actually delivered copper to the Trust and (ii) the warehouse locations from which copper is or has been delivered pursuant to the Trust's redemption procedures.

The Trust's creation and redemption mechanism requires an exact weight of copper, equal to the Creation Unit Weight, to be delivered in connection with each creation or redemption of a Creation Unit. However, the copper held by the Trust normally is traded in lots, or "whole lots," each of which weighs between 24.5 and 25.5 metric tons, which are not physically divisible in connection with the Trust's activities. Consequently, the creation and redemption of Shares in the manner contemplated above requires a means of owning and transferring not only whole lots of copper, but also "fractional lots" in order to resolve any overweight amounts or underweight amounts. This is accomplished via a book-entry procedure used by the Warehouse-keeper to record the ownership and, as necessary, transfer by the Trust and the Authorized Participants of specific lots of copper (using the unique identification numbers of such lots), including both whole lots and fractional lots, held in the Warehouse-keeper's warehouses.

In effecting either creations or redemptions of Creation Units of Shares in the manner described above, the Trust will accept or deliver copper only from Permitted Warehouse Locations. In connection with Share creations, the Trust will accept copper from an Authorized Participant at any Permitted Warehouse Location where the Authorized Participant holds and chooses to deliver copper. In connection with Share redemptions, however, the specific lots of copper that are delivered by the Trust will be selected by the Administrative Agent in accordance with a non-discretionary, rules-based process, referred to as the Selection Protocol, which is discussed in Part 3 below.[14] As discussed in Part 3 below, the monetary value of a Creation Unit Weight of copper in a particular Permitted Warehouse Location is not a factor in the calculations performed to effect creations or redemptions of Creation Units of Shares.

2. Physical Markets for Base Metals such as Copper versus Precious Metals

The pricing of base metals, such as copper, shares some similarities with, but in certain respects differs from, the pricing of the precious metals held by existing Physical Metal ETVs, such as gold. These differences are related to the physical characteristics and uses of copper and other base metals, on the one hand, and of gold and other precious metals, on the other hand.

[13] In order to ensure that Authorized Participants will continue to be able to efficiently create and redeem Creation Units of Shares as the markets for physical copper evolve over time, the Sponsor has the ability to add Permitted Warehouse Locations. Any addition of a Permitted Warehouse Location is subject to certain conditions, including confirmation from the Valuation Agent that a proposed location has an active trading market that is sufficiently liquid. The Sponsor and the Valuation Agent will periodically review the warehouse locations and will evaluate whether any location should be removed from the list of Permitted Warehouse Locations at such time. A warehouse location may be removed from the list of Permitted Warehouse Locations at any time upon at least ten Business Days' notice to the Trust and each Authorized Participant, subject to certain conditions.

[14] The Selection Protocol, which is also used for selecting lots of copper for other purposes (such as the selection of copper lots for the payment of the Trust's expenses), is discussed in detail in Part 3 as well as in Annex C attached hereto.

Differences between such metals that are relevant to the differences in structure between the Trust and existing Physical Metal ETVs include the following: [15]

Usage. Copper and other base metals are used primarily for industrial purposes. Although precious metals such as gold and silver have industrial uses, they are more commonly held for purely investment purposes.

Bulk. The mass and volume of precious metals is smaller relative to their price than for copper and other industrial metals. Copper, on a volume basis, is currently the most valuable base metal. On March 30, 2012, a cubic meter (1 m3) of gold was worth approximately $1,027,502,805 while a cubic meter of copper was worth approximately $75,980.80.[16] Thus, the value of a cubic meter of gold in U.S. dollars on that date was approximately 13,523 times the value of a cubic meter of copper.

Proximity to Consumption. Copper and other base metals are used in many different industrial processes, which makes proximity to consumption important, especially given the bulk of such metals and the cost and time required for transportation. For this reason, copper and other base metals are stored around the world, typically in locations where there is industrial demand. By contrast, precious metals, in the context of Physical Metal ETVs, are stored primarily in London.

Trading and Pricing. The London Metal Exchange (the "**LME**") provides the global benchmark prices for the settlement price and forward prices of copper.[17] These benchmark prices are commonly used in the pricing of copper held globally in bonded, customs- and duty-free zones and traded in the international physical copper market. Similar to other Physical Metal ETVs, the net asset value of the Trust will be based in part on such a benchmark price – specifically, the official cash seller's price per metric ton in U.S. dollars of copper, as fixed by the LME at the end of the morning's second ring trading session for copper at approximately 12:35 p.m. London time (the "**LME settlement price**").

The LME settlement price, however, does not track the price of copper in any single location. Instead, the LME settlement price represents a price per metric ton of copper, as evidenced by an LME warrant for a lot of copper, in any LME warehouse location.[18] An "**LME warrant**" is a bearer document evidencing the right of the holder to possession of a specific, individually identifiable lot of metal at a specified LME warehouse location.

[15] Please see Annex B for further description of the global copper market.

[16] Calculation assumes (i) gold valued at $1,662.50 per troy ounce as of March 30, 2012, 31.99 troy ounces per kilogram, standard 99.5% purity, with a density of 19.320 g/cm3 at standard room temperatures and (ii) copper valued at $4,480.00 per metric ton as of March 30, 2012 with a density is 8,960 Kg/m3 at standard room temperatures.

[17] The settlement or cash price is the price utilized in a trade for physical delivery of copper assuming that delivery occurs two business days after the price is agreed upon, while a forward price is employed when the delivery will take place at a specific time in the future.

[18] The price of physical metal represented by an LME warrant is typically less than the price of physical metal outside of the LME system because LME-warranted metal is subject to LME rules and warehouse-specific rules, which among other things make the holding of LME warranted metal more costly. The Trust will not buy, sell or hold LME warrants.

As noted above, the demand for copper varies depending on its location, and consequently the market price of copper will vary from location to location as well; it will be higher in some locations than in others. When an LME contract is settled by delivery of an LME warrant, LME rules provide that the choice of the specific LME warrant to deliver belongs to the seller (normally a dealer) under the relevant contract. Because LME warrants are not fungible, with each warrant representing a specific, individually identifiable lot of metal in a specific warehouse location, a rational seller would always choose to settle a contract with the warrant that would be cheapest for the seller to deliver, *i.e.*, the warrant with the lowest price in the market available to that seller. Consequently, due to market pricing dynamics, the LME settlement price inevitably tracks the price of copper (in warrant form) in the "cheapest-to-deliver" warehouse location in the LME system available to a selling dealer, because an LME dealer selling copper will normally only place bids that are lower than or equal to the price of metal in the "cheapest-to-deliver" location available to that dealer. [19]

The ultimate consequence of the foregoing is that, although the LME settlement price serves as a global benchmark, it is for practical purposes only a theoretical "cheapest-to-deliver" price. The price of actual lots of physical copper (or other base metals) in any location will comprise two components: (i) the LME settlement price *plus* (ii) a "locational premium" negotiated between parties to a transaction that is dependent on various supply and demand factors in the applicable location, such as freight rates, the time needed to transport copper to where it will be consumed, and the relative pricing power of producers versus consumers. The price of copper in a location that is low in supply and high in demand for copper will generally reflect a higher locational premium than a location where supply is high and demand is low.

According to the Valuation Agent, on March 30, 2012, the average locational premium in the physical copper market in the Permitted Warehouse Locations ranged from approximately $7.50 to $90.00 over an LME settlement price of $8,480.00; in percentage terms, the average premium ranged from 0.0884% to 1.0613%. Annex D provides additional historical information regarding locational premia for the Permitted Warehouse Locations and for related global regions for various periods since 2010.[20]

In contrast to copper and other base metals, the precious metals that existing Physical Metal ETVs hold, as noted above, are stored primarily in one location, usually London. Such precious metals are also quoted at a single, global price. For example, the global price of gold is based on a "fix" for the price of an ounce of gold that is carried out twice daily by five members of the London Bullion Market Association (the "**LBMA**") acting through London Gold Market Fixing Ltd. ("**LGMF**"). The net asset value of GLD, whose gold is vaulted in London, is calculated each day

[19] Stated another way, the LME settlement price tracks the price of the cheapest-to-deliver lot of copper in the LME system, because determining which copper will be delivered is the right of the seller and an economically rational seller will generally deliver copper that is cheapest for it to deliver in order to reduce transaction costs.

[20] The locational premium information in this letter is based on data gathered and published by the Valuation Agent. Prior to June 16, 2011, the Valuation Agent published locational premia on a weekly basis for four different regions: the United States, the European Union, Shanghai and Singapore. The Sponsor believes that the historical information for the four regions above accurately reflects the historical prices in the market generally at such time, and is illustrative of the nature of pricing for physical copper. Since June 16, 2011, the Valuation Agent has published such information on a daily basis for each Permitted Warehouse Location. Accordingly, Annex D-1 shows locational premia for periods through June 15, 2011 and Annex D-2 shows locational premia for periods beginning June 16, 2011.

that the New York Stock Exchange is open for regular trading, based on the LGMF's afternoon fixing session.[21] No adjustment is made to the price of gold based on its physical location; thus, GLD's gold vaulted in London is valued at the same price as gold vaulted in New York. The Sponsor believes that this is a key difference between the precious and base metal markets that necessitates differences in structure between the Trust and existing Physical Metal ETVs that hold gold and other precious metals.

3. Structural Characteristics and Price Alignment Process for the Trust

As noted above, all currently existing Physical Metal ETVs hold precious metals that have a globally quoted price which does not vary significantly due to geographic location. For any such Physical Metal ETVs, an authorized participant's decision to create or redeem shares, in general, will be based on the market price per share and the NAV per share of the Physical Metal ETV (which in turn is based on the price of metal) at a particular time, and whether there is a potential arbitrage opportunity:[22]

- If the share price exceeds the NAV per share, an authorized participant can potentially create shares at NAV by delivering a creation unit weight of metal to the Physical Metal ETV in exchange for a creation unit of shares and then sell the newly created shares into the market for a profit. This activity in turn increases the supply of shares in the market and causes the market price to decrease toward the NAV per share.

- If the share price is less than the NAV per share, an authorized participant can potentially acquire enough shares to constitute a creation unit of shares at an average price per share that is less than the NAV per share, and then redeem the creation unit of shares in exchange for a creation unit weight of metal at NAV for a profit. This activity in turn decreases the supply of shares in the market and causes the market price to increase toward the NAV per share.

The foregoing arbitrage mechanism works for existing Physical Metal ETVs, which hold only precious metals, because any creation unit weight of the applicable precious metal will have the same price, regardless of the specific units of the metal that are transferred in a creation or redemption of a creation unit of shares. To facilitate the arbitrage mechanism, the exchange on which a Physical Metal ETV's shares are traded publishes an intraday indicative value, which represents a real-time estimate of the NAV per share of the Physical Metal ETV.

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[21] If there is no afternoon fixing session on a particular day, or if the afternoon fix has not been announced by 12:00 p.m. New York time on a particular evaluation day, the next most recent London gold price fix (morning or afternoon) is generally used to determine the net asset value of SPDR Gold Trust. See SPDR Gold Trust prospectus (April 26, 2012), available via the SEC's EDGAR website at http://sec.gov/Archives/edgar/data/1222333/000095012312006780/y05345sv3asr.htm (the "**GLD prospectus**"). Gold held by the iShares Gold Trust is also valued based on the London PM fix. See iShares Gold Trust prospectus (April 20, 2012), available via the SEC's EDGAR website at http://sec.gov/Archives/edgar/data/1278680/000119312512173021/d296876d424b3.htm.

[22] For ease of reference, this letter uses terms similar to those used for the Trust when referring to other Physical Metal ETVs, although different Physical Metal ETVs may use slightly different terminology. For example, a "creation unit weight" is referred to in the GLD prospectus as a "Creation Basket Deposit" (in connection with share creations) or a "redemption distribution" (in connection with share redemptions), and a creation unit of shares is referred to in the GLD prospectus as a "Basket."

For example, for GLD, both GLD and each authorized participant of GLD maintain certain accounts for holding gold with the GLD custodian. Creations or redemptions are effected by crediting and debiting a creation unit weight of gold to or from such accounts. When a creation unit of shares is created, the custodian transfers a creation unit weight of gold from the account of the authorized participant to an account of GLD; when a creation unit of shares is redeemed, the custodian transfers a creation unit weight of gold from an account of GLD to the account of the authorized participant. On any day, however, the price of a creation unit weight of gold that is transferred in any creation or redemption will the same, regardless of any specific units of gold (such as specific bars of gold bullion) that are selected for transfer. That is, upon a creation of shares on any day an authorized participant will always deliver, and upon a redemption of shares on any day an authorized participant will always receive, a creation unit weight of gold that has the same value in U.S. dollars as any other creation unit weight of gold that will be transferred to or from GLD on such day.

> Example. On January 4, 2012, a creation unit weight of gold for GLD, corresponding to a creation unit comprising 100,000 shares, was 9,722.324 ounces of gold. The net asset value of such a creation unit was approximately $15,682,108.41, corresponding to a net asset value per share of approximately $156.82 per share, or 0.097223 ounces of gold per share, regardless of the specific units of gold (such as specific bars of gold bullion) that were transferred to or from GLD in connection with any particular creation or redemption of shares. Thus, consistent with the arbitrage mechanism described above, (i) an authorized participant that acquired a creation unit of shares in the market at an average price of less than $156.82, or the equivalent of 0.097223 ounces of gold, per share, would have been able to redeem such shares at the NAV per share for a profit, and (ii) an authorized participant could have created shares with a creation unit weight of gold valued at approximately $156.82, or the equivalent of 0.097223 ounces of gold, per share, and would have been able to sell such shares into the market for a profit if the market price was greater than $156.82, or 0.097223 ounces of gold, per share.

The foregoing section demonstrates two characteristics of existing Physical Metal ETVs that hold precious metals. First, creations and redemptions of creation units of shares for such Physical Metal ETVs are "symmetric" around a single value, the NAV per share. Second, it makes no difference whether the NAV per share is expressed in terms of the price of metal (in the example, $156.82 per share) or a weight of metal (in the example, 0.097223 ounces of gold per share).

Creation and Redemption Mechanism for the Trust

The Sponsor believes that structuring the Trust so that it can create and redeem Shares using copper held in locations throughout the world (*i.e.*, the Permitted Warehouse Locations) should benefit the Trust by providing a larger, more liquid supply of copper than would be available if creations and redemptions were only permitted using copper held in a single location. However, as discussed above, there is no single available global price of copper at which Shares can be created and redeemed (and the same holds true for other base metals).[23] For this reason, the

[23] The Sponsor does not believe it is possible for the Trust to create and redeem Shares based on the LME settlement price. As described above, the LME settlement price represents only a theoretical "cheapest-to-deliver" price, and copper generally can be sold in the physical market for more than the LME settlement price. Therefore, the Sponsor believes that if the Trust required Shares to be created on the basis of the LME settlement price, Authorized Participants would have no incentive to create Shares.

Sponsor intends for the Trust to create and redeem Shares based solely on a weight of copper. As the examples below demonstrate, however, creating and redeeming Shares based solely on a weight of copper means that the arbitrage mechanism for the Trust will be slightly different from the arbitrage mechanism described above for existing Physical Metal ETVs that hold precious metals.

> Creation Example. Assume that on March 30, 2012, the Creation Unit Weight for the Trust is 25.0 metric tons of copper. Thus, any Authorized Participant can create a Creation Unit of Shares (2,500 Shares) on that day by delivering 25.0 metric tons of copper to the Trust. Measured in terms of the weight of copper, the net asset value of a Creation Unit of Shares on such day, on a per-Share basis, will be 0.01 metric tons per Share. Assume further that two Authorized Participants each own one whole lot of copper weighing exactly 25.0 metric tons. The whole lot owned by Authorized Participant #1 is located in the Warehouse-keeper's New Orleans warehouse, and the whole lot owned by Authorized Participant #2 is located in the Warehouse-keeper's Rotterdam warehouse. The LME settlement price per ton of copper on such day is exactly $8,480.00. The locational premium for copper in New Orleans on such day is $7.50 (0.09% over the LME settlement price) and the locational premium for copper in Rotterdam on such day is $85.50 (1.01% over the LME settlement price). Accordingly, the copper in New Orleans owned by Authorized Participant #1 is worth $212,187.50 ($8,487.50 multiplied by 25.0 metric tons), meaning that Authorized Participant #1 can create Shares at a price to it of approximately $84.88 per Share ($212,187.50 divided by 2,500 Shares per Creation Unit). The copper in Rotterdam owned by Authorized Participant #2 is worth $214,137.50 ($8,565.50 multiplied by 25.0 metric tons), meaning that Authorized Participant #2 can create Shares at a price to it of $85.66 per Share ($214,137.50 divided by 2,500 Shares per Creation Unit). Thus, unlike GLD (in respect of which, for any two authorized participants, (a) a creation unit weight of gold and (b) the value of such creation unit weight of gold, will be the same), the value of a Creation Unit Weight of copper for Authorized Participant #1 and the value of a Creation Unit Weight of copper for Authorized Participant #2 will be different, even though each Authorized Participant owns a Creation Unit Weight of copper.

> Redemption Example. Assume again that on March 30, 2012, the Creation Unit Weight for the Trust is 25.0 metric tons of copper. Assume further that as of a particular time during the Exchange trading day, an Authorized Participant owns 2,500 Shares (i.e., a Creation Unit of Shares) that it acquired at an average market price of $84.88 per Share, for an aggregate cost of $212,187.50 The Authorized Participant might rationally redeem the Creation Unit of Shares for a Creation Unit Weight of copper, but only if it expects that the value of the Creation Unit Weight of copper it will receive will be at least equal to $212,187.50. Therefore, in order for the Trust's redemption mechanism to function properly, the Authorized Participant must be able to assess the value of the Creation Unit Weight of copper it expects to receive if it redeems its Creation Unit of Shares.

Although the foregoing examples may suggest that the arbitrage mechanism of the Trust will function differently from existing Physical Metal ETVs, the Sponsor believes that three structural features of the Trust will cause the price of Shares in the secondary market, similar to existing Physical Metal ETVs, to closely track the NAV per Share of the Trust. These structural features are (i) the Selection Protocol, (ii) the Trust's independent, third-party Valuation Agent and (iii) the Trust's information transparency measures. After describing each of these features in the next three subsections, Part 3 of this letter will conclude with an explanation of why the Sponsor expects that such features, taken together, will result in an efficient arbitrage mechanism for the Trust that is similar to existing Physical Metal ETVs.

Selection of Copper

The Administration Agent, as the administrator of the Trust, will utilize a non-discretionary, rules-based methodology for selecting copper lots for various activities of the Trust, including satisfying redemption orders and calculating and paying expenses. This methodology, which we refer to as the "**Selection Protocol**," is intended to provide a consistent and transparent method for selecting lots of copper for such purposes. The Selection Protocol is designed to ensure that the Trust will always deliver copper first from the warehouse where it holds available copper that has the lowest locational premium at a particular time,[24] which we refer to as the "**cheapest-to-deliver location**."[25] More specifically, the Selection Protocol requires the Administrative Agent to select lots for such purposes in the following manner:

- Lots will be selected first from the cheapest-to-deliver location, and then from other warehouse locations successively based on a ranking of their respective locational premia from lowest to highest.

- If there are multiple lots in the same warehouse location specified by the first step, lots in such warehouse location will be selected based on the date such lots were first delivered to the relevant account, with the earliest-delivered lot being selected first.

- If there are multiple lots in the same warehouse location that were first delivered to the relevant account on the same date, lots will be selected based on the actual weight of the lot, with the lot having the lowest actual weight being selected first.

The cheapest-to-deliver location is determined on each business day of the Trust by the Valuation Agent independently in its sole discretion, using the same procedure (discussed below) applied by the Valuation Agent to determine the locational premium of each warehouse location where the Trust holds copper.

The Selection Protocol is particularly relevant to the redemption of Creation Units of Shares by an Authorized Participant. As described in the "Redemption Example" above, an Authorized Participant can be expected to redeem Shares if it believes that the value of the Creation Unit Weight of copper it will receive is at least equal to the aggregate cost at which it acquired the Creation Unit of Shares that it submits for redemption. The Selection Protocol, taken together with the transparency measures of the Trust described in "Information Transparency" below (in particular, the First-Out IIV), provide the information for an Authorized Participant to make this assessment.

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[24] In this way the Trust operates in a way similar to any LME dealer, who in settling any LME sales contract will generally deliver copper that is the cheapest for it to deliver in order to reduce its transaction costs.

[25] From time to time the Valuation Agent may determine that the cheapest-to-deliver location has changed. In that case, certain copper will be reallocated to facilitate creations and redemptions in the new cheapest-to-deliver location. Please see Annex C attached hereto for a detailed discussion of how the Trust will handle changes in the cheapest-to-deliver location.

As discussed above, the difference between the price of copper at the cheapest-to-deliver location and at the location that carries the highest locational premium has historically been within a limited range. For example, the average difference in the price of copper between the Permitted Warehouse Location having the lowest locational premium and the Permitted Warehouse Location having the highest locational premium for the period between January 3, 2012 and March 30, 2012, was 0.962%, according to the Valuation Agent. The difference between the price of copper at the Trust's cheapest-to-deliver location and the price of copper at the Trust's other Permitted Warehouse Locations that have a relatively low locational premium at which Authorized Participants might have copper available to transfer to the Trust to create Creation Units of Shares is likely to be within an even smaller range. For example, in the period between January 3, 2012 and March 30, 2012, according to the Valuation Agent, copper in the Permitted Warehouse Location(s) having the lowest locational premium traded at an average price of $8,317.61 per metric ton and copper in the Permitted Warehouse Location having the second-lowest locational premium traded at an average price of $8,384.70 per metric ton, which is a difference of 0.807%. Because of the foregoing dynamic and the arbitrage mechanism described below, the Sponsor expects that the Shares will trade at market prices that are within a limited range, with the lower end of that range approximating the value of copper in the Permitted Warehouse Location that is the cheapest-to-deliver location and the higher end of that range approximating the value of copper in the cheapest-to-deliver location at which the Authorized Participants have copper available.[26] Because of the Trust's consistent and transparent process for determining how specific lots of copper are selected by the Trust for redemptions of Creation Units and other purposes, the Sponsor does not expect the diversity in the value of the lots of copper owned by the Trust to affect the ability of Authorized Participants to create and redeem Shares.

Acceptable Delivery Brands

As discussed further in Annex B, each lot of physical copper has a specific brand that is specific to one refiner. A lot of copper always has a single brand, and there is no commingling of brands within an individual lot. The LME oversees the registration process for each refinery seeking to register its brand of copper as an acceptable delivery brand for LME registered transactions (an "**Acceptable Delivery Brand**"). Currently, there are 79 brands that are Acceptable Delivery Brands. The LME has the authority to de-register brands from the LME from time to time. In general, de-branded copper may become less valuable and less liquid over time.

Any copper that is delivered to the Trust by an Authorized Participant must, at the time of such delivery, be of an Acceptable Delivery Brand. However, it is possible that the LME could de-register a brand of copper that is held by the Trust at a particular time. As discussed further in Annex C, if any copper held by the Trust is de-branded, the Administrative Agent will instruct the Warehouse-keeper to use whole lots of de-branded copper to satisfy redemptions before using any other lots of copper, even if the de-branded copper is not held in the cheapest-to-deliver location. If the Trust holds more than one lot of de-branded copper, the specific lots used to

[26] As noted elsewhere herein, the Sponsor believes that enabling the Trust to accept copper for creations at multiple warehouse locations around the world will enhance the ability of Authorized Participants to create and redeem Shares and increase liquidity for the Shares, which is essential to the functioning of the arbitrage mechanism that closely aligns the secondary market price per Share to the NAV per Share. In most cases, the Sponsor believes that an Authorized Participant will initially be able to, and will, create Shares by delivering copper at the cheapest-to-deliver location.

satisfy redemptions will be selected from the available de-branded lots in accordance with the Selection Protocol, and any other lots of copper will be used to satisfy redemptions only after all lots of de-branded copper have been delivered out of the Trust. De-branded copper will be disregarded by the Administrative Agent for any allocations of copper that do not involve redemptions, such as the reconciliation of overweight or underweight amounts (unless a fractional lot of de-branded copper already exists), the reallocation of copper in connection with a change in the cheapest-to-deliver location and the payment of Trust expenses, each as discussed in Annex C.

The purpose of prioritizing the delivery of lots of de-branded copper for redemption is to ensure the liquidity of the Trust's copper holdings. For the reasons discussed in "—The Relationship between the Trust's Structure and the Price Alignment Process" below, the Sponsor does not believe that this will impair the price alignment process or the arbitrage mechanism for the Trust.

Independent Third-Party Valuation Agent

The Valuation Agent, which is independent from and unaffiliated with the Sponsor, is responsible for providing the locational premium for each Permitted Warehouse Location, which is used to calculate the Trust's net asset value, determine the cheapest-to-deliver location and make other determinations for the Trust. The locational premium for a Permitted Warehouse Location for a business day is calculated as an amount expressed in U.S. dollars that is equal to the average value of copper per metric ton in such location minus the LME settlement price of copper on such business day.[27] The Valuation Agent will calculate the average value of copper in a location through a combination of (i) a weighted calculation (based on tonnage) of actual transactions and (ii) the indicative prices of market makers. Data will be collected primarily by phone, but also by email and by direct submission. In order to avoid any actual or potential conflict of interest, or perception of a conflict, the Valuation Agent will exclude any information provided by any JPMorgan-affiliated entity when calculating the locational premium of copper in any Permitted Warehouse Location. The Valuation Agent will record details regarding its contacts for reference and internal audit purposes.

When the Valuation Agent collects information on actual transactions for use in calculating locational premia, the Valuation Agent generally requests full details regarding such transactions, including price, material specifications, transaction size, delivery point and terms, payment details and other factors, all of which may inform the Valuation Agent's assessment of the value of the underlying transaction. If a particular transaction involves a significantly higher or lower price than other comparable transactions, the Valuation Agent may request proof of the transaction price, and if such information is not provided, the price may be excluded from the assessment. Where possible, the Valuation Agent will seek to confirm details with the parties on both sides of a transaction.

In calculating the locational premia, the Valuation Agent will determine in its discretion the relative weights that it will give to actual transactions as compared to indicative prices. The Valuation Agent may vary the relative importance of the components based on the level of physical activity on a particular business day as well as other factors. The use of both actual

[27] Although the average price of copper in a warehouse location is generally expected to be greater than the LME settlement price, it is possible for the LME settlement price to be less than the average price of copper in a warehouse location, which would result in a negative locational premium.

transaction information and indicative pricing information is intended to allow continuity of pricing and up-to-date market quotes for periods when physical activity has declined.

Pursuant to the Valuation Agreement, the Valuation Agent has made numerous commitments to ensure the integrity and objectivity of the locational premia:

- The Valuation Agent will not make any locational premia publicly available prior to the time such information is provided to the Trust, the Sponsor and the Administrative Agent on any business day.

- The Valuation Agent will maintain books and records relating to its valuations for at least ten years from the end of the period to which they relate, and will allow an independent third party to inspect such books and records upon reasonable notice.

- The Valuation Agent will at all times maintain written policies and procedures ("**Compliance Policies and Procedures**") reasonably designed to:

  (i) prevent any violation of applicable law, including without limitation the Securities Act, the Exchange Act and the Commodity Exchange Act, in connection with its provision of services under the Valuation Agreement; and

  (ii) ensure the Valuation Agent's compliance with, and prevent violations of, the Valuation Agreement.

- The Valuation Agent will designate a chief compliance officer who is responsible for administering the Compliance Policies and Procedures. The chief compliance officer must:

  (i) review on an ongoing basis the adequacy of the Compliance Policies and Procedures and the effectiveness of their implementation;

  (ii) provide a report to the Sponsor, at least annually, on the adequacy of the Compliance Policies and Procedures and the effectiveness of their implementation; and

  (iii) report promptly to the Sponsor (A) any violation of the Compliance Policies and Procedures and (B) any material weakness or inadequacy in the Compliance Policies and Procedures and the steps taken or to be taken to remedy any such weakness.

- The Valuation Agent must provide to the Sponsor:

  (i) for each fiscal year of the Trust, within 30 days of the end of such fiscal year, a certification that (A) during such fiscal year the Valuation Agent has complied with the terms and conditions of the Valuation Agreement and its valuation methodology and (B) the Valuation Agent's representations and warranties in the Valuation Agreement continue to be materially true and correct;

  (ii) for each calendar quarter, reports or certifications requested by the Sponsor relating to the valuation data, valuation methodology and related services; and

(iii) such other reports or certifications at such other times as the Sponsor may reasonably request from time to time in response to an articulated, identifiable concern, including reports or certifications required to be delivered to a governmental agency or regulatory body.

- The Valuation Agent may not purchase or sell, and must instruct its officers, directors, employees and agents not to purchase or sell, any securities of the Trust or futures, options or other derivative instruments on securities of the Trust, and must maintain compliance policies and procedures reasonably designed to promote and monitor compliance with such instruction by the foregoing persons.

- The Valuation Agent must take specific security measures when collecting, storing, processing, archiving and disposing of information used to derive locational premia.

The Sponsor believes that the Valuation Agent's independence, valuation methodology and other commitments will ensure the integrity and objectivity of the pricing information. The Sponsor believes that such pricing information, together with the procedures for transparency and public availability of information set forth below, will produce a robust arbitrage mechanism that will (i) align the secondary market price per Share to the NAV per Share and (ii) facilitate having creation and redemptions occur at a value close to the NAV per Share.

Information Transparency

To facilitate arbitrage activity by the Authorized Participants, the Administrative Agent will provide full transparency on its website regarding the Trust's assets. It is anticipated that, through a combination of the use of the Selection Protocol and transparency of information, each Authorized Participant will be able to assess which lots of copper are likely to be delivered in connection with a redemption order by the Authorized Participant.

In order to provide Authorized Participants with an indication of the underlying value of the Trust's Shares during the trading day, on any day on which the Exchange is open for business, the Exchange will disseminate, approximately every 15 seconds, two different intraday indicative values for the Trust's Shares, which are referred to as the "**First-Out IIV**" and the "**Liquidation IIV**."

The "**First-Out IIV**" is an intraday indicative value that represents, as of the time of the calculation, the hypothetical U.S. dollar value per Share of copper that would need to be transferred to or from the Trust to create or redeem one Share included in a Creation Unit, assuming that copper in the cheapest-to-deliver location is used for such creation or redemption. The First-Out IIV is intended to facilitate arbitrage activity by Authorized Participants by serving as an indicator of whether the Trust's Shares are trading at a discount or premium during the trading day.

More specifically, the Sponsor expects that an Authorized Participant will seek to create new Shares when the market price of existing Shares exceeds the First-Out IIV (if the Authorized

Participant has copper lots available for delivery to the Trust in the cheapest-to-deliver location), and will seek to redeem Shares when the market price is less than the First-Out IIV,[28] because:

(i) if the market price per Share is greater than the underlying value per Share in U.S. dollars, an Authorized Participant could create a Creation Unit of Shares by delivering a Creation Unit Weight of copper in the cheapest-to-deliver location to the Trust, and potentially sell such Shares on the relevant exchange for an aggregate amount that is greater than the value of the copper used to create the Shares; and

(ii) if the underlying value per Share in U.S. dollars is greater than the market price per Share, an Authorized Participant could redeem a Creation Unit of Shares by delivering the Creation Unit to the Trust and receive a Creation Unit Weight of copper in the cheapest-to-deliver location, and potentially sell the copper for an aggregate amount that is greater than the amount it paid to acquire the Shares.

For purposes of the foregoing, "**underlying value per Share**" means:

- with respect to (i), the value (*i.e.*, the benchmark price *plus* the associated locational premium) of the copper that an Authorized Participant has available to deliver to the Trust; and

- with respect to (ii), the value (*i.e.*, the benchmark price *plus* the associated locational premium) of the copper that an Authorized Participant expects to receive from the Trust, based on the Selection Protocol.

Similarly, if an Authorized Participant does not have copper available at the cheapest-to-deliver location, the Sponsor expects that an Authorized Participant will still seek to create Shares as long as the market price per Share is greater than the underlying value per Share in U.S. dollars of copper that would need to be transferred from the cheapest-to-deliver location at which the Authorized Participant has copper available. Thus, increases in the market price per Share will increase the amount of copper available for creating Shares, and in turn the liquidity of both the Shares and the Trust's copper, by increasing the number of possible locations that an economically rational Authorized Participant will use for creating Shares.[29]

The "**Liquidation IIV**" represents, as of the time of the calculation, the hypothetical U.S. dollar value per Share of all of the copper owned by the Trust based upon the number of Shares then outstanding; this value is expected to approximate the NAV per Share of the Trust. This value is similar to the intraday indicative value published by other Physical Metal ETVs.

To provide additional transparency, as promptly as practicable after 4:00 p.m. New York City time, a downloadable file will be made available on the Trust's website with the following information relating to each lot of copper owned by the Trust:

[28] It is expected that the Authorized Participant will take into account all associated transaction costs, such as the transaction fee and costs relating to the disposal of copper, in such decision-making.

[29] If creations or redemptions were limited to one warehouse location, the availability of copper in that single location could create a liquidity constraint, which could in turn cause the Shares to trade at a premium in the secondary market.

- the unique identification number of such lot;
- the warehouse location in which such lot is held;
- the brand of such lot and, if the copper is not of an Acceptable Delivery Brand, an indication that lot consists of a brand of copper that has been de-registered;
- the weight in metric tons of such lot; and
- the date on which such lot was delivered to the Trust.

In addition, the as promptly as practicable after 4:00 p.m. New York City time, the following will be published on the Trust’s website:

- the number of outstanding Shares as of the beginning of the business day;
- the Trust’s net asset value;
- the NAV per Share;
- the locational premium for each warehouse location, as calculated by the Valuation Agent, quoted both in U.S. dollars and as a percentage premium over the LME settlement price;
- the price per metric ton of copper in each warehouse location where the Trust is permitted to hold copper;
- the aggregate weight in metric tons of all copper owned by the Trust;
- the aggregate weight in metric tons of the copper owned by the Trust in each Permitted Warehouse Location;
- the gross value in U.S. dollars of the copper owned by the Trust in each warehouse location;
- the Creation Unit Ratio; and
- the Creation Unit Weight.

The transparency and availability of this information will allow investors and Authorized Participants to make an informed decision with regard to the secondary market price of the Shares and the creation and redemption process, respectively.

The Relationship between the Trust’s Structure and the Price Alignment Process

As described above, the Selection Protocol, the independent third-party Valuation Agent, and the transparency and availability of information are expected to work in concert to allow the secondary market price of Shares to align and trade within a narrow range, with the lower end of that range approximating the First Out IIV and the higher end of that range approximating the value of copper in the cheapest-to-deliver location at which the Authorized Participants have copper available.

For the redemption of Shares, the Sponsor expects that an Authorized Participant will likely acquire Shares in the secondary market for the purpose of redeeming such Shares as long as the market price is less than the First Out IIV, because the Authorized Participant can redeem those Shares and receive copper at the cheapest-to-deliver location at which the Trust then holds copper (as determined by the Selection Protocol), the price of which is approximated by the First Out IIV. Such redemptions will decrease the supply of Shares trading in the secondary market, which will cause the market price to increase. This dynamic results in the First Out IIV serving as an approximate lower bound for the market price of Shares.

For the creation of Shares, the Sponsor expects that an Authorized Participant will create Shares for sale in the secondary market if the market price of Shares is higher than the per-Share value of the copper that the Authorized Participant has available to deliver to the Trust for such creation.[30] To the extent that the Shares trade at a premium to the related price of copper, Authorized Participants will create Shares to sell those Shares at a price that is greater than the related price of copper. Such creations will increase the supply of Shares trading in the secondary market, which will cause the market price to decrease. This dynamic results in the value of copper in the cheapest-to-deliver location at which the Authorized Participants have copper available serving as an approximate upper bound for the market price of Shares.

The price alignment process relies on the certainty and rules-based nature of the Selection Protocol and the transparency of information published on the Trust's website and by the Exchange. The Sponsor believes that Authorized Participants, and investors purchasing Shares on the secondary market, will have information that is appropriate for them to make an informed, rational economic decision as to whether to create, redeem, buy or sell Shares. The Sponsor believes that, because Authorized Participants have full, transparent information about the Trust's copper, including the locational premium and the brand for each lot of copper held by the Trust and whether the brand of any such lot is or has ceased to be an Acceptable Delivery Brand, such factors will not impair the price alignment process or the arbitrage mechanism described above. In addition, the Sponsor believes that the Sponsor's fee and other ordinary course expenses will not impair the price alignment process or the arbitrage mechanism described above. Any such amounts that have not been paid by the Trust will be reflected in the calculation of the Creation Unit Weight (which, for any business day, will have been calculated at the end of the prior business day and therefore will include the Trust's accrued unpaid expenses at such time, including the Sponsor's fee and any other accrued unpaid expenses). Consequently, the weight of copper that an Authorized Participant will expect to deliver or receive upon a creation or redemption will already reflect any accrued unpaid expenses at the time the Authorized Participant determines whether to submit a creation or redemption order, and such

[30] The Sponsor expects that an Authorized Participant will deliver copper from the Permitted Warehouse Location that is cheapest-to-deliver for that Authorized Participant at the time. An Authorized Participant with copper in a cheaper-to-deliver location than any other Authorized Participant will be more likely to create Shares sooner than other Authorized Participants. Such competitive pressure, the Sponsor believes, is likely to cause the price for a creation of Shares to follow the lowest locational premium of copper available to the Authorized Participants.

amounts should not affect the Authorized Participant's decision to create or redeem a Creation Unit of Shares.

4. Request for Relief

Rules 101 and 102 of Regulation M

The Sponsor, on behalf of itself and persons or entities engaging in transactions in Shares, requests that the Staff or the Commission grant exemptive, interpretive or no-action relief from Rules 101 and 102 of Regulation M in connection with secondary market transactions in Shares, and the creation or redemption of Shares, as discussed below. As noted above, the requested relief is similar to relief granted to the other Physical Metal ETVs.

Subject to certain enumerated exemptions, Rules 101 and 102 of Regulation M prohibit a "distribution participant" and the issuer or a selling security holder, respectively, in connection with a distribution of securities, from bidding for or purchasing or from attempting to induce any person to bid for or purchase, a "covered security" during the applicable restricted period. "Distribution participant" is defined in Rule 100(b) to include an underwriter or prospective underwriter in a particular distribution of securities, or any broker, dealer or other person who has agreed to participate or is participating in such distribution. Although Authorized Participants that tender copper to the Trust in return for Creation Units or redeem copper from the Trust in return for Creation Units will not be part of a syndicate or selling group, and will receive no fees, commissions, or other remuneration from the Trust, under certain circumstances they could be deemed to be "underwriters" or "distribution participants" as those terms are defined in Rule 100(b).

Under paragraph (c)(4) of Rule 101, redeemable securities of open-end investment companies (as those terms are defined in the Investment Company Act) are exempted from the application of Rule 101. The Trust is not, and cannot be, registered as an open-end investment company under the Investment Company Act[31] and is therefore not able to avail itself of the exemption under paragraph (c)(4). Although the redemption of Creation Units is subject to the condition of an Authorized Participant tendering the appropriate number of Shares, the Trust will otherwise function in a manner similar to an open-end fund continuously offering its Shares. With certain limited exceptions described below, the Sponsor expects there should not be significant disparity between the market price of the Shares and the value per Share of copper in the Trust's cheapest-to-deliver location (*i.e.*, the First-Out IIV) due to the redeemability of Creation Units.[32] Therefore, the rationale for exempting redeemable securities of open-end management companies from the application of Rule 101 is equally applicable to the Shares. It is in recognition of the special nature of such offerings that open-end management investment companies are exempted under paragraph (c)(4). Without such an exemption they could not

[31] The Trust is not an investment company under the Investment Company Act, and accordingly cannot register under the Investment Company Act, because it does not own or hold itself out as investing in securities (among other reasons).

[32] As discussed above, because Authorized Participants generally will expect to receive copper from the cheapest-to-deliver location, whenever they redeem a Creation Unit of Shares, the Sponsor expects that Authorized Participants, to the extent possible, will seek to deliver copper for Creation Units of Share with a value that is at or near the value of copper at the cheapest-to-deliver location. As such, the Sponsor generally expects that the Trust's Liquidation IIV will closely approximate the First-Out IIV.

operate as intended. Therefore, the Sponsor respectfully requests that the Staff or the Commission grant an exemption under paragraph (d) of Rule 101 or adopt a no-action position to such effect that permits distribution participants to engage in secondary market transactions in the Shares.

Application of Rule 101 in this context would not further the anti-manipulative purposes underlying the Rule. The purpose of Rule 101 is to prevent persons from conditioning the market to facilitate a distribution. The Trust will continuously redeem baskets of shares at NAV, expressed as a *pro rata* portion of the weight of copper held by the Trust. Although the value of the lots of copper that are transferred to or from the Trust by Authorized Participants for creations or redemptions may be subject to some variability due to the locational premia of copper, the data discussed above indicate that for the period between January 3, 2012 and March 30, 2012, the average cash price of copper per metric ton varied only 0.962% between the price of copper in the Permitted Warehouse Location having the lowest locational premium and the Permitted Warehouse Location having the highest locational premium, and only 0.807% between the price of copper in the Permitted Warehouse Location having the lowest locational premium and the Permitted Warehouse Location having the second-lowest locational premium. Therefore, the Sponsor does not expect the difference in the locational premia to be significant. Further, the Administrative Agent will disseminate every 15 seconds on each trading day the First-Out IIV, which is an estimate of the underlying value of copper per Share of the Shares an Authorized Participant could create or redeem on such day (assuming that copper in the cheapest-to-deliver location is used for such creation or redemption). As described in Part 3, Authorized Participants can generally expect to receive copper from the cheapest-to-deliver location whenever they redeem Creation Units of Shares and are expected to seek to create Creation Units of Shares by transferring copper from the cheapest-to-deliver location at which they have copper available. As a result of the Authorized Participants' daily ability to create and redeem Creation Units coupled with the open-end nature of the Trust, arbitrage activity by Authorized Participants is expected to result in the Shares trading within the limited range described above (*e.g.,* an Authorized Participant can be expected to create Shares when the market price exceeds the price of the copper with which it could create Shares and to redeem Shares when the market price is less than the First-Out IIV).[33]

The Sponsor also requests that the Staff or the Commission, as a result of the redeemable nature of the Creation Units and for the reasons stated above regarding the requested relief under Rule 101(d), grant relief under paragraph (e) of Rule 102 to permit the Trust and its affiliated purchasers to engage in secondary market transactions in Shares and the redemption of Shares by the Trust. The purpose of Rule 102 is to prevent persons from manipulating the price of a security during a distribution and to protect the integrity of the offering process by prohibiting activities that could artificially influence the market for that particular security. The Sponsor believes that the redemption by the Trust of Shares at or close to the value per Share of the underlying copper at the cheapest-to-deliver location in consideration for the underlying physical commodity does not involve the abuses that Rule 102 was intended to prevent, and

[33] In certain situations an Authorized Participant may not have copper available at the cheapest-to-deliver location. In these cases the Sponsor expects that an Authorized Participant will still seek to create Shares as long as the market price per Share is greater than the underlying value per Share in U.S. dollars of copper that the Authorized Participant would need to transfer at the cheapest-to-deliver location at which the Authorized Participant has copper available.

therefore the application of Rule 102 in this context would not further the anti-manipulative purpose of the Rule.

Conclusion

Based on the foregoing, the Sponsor respectfully requests that the Commission grant the relief requested herein.

Thank you for your consideration of this request. Should you have any additional questions or require additional information, please do not hesitate to call the undersigned at 212-450-4550.

Very truly yours,

John G. Crowley

ANNEX A

Physical Metal ETVs

	SPDR Gold Trust	iShares Silver Trust	ETFS Palladium Trust	JPM XF Physical Copper Trust
Assets	Physical gold	Physical silver	Physical palladium	Physical copper
Investment Objective	To reflect the performance of the price of gold, less the trust’s expenses.	To reflect the performance of the price of silver, less the trust’s expenses.	To reflect the performance of the price of palladium, less the trust’s expenses.	To reflect the performance of the price of copper, less the trust’s expenses.
Location of Assets	London	London	London, Zurich	Global
Creation of Shares	Delivery of a creation unit amount of gold, *plus* a *pro rata* cash deposit.	Delivery of a creation unit amount of silver, with no *pro rata* cash deposit.	Delivery of a creation unit amount of palladium, *plus* a *pro rata* cash deposit.	Delivery of a creation unit amount of copper, with no *pro rata* cash deposit.
Redemption of Shares	Redemption of a creation unit amount of gold, *plus* a *pro rata* cash amount.	Redemption of a creation unit amount of silver, with no *pro rata* cash amount.	Redemption of a creation unit amount of palladium, *plus* a *pro rata* cash amount.	Redemption of a creation unit amount of copper, with no *pro rata* cash amount, taking into account the cheapest-to-deliver location selection protocol.
Creation Unit Amount	Initially 10,000 ounces of gold; decreases continuously over life of trust due to payment or accrual of fees and expenses.	Initially 500,000 ounces of silver; decreases continuously over life of trust due to payment or accrual of fees and expenses.	Initially 5,000 ounces of palladium; decreases continuously over life of trust due to payment or accrual of fees and expenses.	Initially 25 metric tons of copper; decreases continuously over life of trust due to payment or accrual of fees and expenses.
Redemption Settlement Period	Three business days following the redemption order date.	Three business days following the redemption order date.	Three, but no more than five, business days following the redemption order date.	Three business days following the redemption order date.
Valuation of Assets	Based on the price of an ounce of gold as set by London p.m. fix.	Based on the price of an ounce of silver as set by London fix.	Based on the price of an ounce of palladium as set by London p.m. fix.	Based on the settlement price per metric ton in U.S. dollars of Grade A copper as quoted on the LME, *plus* the weighted average locational premium.

	SPDR Gold Trust	**iShares Silver Trust**	**ETFS Palladium Trust**	**JPM XF Physical Copper Trust**
Calculation of Net Asset Value	Based on the Valuation of Assets above; determined at the earlier of the London p.m. fix for the day or 12:00 p.m. New York time.	Based on the Valuation of Assets above; determined as promptly as practicable after 4:00 p.m. New York time.	Based on the Valuation of Assets above; determined as promptly as practicable after 4:00 p.m. New York time.	Based on the Valuation of Assets above; determined as promptly as practicable after 7:00 p.m. New York time.
Intraday Indicative Value per Share	Indicative price of gold *multiplied by* the quantity of gold underlying each share.	Indicative price of silver *multiplied by* the quantity of silver underlying each share.	Indicative price of palladium *multiplied by* the quantity of palladium underlying each share.	Liquidation IIV: indicative price of copper *plus* the weighted average locational premium, *multiplied by* the quantity of copper underlying each share. First-Out IIV: indicative price of copper in the cheapest-to-deliver location *plus* the locational premium for such location, *multiplied by* the quantity of copper underlying each share.

ANNEX B

The Copper Market

Introduction

The global market in copper consists of (i) trading within the physical copper market and (ii) financial trading, through either (a) the exchange-traded futures and options market or (b) the over-the-counter ("**OTC**") market. Each of these is described below in further detail.

The Physical Copper Market

Copper, like any other good or merchandise, is traded between producers (such as mining companies and refiners), consumers (such as fabricators and manufacturers) and/or merchants. Mining companies sell their present or future production to refiners and smelters that transform the metal into shapes or alloys, so that fabricators and manufacturers can then transform these into different end-use products. Copper is used in many different industrial processes, which makes its location relative to consumption demand important, especially given its bulk and the cost of transportation. The source of copper (i.e., mine location and smelters/refineries) is also actively tracked by buyers, including fabricators and consumers, and affects buying behavior. Buyers may require copper from very specific sources because both the physical shape and chemical composition must match the setup of their respective production facilities or fabrication needs. Copper supply chains need to be actively managed on a continuous basis because of fluctuating demand in the market.

Depending on the timing of physical delivery, the price of copper is usually either a function of the cash price (specifically, the settlement price, plus any contractually agreed upon locational premium, if applicable) for the present day or the relevant forward price for future days. The settlement price is the price utilized in a trade for physical delivery of copper assuming that delivery occurs two business days after the price is agreed upon, while a forward price is employed when the delivery is agreed to take place at a specific time in the future. The LME provides the global benchmark prices for the settlement price and forward prices of Grade A Copper. The LME settlement price and three-month forward price of Grade A Copper are the most widely used benchmarks for daily prices of physical copper held in bonded, customs- and duties-free zones and traded in the international physical copper market, and are published by various financial information sources. Unless otherwise specified, as used herein, "copper" always refers to Grade A Copper and the "settlement price" or "LME settlement price" of copper always refers to the official cash-sellers price per metric ton in U.S. dollars of Grade A Copper as quoted on the LME for a particular business day.

In addition to the settlement price or forward prices, in order to obtain copper of a specific brand that is stored at a specific location, consumers are prepared to pay an additional locational premium. As discussed further in "—Locational Premia for Copper" below, these locational premia are based on various supply and demand factors, for example, freight rates, time to transport and relative pricing power of the producers versus consumers, which in turn is reflective of available sources of copper. A location that is low in supply and high in demand will generally carry a higher locational premium than a location where supply is high and demand is low. Supply contracts between physical market participants are generally annual contracts under which the locational premium is fixed for the period of the contract, while the spot or forward price is floating and only fixed at the point of delivery. This approach ensures that the physical aspects of the contract are fixed in order to provide both producers and consumers certainty but leaves both parties exposed to price risk. This price risk is managed independently by both producers and consumers through positions either on futures exchanges or in OTC markets.

Futures Exchanges

The role of a commodity futures exchange is to facilitate and make transparent the process of determining commodity prices. A majority of copper trading occurs on three commodity exchanges: the LME (as further discussed below), COMEX and the Shanghai Futures Exchange ("**SHFE**"). Futures prices are settled by bid and offer, reflecting the market's perception of supply and demand of a commodity on a particular day. On the LME, copper is traded in 25 metric ton lots and quoted in U.S. dollars per metric ton. On COMEX, copper is traded in lots of 25,000 pounds and quoted in U.S. cents per pound. On the SHFE, copper is traded in lots of five metric tons and quoted in Chinese renminbi per metric ton. At present, Chinese regulations stipulate that only companies or organizations organized and registered in China or Chinese citizens are allowed to participate in trading on the SHFE, which is regulated by the Chinese Securities Regulatory Commission.

Exchanges provide for the trading of futures and options contracts. These contracts allow producers and consumers to fix a price in the future, thus providing the consumers a hedge against price variations. Producers and consumers often seek to manage their price risk by taking long or short positions on the futures exchange. The participation of investors, who are ready to buy the risk of price variation in exchange for potential monetary reward, increases liquidity in the market. A futures or options contract defines the standard of the product, the size of the lot, delivery dates and other aspects related to the trading process. Contracts are unique for each exchange. The existence of futures contracts also allows producers and their clients to agree on different price settling arrangements to accommodate different interests.

Over-the-Counter Contracts

OTC contracts are principal-to-principal agreements traded and negotiated privately between two principal parties, without going through an exchange or intermediary. OTC contracts can be structured similarly to exchange contracts such that they are "look-alikes" to underlying exchange contracts. In other words, OTC contracts can contain the same economic terms as exchange contracts, although they are not registered with an exchange and are settled bilaterally between the parties to the contract. At present, a central clearing counterparty does not stand between OTC counterparties for the purpose of insulating counterparties from default losses. The underlying price risk of OTC contracts is determined bilaterally, between a dealer or a market maker, acting as a counterparty, and another trading counterparty, which may be a consumer, producer or another dealer. Such OTC transactions can be documented using negotiated terms and references that suit the parties to the contract. These can be the same as the terms and references of exchange contracts (the "**terms of business**") or documentation provided by the International Swaps and Derivatives Association, Inc.

The London Metal Exchange

The most significant copper futures exchange is the LME. The LME was founded to trade copper in 1877 and later added the trading of additional metals. The LME is a principal-to-principal market where only eligible organizations or "members" are able to participate directly in trading. Through its members, the LME offers its clients, who represent all aspects of the physical industry, the opportunity to "hedge" their price risk and therefore gain protection from future adverse price movements. Within the membership structure, there are a number of categories of membership, and each category provides for a different level of activity. For example, the trading and clearing members can provide their clients with access to the market, its risk management tools and the LME's delivery mechanism.

Trading between members takes place across three trading platforms: through open-outcry trading in the "Ring," through an inter-office telephone market and through LMEselect, the LME's electronic trading platform. The LME is a member-owned organization, and membership is open to all companies that meet the relevant criteria as described in the LME's rules and regulations. Membership categories are generally divided between broker members and trade members.

Category 1 members are "Ring Dealing Members," currently including twelve entities, which are entitled to trade in the Ring, on LMEselect and by telephone. They may operate a 24-hour market by trading through the inter-office telephone market. All Ring Dealing Members are also members of LCH.Clearnet and hence are entitled to clear all transactions with other LCH.Clearnet members through the independent clearing house. The twelve Ring-Dealing members of the LME are: Amalgamated Metal Trading Limited, Barclays Capital, ED & F Man Commodity Advisers Limited, INTL FCStone (Europe) Ltd., J.P. Morgan Securities Ltd., MAREX Financial Limited, Metdist Trading Ltd, Natixis Commodity Markets Limited, Newedge Group (U.K. Branch), Société Générale, Sucden Financial Limited, and Triland Metals Ltd.

Category 2 members are "Associate Broker Clearing Members," currently including 26 entities, which have all the trading rights of the Ring Dealing Members, except that they may not trade in the Ring. As members of LCH.Clearnet, they also have the capacity to clear all transactions with other LCH.Clearnet members through the independent clearing house.

Category 3 members are "Associate Trade Clearing Members," currently including two entities, which cannot issue client contracts or trade in the Ring. They are typically industrial users of the market that are able to clear their own transactions through LCH.Clearnet.

Category 4 members are "Associate Broker Members," currently including seven entities, which can issue exchange contracts but are not members of LCH.Clearnet and hence cannot make use of its clearing services. They may not trade in the Ring, nor directly on LMEselect, and instead trade through the 24-hour inter-office telephone market.

Category 5 members, "Associate Trade Members," have no trading rights on the LME except as clients. Associate Trade Members are typically industrial and financial companies with an interest in the base metals market.

The LME provides a transparent forum for the trading of exchange contracts. As a result of this daily trading, prices are "discovered" and published by the LME. The prices are then used by the international physical industry as the basis of price negotiations for the physical purchase or sale of base metals. As discussed above, the LME provides global benchmark prices by publishing the settlement price and three-month forward price of Grade A Copper. Price discovery (*i.e.,* the process of establishing these official prices), as well as a significant portion of the trading volume on the LME, is conducted during regular London trading hours by open-outcry among the twelve Ring Dealing Members in the Ring, a circular area in which the LME Ring Dealing Members trade.

Open outcry is the oldest and most popular way of trading on the LME and consists of a morning session and an afternoon session, in which each of the different metal contracts traded on the LME is traded in a five-minute ring session for each contract, and after a five-minute interval break, the series is repeated. The second ring session in the morning session is integral to setting the cash buyer price, the cash seller price (*i.e.,* the settlement price) and three-month seller price (which is a three-month forward price) for Grade A Copper. At the end of this ring session, the LME determines official prices for these contracts from the last bid and offer prices, before the bell is sounded to signal the session's end. Ring prices are disseminated around the world in real time.

The LME is required by statute to ensure that business on its markets is conducted in an orderly and transparent manner, providing proper protection to investors and persons looking to manage risk. Regulation of the market is largely carried out by the LME, while the Financial Services Authority ("**FSA**"), the regulator of the financial services industry in the United Kingdom, is responsible for regulating the financial soundness and conduct of business of LME members. The FSA was given rule-making, enforcement, and regulatory powers by the Financial Services and Markets Act 2000 (the "**FSM Act**"). The FSA was granted this authority to fulfill four statutory objectives: (1) market confidence, (2) financial stability, (3) consumer protection, and (4) reduction of financial crime. The LME is approved as a Recognised Investment Exchange, and, in conformance with U.K. and other international regulatory requirements, the LME offers, through price, volume transparency and audit trails, a forum for the trading of base metals, including by providing rules for arbitration proceedings. LME members also operate in a strict regulatory environment overseen by the FSA.

The LME and its members are also subject to regulatory controls and input from various U.K. government bodies and offices, as well as directives from the European Union Commission. In international trading, rules applied by overseas regulatory bodies, such as the CFTC, are also taken into account.

LME Warrants

All contracts registered with the LME are executed on the basis of physical settlement by delivery. In order to effectuate such physical delivery, the LME members are obligated to deliver base metal against LME futures contracts in the form of LME warrants. An "**LME warrant**" is a bearer document evidencing the right of the holder to possession of a specified lot of metal at a specified LME warehouse location. It is the right of the seller of the futures contract to select the LME warrant it will deliver to the buyer of the futures contract. LME warrants are tradable in their own right in the OTC market. The holder of each LME warrant bears the rental payments for storage of the underlying copper in an LME-approved warehouse location, as well as the risk of any changes to the value of the LME warrant due to the physical variance of the underlying copper and any changes in the locational premium or rent. See "—Physical Variance of Copper" and "—Locational Premia for Copper" below. The system for recording all pertinent information regarding LME warrants is called LME Sword and is controlled by the LME as part of its custody and clearing operations. The LME publishes, as a matter of public record (in the form of daily stock reports), the number of, and tonnage associated with, LME warrants (including cancelled LME warrants for which copper has yet to be delivered out of the relevant LME warehouse), as well as other relevant information, such as holding reports. The LME has become a primary source of information regarding the physical demand and supply for specific metals, such as copper. This is because of the perception that it is a "market of last resort" for participants to sell excess stock in times of oversupply or as a source of material in times of extreme shortage.

Physical Variance of Copper

The LME trades, promotes and maintains the standards of quality, shape and weight of Grade A Copper, a commonly accepted standardized form of copper cathode. Grade A Copper currently must conform to the standard BS EN 1978:1998 (Cu-CATH-1). This standard specifies the allowed source, shape and chemical composition of the cathode. Most copper cathodes are 99.95% to 99.99% pure copper. The chemical composition, and impurities, in the cathode depend largely on the source of the copper and whether the metal has been processed from copper sulfide ore or copper oxide ore. Copper oxides have a smaller number of residual chemical elements in the cathode.

As discussed further below, all copper delivered to the LME that underlies an LME warrant must be of an acceptable weight (with each LME warrant representing one lot of copper), Acceptable Delivery Brand (as defined below) and acceptable chemical composition (*i.e.,* Grade A Copper) and must be stored in an LME-approved warehouse.

Each cathode varies in size and weight, depending on the refining process. Cathodes are aggregated into "lots" of 25 metric tons each, which is the standard weight of the physical metal underlying each LME futures contract traded through the LME clearing system and futures market. Each LME futures contract provides for the delivery of one lot of copper (*i.e.,* 25 metric tons), and upon the settlement of an LME futures contract, a person can satisfy the futures contract's physical delivery requirement with the delivery of one LME warrant representing one lot of copper. Because all physical substances vary in weight, the LME Rules and Regulations (the "**LME Rules**") provide for a tolerance of plus or minus 2% in the weight of a lot of copper as represented by an LME warrant.

Similarly, the physical copper market also trades most copper based on a 25 metric ton lot and has also adopted the standard tolerance of plus or minus 2% in the weight of a lot of copper as set by the LME rules. In practice, this means that one lot of copper in the physical market generally uses tolerance levels similar to the levels applied by the LME of plus or minus 2% in weight. Therefore, any transaction in physical copper, including a transaction by the Trust, will need to account for such physical tolerances.

Acceptable Delivery Brands and Good Delivery Standards

Each lot of physical copper has a specific brand that is specific to one refiner. A lot of copper always has a single brand, and there is no commingling of brands within an individual lot.

The LME oversees the registration process for each refinery seeking to register its brand of copper as an acceptable delivery brand for LME registered transactions. Copper cannot be represented by LME warrants unless the source refinery has had its brand registered with the LME (an "**Acceptable Delivery Brand**"). Currently, there are 79 brands that are Acceptable

Delivery Brands. Some refineries have more than one smelting and refining process, so a refinery may register more than one brand, reflecting, among other factors, the different chemical composition, size, origins and bundling of the copper cathodes. The country with the largest number of Acceptable Delivery Brands is Chile, which has 22 Acceptable Delivery Brands, followed by Japan, which has 9 Acceptable Delivery Brands.

The LME has the authority to de-register brands from the LME from time to time. This decision is generally made by the LME, on the recommendation of the LME's Copper Committee, when an Acceptable Delivery Brand ceases to have a proper tradable market, for example, upon a merger of the refiner that causes the brand to be subsumed into the surviving entity's product line, upon closure of the refinery or specific mining source or due to other commercial reasons. An Acceptable Delivery Brand may be de-registered after the issuance of a notice to LME members and other market participants indicating that (i) no further deliveries of such brand will be accepted for LME warranting as of a stated effective date and (ii) once the stocks of such brand in the LME system are exhausted, the brand will be delisted and such copper will no longer constitute good delivery against LME Grade A Copper contracts. The LME attempts to make this process occur in an orderly fashion with sufficient notice to the market.[34]

Acceptable Delivery Brands, de-registered brands and unregistered brands of copper are traded actively in the physical copper market. If a de-registered or unregistered brand has a relationship to an Acceptable Delivery Brand (*e.g.,* a brand is de-registered and phased out due to the merger of the refiner, whose copper product is now registered under a different Acceptable Delivery Brand) it is generally traded in the physical copper market at a slight discount to the LME price. Generally, copper that is not of an Acceptable Delivery Brand is worth less than copper that is of an Acceptable Delivery Brand because of the perceived lower liquidity associated with that brand of metal.

The Trust will accept only copper of an Acceptable Delivery Brand in connection with the creation of Shares.

Warehousing of Copper

The warehousing of copper can generally be divided into two primary systems: the LME-approved warehousing system (*i.e.,* for LME warrants) and the warehousing of copper for the physical market (*i.e.,* any copper delivered outside of systems or exchanges like the LME).

Copper represented by an LME warrant may be stored only in an LME-approved warehouse. Each LME-approved warehouse must comply with the LME Rules related to road, rail and water access to the specific warehouse. LME-approved warehouses are required to be in bonded, customs- and duties-free zones within a jurisdiction and the LME Rules set certain requirements, such as mandatory inspections carried out by the LME, to ensure that LME-registered metal is accepted, processed and stored in accordance with the LME Rules. The LME sets the maximum storage and delivery fees a warehouse can charge for the delivery of LME-registered metal into or out of an LME-approved warehouse. Additionally, the LME sets a maximum daily rent charge (per metric ton) and the rental payment schedule for LME-registered metal stored in an LME-

[34] Since October 2007, only six Acceptable Delivery Brands have been de-registered by the LME (four in 2009 and two in 2011). The Sponsor believes, based on historical observation, that de-registering brands is not a common practice undertaken by the LME.

approved warehouse. Current warehouse rental rates range from 34 to 36 cents per metric ton per day, with annual payment in advance due on March 31 of each calendar year. As a result, LME warrants generally trade in between these payment dates, inclusive of accrued rent. Warehouse rental charges are typically revised annually, generally in April or May of each calendar year.

In contrast to the LME-approved warehousing system, warehousing in the physical copper market is not subject to regulations like the LME Rules, although it has developed links, locations and standard practices similar to those used by LME-approved warehouses. These warehouses can be established in bonded, customs- and duties-free zones within a country (as with LME-approved warehouses), or alternatively located in jurisdictions where the movement of metal is subject to customs and duties charges. Rental rates for the storage of non-LME registered copper are agreed upon on a bilateral basis between the warehouse-keeper and the contracting party.

An LME-approved warehouse can reside within the same location as a non-LME-approved warehouse. In addition, LME-approved warehouses may hold copper that is not registered with the LME (*i.e.,* not underlying the issuance of an LME warrant), although the relevant warehouse is obligated to identify, record and store copper not registered with the LME separately from any copper registered with the LME. Such metal is not subject to LME supervision or the LME Rules. Copper held by the Trust can be stored by the Warehouse-keeper in both LME-approved and non-LME-approved warehouses and is not subject to regulation by the LME. All warehouse locations for the Trust will be in bonded, customs- and duties-free zones. For the avoidance of doubt, the Trust will only hold physical copper, not LME warrants.

Locational Premia for Copper

Copper is bulky relative to precious metals, such as gold, silver, platinum and palladium. Copper is used in many different industrial processes, which makes its location relative to the place of consumption important, especially given its bulk relative to its monetary value. The settlement price of copper determined on the LME is based on a theoretical “cheapest-to-deliver” LME warrant of copper in the LME system (that is, the LME warrant of copper with the lowest locational premium) because determining which copper will be delivered is the right of the seller. In other words, the settlement price is determined by the Ring Dealing Members relative to a theoretical “cheapest-to-deliver” lot because each transaction requires only the delivery of an LME warrant representing a lot of copper in any LME-approved warehouse. By virtue of market forces, any LME dealer required to deliver copper will always, if possible, deliver the LME warrant representing the “cheapest-to-deliver” LME warrant of copper it owns.

LME warrants in the OTC market (*i.e.,* not used for the settlement of LME registered transactions) may trade at a price that is different from the LME settlement price. Depending on the location and the brand associated with a particular LME warrant, the relevant premium will differ in amount, reflecting the supply and demand dynamics of the specific location and brand of copper underlying that LME warrant.

Within the physical copper market, there is a similar dynamic, with the result that copper trades at a locational premium (or discount) to the settlement price, depending on the grade, brand and location of the copper and the terms of delivery (which are often based on the International Commercial Terms, an internationally recognized standard used in contracts for the sale of goods also referred to as the Incoterms®). All other pricing variables being equal (if copper is consistently the same grade (*e.g.,* Grade A Copper), the same brand (*e.g.,* an Acceptable Delivery Brand) and delivered under the same International Commercial Terms (*e.g.,* same in-warehouse insurance, transportation and/or delivery costs paid, as well as similar pre-entry customs, duties and taxes)), differences in locational premia can reflect various supply and demand factors, such as the relative pricing power of the producers versus the consumers. Currently, warehouse locations in Asia, such as Singapore, Malaysia and South Korea, due to their proximity to China, carry the highest locational premia over the LME settlement price. Fundamentally, copper that is stored in a location that is low in supply and high in demand will carry a higher premium than copper that is stored in a location where supply is generally high and demand is low.

ANNEX C

Description of the Trust

Daily Operations of the Trust

On each business day, after 4:00 p.m. New York City time (unless otherwise indicated below), the following activities, each of which is described in more detail below, will be taken by or on behalf of the Trust, in the order indicated:

- First, if the Valuation Agent has determined and informed the Administrative Agent by 5:00 p.m. London time on any day that the Exchange is open for regular trading and that is not a holiday in London, England (each such day, a "Business Day") that the cheapest-to-deliver location has changed, the Administrative Agent and the Warehouse-keeper will follow the procedures described in "Change in Cheapest-To-Deliver Location" in this Annex C.

- Second, the Administrative Agent will (A) process any creation orders successively, in the order that they were submitted in completed form to the Administrative Agent, (B) instruct the Warehouse-keeper to give effect to changes in the ownership of copper as a result of processing any such creation orders and (C) cause the Trust to create Shares to effect any such creation orders.

- Third, the Administrative Agent will (A) process any redemption orders successively, in the order that they were submitted in completed form to the Administrative Agent, (B) instruct the Warehouse-keeper to give effect to changes in the ownership of copper as a result of processing any such redemption orders and (C) cause the Trust to redeem Shares to effect any such redemption orders.

- Fourth, the Administrative Agent will calculate the Trust's net asset value, NAV per Share, Creation Unit Ratio and Creation Unit Weight effective for the next Business Day.

- Fifth, if the Trust's procedure for paying the Sponsor's fee (as discussed in "Expenses of the Trust" in this Annex C below) requires copper to be transferred on such Business Day, the Administrative Agent will instruct the Warehouse-keeper to effectuate the book-entry transfer of the ownership of such copper to the Sponsor for payment of any accrued unpaid Sponsor's fee.

- Sixth, if the Trust's procedure for paying Other Expenses (as discussed in "Expenses of the Trust" in this Annex C below) requires copper to be transferred on such Business Day, the Administrative Agent will instruct the Warehouse-keeper to effectuate the book-entry transfer of such copper from the Trust to the Sponsor for sale and the application of the proceeds toward payment of accrued unpaid Other Expenses.

Holding and Transferring Copper in Whole Lots and Fractional Lots

As described in "Creations and Redemptions of Shares" in the letter above, in connection with a creation order or a redemption order, an Authorized Participant must transfer to the Trust, or the Trust must transfer to the Authorized Participant, as applicable, copper having an aggregate weight equal to the number of Creation Units being created or redeemed, *multiplied by* the Creation Unit Weight in effect for such day. The copper that the Trust holds normally trades in "whole lots" (each of which weighs between 24.5 metric tons and 25.5 metric tons), which are not physically divisible in connection with the Trust's activities. As a result, the creation and redemption of Shares in the manner contemplated by the Trust's operations requires a means of owning and transferring not only whole lots of copper, but also "fractional lots" in order to resolve any overweight amounts or underweight amounts.[35]

Therefore, the Warehouse-keeper will establish and utilize a book-entry procedure to record ownership by the Trust, the Sponsor or an Authorized Participant of specific whole and fractional lots of copper held in the warehouse locations. The Warehouse-keeper's book-entry system will use three different types of accounts, which we refer to as the Trust Account, the Reserve Accounts and the Private Accounts. The Warehouse-keeper will record in these accounts the warehouse receipts it issues representing the ownership of specific whole and fractional lots of copper by the Trust, the Sponsor and each Authorized Participant. An overview of each of these types of accounts is provided below, and the operation of the accounts in connection with creations and redemptions of Creation Units is described further in "Creation of Shares" and "Redemption of Shares" in this Annex C below. For purposes of the following descriptions, all references to copper, or any whole or fractional lot of copper, being held, delivered, allocated, reflected, withdrawn, removed or otherwise existing in or transferred to or from one or more such accounts will assume the application of such book entry procedure, including the crediting and debiting of any corresponding warehouse receipts, as applicable, in accordance with the terms of the applicable Warehouse Agreement(s).

Trust Account

The Warehouse-keeper will maintain a book-entry account at each warehouse location to record all of the copper that is owned by the Trust. Collectively, such book-entry accounts are referred to herein as the "**Trust Account**." The Trust's ownership of whole lots and fractional lots of copper will be recorded in the Trust Account. Copper that is transferred to the Trust in connection with creation orders will be recorded by the Warehouse-keeper, upon instruction from the Administrative Agent, as an addition to the Trust Account, and copper that is transferred from the Trust in connection with redemption orders or the payment of Trust expenses will be recorded by the Warehouse-keeper, upon instruction from the Administrative Agent, as a removal from the Trust Account.

The Sponsor will pay all expenses associated with the storage of copper owned by the Trust and recorded in the Trust Account, including both whole and fractional lots.

[35] Example. On a particular day, an Authorized Participant submits an order to create two Creation Units of Shares. The Creation Unit Weight for such day is 24.7 metric tons, meaning that the Authorized Participant must transfer 49.4 metric tons of copper to the Trust. The Authorized Participant owns two whole lots of copper, one of which weighs 25.1 metric tons and one of which weighs 24.9 tons. If the Authorized Participant were to transfer these two whole lots of copper to the Trust, the aggregate weight transferred would be 50.0 metric tons, or 0.6 metric tons more than the aggregate weight required to be transferred (based on the Creation Unit Weight for such day and the number of Creation Units ordered by the Authorized Participant).

Reserve Accounts

The Warehouse-keeper will maintain at each warehouse location a book-entry account to record the private ownership interest in copper held by an Authorized Participant at such warehouse location. These book-entry accounts with respect to an Authorized Participant are collectively referred to herein as the "**Reserve Account**" of such Authorized Participant.

A Reserve Account serves two primary purposes. First, in order to reduce the risk that creation orders will fail as a result of an insufficient amount of copper being transferred from an Authorized Participant's Private Account (as discussed below) to the Trust in connection with a creation order, each Authorized Participant will be required to hold an excess amount of copper that meets a minimum requirement in order to satisfy any underweight amounts remaining from a creation order. This copper will be held in the Reserve Account so that it is separately identifiable from the copper owned by the same Authorized Participant through its Private Account. Second, a Reserve Account will be used to record any fractional lot of copper that an Authorized Participant may hold at a warehouse location as a result of the processing of creation or redemption orders. A fractional lot can be created when the weight of copper needed to create or redeem a Creation Unit of Shares is more or less than the weight of the whole lots of copper delivered.

In connection with entering into an Authorized Participant Agreement with the Sponsor, each Authorized Participant must deposit into its Reserve Account at a Permitted Warehouse Location of the Trust initial lots of copper having an aggregate weight of no less than 25.0 metric tons. An Authorized Participant may not submit, and the Administrative Agent will not process, any creation order unless there are at least 15.0 metric tons of copper in such Authorized Participant's Reserve Account at a Permitted Warehouse Location of the Trust.

The Reserve Account will also be used to implement certain changes to the ownership of copper as between the Authorized Participants and the Trust in connection with a change in the cheapest-to-deliver location, as discussed in "Change in Cheapest-To-Deliver Location" in this Annex C below.

Although the Administrative Agent has the ability to instruct the Warehouse-keeper to make changes to the ownership of copper in connection with the creations and redemptions of Creation Units and changes in the cheapest-to-deliver location, all copper recorded at any time in an Authorized Participant's Reserve Account will be owned by that Authorized Participant.

Each Authorized Participant's Reserve Account may hold an unlimited number of whole lots of copper, but will at no time hold more than one fractional lot of copper. When an Authorized Participant owns a fractional lot of copper, the Authorized Participant's portion of such lot will be held in its Reserve Account, while the Trust's portion of the lot will be held in the Trust Account.

At any time an Authorized Participant is required to deposit copper into its Reserve Account, it may do so by instructing the Warehouse-keeper to transfer whole lots of copper in any warehouse location from the Authorized Participant's Private Account to its Reserve Account. An Authorized Participant may transfer whole lots of copper, but not any fractional lot, from its Reserve Account to its Private Account. An Authorized Participant cannot transfer a fractional lot of copper (*i.e.,* anything less than a whole lot) from its Private Account to its Reserve Account.

An Authorized Participant will bear all expenses and fees associated with the storage of copper in its Reserve Account, including both whole lots and any fractional lot.

Private Accounts

The Warehouse-keeper will maintain at each warehouse location book-entry accounts to record the private ownership interest in copper held by each of the Sponsor and each Authorized Participant, as applicable. These book-entry accounts of the Sponsor or an Authorized Participant, as applicable, are collectively referred to herein for any single owner as the "**Private Account**" of such owner. A Private Account serves as the primary means by which lots of copper are added to or removed from a warehouse location.

An Authorized Participant will instruct the Warehouse-keeper to transfer whole lots of copper from its Private Account to the Trust Account in connection with Share creations, and will receive transfers of whole lots of copper into its Private Account from the Trust Account in connection with Share redemptions. Any lots of copper that an Authorized Participant intends to transfer to the Trust Account for a Share creation must have already been recorded in the books and records maintained by the Warehouse-keeper as owned by such Authorized Participant in its Private Account prior to such Authorized Participant's submitting a Share creation order. An Authorized Participant may remove copper from its Private Account in its discretion pursuant to the warehouse terms and conditions established by the Warehouse-keeper from time to time.

The Administrative Agent generally will not have any right to instruct the Warehouse-keeper to transfer copper from an Authorized Participant's Private Account, other than in accordance with a valid creation order.

The Sponsor will maintain its own Private Account to facilitate payment by the Trust of the Sponsor's fee and Other Expenses. See "Expenses of the Trust" in this Annex C below.

Except for copper that is transferred by the Trust to the Sponsor's Private Account in connection with the Trust's payment of Other Expenses (which will belong to the Trust and will be held by the Sponsor solely as agent for the Trust, as discussed in "Expenses of the Trust – Calculation and Payment of Expenses"), copper held in a Private Account will be owned solely by the holder of the account. In general, the holder of a Private Account will be responsible for all expenses associated with the storage of the copper that is recorded in that Private Account. However, any expenses associated with the storage of the copper in the Sponsor's Private Account for the payment of Other Expenses will also be considered Other Expenses of the Trust.

The amount of copper held in a Private Account is not a public record and, in general, only the Warehouse-Keeper and the owner of such Private Account will be aware of the copper owned through the Private Account.

Selection Protocol

The operation of the Trust requires the Administrative Agent to follow a prescribed procedure to identify specific lots of copper to be used for (i) the reconciliation of any creation overweight and creation underweight amounts when the Trust issues Creation Units of Shares, (ii) the satisfaction of any redemption orders accepted on any Business Day, (iii) the reconciliation of any redemption underweight amounts when the Trust redeems Creation Units of Shares, (iv) the calculation and payment of Trust expenses and (v) the reallocation of ownership interests in copper to the extent required in connection with a change in the cheapest-to-deliver location, as described in "Change in Cheapest-To-Deliver Location" in this Annex C below. The "**Selection Protocol**" is the procedure used by the Administrative Agent whenever it needs to select lots for these purposes.

The Selection Protocol is intended to provide a consistent and transparent method of selecting lots, by requiring the Administrative Agent to select lots in the following manner:

- Lots will be selected first from the cheapest-to-deliver location, and then from other warehouse locations successively based on a ranking of their respective locational premia from lowest to highest.

- If there are multiple lots in the same warehouse location specified by the first step, lots in such warehouse location will be selected based on the date such lots were first delivered to the relevant account, with the earliest-delivered lot being selected first.

- If there are multiple lots in the same warehouse location that were first delivered to the relevant account on the same date, lots will be selected based on the actual weight of the lot, with the lot having the lowest actual weight being selected first.

De-branded Copper

Any copper that is delivered to the Trust by an Authorized Participant must, at the time of such delivery, be of an Acceptable Delivery Brand. However, as discussed in Annex B, "The Copper Market—The London Metal Exchange—Acceptable Delivery Brands and Good Delivery Standards," the LME has the ability to de-register brands from time to time. In general, de-branded copper may become less valuable and less liquid over time. If any copper held by the Trust is de-branded, the Administrative Agent will instruct the Warehouse-keeper to use whole lots of de-branded copper to satisfy redemptions before using any other lots of copper, even if the de-branded copper is not held in the cheapest-to-deliver location. If the Trust holds more than one lot of de-branded copper, the specific lots used to satisfy redemptions will be selected from the available de-branded lots in accordance with the Selection Protocol, and any other lots of copper will be used to satisfy redemptions only after all lots of de-branded copper have been delivered out of the Trust. De-branded copper will be disregarded by the Administrative Agent for any allocations of copper that do not involve redemptions, such as the reconciliation of overweight or underweight amounts (unless a fractional lot of de-branded copper already exists), the reallocation of copper in connection with a change in the cheapest-to-deliver location and the payment of Trust expenses, each as discussed below.

If the LME announces that a brand of copper will be de-registered, any copper of such brand will cease to be treated as being of an Acceptable Delivery Brand on the earlier of (x) if the LME has announced a date upon which such brand will be de-registered, such date specified in such announcement and (y) if the LME has announced that such brand will be de-registered but has not specified a date upon which such brand will be de-registered, a date specified by the Sponsor in its discretion, notice of which will have been provided by the Sponsor to the Administrative Agent and the Warehouse-keeper.

Creation of Shares

In connection with any creation order on any Business Day, an Authorized Participant will be required to transfer to the Trust copper having an aggregate weight equal to the number of Creation Units being created *multiplied* by the Creation Unit Weight in effect for such Business Day. When an Authorized Participant submits a creation order, it must specify, among other things, the specific whole lot(s) in its Private Account to be transferred to the Trust Account for such creation order (using the unique identification number(s) of such lot(s)), as well as the warehouse location and weight of each such lot (calculated to the nearest 0.001 metric ton). In order to assure that the exact required amount of copper is transferred to the Trust Account in connection with any creation order, the Administrative Agent will calculate the amount by which the aggregate actual weight of the whole lots to be transferred by the Authorized Participant falls short of (a "**creation underweight**") or exceeds (a "**creation overweight**") the aggregate Creation Unit Weight for such creation order, and will instruct the Warehouse-keeper to adjust for any such overweight or underweight amount for such creation order by transferring ownership of copper between the Authorized Participant's Reserve Account and the Trust Account pursuant to the following prescribed procedure:

- First, the Administrative Agent will instruct the Warehouse-keeper to transfer all or part of an existing fractional lot (*i.e.*, a portion of a specific whole lot in which each of the Trust and such Authorized Participant has an existing ownership interest) in order to satisfy such creation underweight or creation overweight to the extent possible. With respect to a creation underweight, the Warehouse-keeper will transfer ownership of all or part of such fractional lot, in an amount up to the creation underweight, from such Authorized Participant's Reserve Account to the Trust Account. With respect to a creation overweight, the Warehouse-keeper will transfer ownership of all or part of such fractional lot, in an amount up to such creation overweight, from the Trust Account to such Authorized Participant's Reserve Account.

- Second, if there is any remaining portion of the creation underweight or creation overweight after the first step above, the Administrative Agent will instruct the Warehouse-keeper to transfer, to the extent possible, ownership of one or more whole lots, selected by the Administrative Agent in accordance with the Selection Protocol, from such Authorized Participant's Reserve Account to the Trust Account, or vice versa, to resolve the remaining portion of the creation overweight or creation underweight. With respect to a creation overweight, if such remaining portion of the creation overweight is larger than the next whole lot owned by the Trust that would be selected in accordance with the Selection Protocol, the Warehouse-keeper will transfer ownership of such whole lot from the Trust Account to such Authorized Participant's Reserve Account. With respect to a creation underweight, if such remaining portion of the creation underweight is larger than the next whole lot owned in such Authorized Participant's Reserve Account that would be selected in accordance with the Selection Protocol, the Warehouse-keeper will transfer ownership of such whole lot from such Authorized Participant's Reserve Account to the Trust Account. This step will be repeated until the remaining portion of the creation overweight or creation underweight is less than the weight of the next whole lot that would be selected by the Administrative Agent in accordance with the Selection Protocol.

- Third, once the remaining portion of the creation overweight or creation underweight is less than the weight of the next whole lot that would be selected by the Administrative Agent in accordance with the Selection Protocol, the Administrative Agent will (i) select such next whole lot in accordance with the Selection Protocol and (ii) instruct the Warehouse-keeper to divide such whole lot using a book-entry procedure into two new fractional lots and transfer ownership of one of the fractional lots as follows. If the remaining amount in this step represents the remaining portion of a creation overweight, the Administrative Agent will select and instruct the Warehouse-keeper to divide a whole lot that is held by the Trust in the Trust Account and transfer a fractional lot having a weight equal to the remaining portion of the creation overweight to such Authorized Participant's Reserve Account. If the remaining amount in this step represents the remaining portion of a creation underweight, the Administrative Agent will select and instruct the Warehouse-keeper to divide a whole lot held by such Authorized Participant in its Reserve Account and transfer a fractional lot having a weight equal to the remaining portion of the creation underweight to the Trust Account.

Example. An Authorized Participant holds in its Reserve Account a fractional lot, which is a partial interest in whole lot #ABC. Lot #ABC has a net weight of 24.5 tons. The Authorized Participant's fraction of the lot represents 16.5 metric tons of copper, meaning that the Trust's fraction of the lot represents 8.0 metric tons of copper.

On a particular day, the Authorized Participant submits an order to create two Creation Units of Shares. The Creation Unit Weight for such day is 24.7 metric tons, meaning that the Authorized Participant must transfer 49.4 metric tons of copper to the Trust. The Authorized Participant holds two whole lots of copper in its Private Account, one of which weighs 25.1 metric tons and one of which weighs 24.9 metric tons.

In connection with its Creation Unit order, the Authorized Participant will transfer the two whole lots of copper in its Private Account to the Trust. Because the aggregate weight transferred is 50.0 metric tons, or 0.6 metric tons more than the aggregate weight required to be transferred (based on the Creation Unit Weight for such day and the number of Creation Units ordered by the Authorized Participant), the Administrative Agent will instruct the Warehouse-keeper to transfer 0.6 tons of copper from the Trust to the Authorized Participant. The Warehouse-keeper will effect such transfer by using a book-entry procedure to change the Authorized Participant's fractional ownership of lot #ABC in its Reserve Account to 17.1 metric tons to change the Trust's fractional ownership of lot #ABC to 7.4 metric tons.

For purposes of the second and third steps above, any whole lots that an Authorized Participant, in its creation order, indicates should be transferred to the Trust will be treated as having already been processed and transferred to the Trust Account, so that such whole lots (or portions thereof) may be returned to such Authorized Participant in effectuating the second and third steps above if those whole lots are selected using the Selection Protocol. In other words, if whole lots being delivered by the Authorized Participant to the Trust as part of a creation order would be selected by the Selection Protocol, those whole lots may be the same lots delivered out of the Trust as part of that creation order. Generally, this would occur only if the creation overweight exceeded one whole lot.

Creation orders will be processed individually on each Business Day after 4:00 p.m., New York City time, in the order that such creation orders have been received in satisfactory form by the Administrative Agent. Creation orders will be processed prior to the processing of redemption orders and prior to the calculation of the Trust's net asset value and the payment of any accrued expenses on any day.

Further detailed information regarding the process for creating Shares is provided in "Procedures for Creating and Redeeming Shares—Creation Orders" in this Annex C below.

Redemption of Shares

In connection with any redemption order on any Business Day, the Trust will be required to transfer to the redeeming Authorized Participant copper having an aggregate weight equal to the number of Creation Units being redeemed *multiplied by* the Creation Unit Weight in effect for such Business Day (calculated to the nearest 0.001 metric ton). In order to assure that the exact required amount of copper is delivered from the Trust to the redeeming Authorized Participant in connection with any redemption order, the Administrative Agent will select, in accordance with the Selection Protocol, specific whole lots to be transferred from the Trust to the redeeming Authorized Participant, and will instruct the Warehouse-keeper to transfer such selected whole lots to such Authorized Participant's Private Account, until the aggregate weight of whole lots transferred in connection with the redemption order is less than the aggregate Creation Unit Weight of such redemption order and the remaining weight of copper needed to satisfy the redemption order is less than the weight of the next whole lot that would be selected pursuant to the Selection Protocol.

The remaining weight by which the aggregate weight of the transferred whole lots (calculated to the nearest 0.001 metric ton) falls short of the aggregate weight of the copper required to be transferred from the Trust to the Authorized Participant is the "**redemption underweight**." Following the transfer of whole lots of copper, the Administrative Agent will instruct the Warehouse-keeper to adjust for any redemption underweight by transferring ownership of copper recorded in the Trust Account to the relevant Authorized Participant's Reserve Account, pursuant to the following prescribed procedure:

- First, the Administrative Agent will instruct the Warehouse-keeper to transfer all or part of an existing fractional lot owned by the Trust (*i.e.*, the Trust's portion of a specific whole lot in which each of the Trust and such Authorized Participant has an existing ownership interest) in order to satisfy such redemption underweight to the extent possible. The Warehouse-keeper will transfer ownership of all or part such fractional lot, in an amount up to the redemption underweight, from the Trust Account to such Authorized Participant's Reserve Account.

- Second, if there is any remaining portion of the redemption underweight following the first step above, the Administrative Agent will (i) select the next available whole lot in the Trust Account in accordance with the Selection Protocol and (ii) instruct the Warehouse-keeper to divide such whole lot using a book-entry procedure into two new fractional lots and transfer ownership of one of the fractional lots having a weight equal to the remaining portion of the redemption underweight from the Trust Account to such Authorized Participant's Reserve Account. As discussed in "Selection Protocol—De-branded Copper" in this Annex C above, whole lots that are not of an Acceptable Delivery Brand will not be divided into new fractional lots.

Example. An Authorized Participant holds in its Reserve Account a fractional lot, which is a partial interest in whole lot #ABC. Lot #ABC has a net weight of 24.5 tons. The Authorized Participant's fraction of the lot represents 17.1 metric tons of copper, meaning that the Trust's fraction of the lot represents 7.4 metric tons of copper.

On a particular day, the Authorized Participant submits an order to redeem two Creation Units of Shares. The Creation Unit Weight for such day is 24.7 metric tons, meaning that the Trust must transfer 49.4 metric tons of copper to the Authorized Participant. The next two whole lots of copper that would be selected (using the Selection Protocol) by the Administrative Agent to fulfill the redemption order are, respectively, Lot #JKL, which weighs 25.1 metric tons, and Lot #XYZ, which weighs 24.9 metric tons.

To fulfill the Authorized Participant's order for redemption of the two Creation Units of Shares, the Administrative Agent first will instruct the Warehouse-keeper to select the next available whole lot in the Trust Account, which is Lot #JKL, and transfer the whole lot from the Trust Account to the Authorized Participant's Private Account. The aggregate weight thereby transferred is 25.1 metric tons, which is 24.3 metric tons less than the aggregate weight of 49.4 metric tons that is required to be transferred.

Next, the Administrative Agent will instruct the Warehouse-keeper to transfer the Trust's portion of Lot #ABC from the Trust Account to the Authorized Participant's Reserve Account. The aggregate weight that has been transferred is now 32.5 metric tons (25.1 metric tons for Lot #JKL plus 7.4 metric tons for the Trust's portion of Lot #ABC), which is 16.9 metric tons less than the aggregate weight of 49.4 metric tons that is required to be transferred.

Finally, the Administrative Agent will instruct the Warehouse-keeper to (i) select the next available whole lot in the Trust Account, which is Lot #XYZ, (ii) divide Lot #XYZ into two new fractional lots weighing 16.9 metric tons and 8.0 metric tons, respectively, and (iii) transfer the fractional lot weighing 16.9 metric tons to the Authorized Participant's Reserve Account. The aggregate weight that has been transferred is now 49.4 metric tons (25.1 metric tons for Lot #JKL, plus 7.4 metric tons for the Trust's portion of Lot #ABC, plus 16.9 metric tons for a portion of Lot #XYZ), which is the weight required to be transferred from the Trust to the Authorized Participant to fulfill the redemption order for two Creation Units of Shares.

When copper is redeemed in the foregoing manner, the amount of copper received by the Authorized Participant will equal a *pro rata* Share of the copper held by the Trust based on the weight of the Trust's aggregate copper holdings immediately prior to the processing of redemptions. However, because the copper held by the Trust in different locations may vary in value based on the applicable locational premium, the value of the copper actually received by the Authorized Participant will depend on the location of the specific whole lot(s) and fractional lots, if any, of copper that were transferred to the Authorized Participant.

Redemption orders will be processed on each business day after 4:00 p.m., in the order that such redemption orders have been received in satisfactory form by the Administrative Agent. Redemption orders will be processed individually following the processing of all creation orders on such day but prior to the calculation of the Trust's net asset value and the payment of any accrued expenses on such day.

Further detailed information regarding the process for redeeming Shares is provided in "Procedures for Creating and Redeeming Shares—Redemption Orders" in this Annex C below.

Expenses of the Trust

The Trust's expenses will be divided into two categories: (i) the Sponsor's fee and (ii) expenses other than the Sponsor's fee, which we refer to as "**Other Expenses**."

The Sponsor's fee may be increased or decreased by the Sponsor at any time upon 60 days' prior notice to the Administrative Agent without the consent of any person or entity, *provided* that the Administrative Agent will post a notice of the revised Sponsor's fee to the Trust's website at least 45 days prior to the effective date of any such increase or decrease to the Sponsor's fee.

In exchange for its entitlement to the Sponsor's fee, the Sponsor has agreed to pay certain fees and expenses, including the periodic fees charged by the Administrative Agent, the Valuation Agent, the Trustee and the Warehouse-keeper, the Trust's customary periodic audit fees, brand licensing fees and insurance premiums payable in connection with insurance coverage (if any) relating to the copper held by the Trust. The Sponsor will also pay the expenses relating to the Trust's organization and the initial sale of the Shares, including legal fees and expenses and initial SEC registration fees.

The Trust's Other Expenses will consist of all expenses of the Trust other than those specified above, including:

- all legal fees relating to the ongoing operations of the Trust (other than any such fees borne by the Sponsor as organizational expenses);

- all Exchange listing fees (other than any such fees borne by the Sponsor as organizational expenses);

- all SEC registration fees (other than any such fees borne by the Sponsor as organizational expenses);

- all expenses relating to the preparation and distribution of reports and notices to Shareholders, including printing and mailing costs;

- any expenses and fees incurred directly by and reimbursable to the Administrative Agent, the Valuation Agent, the Trustee or the Warehouse-keeper for their respective services to the Trust (other than any such expenses or fees borne by the Sponsor as periodic fees);

- any extraordinary expenses of the Trust (including, but not limited to, any indemnification obligations, litigation expenses and expenses related to the transport of copper due to the removal of any warehouse location from the list of Permitted Warehouse Locations for the Trust);

- any taxes or other government charges payable by the Trust, if applicable; and

- all expenses relating to the Sponsor's storage, on behalf of the Trust, of copper to be liquidated for the payment of Other Expenses, as such expenses are not covered by the Warehouse-keeper's periodic fee paid by the Sponsor on behalf of the Trust for the Trust's day-to-day storage expenses.

The Sponsor may, in its discretion, incur, in whole or in part, the Other Expenses on behalf of the Trust or pay any Other Expense incurred by the Trust. The Sponsor will be entitled to reimbursement from the Trust for such Other Expenses in the same manner and to the same extent as any other person.

Calculation and Payment of Expenses

On each business day, after the processing of creation orders and redemption orders, the Administrative Agent will calculate each category of the Trust's accrued unpaid expenses. As of any business day, the amount of the accrued unpaid Sponsor's fee or the accrued unpaid Other Expenses, as applicable, prior to any payment thereof on such business day, will be equal to the amount of such unpaid expenses accrued from and excluding the previous payment date for such expenses, to such business day and will include any expenses incurred on such Business Day, plus any carried-over unpaid amounts from the previous payment date.

The Trust will hold only copper. In order to pay the Sponsor's fee, the Administrative Agent will, from time to time, instruct the Warehouse-keeper to transfer whole lots of copper from the Trust Account to the Sponsor's Private Account pursuant to the process described below, and the amount of any accrued unpaid Sponsor's fee will be reduced by an amount equal to the value of such copper (as determined by the Valuation Agent in accordance with the Trust's valuation process) as of the date of transfer. In order to pay accrued unpaid Other Expenses, the Administrative Agent will, from time to time, instruct the Warehouse-keeper to transfer whole lots of copper from the Trust Account to the Sponsor's Private Account pursuant to the process described below, and such copper will be sold and the proceeds applied toward payment of such accrued unpaid Other Expenses.

On each business day, the Administrative Agent will calculate the accrued unpaid Sponsor's fee and the Trust's accrued unpaid Other Expenses separately, with the Sponsor's fee being calculated first. Following its calculation of the accrued unpaid expenses in each category, the Administrative Agent will process the expenses in each category separately, with the Sponsor's fee processed first, in order to determine whether the expenses in each such category will be paid on such business day, in the following manner:

- First, the Administrative Agent will select, in accordance with the Selection Protocol, the specific whole lot of copper owned by the Trust that is the next whole lot available for transfer.

- Second, the Administrative Agent will determine whether the accrued unpaid expenses in the applicable category equal or exceed the value in U.S. dollars of such identified whole lot.

- Third, if the accrued unpaid expenses in the applicable category equal or exceed the value of such identified whole lot, the Administrative Agent will direct the Warehouse-keeper to effectuate the book-entry transfer of such whole lot to the Sponsor's Private Account.

- Fourth, the first three steps will be repeated with respect to the remaining whole lots of copper owned by the Trust to select one or more additional whole lots of copper until the remaining accrued unpaid expenses in the applicable category are less than the value of the next whole lot that would be selected.

The Sponsor's fee will be paid to the Sponsor through the transfer of whole lots of copper to the Sponsor's Private Account using the process described above. Any accrued Sponsor's fee that remains unpaid following any such transfer on any business day will be carried forward to the next business day as an accrued unpaid expense of the Trust. The Sponsor may, at any time in its sole discretion, sell for its own account the copper transferred to its Private Account in payment of the Sponsor's fee, and the value received by the Sponsor in consideration for such sale may be more or less than the value at which such copper was transferred to the Sponsor.

In order to realize cash proceeds to pay any accrued unpaid Other Expenses, the Sponsor will nominate a broker to assist with the sale of any whole lots of copper that, pursuant to the process described above, have been transferred to the Sponsor's Private Account. The broker will be required to seek "best execution" for any such sale, and such broker may consider, among other things, current copper market conditions, the liquidity in the copper market, the weight of copper to be sold, the terms of the available bids for such copper, and other factors relevant to such sale as such broker, in its sole discretion, considers appropriate at such time.

If the amount of cash realized upon the sale of copper for the payment of Other Expenses pursuant to the process described above exceeds the accrued unpaid amount of such Other Expenses, the Administrative Agent will, at the Sponsor's direction, (a) distribute such excess cash to the shareholders of the Trust, (b) pay such excess to the Sponsor as payment for any accrued unpaid Sponsor's fee or (c) apply such excess toward any future Sponsor's fee as and when it accrues. Any accrued Other Expense that remains unpaid on any business day will be carried forward to the next business day as an accrued unpaid expense of the Trust.

For all determinations relating to the calculation of Trust expenses (except with respect to the determination of sales proceeds described in the paragraph immediately above), copper will be valued in accordance with the Valuation Agent's valuation process. All determinations made by the Administrative Agent with respect to the computation of Trust expenses on any business day will be conclusive and, absent manifest error, no revision or correction in any such computation will be made. None of the Trustee, the Administrative Agent, the Sponsor or any broker will be liable for any losses due to a decline in the value of the Trust's copper prior to the sale of such copper for the payment of Trust expenses.

Valuation

Creation Unit Ratio and Creation Unit Weight

On each Business Day, as promptly as practicable after 4:00 p.m. New York City time, the Administrative Agent will calculate the Creation Unit Ratio that will be effective for the next Business Day. The Administrative Agent will use the Creation Unit Ratio to determine the Creation Unit Weight, which is the weight of copper that an Authorized Participant or the Trust is obligated to transfer in connection with a creation or redemption, as applicable, of a Creation Unit of Shares for the applicable Business Day.

The Creation Unit Ratio will be determined by the Administrative Agent as follows:

- First, the Administrative Agent will calculate the aggregate weight in metric tons of all the copper owned by the Trust, after giving effect to (i) any creation orders and (ii) any redemption orders, but before the selection of any lots of copper for the purpose of paying accrued unpaid Trust expenses on such Business Day.

- Second, the Administrative Agent will calculate the accrued unpaid Sponsor’s fee, expressed in metric tons, owed by the Trust. The Administrative Agent will do so by (i) first, calculating the accrued unpaid Sponsor’s fee in U.S. dollars, (ii) second, selecting pursuant to the Selection Protocol (from a population of whole lots available in the Trust Account) and taking into account their value (including any locational premia), the lots that would need to be transferred to pay such accrued unpaid Sponsor’s fee in full (including any portion of a whole lot, as applicable) and (iii) third, calculating the aggregate weight in metric tons of such lots identified in (ii).

- Third, the Administrative Agent will calculate all accrued unpaid Other Expenses, expressed in metric tons, owed by the Trust. The Administrative Agent will proceed in so doing by (i) first, calculating the accrued unpaid Other Expenses in U.S. dollars, (ii) second, selecting pursuant to the Selection Protocol (from a population of whole lots available in the Trust Account, excluding for such purposes any lots used, either in whole or in part, in the calculation described in step two above) and taking into account their value (including any locational premia), the lots that would need to be transferred or sold to pay such accrued unpaid Other Expenses in full (including any portion of a whole lot, as applicable) and (iii) third, calculating the aggregate weight in metric tons of such lots identified in (ii).

- Fourth, the Administrative Agent will subtract the weights determined pursuant to the second and third steps above from the aggregate weight in metric tons of all of the Trust’s copper (*i.e.*, the amount determined in the first step above). This process represents a calculation of the Trust’s net asset value, but expressed in metric tons of copper instead of U.S. dollars.

- Finally, the Administrative Agent will calculate the Creation Unit Ratio by dividing (x) the weight derived pursuant to the fourth step above by (y) one-hundredth (1/100) *multiplied by* the number of Shares of the Trust then outstanding. (The divisor in this step reflects the fact that each Share of the Trust included in the initial Creation Unit will have a value equal to one-hundredth (1/100) of one metric ton of copper, because the initial Creation Unit of Shares will be issued in exchange for 25 metric tons of copper and a Creation Unit will consist of 2,500 Shares of the Trust.)

Example. On a particular Business Day, the Administrative Agent determines that the Trust holds 100,000 metric tons of copper, after giving effect to (i) any creation orders and (ii) any redemption orders on such Business Day. The Administrative Agent determines that the accrued unpaid Sponsor's fee is equal to $300,500 and that there are no accrued unpaid Other Expenses. Using the Selection Protocol and the value (including the relevant locational premium) of copper in effect for such Business Day, the Administrative Agent identifies, in accordance with the Selection Protocol, 1.243 lots, or 30 metric tons (calculated to the nearest .001 metric ton) of copper that would need to be transferred to pay all such accrued unpaid Trust expenses. To obtain the Trust's net asset value expressed in metric tons of copper, the Administrative Agent subtracts 30 metric tons from the 100,000 metric tons of copper held by the Trust to arrive at 99,970 metric tons. Finally, the Creation Unit Ratio is calculated by dividing (x) 99,970 metric tons by (y) one-hundredth (1/100) multiplied by 10,000,000, the number of Shares of the Trust then outstanding, for a Creation Unit Ratio of 0.9997.

On each Business Day, as soon as practicable following the calculation of the Creation Unit Ratio, the Administrative Agent will calculate the Creation Unit Weight that will be effective for the next Business Day. The Creation Unit Weight for any Business Day will be equal to 25.0 metric tons of copper *multiplied by* the Creation Unit Ratio in effect for the next Business Day, as calculated pursuant to the process described above. The Creation Unit Weight is the weight of copper that an Authorized Participant or the Trust would be obligated to transfer in connection with a creation order or a redemption order in respect of one Creation Unit on such Business Day.

Intraday Indicative Values Provided by the Exchange

The Administrative Agent will calculate the net asset value of the Trust and the NAV per Share only once each day. In order to provide market participants with an indication of the underlying value of the Trust's Shares during the trading day, on each day on which the Exchange is open for business, the Exchange will disseminate, approximately every 15 seconds, two different intraday indicative values for the Trust's Shares, which we refer to as the "**First-Out IIV**" and the "**Liquidation IIV.**"

First-Out IIV

The Sponsor expects that, because of the Selection Protocol, Authorized Participants generally will expect to receive copper from the cheapest-to-deliver location whenever they redeem Creation Units of Shares. The Sponsor also expects that, because an Authorized Participant will not expect that the copper it will receive upon redeeming a Creation Unit will be more valuable (*i.e.*, have a higher locational premium) than the copper it delivers to the Trust when creating a Creation Unit of Shares, the Authorized Participant will tend to deliver copper in exchange for Creation Units of Shares only from the cheapest-to-deliver location at which the Authorized Participant holds copper. Because of the foregoing dynamic and the arbitrage mechanism described below, the Sponsor expects that the Shares will trade with a market price that is within a limited range, with the lower end of that range approximating the value of copper in the cheapest-to-deliver location and the higher end of that range approximating the value of copper in the cheapest-to-deliver location at which the Authorized Participants have copper available.

The "First-Out IIV" is an intraday indicative value disseminated every 15 seconds during the Exchange trading day that represents, as of the time of such calculation, the hypothetical U.S. dollar value per Share of the copper that would need to be transferred to or from the Trust to create or redeem one Share included in a Creation Unit, assuming that copper in the cheapest-to-deliver location was used for such creation or redemption.

The Exchange will calculate the First-Out IIV as follows:

- First, the Exchange will calculate an indicative price per metric ton of copper in the cheapest-to-deliver location, which will be the sum of (x) a deemed intraday indicative cash price per metric ton of copper in U.S. dollars based on either a live cash price or a combination of basis swaps and live intraday futures prices, as of the time of such First-Out IIV calculation, derived by methods and means established by the Exchange, and (y) the last available locational premium calculated by the Valuation Agent for copper in the cheapest-to-deliver location on such Business Day (which will have been provided to the Exchange by the Administrative Agent);

- Second, the Exchange will calculate an indicative value for a Creation Unit Weight of copper in the cheapest-to-deliver location by *multiplying* the value calculated in the first step by the Creation Unit Weight in effect for such Business Day (which will have been provided to the Exchange by the Administrative Agent). The calculation in this step represents an indicative value in U.S. dollars, as of the time of calculation, of the amount of copper in the cheapest-to-deliver location that would need to be delivered by an Authorized Participant for a Creation Unit of Shares; and

- Third, the Exchange will convert the value obtained in the second step to a U.S. dollar value per Share by *dividing* the value obtained in the second step by 2,500 (the number of Shares in a Creation Unit). The result of this calculation is the First-Out IIV.

The First-Out IIV is intended to facilitate arbitrage activity by Authorized Participants by serving as an indicator of whether the Trust's Shares are trading at a discount or premium during the Exchange trading day. If an Authorized Participant views the First-Out IIV as an estimate of the underlying value of copper per Share in U.S. dollars of the Shares it could create or redeem on any Business Day, an Authorized Participant may seek to create Shares when the market price exceeds the First-Out IIV (if the Authorized Participant has copper lots available for delivery to the Trust in the cheapest-to-deliver location), and may seek to redeem Shares when the market price is less than the First-Out IIV, because:

- if the market price per Share is greater than the underlying value of copper per Share in U.S. dollars, an Authorized Participant could create a Creation Unit of Shares by delivering the Creation Unit Weight of copper in the cheapest-to-deliver location to the Trust, and may be able to sell such Shares on the Exchange for an aggregate amount that is greater than the value of the copper used to create the Shares; and

- if the underlying value per Share in U.S. dollars is greater than the market price per Share, an Authorized Participant could redeem a Creation Unit of Shares by delivering the Creation Unit to the Trust and receiving a Creation Unit Weight of copper in the cheapest-to-deliver location, and may be able to sell the copper for an aggregate amount that is greater than amount it paid to acquire the Shares.

Liquidation IIV

The "Liquidation IIV" is an intraday indicative value disseminated every 15 seconds during the Exchange trading day that represents, as of the time of the calculation, the hypothetical U.S. dollar value per Share of all of the copper owned by the Trust divided by the number of Shares then outstanding.

The Exchange will calculate the Liquidation IIV as follows:

- First, the Exchange will determine an indicative price per metric ton of copper reflecting the weighted average price of copper held in the Trust, calculated as the sum of (a) a deemed intraday indicative cash price per metric ton of copper in U.S. dollars based on either a live cash price or a combination of basis swaps and live intraday futures prices, as of the time of such Liquidation IIV calculation, derived by methods and means established by the Exchange, and (b) the weighted average locational premium per metric ton, calculated using the locational premium calculated by the Valuation Agent for each warehouse location in effect for such time for such Business Day, and the number of metric tons of copper held by the Trust at each warehouse location on such Business Day (which will have been provided to the Exchange by the Administrative Agent);

- Second, the Exchange will calculate an indicative value for a Creation Unit Weight of copper in the Trust by *multiplying* the value calculated in the first step by the Creation Unit Weight in effect for such Business Day (which will have been provided to the Exchange by the Administrative Agent). The calculation in this step represents an indicative average value in U.S. dollars, as of the time of calculation, of the amount of copper in the Trust (including both whole and fractional lots of copper) corresponding to a Creation Unit of Shares; and

- Third, the Exchange will convert the value obtained in the second step to a U.S. dollar value per Share by *dividing* the value obtained in the second step by 2,500 (the number of Shares in a Creation Unit). The result of this calculation is the Liquidation IIV.

Change in Cheapest-To-Deliver Location

From time to time, the Valuation Agent may determine that the cheapest-to-deliver location has changed. Upon receipt of notification from the Valuation Agent on any Business Day that the cheapest-to-deliver location has changed, the Administrative Agent will instruct the Warehouse-keeper to reallocate the ownership of (i) all the copper owned by the Trust and (ii) all the copper owned by the Authorized Participants in their respective Reserve Accounts pursuant to the procedure described below. The objective of the procedure is to keep the whole and fractional lots within the Reserve Accounts of the Authorized Participants in the cheapest-to-deliver location, by first, consolidating all of the copper owned by the Trust, including both whole and fractional lots, with all of the fractional lots owned by the Authorized Participants, and second, reallocating lots of copper to the Reserve Account of each Authorized Participant based on the Selection Protocol (with lots in the new cheapest-to-deliver location being allocated first). The result of the procedure is that the Reserve Account of an Authorized Participant will be left with the same amount of copper (in metric tons) as before the procedure was effected, but the specific lots of copper will have been allocated in accordance with the Selection Protocol so that, to the extent possible, the whole and fractional lots within the Authorized Participant's Reserve Account are in the cheapest-to-deliver location.

This reallocation is intended to facilitate creations and redemptions using copper in the new cheapest-to-deliver location by providing an Authorized Participant with copper in its Reserve Account that, to the extent possible, is located in the cheapest-to-deliver location, so that this copper can be used for adjusting overweight and underweight amounts of copper in connection with creations and redemptions of Creation Units. The procedure also contributes indirectly to the liquidity of the copper owned by an Authorized Participant, because, without the reallocation procedure, an Authorized Participant that creates or redeems Creation Units following a change in the cheapest-to-deliver location could potentially have multiple fractional lots, in different locations, in its Reserve Account (which an Authorized Participant would be unable to transfer out of its Reserve Account).

Upon receipt of notification from the Valuation Agent on any Business Day that the cheapest-to-deliver location has changed, the Administrative Agent will undertake the following procedure:

1. First, the Administrative Agent will rank all of the Authorized Participants, based on the weight of all the copper held in their respective Reserve Accounts prior to the initiation of this procedure, from largest to smallest.

2. Second, the Administrative Agent will notionally aggregate (a) all of the "divided lots" of copper (*i.e.*, those whole lots of copper that have been divided between fractional lots held by the Authorized Participants in their respective Reserve Accounts and by the Trust in the Trust Account) with (b) all whole lots of copper held in the Reserve Accounts and in the Trust Account, to form notional whole lots.

3. Third, the Administrative Agent will execute the steps in clauses (i) through (iii) and step four below, processing each Authorized Participant successively, beginning with the Authorized Participant with the largest Reserve Account balance ranked pursuant to the first step in this procedure that has not yet been processed, until each Authorized Participant has been processed in the order prescribed.

   (i) The Administrative Agent will first notionally allocate only whole lots, selected in accordance with the Selection Protocol from the notional whole lots of copper, to such Authorized Participant, such that the weight in tons of the copper notionally allocated to such Authorized Participant is as nearly equal as possible to, but not more than, the original weight of the sum of all the copper held in such Authorized Participant's Reserve Account prior to the commencement of this procedure.

   (ii) Next, to the extent that the aggregate weight of the whole lots notionally allocated to such Authorized Participant pursuant to clause (i) above is less than the original weight of the sum of all the copper held in such Authorized Participant's Reserve Account prior to the commencement of this procedure, the Administrative Agent will (a) select the next available lot in accordance with the Selection Protocol from the remaining notional whole lots of copper (after effectuating the step in clause (i) above), (b) notionally allocate a portion of such lot (*i.e.,* a fractional lot), comprising a weight of copper equal to such difference, to such Authorized Participant, and (c) notionally allocate the remainder of such lot (*i.e.,* the corresponding fractional lot) to the Trust.

(iii) Next, the Administrative Agent will reduce the number of notional whole lots by removing the whole lots notionally allocated to such Authorized Participant in clause (i) above and the whole lots from which fractional lots were notionally allocated to such Authorized Participant in clause (ii) above from the population of notional whole lots.

4. Finally, to the extent that the whole lots notionally allocated to each Authorized Participant pursuant to clause 3(i) above and the fractional lots notionally allocated to each Authorized Participant pursuant to clause 3(ii) above differ from the whole lots and fractional lots held in each such Authorized Participant's Reserve Account prior to processing such Authorized Participant using this procedure, the Administrative Agent will instruct the Warehouse-keeper to effect the corresponding changes in ownership of the whole lots and fractional lot held in each such Authorized Participant's Reserve Account and the whole lots and corresponding fractional lots held in the Trust Account.

If the Valuation Agent determines on a particular Business Day that the cheapest-to-deliver location has changed, the foregoing reallocation procedure will be implemented prior to the processing of any creation orders or redemption orders, the calculation of expenses or the calculation of the Trust's net asset value by the Administrative Agent on such Business Day.

Addition or Removal of Warehouse Locations

The Trust is currently permitted to hold copper in the following warehouse locations: the Netherlands (Rotterdam), Singapore (Singapore), South Korea (Busan and Gwangyang) and the United States (Baltimore, Chicago and New Orleans). From time to time, a location may be added or removed from the above list of Permitted Warehouse Locations, as described below.

Addition of Warehouse Locations

The Sponsor may add a warehouse location to the list of Permitted Warehouse Locations only if:

- such warehouse location is a location in which the Warehouse-keeper is permitted to store copper (either directly or indirectly through sub-contracting arrangements) which is a bonded, tax-free zone and the standards for warehousing and security are considered by the Warehouse-keeper to be appropriate or similar to the then-Permitted Warehouse Locations and the Warehouse-keeper agrees to the addition of such location to the list of Permitted Warehouse Locations;

- the Valuation Agent (i) confirms to the Sponsor that such warehouse location has an active trading market that is sufficiently liquid, (ii) with respect to any increase in the number of Permitted Warehouse Locations by more than 50% at any one time, consents to such increase, and (iii) agrees with the Sponsor to amend the Valuation Agreement to provide valuation services to the Trust for such warehouse location on the same terms and conditions as for the then-Permitted Warehouse Locations;

- pursuant to the terms of each Warehouse Agreement, the Warehouse-keeper amends each Warehouse Agreement to permit the Trust, each Authorized Participant and the Sponsor to hold copper at such warehouse location and the terms and conditions for such warehouse location are substantially similar to the terms and conditions of the then-Permitted Warehouse Locations;

- the Sponsor receives confirmation in writing from local counsel at the applicable warehouse location (and, in the Sponsor's reasonable discretion, from other counsel) that (i) the Trust will hold good and valid title to any copper delivered to the Trust at such warehouse location pursuant to the terms of the Trust Agreement and the Administrative Agency Agreement and (ii) the Trust will not be materially adversely affected by any taxes levied on the Trust as a result of the addition of such warehouse location (all fees and expenses incurred in obtaining such advice from legal counsel being borne by the Trust as an Other Expense); and

- the Sponsor receives confirmation in writing from any applicable insurance brokers that the then-existing insurance coverage (if any) provided with respect to the assets of the Trust will apply to a loss incurred at such storage location with no incremental increase in cost to the premium rate payable by the Trust in connection with the Trust's then-existing insurance coverage (if any).

Removal of Warehouse Locations

The Sponsor and the Valuation Agent will periodically review the warehouse locations and will evaluate whether any location should be removed from the list of Permitted Warehouse Locations at such time.

A warehouse location may be removed from the list of Permitted Warehouse Locations at any time upon at least ten Business Days' notice to the Trust and each Authorized Participant:

- if the Sponsor determines that, due to the adoption of, or any change in, any applicable law, rule, regulation or order (including, without limitation, any tax law), or the promulgation of, or any change in, any interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law, rule, regulation or order:

    – it has become or is likely to become unlawful for the Trust or any Authorized Participant to hold, acquire or dispose of copper in the applicable warehouse location; or

    – the Trust or any Authorized Participant will incur a materially increased cost in holding, acquiring or disposing of copper in the applicable location (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

- upon notice from the Warehouse-keeper to the Sponsor and the Administrative Agent that the Warehouse-keeper intends to discontinue operations in such warehouse location or otherwise intends to cease providing services to the Trust at such warehouse location; or

- upon notice from the Sponsor to the Administrative Agent, the Valuation Agent and the Warehouse-keeper, if the Sponsor has determined, following consultation with the Administrative Agent and the Valuation Agent, that there is a lack of an active trading market for physical copper at such location.

If the Trust holds copper in a warehouse location that is removed from the list of Permitted Warehouse Locations pursuant to the above, the Sponsor will arrange for the transportation of such copper to another Permitted Warehouse Location. The Trust will bear all costs and expenses in connection with such transportation as Other Expenses. The Sponsor will determine the Permitted Warehouse Location to which such copper will be transported in its sole discretion and will consider, among other criteria, the locational premia for each potential Permitted Warehouse Location and the cost of transporting such copper to such potential Permitted Warehouse Location.

If an Authorized Participant holds copper at a warehouse location that is removed from the list of Permitted Warehouse Locations, then:

- first, such Authorized Participant will, within five Business Days of receipt of notice of such removal, instruct the Warehouse-keeper to transfer via book entry all whole lots of copper, if any, held by such Authorized Participant in such Authorized Participant's Reserve Account at such warehouse location to such Authorized Participant's Private Account at such warehouse location; and

- next, the Authorized Participant and the Warehouse-keeper will cooperate in order to physically remove all whole lots of copper held in such Authorized Participant's Private Account at such warehouse location in accordance with the terms of such Authorized Participant Warehouse Agreement.

In addition, the Administrative Agent will instruct the Warehouse-keeper to reallocate any fractional lot of copper held in such Authorized Participant's Reserve Account at such warehouse location to the Permitted Warehouse Location selected by the Sponsor as described above, with the costs of transportation of the divided lot to which such fractional lot of copper pertains being apportioned between such Authorized Participant and the Trust on a *pro rata* basis. Such Authorized Participant will otherwise bear all costs and expenses in connection with the removal of such copper.

Procedures for Creating and Redeeming Shares

Creation orders and redemption orders will be settled by delivery of a Creation Unit of Shares on the third Business Day following the order date. However, the risk associated with changes in the price of copper shifts for the relevant copper from the Authorized Participant (both Private Account and/or Reserve Account) to the Trust or from the Trust to the Authorized Participant (both Private Account and/or Reserve Account), on the date that the creation order or the redemption order, as applicable, is accepted by the Administrative Agent.

To be an Authorized Participant, a person must:

- be a registered broker-dealer or other securities market participant such as a bank or other financial institution that is not required to register as a broker-dealer to engage in securities transactions;

- be a participant in DTC;

- have entered into, or had its agent enter into, an Authorized Participant Warehouse Agreement with the Warehouse-keeper establishing the Authorized Participant's Reserve Account and Private Account;

- have entered into an Authorized Participant Agreement with the Sponsor on behalf of the Trust, which among other things grants express authority to the Administrative Agent to instruct the Warehouse-keeper to transfer whole lots and/or fractional lots of copper (including creation overweight and creation underweight amounts of copper associated with any creation order and redemption underweight amounts of copper associated with any redemption order) between the Trust Account and such Authorized Participant's Private Account and Reserve Account; and

- have delivered at least 25.0 metric tons of copper to the Warehouse-keeper at a Permitted Warehouse Location of the Trust to establish its Reserve Account (and thereafter maintain at least 15.0 metric tons of copper in its Reserve Account at any Permitted Warehouse Location of the Trust).

Creation Orders

An Authorized Participant may place creation orders with the Administrative Agent on any Business Day. A creation order will be effective if it is received by the Administrative Agent in satisfactory form before 4:00 p.m. New York City time on the applicable Business Day, which we refer to as the "**cut-off time**." A creation order may be cancelled on the Business Day on which it was submitted, provided that, prior to the cut-off time on such Business Day, the Authorized Participant (i) calls the Administrative Agent at the telephone number specified on the order form and orally notifies the Administrative Agent of such cancellation and (ii) provides a written cancellation notice, via facsimile, to the Administrative Agent.

By placing a creation order with the Administrative Agent, an Authorized Participant agrees to deliver copper to the Trust in the manner and the amount described below. Prior to the settlement of Creation Units issued pursuant to a creation order, an Authorized Participant must have (a) paid to the Administrative Agent the non-refundable transaction fee due for such creation order and (b) transferred copper to the Trust Account in the required amount and manner, with such transfer having been accepted by the Trust.

Creation orders submitted to the Administrative Agent must contain the following information:

- the number of Creation Units expected to be created;

- the amount of the transaction fee due for such creation order;

- the warehouse location for each whole lot proposed to be transferred to the Trust;

- the specific identification number for each whole lot proposed to be transferred to the Trust;
- the exact weight, expressed in metric tons, of each whole lot proposed to be transferred to the Trust; and
- the brand of each whole lot to be transferred to the Trust, which must be an Acceptable Delivery Brand.

The Administrative Agent will acknowledge, via facsimile or email, receipt of the creation order within forty-five (45) minutes of the Administrative Agent receiving the order. If the Authorized Participant has not received such acknowledgment within forty-five (45) minutes of transmitting the creation order, the Authorized Participant must call the Administrative Agent at the telephone number specified on the order form in order to orally confirm the Administrative Agent's receipt of such creation order. The Administrative Agent and the Warehouse-keeper will cooperate to resolve any discrepancies, errors or other issues affecting any creation order.

Creation orders will be given effect in the order accepted by the Administrative Agent, after the implementation of any change in the cheapest-to-deliver location on a particular Business Day, but before giving effect to any redemptions or the payment of any accrued unpaid Sponsor's fee or accrued unpaid Other Expenses on such Business Day. Once all information set forth in the creation order is determined to be accurate and complete, and the cutoff time for the day has passed, the creation order will generally be accepted as valid and binding by the Administrative Agent, which will inform the Authorized Participant of the acceptance as soon as reasonably practicable but not later than 6:15 p.m. New York City time on such day. The Administrative Agent may reject a creation order if any discrepancies, errors or other issues in such creation order have not been resolved by 5:45 p.m. New York City time on such day. The Administrative Agent will inform the Authorized Participant of any such rejection as soon as reasonably practicable but not later than 8:00 p.m. New York City time on such day. Neither the Administrative Agent nor the Sponsor will be liable for the rejection of any creation order.

The amount of copper required to be transferred from the Authorized Participant to the Trust Account will be determined using the Creation Unit Ratio calculated on the immediately prior Business Day. All weights will be calculated to the nearest 0.001 metric ton.

Any issues regarding a creation order or the creation procedures will be addressed by the Administrative Agent in accordance with the terms and conditions of the relevant Authorized Participant Agreement. The Administrative Agent's determination of whether the requirements for a creation order have been fulfilled will be final and binding.

Creation orders will be settled by delivery of a Creation Unit of Shares on the third Trading Day following the creation order date; *provided* that, by 3:00 p.m. New York City time on the date such issuance and delivery is to take place, (x) the Warehouse-keeper confirms in writing to the Administrative Agent that the corresponding required amount of copper has been deposited in the Trust Account; and (y) the Authorized Participant has paid the applicable transaction fee to the Administrative Agent. A "**Trading Day**" is defined as any day on which the Exchange is scheduled to be open for regular trading.

Redemption Orders

An Authorized Participant may place redemption orders with the Administrative Agent on any Business Day. A redemption order will be effective if it is received by the Administrative Agent in satisfactory form before the cut-off time on the applicable Business Day. A redemption order may be cancelled on the Business Day on which it was submitted, provided that, prior to the cut-off time on such Business Day, the Authorized Participant (i) calls the Administrative Agent at the telephone number specified on the order form and orally notifies the Administrative Agent of such cancellation and (ii) provides a written cancellation notice, via facsimile, to the Administrative Agent.

By placing a redemption order, an Authorized Participant agrees to deliver Creation Units in the manner described below. Prior to the settlement of a redemption, an Authorized Participant must have delivered the Creation Units to be redeemed to the Trust through DTC's book-entry system, not later than the third Trading Day following the redemption order date, and effectively wired to the Administrative Agent the non-refundable transaction fee due for such redemption order.

Redemption orders submitted to the Administrative Agent must contain, among other things, the following information:

- the number of Creation Units to be redeemed; and

- the amount of the transaction fee due for such redemption order.

The Administrative Agent will acknowledge, via facsimile or email, receipt of the redemption order within forty-five (45) minutes of the Administrative Agent receiving the order. If the Authorized Participant has not received such acknowledgment within forty-five (45) minutes of transmitting the redemption order, the Authorized Participant must call the Administrative Agent at the telephone number specified on the order form in order to orally confirm the Administrative Agent's receipt of such redemption order. The Administrative Agent will communicate with the Warehouse-keeper to confirm the accuracy and completeness of the information provided by the Authorized Participant in the redemption order.

Redemption orders will be given effect in the order accepted by the Administrative Agent, after the implementation of any change in the cheapest-to-deliver location and the processing of any creation orders on a particular Business Day, but before giving effect to the payment of accrued unpaid Sponsor's fee or accrued unpaid Other Expenses on such Business Day. Once all information set forth in the redemption order is determined to be accurate and complete and the cutoff time for the day has passed, the redemption order will generally be accepted as valid and binding by the Administrative Agent, who will inform the Authorized Participant of the acceptance as soon as reasonably practicable but not later than 6:15 p.m. New York City time on such day. The Administrative Agent may reject a redemption order if any discrepancies, errors or other issues in such redemption order have not been resolved by 5:45 p.m. New York City time on such day. The Administrative Agent will inform the Authorized Participant of any such rejection as soon as reasonably practicable but not later than 8:00 p.m. New York City time on such day. Neither the Administrative Agent nor the Sponsor will be liable for the rejection of any redemption order.

The amount of copper required to be transferred from the Trust Account to an Authorized Participant will be determined using the Creation Unit Ratio calculated on the immediately prior Business Day. All weights will be calculated to the nearest 0.001 metric ton.

Any issues regarding a redemption order or the redemption procedures will be addressed by the Administrative Agent in accordance with the terms and conditions of the Authorized Participant Agreement. The Administrative Agent's determination of whether the requirements for a redemption order have been fulfilled will be final and binding.

Redemption orders will be settled by delivery of copper on the third Trading Day following the redemption order date, *provided* that, by 3:00 p.m. New York City time on the date such settlement is to take place, the Administrative Agent confirms in writing to the Warehouse-keeper that (x) the Administrative Agent's DTC account has been credited with the Creation Units to be redeemed and (ii) the Authorized Participant has paid the Administrative Agent the applicable transaction fee for such redemption order.

All Creation Units need to be delivered in full as per the redemption order. Partial settlements based on incomplete Creation Units are not permitted.

Creation and Redemption Transaction Fee

An Authorized Participant will be required to pay a transaction fee to the Administrative Agent for each creation order or redemption order. The transaction fee will be a flat fee expressed as a fixed dollar amount payable for each creation order or redemption order, regardless of the number of Creation Units being created or redeemed. The transaction fee may be increased or decreased, for all Authorized Participants or on a case-by-case basis, by the Administrative Agent with the consent of the Sponsor. The Administrative Agent will notify DTC of any change in the transaction fee with respect to any Authorized Participant and will not implement any increase in the transaction fee with respect to any Authorized Participant until 30 days after the date of the notice.

Suspension of Issuance, Transfers or Redemptions

The Administrative Agent will, when directed by the Sponsor, suspend the creation, issuance, delivery or registration of transfers of Shares, or may refuse a particular deposit of copper or transfer of Shares at any time, if the Sponsor determines it to be advisable for any reason. At the direction of the Sponsor, the Administrative Agent will suspend the right of redemption, or postpone the redemption settlement date, (i) for any period during which the Exchange or the LME is closed other than for customary weekend or holiday closings, or during which trading on the Exchange or the LME is suspended or restricted, (ii) for any period during which an emergency exists as a result of which delivery, disposal or evaluation of copper is not reasonably practicable, or (iii) for such other period as the Sponsor determines in its sole discretion to be necessary for the protection of shareholders or, at the Sponsor's election, any creditor. The Warehouse-keeper will, when directed by the Sponsor, suspend transfers of copper in connection with a creation or redemption of Shares if the Sponsor at any time determines it to be advisable for any reason, and will promptly notify the Administrative Agent of any such suspension. The transfer of copper in connection with a creation or redemption of Shares is also subject to the Warehouse-keeper's right, in its discretion, to suspend such transfers (i) for any period during which an emergency exists as result of which transfer, delivery, disposal or evaluation of copper is not commercially practicable or (ii) if the Warehouse-keeper determines upon advice of counsel that such transfers are contrary to applicable law, rule or regulation.

Adjustments, Identified Errors or Omissions

The Trust has established procedures intended to address unanticipated problems or issues with respect to the mechanics of the Trust's operations. If, in respect of the Trust, any price, level, variable, input or other matter that is used in any calculation, determination or action relevant to the operation of the Trust is subsequently adjusted or the Administrative Agent, the Warehouse-keeper, the Valuation Agent, the Sponsor or any Authorized Participant identifies an error or omission in any such calculation, determination or action, then the Sponsor may, if it considers addressing such problem or issue to be appropriate, determine the action to be taken in respect thereof. The Administrative Agent, the Warehouse-keeper, the Valuation Agent, any Authorized Participant and the Trust, as applicable, will use its commercially reasonable best efforts to take such action pursuant to the instruction of the Sponsor. However, the Sponsor is under no obligation to resolve or correct any issues or errors if it does not consider taking such action to be appropriate.

ANNEX D-1

The following table sets forth the average LME settlement prices, average locational premia and average physical prices of copper for warehouse locations in the United States, Europe, Shanghai and Singapore for (i) the calendar year ended December 31, 2010, (ii) the three-month period from January 1, 2011 to March 31, 2011 and (iii) the period from April 1, 2011 to June 15, 2011. The amounts in U.S. dollars refer to the price or premia per metric ton. The information set forth in this Annex D-1 was provided by the Valuation Agent or is calculated from information the Sponsor received from the Valuation Agent.

	Year Ended December 31, 2010	January 1 – March 31, 2011	April 1 – June 15, 2011
United States			
Average LME Settlement Price[1]	$7,509.91	$9,654.22	$9,170.10
Average Locational Premium[2]	$108.31	$111.10	$107.53
Average Physical Price[3]	$7,618.22	$9,765.32	$9,277.63
Average Locational Premium as a Percentage of Average Physical Price[4]	1.4217%	1.1377%	1.1590%
Europe			
Average LME Settlement Price[1]	$7,509.91	$9,654.22	$9,170.10
Average Locational Premium[2]	$71.46	$68.40	$67.69
Average Physical Price[3]	$7,581.37	$9,722.62	$9,237.79
Average Locational Premium as a Percentage of Average Physical Price[4]	0.9426%	0.7035%	0.7327%
Shanghai, China			
Average LME Settlement Price[1]	$7,509.91	$9,654.22	$9,170.10
Average Locational Premium[2]	$102.77	$38.60	$42.75
Average Physical Price[3]	$7,612.68	$9,692.82	$9,212.85
Average Locational Premium as a Percentage of Average Physical Price[4]	1.3500%	0.3982%	0.4640%
Singapore			
Average LME Settlement Price[1]	$7,509.91	$9,654.22	$9,170.10
Average Locational Premium[2]	$85.52	$69.20	$45.75
Average Physical Price[3]	$7,595.43	$9,723.42	$9,215.85
Average Locational Premium as a Percentage of Average Physical Price[4]	1.1259%	0.7117%	0.4964%

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[1] The "Average LME Settlement Price" for each period is calculated by taking the average of the weekly LME Settlement Price published by the London Metals Exchange during the relevant period.

[2] The "Average Locational Premium" for each period is calculated by taking the average of the high and low locational premia for physical copper in the relevant region as published by the Valuation Agent for each week during such period. Such locational premia reflect the "in warehouse" premia for physical copper as described under the Incoterms® . The Incoterms® are an internationally recognized standard and are used worldwide in international and domestic contracts for the sale of goods.

[3] The "Average Physical Price" for each period is calculated by adding the Average LME Settlement Price and the Average Locational Premium for such period.

[4] The "Average Locational Premium as a Percentage of Average Physical Price" is a fraction, expressed as a percentage, where the numerator is the Average Locational Premium and the denominator is the Average Physical Price for the relevant period.

ANNEX D-2

The following table sets forth the average LME settlement prices, average locational premia and average physical prices of copper for each of the Permitted Warehouse Locations for the periods from June 16, 2011 to December 30, 2011 and from January 3, 2012 to March 30, 2012. The amounts in U.S. dollars refer to the price or premia per metric ton. The information set forth in this Annex D-2 was provided by the Valuation Agent or has been calculated from information the Sponsor received from the Valuation Agent.

	June 16, 2011 – December 30, 2011	January 3, 2012 – March 30, 2012
Baltimore		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$10.00	$7.54
Average Physical Price[3]	$8,314.10	$8,317.61
Average Locational Premium as a Percentage of Average Physical Price[4]	0.1203%	0.0907%
New Orleans		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$10.00	$7.54
Average Physical Price[3]	$8,314.10	$8,317.61
Average Locational Premium as a Percentage of Average Physical Price[4]	0.1203%	0.0907%
Rotterdam, Netherlands		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$69.11	$74.64
Average Physical Price[3]	$8,373.21	$8,384.70
Average Locational Premium as a Percentage of Average Physical Price[4]	0.8253%	0.8901%
Shanghai, China		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$120.54	$87.46
Average Physical Price[3]	$8,424.64	$8,397.53
Average Locational Premium as a Percentage of Average Physical Price[4]	1.4308%	1.0416%
Chicago, United States		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$10.00	$7.54
Average Physical Price[3]	$8,314.10	$8,317.61
Average Locational Premium as a Percentage of Average Physical Price[4]	0.1203%	0.0907%
Gwangyang, Korea		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$52.87	$76.42
Average Physical Price[3]	$8,356.98	$8,386.48
Average Locational Premium as a	0.6327%	0.9112%

	June 16, 2011 – December 30, 2011	January 3, 2012 – March 30, 2012
Percentage of Average Physical Price[4]		
Busan, Korea		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$53.18	$76.42
Average Physical Price[3]	$8,357.28	$8,386.48
Average Locational Premium as a Percentage of Average Physical Price[4]	0.6363%	0.9112%
Singapore		
Average LME Settlement Price[1]	$8,304.10	$8,310.06
Average Locational Premium[2]	$68.04	$79.09
Average Physical Price[3]	$8,372.14	$8,389.15
Average Locational Premium as a Percentage of Average Physical Price[4]	0.8126%	0.9428%

[1] The "Average LME Settlement Price" for each period is calculated by taking the average of the daily LME Settlement Price published by the London Metals Exchange during the relevant period.

[2] The "Average Locational Premium" for each period is calculated by taking the locational premia for physical copper in the relevant region as published by the Valuation Agent for each day during such period. Such locational premia reflect the "in warehouse" premia for physical copper as described under the Incoterms® . The Incoterms® are an internationally recognized standard and are used worldwide in international and domestic contracts for the sale of goods.

[3] The "Average Physical Price" for each period is calculated by adding the Average LME Settlement Price and the Average Locational Premium for such period.

[4] The "Average Locational Premium as a Percentage of Average Physical Price" is a fraction, expressed as a percentage, where the numerator is the Average Locational Premium and the denominator is the Average Physical Price for the relevant period.