

# JPMORGAN CHASE & CO.

## **Principal Protected Notes Linked to a Weighted Basket of Components**

### **General**

- JPMorgan Chase & Co. may, from time to time, offer and sell principal protected notes linked to a weighted basket of components. This product supplement no. 32-A-II describes terms that will apply generally to the principal protected notes, and supplements the terms described in the accompanying prospectus supplement and prospectus. A separate term sheet or pricing supplement, as the case may be, will describe terms that apply specifically to the notes, including any changes to the terms specified below. We refer to such term sheets and pricing supplements generally as terms supplements. The terms supplement or a separate index supplement or fund supplement will describe any index or fund included in the Basket but not described in this product supplement, or will include an updated description of an Index or a fund described in this product supplement. We refer to such index supplement or fund supplement generally as underlying supplements. If the terms described in the relevant underlying supplement are inconsistent with those described herein or in the accompanying prospectus supplement or prospectus, the terms described in the relevant underlying supplement will control. If the terms described in the relevant terms supplement are inconsistent with those described herein, or in any related underlying supplement or in the accompanying prospectus supplement or prospectus, the terms described in the relevant terms supplement will control.
- The notes are senior unsecured obligations of JPMorgan Chase & Co. Any payment on the notes is subject to the credit risk of JPMorgan Chase & Co.
- Payment is linked to a weighted Basket of components as described below.
- Unless otherwise specified in the relevant terms supplement, full principal protection if the notes are held to maturity.
- Unless otherwise specified in the relevant terms supplement, cash payment at maturity of principal plus the Additional Amount.
- The Additional Amount will depend on the Basket Return and the specific terms of the notes as set forth in the relevant terms supplement. Unless otherwise specified, the Additional Amount per \$1,000 principal amount note will equal (A) \$1,000 x the Basket Return x the Participation Rate, but will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable, or (B) an amount calculated according to the formula in clause A, unless the Basket Closing Level is equal to or exceeds a specified level (which we refer to as the Knock-Out Level) on one of the trading days specified in the relevant terms supplement, in which case the Additional Amount will equal \$1,000 x the Knock-Out Rate, or (C) if the Ending Basket Level is greater than or equal to the Starting Basket Level, a fixed amount specified in the relevant terms supplement (which amount we refer to as the Fixed Payment) and otherwise zero (or the Minimum Return, if applicable).
- In addition to a cash payment at maturity of principal plus the Additional Amount, if any, the notes may pay interest prior to maturity, as specified in the relevant terms supplement.
- For important information about tax consequences, see "Certain U.S. Federal Income Tax Consequences" beginning on page PS-123.
- Minimum denominations of \$1,000 and integral multiples thereof, unless otherwise specified in the relevant terms supplement.
- Investing in the notes is not equivalent to investing in the Basket, any of the Basket Funds, any of the securities underlying the Equity Indices or the Basket Funds, or any futures contracts or exchange-traded or over-the-counter instruments based on, or other instruments linked to, any of the Commodity Indices.
- The notes will not be listed on any securities exchange unless otherwise specified in the relevant terms supplement.

### **Key Terms**

#### **Basket:**

The relevant terms supplement will specify the indices and/or funds composing the basket (the "Basket"). In this product supplement no. 32-A-II, we refer to an index that tracks the performance of equity securities as an "Equity Index," and collectively, as "Equity Indices," we refer to an index that tracks the performance of commodity futures contracts as a "Commodity Index," and collectively, as "Commodity Indices" and we refer to an exchange traded fund that tracks the performance of an underlying index or basket of equity securities, commodities, currencies or other market measures, primarily by holding securities or other instruments related to such underlying index or basket, as a "Basket Fund," and collectively, as "Basket Funds." We refer to each Equity Index and each Commodity Index, as a "Basket Index," and collectively, the "Basket Indices." We refer to each Basket Index and each Basket Fund, as a "Basket Component," and collectively, the "Basket Components."

#### **Payment at Maturity<sup>†</sup>:**

Unless otherwise specified in the relevant terms supplement, at maturity you will receive a cash payment for each \$1,000 principal amount note of \$1,000 plus the Additional Amount, which will not be less than zero (or the Minimum Return, if applicable), or greater than the Maximum Return, if applicable.

*(continued on next page)*

**Investing in the Principal Protected Notes involves a number of risks. See "Risk Factors" beginning on page PS-11.**

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

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

J.P.Morgan

May 17, 2010

## **Key Terms (continued)**

Additional Amount (notes with neither a Knock-Out Level nor a Fixed Payment) <sup>†</sup> :	For notes with neither a Knock-Out Level nor a Fixed Payment, the Additional Amount per \$1,000 principal amount note paid at maturity will equal, unless otherwise specified in the relevant terms supplement, \$1,000 x the Basket Return x the Participation Rate; <i>provided</i> that the Additional Amount will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable.
Additional Amount (notes with a Knock-Out Level) <sup>†</sup> :	<p>For notes with a Knock-Out Level, the Additional Amount per \$1,000 principal amount note paid at maturity will equal, unless otherwise specified in the relevant terms supplement:</p> <p>(1) If the Basket Closing Level is less than the Knock-Out Level on each of the trading days specified in the relevant terms supplement, \$1,000 x the Basket Return x the Participation Rate; <i>provided</i> that the Additional Amount will not be less than zero (or the Minimum Return, if applicable) or greater than the Maximum Return, if applicable; or</p> <p>(2) If the Basket Closing Level is greater than or equal to the Knock-Out Level on any of the trading days specified in the relevant terms supplement, which we refer to as a Knock-Out Event, \$1,000 x the Knock-Out Rate.</p>
Additional Amount (notes with a Fixed Payment) <sup>†</sup> :	<p>For notes with a Fixed Payment, the Additional Amount per \$1,000 principal amount note paid at maturity will equal:</p> <p>(1) If the Ending Basket Level is greater than or equal to the Starting Basket Level, an amount specified in the relevant terms supplement; or</p> <p>(2) If the Ending Basket Level is less than the Starting Basket Level, zero (or the Minimum Return, if applicable).</p>
Minimum Return:	If applicable, then the Additional Amount will equal at least the amount specified as the Minimum Return in the relevant terms supplement.
Maximum Return:	If applicable, then the Additional Amount will equal no more than the amount specified as the Maximum Return in the relevant terms supplement.
Other Terms:	In each case if applicable, the Partial Principal Protection Percentage, Participation Rate, Knock-Out Level, Knock-Out Rate, Knock-Out Event, Fixed Payment, Interest Rate, Interest Period, Interest Determination Dates and/or Interest Payment Date(s) will be set forth in the relevant terms supplement.
Basket Return:	Unless otherwise specified in the relevant terms supplement: $\frac{\text{Ending Basket Level} - \text{Starting Basket Level}}{\text{Starting Basket Level}}$
Starting Basket Level:	Unless otherwise specified in the relevant terms supplement, set equal to 100 on the pricing date, the final Initial Averaging Date, if applicable, or on such other date as specified in the relevant terms supplement.
Ending Basket Level:	The Basket Closing Level on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the Basket Closing Levels on each of the Ending Averaging Dates.
Basket Closing Level:	Unless otherwise specified in the relevant terms supplement, the Basket Closing Level on any trading day will be calculated as follows: $100 \times [1 + \text{sum of (Component Return of each Basket Component} \times \text{Component Weighting of each such Basket Component)}]$
Index Return:	Unless otherwise specified in the relevant terms supplement, with respect to each Basket Index, on any trading day: $\frac{\text{Index Closing Level} - \text{Index Starting Level}}{\text{Index Starting Level}}$
Fund Return:	Unless otherwise specified in the relevant terms supplement, with respect to each Basket Fund, on any trading day: $\frac{\text{Final Share Price} - \text{Initial Share Price}}{\text{Initial Share Price}}$
Component Weighting:	<p>We refer to each Index Return and each Fund Return as a “Component Return.”</p> <p>With respect to each Basket Component, a fixed percentage or fraction as specified in the relevant terms supplement, provided that the sum of the Component Weightings for all Basket Components will equal 100% or 1, as applicable.</p> <p>In certain cases, only one Basket Component may compose the entire Basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the Basket.</p> <p>The relevant terms supplement will specify either (i) the weight of each Basket Component in the Basket, which will be fixed for the term of the notes, or (ii) the manner in which the weight of each Basket Component will be determined. For additional information, see “Description of Notes — Payment at Maturity.”</p>
Basket Valuation Date(s):	The Ending Basket Level will be calculated on a single date, which we refer to as an Observation Date, or on several dates, each of which we refer to as an Ending Averaging Date, as specified in the relevant terms supplement. We refer to such dates generally as Basket Valuation Dates in this product supplement. Any Basket Valuation Date is subject to postponement in the event of a market disruption event and as described under “Description of Notes — Payment at Maturity.”
Initial Averaging Dates:	As specified, if applicable, in the relevant terms supplement. Any Initial Averaging Date is subject to postponement in the event of a market disruption event and as described under “Description of Notes — Payment at Maturity.”
Knock-Out Event:	For notes with a Knock-Out Level, the relevant terms supplement may specify any trading day(s) during the term of the notes as the day(s) on which a Knock-Out Event can occur.

Maturity Date: As specified in the relevant terms supplement. The maturity date of the notes is subject to postponement in the event of a market disruption event and as described under “Description of Notes — Payment at Maturity.”

<sup>†</sup> Subject to the impact of a commodity hedging disruption event, if a Commodity Index is included in the Basket. For more information about the impact of a commodity hedging disruption event, see “Description of Notes — Payment at Maturity” and “General Terms of Notes — Consequences of a Commodity Hedging Disruption Event.”

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

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

In this product supplement no. 32-A-II, any related underlying supplement, the relevant terms supplement and the accompanying prospectus supplement and prospectus, “we,” “us” and “our” refer to JPMorgan Chase & Co., unless the context requires otherwise.

## DESCRIPTION OF NOTES

*The following description of the terms of the notes supplements the description of the general terms of the debt securities set forth under the headings "Description of Notes" in the accompanying prospectus supplement and "Description of Debt Securities" in the accompanying prospectus. A separate terms supplement will describe the terms that apply specifically to the notes, including any changes to the terms specified below. The terms supplement or a separate underlying supplement will describe any index or fund included in the Basket but not described in this product supplement, or will include an updated description of an index or a fund described in this product supplement. Capitalized terms used but not defined in this product supplement no. 32-A-II have the meanings assigned in the accompanying prospectus supplement, prospectus, any related underlying supplement and the relevant terms supplement. The term "note" refers to each \$1,000 principal amount of our Principal Protected Notes Linked to a Weighted Basket of Components.*

### General

The Principal Protected Notes are senior unsecured obligations of JPMorgan Chase & Co. that are linked to a weighted basket of components as specified in the relevant terms supplement (the "Basket"). In this product supplement no. 32-A-II, we refer to an index that tracks the performance of equity securities as an "Equity Index," and collectively, as "Equity Indices," we refer to an index that tracks the performance of commodity futures contracts, as a "Commodity Index," and collectively, as "Commodity Indices" and we refer to an exchange traded fund that tracks the performance of an underlying index or basket of equity securities, commodities, currencies or other market measures, primarily by holding securities or other instruments related to such underlying index or basket, as a "Basket Fund," and collectively, as "Basket Funds." We refer to each Equity Index and each Commodity Index, as a "Basket Index," and collectively, the "Basket Indices." We refer to each Basket Index and each Basket Fund, as a "Basket Component," and collectively, the "Basket Components." The notes are a series of securities referred to in the accompanying prospectus supplement, prospectus, any related underlying supplement and the relevant terms supplement. The notes will be issued by JPMorgan Chase & Co. under an indenture dated May 25, 2001, as may be amended or supplemented from time to time, between us and Deutsche Bank Trust Company Americas (formerly Bankers Trust Company), as trustee.

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

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

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

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

The specific terms of the notes will be described in the relevant terms supplement accompanying this product supplement no. 32-A-II and any related underlying supplement. The terms described in that document supplement those described herein and in any related underlying supplement, the accompanying prospectus and prospectus supplement. If the terms described in the relevant underlying

supplement are inconsistent with those described herein, in the accompanying prospectus supplement or prospectus, the terms described in the relevant underlying supplement will control. If the terms described in the relevant terms supplement are inconsistent with those described herein, in any related underlying supplement or in the accompanying prospectus or prospectus supplement, the terms described in the relevant terms supplement will control.

## **Payment at Maturity**

The maturity date for the notes will be set forth in the relevant terms supplement and is subject to adjustment if such day is not a business day or if the final Basket Valuation Date is postponed as described below. We will specify, in each case if applicable, the Partial Principal Protection Percentage, Participation Rate, Minimum Return, Maximum Return, Knock-Out Level, Knock-Out Rate, Knock-Out Event and Fixed Payment and the applicable terms of any such payment terms in the relevant terms supplement. In addition, if the notes are linked to a Basket that contains a Commodity Index, the notes are subject to the impact of a commodity hedging disruption event. See “General Terms of Notes — Consequences of a Commodity Hedging Disruption Event.”

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

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

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

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

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

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

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

For notes with a Knock-Out Level, the “Additional Amount”, subject to the impact of a commodity hedging disruption event, if applicable, per \$1,000 principal amount note paid at maturity will equal, unless otherwise specified in the relevant terms supplement:

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

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

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

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

For notes with a Fixed Payment, the “Additional Amount”, subject to the impact of a commodity hedging disruption event, if applicable, per \$1,000 principal amount note paid at maturity will equal:

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

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

*For more information about the impact of a commodity hedging disruption event, please see “Description of Notes – Payment at Maturity” and “General Terms of Notes – Consequences of a Commodity Hedging Disruption Event.”*

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

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

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

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

$$100 \times [1 + \text{sum of (Component Return of each Basket Component} \times \text{Component Weighting of each such Basket Component)}]$$

Unless otherwise specified in the relevant terms supplement, on any trading day, each Index Return reflects the performance of the respective Basket Index, expressed as a percentage, from its respective Index Starting Level to its respective Index Closing Level on such trading day.

Unless otherwise specified in the relevant terms supplement, on any trading day, each Fund Return reflects the performance of the respective Basket Fund, expressed as a percentage, from its respective Initial Share Price to its respective Final Share Price on such trading day. We refer to each Index Return and each Fund Return as a “Component Return.”

With respect to each Basket Component, a “Component Weighting,” is a fixed percentage or fraction as specified in the relevant terms supplement, provided that the sum of the Component Weightings for all Basket Components will equal 100% or 1, as applicable. In certain cases, only one Basket Component may compose the entire Basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the Basket.

The relevant terms supplement will specify either (i) the weight of each Basket Component in the Basket, which will be fixed for the term of the notes, or (ii) the manner in which the weight of each Basket Component will be determined. For example, if the relevant terms supplement specifies that a Basket Component is weighted to compose 18% of the value of the Basket, the Component Weighting for that Basket Component is 18%. Alternatively, the relevant terms supplement may specify that, for a Basket consisting of two Basket Components, the Basket Component with the greater Component Return will make up 70% of the value of the Basket, and the Basket Component with the lesser Component Return will make up 30% of the value of the Basket.

On any trading day, the “Index Return” with respect to each Basket Index is calculated as follows, unless otherwise specified in the relevant terms supplement:

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

where the “Index Starting Level” is the closing level of the Basket Index on the pricing date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of the Basket Index on each of the Initial Averaging Dates, and the “Index Closing Level” is the closing level of the Basket Index on such trading day. However, if the Basket consists of only a single Basket Index, then as described under “*Description of Notes – Basket Consisting of a Single Basket Component*”, the “Ending Basket Level” will be deemed to refer to the “Index Closing Level” and the “Index Closing Level” will be the closing level of such Basket Index on the Observation Date or such other date as specified in the relevant terms supplement, or the arithmetic average of the closing levels of such Basket Index on each of the Ending Averaging Dates.

On any trading day, the “Fund Return” with respect to each Basket Fund is calculated as follows, unless otherwise specified in the relevant terms supplement:

$$\text{Fund Return} = \frac{\text{Final Share Price} - \text{Initial Share Price}}{\text{Initial Share Price}}$$

where the “Initial Share Price” means either (a) the closing price of one share of the Basket Fund on the pricing date or such other date as specified in the relevant terms supplement, divided by the applicable Share Adjustment Factor, or (b) the arithmetic average of the closing prices of one share of the Basket Fund on each of the Initial Averaging Dates, each divided by the applicable Share Adjustment Factor. Notwithstanding the foregoing, if the relevant terms supplement specifies that the Initial Share Price will be determined based on the arithmetic average of the closing prices of the Basket Fund on each of the Initial Averaging Dates specified in the relevant terms supplement and an adjustment to the Share Adjustment Factor becomes effective in accordance with “General Terms of Notes — Anti-Dilution Adjustments” (an “Adjustment Effective Date”) after the first Initial Averaging Date but on or prior to the final Initial Averaging Date, the Share Adjustment Factor will be so adjusted for the event giving rise to such Adjustment Effective Date only on the Initial Averaging Dates occurring prior to such Adjustment Effective Date. The Share

Adjustment Factor will continue to be subject to further adjustments in connection with Adjustment Effective Date occurring after the final Initial Averaging Date as described under “General Terms of Notes — Anti-Dilution Adjustments.” The “Final Share Price” means the closing price of one share of the Basket Fund on such trading day. Notwithstanding the foregoing, if the relevant terms supplement specifies that the Ending Basket Level will be determined based on the arithmetic average of the Basket Closing Levels on each of the Ending Averaging Dates specified in the relevant terms supplement and an adjustment to the applicable Share Adjustment Factor would have become effective in accordance with “General Terms of Notes — Anti-Dilution Adjustments” after the first Ending Averaging Date but on or prior to the final Ending Averaging Date, then the closing price of the Basket Fund on each Ending Averaging Date occurring prior to the effective date of such adjustment to be used to determine the Final Share Price will be deemed to equal such closing price divided by the applicable Share Adjustment Factor, as adjusted (assuming that the applicable Share Adjustment Factor prior to such adjustment is equal to 1.0). See “General Terms of Notes — Anti-Dilution Adjustments.” Unless otherwise specified in the relevant terms supplement, the “Share Adjustment Factor” will be set initially at 1.0, subject to adjustment upon the occurrence of certain events affecting the Basket Fund. See “General Terms of Notes — Anti-Dilution Adjustments.” However, if the Basket consists of only a Basket Fund, then as described in “Description of Notes — Basket Consisting of a Single Basket Component”, the “Ending Basket Level” will be deemed to refer to the “Final Share Price” and the “Final Share Price” will mean either (a) the closing price of one share of the Basket Fund on the Observation Date or such other dates as specified in the relevant terms supplement, or (b) the arithmetic average of the closing prices of one share of the Basket Fund on each of the Ending Averaging Dates, in each case as specified in the relevant terms supplement. Notwithstanding the foregoing, if the relevant terms supplement specifies that the Final Share Price will be determined based on the arithmetic average of the closing prices of the Basket Fund on each of the Ending Averaging Dates specified in the relevant terms supplement and an adjustment to the applicable Share Adjustment Factor would have become effective in accordance with “General Terms of Notes — Anti-Dilution Adjustments” after the first Ending Averaging Date but on or prior to the final Ending Averaging Date, then the closing price of the Basket Fund on each Ending Averaging Date occurring prior to the effective date of such adjustment to be used to determine Final Share Price will be deemed to equal such closing price divided by the applicable Share Adjustment Factor, as adjusted (assuming that the applicable Share Adjustment Factor prior to such adjustment is equal to 1.0). See “General Terms of Notes — Anti-Dilution Adjustments.” With respect to each Basket Index, the “closing level” on any trading day will equal the official closing level of such Basket Index or any successor index thereto (as described below) published following the regular official weekday close of trading for such Basket Index on that trading day. In certain circumstances, the “closing level” for a Basket Index will be based on the alternative calculation of such Basket Index described under “General Terms of Notes — Discontinuation of a Basket Index; Alteration of Method of Calculation.”

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

With respect to each Basket Fund, the “closing price” of one share of such Basket Fund (or any relevant successor fund (as defined under “General Terms of Notes — Discontinuation of a Basket Fund; Alternate Calculation of Closing Price”) or one unit of any other security for which a price must be determined) on any trading day (as defined below) means:

- if such Basket Fund (or any such successor fund or such other security) is listed or admitted to trading on a national securities exchange, the last reported sale price, regular way (or, in the case of The NASDAQ Stock Market, the official closing price) of the principal trading session on such day on the principal U.S. securities exchange registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), on which such Basket Fund (or any such successor fund or such other security) is listed or admitted to trading;
- if such Basket Fund (or any such successor fund or such other security) is not listed or admitted to trading on any national securities exchange but is included in the OTC Bulletin Board Service operated by The Financial Industry Regulatory Authority (the “FINRA”), the last

reported sale price of the principal trading session on the OTC Bulletin Board Service on such day;

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

in each case subject to the provisions of “General Terms of Notes — Discontinuation of a Basket Fund; Alternate Calculation of Closing Price.” The term OTC Bulletin Board Service will include any successor service thereto.

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

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

Unless specified in the relevant terms supplement, a “Commodity Index” is an index that tracks the performance of commodity futures contracts.

Unless specified in the relevant terms supplement, a “Commodity Fund” is a Basket Fund that tracks the price of a specified commodity.

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

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

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

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

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

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

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

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

If a Basket Valuation Date is not a trading day with respect to any Basket Component, or there is a market disruption event with respect to any Basket Component on such Basket Valuation Date, the applicable Basket Valuation Date will be the immediately succeeding trading day for any such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing; *provided* that the Basket Closing Level on such Basket Valuation Date, as postponed, will be determined by using (1) the closing level or closing price, as applicable, for each Basket Component (other than any such Disrupted Basket Component) on the originally scheduled Basket Valuation Date and (2) the closing level or closing price, as applicable, for any such Disrupted Basket Component on the immediately succeeding trading day for such Disrupted Basket Component during which no market disruption event for such Disrupted Basket Component shall have occurred or be continuing. Under such circumstances, the calculation agent will calculate the Basket Closing Level for such Basket Valuation Date using the closing levels or prices of the Disrupted Basket Components on different trading days.

In no event, however, will any Basket Valuation Date be postponed more than ten business days following the date originally scheduled to be such Basket Valuation Date. If the tenth business day following the date originally scheduled to be the applicable Basket Valuation Date is not a trading day with respect to any Disrupted Basket Component, or there is a market disruption event with respect to any

Disrupted Basket Component on such tenth business day, the calculation agent will determine the closing level or closing price for any such Disrupted Basket Component for such date in accordance with the formula for and method of calculating such closing level or closing price, as applicable, last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-trading day) on such tenth scheduled business day of each security most recently constituting such Disrupted Basket Component (or if the Disrupted Basket Component is the Basket Fund, of the Basket Fund).

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

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

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

Notwithstanding the foregoing, if any Basket Valuation Date has been postponed to the Final Disrupted Valuation Date (treating any such Basket Valuation Date that is not the final Basket Valuation Date as if it were the final Basket Valuation Date), and such Final Disrupted Valuation Date is not a trading day with respect to any Disrupted Basket Component, or there is a market disruption event with respect to any Disrupted Basket Component on such Final Disrupted Valuation Date, the calculation agent will determine the closing level or closing price for any such Disrupted Basket Component for such Final Disrupted Valuation Date in accordance with the formula for and method of calculating such closing level or closing price, as applicable, last in effect prior to commencement of the market disruption event (or prior to the non-trading day), using the closing price (or, if trading in the relevant securities has been materially suspended or materially limited, the calculation agent's good faith estimate of the closing price that would have prevailed but for such suspension or limitation or non-trading day) on the business day immediately preceding such Final Disrupted Valuation Date of each security most recently constituting

such Disrupted Basket Component (or if the Disrupted Basket Component is the Basket Fund, of the Basket Fund). **For the avoidance of doubt, in no event will any Basket Valuation Date occur after the Final Disrupted Valuation Date.**

### **Interest Payments**

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

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

If the Basket consists of only one Basket Component, unless otherwise specified in the relevant terms supplement, all references to (1) the "Basket Return" will be deemed to refer to the "Index Return," or the "Fund Return," as applicable, and may be referred to as the "Index Return" or the "Fund Return," as applicable, in the relevant terms supplement, (2) the "Ending Basket Level" will be deemed to refer to the "Index Closing Level," or the "Final Share Price," as applicable, and may be referred to as the "Ending Index Level" or the "Final Share Price," as applicable, in the relevant terms supplement and (3) the "Starting Basket Level" will be deemed to refer to the "Index Starting Level," or the "Initial Share Price," as applicable, and may be referred to as the "Initial Index Level" or the "Initial Share Price," as applicable, in the relevant terms supplement.

## RISK FACTORS

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

### **Risks Relating to the Notes Generally**

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

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

#### **The notes are subject to the credit risk of JPMorgan Chase & Co.**

The notes are subject to the credit risk of JPMorgan Chase & Co. and our credit ratings and credit spreads may adversely affect the market value of the notes. Payment on the notes is dependent on JPMorgan Chase & Co.'s ability to pay the amount due on the notes at maturity, and therefore your payment on the notes is subject to our credit risk and to changes in the market's view of our creditworthiness. Any decline in our credit ratings or increase in the credit spreads charged by the market for taking our credit risk is likely to adversely affect the value of the notes.

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

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

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

If so specified in the relevant terms supplement, the starting level or initial share price for the Basket Components will be determined based on the arithmetic average of the closing levels or closing prices of the Basket Components on the Initial Averaging Dates specified in that relevant terms supplement. One or more of the Initial Averaging Dates specified may occur on or following the issue date of the notes; as a result, the starting level or initial share price for the Basket Components may not be determined, and you may therefore not know such value, until after the issue date. Similarly, the global note certificate constituting the notes, which will be deposited with DTC on the issue date as described under “General Terms of Notes — Book-Entry Only Issuance — The Depository Trust Company,” will not set forth the starting level or initial share price for the Basket Components. The starting level or initial share price for the Basket Components will be used in the calculation of the returns for the various Basket Components, and the returns will be used in calculating the Basket Return and the payment at maturity. If there are any increases in the closing levels or closing prices for the Basket Components on the Initial Averaging Dates that occur after the issue date and such increases result in the starting level or initial share price for one or more of the Basket Components being higher than the closing level or closing price of such Basket Component(s) on the issue date, this may establish higher levels that the Basket Components must achieve for you to receive at maturity more than the applicable principal amount of your notes and, if applicable, the Minimum Return.

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

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

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

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

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

If the notes have a Maximum Return, the appreciation potential of the notes is limited to the fixed dollar amount per \$1,000 principal amount note specified in the relevant terms supplement as the Maximum Return. The Additional Amount will equal no more than the Maximum Return. Accordingly, the appreciation potential of the notes will be limited to the Maximum Return even if the Additional Amount calculated with reference to the Basket Return and Participation Rate would be greater than the Maximum Return.

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

Because the Ending Basket Level is calculated based on the Basket Closing Level on one or more Basket Valuation Dates near the end of the term of the notes, the level of the Basket at various other times during the term of the notes could be higher than the Ending Basket Level. This difference could be particularly large if there is a significant increase in the level of the Basket after the Basket Valuation Dates, if there is a significant decrease in the level of the Basket during the latter portion of the term of the notes or if there is significant volatility in the Basket level during the term of the notes (especially on dates near the Basket Valuation Date(s)). For example, when the Basket Valuation Date for the notes is near the end of the term of the notes, then if Basket levels steadily increase or remain relatively constant during the initial term of the notes and then decreases below the Starting Basket Level, the Ending Basket Level may be significantly less than if it were calculated on a date earlier than the Basket Valuation Date(s). Under these circumstances, you may receive a lower payment at maturity than you would have received if you had invested in the Basket Components, or any of the component securities underlying the Equity Indices or held by the Basket Funds, or any of the exchange-traded futures contracts on the commodities underlying the Commodity Indices, or any futures contracts or exchange-traded or over-the-counter instruments based on, or other instruments linked to, any of the Commodity Indices.

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

Unless otherwise specified in the relevant terms supplement, the Basket Components may have a different weight in determining the value of the Basket, depending on the Component Weightings specified in the relevant terms supplement. For example, the relevant terms supplement may specify that the Component Weightings for the S&P 500<sup>®</sup> Index, the Nikkei 225 Index, the EURO STOXX 50<sup>®</sup> Index and the iShares<sup>®</sup> MSCI Emerging Markets Index Fund are 25%, 35%, 18% and 22% respectively. One consequence of such an unequal weighting of the Basket Components is that the same percentage change in two of the Basket Components may have different effects on the Basket Closing Level. For example, if the Component Weighting for the Nikkei 225 Index is greater than the Component Weighting for the S&P 500<sup>®</sup> Index, a 5% decrease in the Nikkei 225 Index will have a greater effect on the Basket Closing Level than a 5% decrease in the S&P 500<sup>®</sup> Index.

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

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

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

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

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

In certain cases, only one Basket Component may compose the entire Basket. If there is only one Basket Component, that Basket Component will be weighted as 100% of the Basket. In these cases, the Basket Closing Level will be determined with respect to the closing level or closing price of that single Basket Component.

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

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

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

If the Participation Rate is less than 100% and the Ending Basket Level exceeds the Starting Basket Level, the Additional Amount you receive at maturity will equal only a percentage, as specified in the relevant terms supplement, of the Basket performance above the Starting Basket Level. Under these circumstances, the Additional Amount you receive at maturity will not fully reflect the performance of the Basket.

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

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

**Secondary trading may be limited.**

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

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

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

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

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

- the dividend rate on the common stocks underlying the Equity Indices and held by the Basket Funds, as applicable, (while not paid to holders of the notes, dividend payments on the equity securities underlying Equity Indices and included in Basket Funds, as applicable, may influence the levels of the Equity Indices or price of shares of Basket Funds, as applicable, and the market value of options on Equity Indices and Basket Funds and therefore affect the value of the notes);
- for notes linked in whole or in part to one or more Commodity Funds, global supply and demand for the relevant physical commodity (such as gold or silver), which is influenced by such factors as forward selling by the relevant commodity producers, purchases made by the relevant commodity producers to unwind commodity hedge positions, central bank purchases and sales and production and cost levels in countries producing such commodity;
- for notes linked in whole or in part to one or more Commodity Funds or a Commodity Index, the market price of the relevant physical commodity held by any Commodity Fund, or the physical commodities upon which the futures contracts that compose any Commodity Index are based (the "Index Commodities") or the exchange-traded futures contracts on the Index Commodities.;
- the occurrence of certain events to a Basket Fund that may or may not require an adjustment to the applicable Share Adjustment Factor (as defined herein);
- interest and yield rates in the market generally as well as in each of the markets of the securities or Indices composing the Basket Components;
- economic, financial, political, regulatory, geographical, agricultural, meteorological or judicial events that affect the stocks composing the Basket Components (other than any Commodity Index) or stock markets generally, the commodity futures contracts underlying any Commodity Index, the physical commodities underlying such futures contracts or commodities markets generally;
- for notes linked in whole or in part to one or more Equity Indices composed primarily of foreign securities (a "foreign Equity Index") or one or more Basket Funds holding primarily foreign equity securities (a "foreign Basket Fund"), the exchange rate and the volatility of the exchange rate between the U.S. dollar and the currencies in which the stocks composing each of the Basket Components are traded, and the correlation between those rates and the levels or prices, as the case may be, of any Basket Index composed of or Basket Fund holding equity securities denominated in currencies other than the U.S. dollar; and
- our creditworthiness, including actual or anticipated downgrades in our credit ratings.

Some or all of these factors will influence the price you will receive if you choose to sell your notes prior to maturity. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You may have to sell your notes at a substantial discount from the principal amount if the Ending Basket Level is at, below or not sufficiently above the Starting Basket Level.

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

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

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

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

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

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

JPMSI and other affiliates of ours trade the securities underlying the Equity Indices and held by the Basket Funds, the futures contracts that compose the Commodity Indices, options on such futures contracts, the Index Commodities and other financial instruments related to the Basket Components and their component securities or futures contracts, or such options and Index Commodities on a regular basis, for their accounts and for other accounts under their management. JPMSI and these affiliates may also issue or underwrite or assist unaffiliated entities in the issuance or underwriting of other securities or financial instruments linked to one or more of the Basket Components. To the extent that we or one of our affiliates serves as issuer, agent or underwriter for such securities or financial instruments, our or their interests with respect to such products may be adverse to those of the holders of the notes. Any of these trading activities could potentially affect the level of one or more of the Basket Components and, accordingly, could affect the value of the notes and any Additional Amount payable to you at maturity.

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

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

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

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

We or one of our affiliates may currently or from time to time engage in trading activities related to the currencies in which the equity securities composing a foreign Equity Index or held by a foreign Basket Fund, are denominated. These trading activities could potentially affect the exchange rates with respect to such currencies and, if currency exchange rate calculations are involved in the calculation of the closing levels of a foreign Equity Index and the closing prices of a foreign Basket Fund, could affect the closing levels of that foreign Equity Index or the closing prices of that foreign Basket Fund and, accordingly, the value of the notes.

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

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

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

Generally, if the term of the notes is not more than one year (including either the issue date or the last possible date that the notes could be outstanding, but not both), the notes will be treated as “short-term” debt instruments for U.S. federal income tax purposes. No statutory, judicial or administrative authority directly addresses the treatment of notes or instruments similar to the notes for U.S. federal income tax purposes, and no ruling is being requested from the Internal Revenue Service (the “IRS”) with respect to the notes. As a result, certain aspects of the tax treatment of an investment in the notes are uncertain. You should review carefully the section entitled “Certain U.S. Federal Income Tax Consequences” in this product supplement no. 32-A-II and consult your tax adviser regarding your particular circumstances.

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

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

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

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

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

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

In addition, if we or our affiliates are unable to effect transactions necessary to hedge our obligations under the notes due to a commodity hedging disruption event, we have the right, but not the obligation, to adjust your payment at maturity. In making such adjustment, on the date on which we declare a commodity hedging disruption event (such date, a “commodity hedging disruption date”) the calculation agent will determine, in good faith and in a commercially reasonable manner, the forward price of the

embedded option representing the Additional Amount payable on the notes at maturity (the “Option Value”). At maturity, we will pay you, instead of the amount specified under “Description of Notes — Payment at Maturity,” the amount described under “General Terms of Notes — Consequences of a Commodity Hedging Disruption Event”, which will not be less than \$1,000 for each \$1,000 principal amount note. If a commodity hedging disruption event occurs and we decide to exercise our right to adjust your payment at maturity and in doing so determine the Option Value of your notes, such Option Value will be determined by the calculation agent on the commodity hedging disruption date in good faith and in a commercially reasonable manner; *however*, the amount due and payable per \$1,000 principal amount note will be due and payable only at maturity. The amount you receive at maturity will not reflect any further appreciation or depreciation of the Basket after the Option Value is determined on the commodity hedging disruption date. Furthermore you will not receive any amounts (related to the Option Value or otherwise) until maturity. Additionally, if a commodity hedging disruption event ceases to exist, the amounts determined on the commodity hedging disruption date will not be revised after such commodity hedging disruption date. See “General Terms of Notes — Consequences of a Commodity Hedging Disruption Event.”

### **Risks Relating to a Commodity Index or Commodity Fund**

**Owning the notes is not the same as owning the commodities underlying any Commodity Index or any Commodity Fund or the futures contracts that compose any Commodity Index, or certain other commodity-related contracts directly.**

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

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

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

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

Commodity Indices are composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for delivery of the underlying physical commodity. As the exchange-traded futures contracts that compose the Commodity Indices approach expiration, they are replaced by contracts that have a later expiration. Thus, for example, a contract purchased and held in August may specify an October expiration. As time passes, the contract expiring in October is replaced by a contract for delivery in November. This process is referred to as “rolling.” If the market for these contracts is (putting aside other considerations) in “backwardation,” where the prices are lower in the distant delivery months than in the nearer delivery months, the sale of the October contract would take place at a price that is higher than the price of the November contract, thereby creating a “roll yield.” While many commodities futures contracts have historically exhibited consistent periods of backwardation,

backwardation will most likely not exist at all times. Moreover, certain commodities, such as gold, have historically traded in “contango” markets. Contango markets are those in which the prices of contracts are higher in the distant delivery months than in the nearer delivery months. The presence of contango in the commodity markets could result in negative “roll yields,” which could adversely affect the level of the Commodity Indices and, therefore, the value of your notes. If there is an absence of backwardation, we expect the Commodity Indices will likely underperform a direct investment in a similarly weighted basket of index commodities over the life of the notes.

**In the case of a Basket that includes a Commodity Index or a Commodity Fund, the Commodity Index or the Commodity Fund will likely underperform a cash purchase of the underlying commodities, potentially by a significant amount.**

Because the Commodity Indices are made up of futures contracts, there will be a cost to “rolling” the contracts forward as the Commodity Indices sell the current contracts and then add the next month’s contracts. As the underlyings tend to have positively sloping forward curves, commonly known as “contango”, the Commodity Indices’ return experiences a negative drag when the Commodity Indices sell cheaper contracts, and purchase more expensive contracts. As a result, we expect the Commodity Indices will likely underperform a direct investment in a similarly weighted basket of index commodities over the life of the notes. As well, a Commodity Fund will charge fees related to its management that could cause the performance of such Commodity Fund to underperform a cash purchase in the underlying commodity.

**In the case of a Basket that includes a Commodity Index or a Commodity Fund, the notes are not regulated by the Commodity Futures Trading Commission.**

In the case of a Basket that includes a Commodity Index or a Commodity Fund, the net proceeds to be received by us from the sale of the notes will not be used to purchase or sell any commodity futures contracts or options on futures contracts for your benefit. An investment in the notes thus does not constitute either an investment in futures contracts, options on futures contracts or in a collective investment vehicle that trades in these futures contracts (*i.e.*, the notes will not constitute a direct or indirect investment by you in commodity futures or options contracts), and you will not benefit from the regulatory protections of the Commodity Futures Trading Commission, commonly referred to as the “CFTC.” We are not registered with the CFTC as a futures commission merchant and you will not benefit from the CFTC’s or any other non-U.S. regulatory authority’s regulatory protections afforded to persons who trade in futures contracts on a regulated futures exchange through a registered futures commission merchant. Unlike an investment in the notes, an investment in a collective investment vehicle that invests in commodity futures contracts on behalf of its participants may be subject to regulation as a commodity pool and its operator may be required to be registered with and regulated by the CFTC as a commodity pool operator, or qualify for an exemption from the registration requirement. Because the notes will not be interests in a commodity pool, the notes will not be regulated by the CFTC as a commodity pool, we will not be registered with the CFTC as a commodity pool operator, and you will not benefit from the CFTC’s or any non-U.S. regulatory authority’s regulatory protections afforded to persons who invest in regulated commodity pools.

**In the case of a Basket that includes a Commodity Index, the commodity futures contracts underlying such Commodity Index are subject to legal and regulatory regimes that may change in ways that could affect our ability to hedge our obligations under the notes, and/or could lead to an early determination of the Option Value of your notes, which will impact your payment at maturity.**

Futures contracts and options on futures contracts markets, including those future contracts related to Index Commodities, are subject to extensive statutes, regulations, and margin requirements. The CFTC and the exchanges on which such futures contracts trade, are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily limits and the suspension of trading. Furthermore, certain exchanges have regulations that limit the amount of fluctuations in futures contract prices which may occur during a single five-minute trading period. These limits could adversely affect the market prices of relevant futures contracts and forward contracts. The regulation of commodity

transactions in the U.S. is subject to ongoing modification by government and judicial action. In addition, various national governments have expressed concern regarding the disruptive effects of speculative trading in the commodity markets and the need to regulate the derivative markets in general. The effects of any future regulatory change on the value of the notes is impossible to predict, but could be substantial and adverse to the interests of noteholders.

For example, the United States House of Representatives and the United States Senate have considered legislation intended to decrease speculation and increase transparency in the commodities markets. If enacted such legislation may, among other things, require the CFTC to adopt rules that would subject us to position limits on positions in commodity futures contracts.

In addition, upon the occurrence of legal or regulatory changes that the calculation agent determines have interfered with our or our affiliates' ability to hedge our obligations under the notes, or if for any other reason we or our affiliates are unable to enter into or maintain hedge positions the calculation agent deems necessary to hedge our obligations under the notes, we may, in our sole and absolute discretion, declare a commodity hedging disruption event and adjust your payment at maturity. In making such adjustment we will determine the Option Value of your notes on the commodity hedging disruption date in good faith and in a commercially reasonable manner, *however*, all amounts payable per \$1,000 principal amount note will be due and payable only at maturity. At maturity, we will pay you, instead of the amount specified under "Description of Notes — Payment at Maturity," an amount described under "General Terms of Notes — Consequences of a Commodity Hedging Disruption Event", which will not be less than \$1,000 for each \$1,000 principal amount note. If a commodity hedging disruption event occurs and we decide to exercise our right to determine the Option Value of your notes on the commodity hedging disruption date, the amount due and payable on your notes will be due and payable only at maturity. The amount you receive at maturity will not reflect any further appreciation or depreciation of the Basket after the commodity hedging disruption date. Furthermore, you will not receive any amounts (related to the Option Value or otherwise) until maturity. Additionally, if a commodity hedging disruption event ceases to exist, the amounts determined on the commodity hedging disruption date will not be revised after such commodity hedging disruption date. See "General Terms of Notes — Consequences of a Commodity Hedging Disruption Event."

**In the case of a Basket that includes a Commodity Index, some of the commodities underlying the Commodity Indices will be subject to pronounced risks of pricing volatility.**

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

**In the case of a Basket that includes a Commodity Index, the Commodity Indices may include contracts that are not traded on regulated futures exchanges.**

The Commodity Indices were originally based solely on futures contracts traded on regulated futures exchanges (referred to in the United States as "designated contract markets"). As described below, however, the Commodity Indices may include over-the-counter contracts (such as swaps and forward contracts) traded on trading facilities that are subject to lesser degrees of regulation or, in some cases, no substantive regulation. As a result, trading in such contracts, and the manner in which prices and volumes are reported by the relevant trading facilities, may not be subject to the same provisions of, and the protections afforded by, the Commodity Exchange Act, as amended, or other applicable statutes and

related regulations that govern trading on regulated futures exchanges. In addition, many electronic trading facilities have only recently initiated trading and do not have significant trading histories. As a result, the trading of contracts on such facilities and the inclusion of such contracts in the Commodity Indices may expose you to certain risks not presented by most exchange-traded futures contracts, including risks related to the liquidity and price histories of the relevant contracts.

**In the case of a Basket that includes a Commodity Index or a Commodity Fund, trading and other transactions by us or our affiliates in the commodities underlying the Commodity Indices or Commodity Funds, futures, options, exchange-traded funds or other derivative products on commodities underlying such Commodity Indices or Commodity Funds may impair the market value of the notes.**

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

**In the case of a Basket that includes the Dow Jones — UBS Commodity Index<sup>SM</sup>, index calculation disruption events may require an adjustment to the calculation of the Dow Jones — UBS Commodity Index<sup>SM</sup>.**

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

**In the case of a Basket that includes the Dow Jones — UBS Commodity Index<sup>SM</sup>, UBS may be required to replace a designated contract if the existing futures contract is terminated or replaced.**

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

**In the case of a Basket that includes the Dow Jones — UBS Commodity Index<sup>SM</sup>, the Dow Jones — UBS Commodity Index<sup>SM</sup>, is not the same as the Dow Jones — UBS Commodity Index Total Return<sup>SM</sup>.**

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

**In the case of a Basket that includes the Dow Jones — UBS Commodity Index<sup>SM</sup>, risks associated with the Dow Jones — UBS Commodity Index<sup>SM</sup> may adversely affect the market price of the notes.**

In the case of a Basket that includes the Dow Jones — UBS Commodity Index<sup>SM</sup>, the Basket will reflect the return on exchange-traded futures contracts on nineteen different physical commodities, and it will be less diversified than other funds or investment portfolios investing in a broader range of products and, therefore, could experience greater volatility. Additionally, the annual composition of the Dow Jones — UBS Commodity Index<sup>SM</sup> will be calculated in reliance upon historical price, liquidity and production data that are subject to potential errors in data sources or errors that may affect the weighting of components of the Dow Jones — UBS Commodity Index<sup>SM</sup>. Any discrepancies that require revision are not applied retroactively but will be reflected in the weighting calculations of the Dow Jones — UBS Commodity Index<sup>SM</sup> for the following year. However, Dow Jones and UBS may not discover every discrepancy. Furthermore, the annual weightings for the Dow Jones — UBS Commodity Index<sup>SM</sup> are determined each year in June or July and announced in July or August by UBS under the supervision of the Dow Jones — UBS Commodity Index<sup>SM</sup> Supervisory Committee, which has a significant degree of discretion in exercising its supervisory duties with respect to the Dow Jones — UBS Commodity Index<sup>SM</sup> and has no obligation to take the needs of any parties to transactions involving the Dow Jones — UBS Commodity Index<sup>SM</sup> into consideration when reweighting or making any other changes to the Dow Jones — UBS Commodity Index<sup>SM</sup>. Finally, subject to the minimum/maximum diversification limits described in “The Dow Jones — UBS Commodity Index<sup>SM</sup>—Diversification Rules,” the physical commodities underlying the exchange-traded futures contracts included in the Dow Jones — UBS Commodity Index<sup>SM</sup> from time to time (the “Dow Jones — UBS Commodities”) are concentrated in a limited number of sectors, particularly energy and agriculture. In the case of a Basket that includes the Dow Jones — UBS Commodity Index<sup>SM</sup>, an investment in the notes may therefore carry risks similar to a concentrated securities investment in a limited number of industries or sectors.

**In the case of a Basket that includes the Dow Jones — UBS Commodity Index<sup>SM</sup>, trading and other transactions by UBS and Dow Jones in the futures contracts constituting the Dow Jones — UBS Commodity Index<sup>SM</sup> and the underlying commodities may affect the level of the Dow Jones — UBS Commodity Index<sup>SM</sup>.**

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

These activities could present conflicts of interest and could affect the level of the Dow Jones — UBS Commodity Index<sup>SM</sup>. For instance, a market maker in a financial instrument linked to the performance of the Dow Jones — UBS Commodity Index<sup>SM</sup> may expect to hedge some or all of its position in that financial instrument. Purchase (or selling) activity in the underlying Dow Jones — UBS Commodity

Index<sup>SM</sup> components in order to hedge the market maker's position in the financial instrument may affect the market price of the futures contracts included in the Dow Jones — UBS Commodity Index<sup>SM</sup>, which in turn may affect the level of the Dow Jones — UBS Commodity Index<sup>SM</sup> and, therefore, the value of your notes. With respect to any of the activities described above, none of UBS, Dow Jones or their respective affiliates has any obligation to take the needs of any buyers, sellers or holders of the notes into consideration at any time.

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

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

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

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

#### *The S&P GSCI<sup>TM</sup> Agriculture Index Excess Return*

The S&P GSCI<sup>TM</sup> Agriculture Index Excess Return is a world production-weighted index of certain agricultural commodities in the world economy. Global agricultural commodity prices are primarily affected by the global demand for and supply of those commodities, but are also significantly influenced

by speculative actions and by currency exchange rates. In addition, prices for agricultural commodities are affected by governmental programs and policies regarding agriculture, as well as general trade, fiscal and exchange control policies. Extrinsic factors such as drought, floods, general weather conditions, disease and natural disasters may also affect agricultural commodity prices. Demand for agricultural commodities such as wheat, corn and soybeans, both for human consumption and as cattle feed, has generally increased with worldwide growth and prosperity.

#### *The S&P GSCI™ Energy Index Excess Return*

The S&P GSCI™ Energy Index Excess Return is a world production-weighted index of certain energy commodities in the world economy, including WTI Crude Oil, Brent Crude Oil, RBOB Gasoline, Heating Oil, Gasoil and Natural Gas. Global energy commodity prices are primarily affected by the global demand for and supply of these commodities, but are also significantly influenced by speculative actions and by currency exchange rates. In addition, prices for energy commodities are affected by governmental programs and policies, national and international political and economic events, changes in interest and exchange rates, trading activities in commodities and related contracts, trade, fiscal, monetary and exchange control policies and with respect to oil, drought, floods, weather, government intervention, environmental policies, embargoes and tariffs. Demand for refined petroleum products by consumers, as well as the agricultural, manufacturing and transportation industries, affects the price of energy commodities. Sudden disruptions in the supplies of energy commodities, such as those caused by war, natural events, accidents or acts of terrorism, may cause prices of energy commodities futures contracts to become extremely volatile and unpredictable. Also, sudden and dramatic changes in the futures market may occur, for example, upon a cessation of hostilities that may exist in countries producing energy commodities, the introduction of new or previously withheld supplies into the market or the introduction of substitute products or commodities. In particular, supplies of crude oil may increase or decrease depending on, among other factors, production decisions by the Organization of Oil and Petroleum Exporting Countries ("OPEC") and other crude oil producers. Crude oil prices are determined with significant influence by OPEC, which has the capacity to influence oil prices worldwide because its members possess a significant portion of the world's oil supply. Crude oil prices are generally more volatile and subject to dislocation than prices of other commodities. Demand for energy commodities such as oil and gasoline is generally linked to economic activity, and will tend to reflect general economic conditions.

#### *The S&P GSCI™ Industrial Metals Index Excess Return*

The S&P GSCI™ Industrial Metals Index Excess Return is a world production-weighted index of certain industrial metals commodities in the world economy, including High Grade Primary Aluminum, Copper, Standard Lead, Primary Nickel and Special High Grade Zinc. Global industrial metals commodity prices are primarily affected by the global demand for and supply of these commodities, but are also significantly influenced by speculative actions and by currency exchange rates. Demand for industrial metals is significantly influenced by the level of global industrial economic activity. Prices for industrial metals commodities are affected by governmental programs and policies, national and international political and economic events, changes in interest and exchange rates, trading activities in commodities and related contracts, trade, fiscal, monetary and exchange control policies, general weather conditions, government intervention, embargoes and tariffs. An additional, but highly volatile, component of demand for industrial metals is adjustments to inventory in response to changes in economic activity and/or pricing levels, which will influence investment decisions in new mines and smelters. Sudden disruptions in the supplies of industrial metals, such as those caused by war, natural events, accidents, acts of terrorism, transportation problems, labor strikes and shortages of power may cause prices of industrial metals futures contracts to become extremely volatile and unpredictable. The introduction of new or previously withheld supplies into the market or the introduction of substitute products or commodities will also affect the prices of industrial metals commodities.

#### *The S&P GSCI™ Livestock Index Excess Return*

The S&P GSCI™ Livestock Index Excess Return is a world production-weighted index of certain livestock commodities in the world economy, including live cattle, feeder cattle and lean hogs, which are

“non-storable” commodities, and therefore may experience greater price volatility than traditional commodities. Global livestock commodity prices are primarily affected by the global demand for and supply of those commodities, but are also significantly influenced by speculative actions and by currency exchange rates. In addition, prices for livestock commodities are affected by governmental programs and policies regarding livestock, as well as general trade, fiscal and exchange control policies. Extrinsic factors such as drought, floods, general weather conditions, disease (e.g., Bovine Spongiform Encephalopathy, or Mad Cow Disease), availability of and prices for livestock feed and natural disasters may also affect livestock commodity prices. Demand for livestock commodities has generally increased with worldwide growth and prosperity.

#### *The S&P GSCI™ Precious Metals Index Excess Return*

The S&P GSCI™ Precious Metals Index Excess Return is a world production-weighted index consisting of two precious metals commodities in the world economy: Gold and Silver. Global precious metals commodity prices are primarily affected by the global demand for and supply of those commodities, but are also significantly influenced by speculative actions and by currency exchange rates. Gold prices in particular are subject to volatile price movements over short periods of time and are affected by numerous factors, including macroeconomic factors such as the structure of and confidence in the global monetary system, expectations regarding the future rate of inflation, the relative strength of, and confidence in, the U.S. dollar (the currency in which the price of gold is usually quoted), interest rates, gold borrowing and lending rates, and global or regional economic, financial, political, regulatory, judicial or other events. Gold prices may be affected by industry factors such as industrial and jewelry demand as well as lending, sales and purchases of gold by the official sector, including central banks and other governmental agencies and multilateral institutions which hold gold. Additionally, gold prices may be affected by levels of gold production, production costs and short-term changes in supply and demand due to trading activities in the gold market.

Silver prices are also subject to fluctuation and may be affected by numerous factors. These include general economic trends, technical developments, substitution issues and regulation, as well as specific factors including industrial and jewelry demand, expectations with respect to the rate of inflation, the relative strength of the U.S. dollar (the currency in which the price of silver is generally quoted) and other currencies, interest rates, central bank sales, forward sales by producers, global or regional political or economic events, and production costs and disruptions in major silver producing countries such as the United Mexican States and the Republic of Peru. The demand for and supply of silver affect silver prices, but not necessarily in the same manner as supply and demand affect the prices of other commodities. The supply of silver consists of a combination of new mine production and existing stocks of bullion and fabricated silver held by governments, public and private financial institutions, industrial organizations and private individuals. In addition, the price of silver has on occasion been subject to very rapid short-term changes due to speculative activities. From time-to-time, above-ground inventories of silver may also influence the silver commodities market.

**In the case of a Basket that includes any of the GSCI Indices, changes that affect the calculation of the relevant GSCI Index will affect the market value of the notes and the amount you will receive at maturity.**

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

**In the case of a Basket that includes any of the GSCI Indices, each GSCI Sub-Index may be more volatile and susceptible to price fluctuations of commodities than a broader commodities index.**

Each GSCI Sub-Index may be more volatile and susceptible to price fluctuations than a broader commodities index, such as the S&P GSCI™ Excess Return Index. In contrast to the S&P GSCI™ Excess Return Index, which includes contracts on the principal physical commodities that are actively traded, each of the GSCI Sub-Indices is comprised of contracts on only a portion of such physical commodities. As a result, price volatility in the contracts included in the S&P GSCI™ Excess Return Index will likely have a greater impact on each GSCI Sub-Index than it would on the broader S&P GSCI™ Excess Return Index, and each GSCI Sub-Index individually will be more susceptible to fluctuations and declines in value of the physical commodities included in such GSCI Sub-Index. In addition, because each of the GSCI Sub-Index omit principal market sectors comprising the S&P GSCI™ Excess Return Index, they may be less representative of the economy and commodity markets as a whole and might therefore not serve as a reliable benchmark for commodity market performance generally.

**In the case of a Basket that includes any of the GSCI Indices, we and our affiliates have no affiliation with S&P and are not responsible for their public disclosure of information.**

We and our affiliates are not affiliated with S&P in any way (except for arrangements discussed below in “The GSCI Indices — License Agreement with Standard & Poor’s”) and have no ability to control S&P, including any errors in or discontinuation of disclosure regarding its methods or policies relating to the calculation of the GSCI Indices. The GSCI Index Sponsor is under no obligation to continue to calculate any such GSCI Indices and is not required to calculate any successor index. If S&P discontinues or suspends the calculation or publication of the respective index, it may become difficult to determine the market value of the notes or the amount payable at maturity. The calculation agent may designate a successor index selected in its sole discretion. If the calculation agent determines in its sole discretion that no successor index comparable to such GSCI Index exists, the amount you receive at maturity will be determined by the calculation agent in its sole discretion.

**In the case of a Basket that includes any of the GSCI Indices, GSCI Index calculation disruption events may require an adjustment to the calculation of the respective GSCI Index.**

At any time during the term of the notes, the daily calculation of any of the GSCI Indices may be adjusted in the event that S&P, the publisher of the GSCI Indices, determines that any of the following GSCI Indices calculation disruption events exists: the termination or suspension of, or material limitation or disruption in the trading of any futures contract used in the calculation of the respective GSCI Index on that day; the settlement price of any futures contract used in the calculation of the respective GSCI Index reflects the maximum permitted price change from the previous day’s settlement price; or the failure of an exchange to publish official settlement prices for any futures contract used in the calculation of the respective GSCI Index. Any such GSCI Index calculation disruption events may have an adverse impact on the value of the respective GSCI Index or the manner in which it is calculated.

**In the case of a Basket that includes any of the GSCI Indices, S&P may be required to replace a contract underlying any of GSCI Indices if the existing futures contract is terminated or replaced.**

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

The commodity markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government

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

**In the case of a Basket that includes a Commodity Index, the Commodity Indices are excess return indices, and not total return indices.**

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

**In the case of a Basket that includes the SPDR<sup>®</sup> Gold Trust, there are risks associated with investments in securities with concentration in a single commodity.**

In the case of a Basket that includes the SPDR<sup>®</sup> Gold Trust, the payment at maturity on the notes will be linked to the price of one share of the SPDR<sup>®</sup> Gold Trust, which is linked to the price of gold and not to a diverse basket of commodities or a broad-based commodity index. The price of gold may not correlate to the price of commodities generally and may diverge significantly from the prices of commodities generally. Because the notes are linked to the price of a single commodity they carry greater risk and may be more volatile than a security linked to the prices of multiple commodities or a broad-based commodity index.

**In the case of a Basket that includes the SPDR<sup>®</sup> Gold Trust, the price of one share of the SPDR<sup>®</sup> Gold Trust is linked closely to the price of gold, which may change unpredictably and affect the value of the notes in unforeseeable ways.**

Investments in securities such as the notes linked to the price of a single commodity are considered speculative. The SPDR<sup>®</sup> Gold Trust attempts to mirror as closely as possible, before fees and expenses, the performance of the price of gold bullion and the value of the underlying shares relate directly to the value of the gold held by the SPDR<sup>®</sup> Gold Trust. The gold markets are generally subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators, and government regulation and intervention.

The price of gold is affected by the global demand for and supply of gold and is also influenced significantly from time to time by speculative actions and by currency exchange rates. The market for gold bullion is global, and gold prices are subject to volatile price movements over short periods of time and are affected by numerous factors, including macroeconomic factors such as the structure of and confidence in the global monetary system, expectations regarding the future rate of inflation, the relative strength of, and confidence in, the U.S. Dollar (the currency in which the price of gold is usually quoted), interest rates, gold borrowing and lending rates, and global or regional economic, financial, political, regulatory, judicial or other events. Gold prices may be affected by industry factors such as industrial and jewelry demand as well as lending, sales and purchases of gold by the official sector, including central banks and other governmental agencies and multilateral institutions which hold gold. It is not possible to predict the aggregate affect of these factors. Additionally, gold prices may be affected by levels of gold production, production costs and short-term changes in supply and demand due to trading activities in the gold market.

**If the Basket includes the SPDR® Gold Trust, owning the notes is not the same as owning shares of the SPDR® Gold Trust or gold directly.**

The return on your notes will not reflect the return you would realize if you actually purchased shares of the SPDR® Gold Trust, gold, or other exchange-traded or over-the-counter instruments based on gold. Additionally, the performance of SPDR® Gold Trust may not fully replicate the performance of the price of gold due to the fees and expenses charged by the SPDR® Gold Trust or by restrictions on access to gold due to other circumstances. The SPDR® Gold Trust does not generate any income and as the SPDR® Gold Trust regularly sells gold to pay for its ongoing expenses, the amount of gold represented by each share gradually declines over time. The SPDR® Gold Trust sells gold and to pay expenses on an ongoing basis irrespective of whether the trading price of the shares rises or falls in response to changes in the price of gold. The sale of SPDR® Gold Trust's gold to pay expenses at a time of low gold prices could adversely affect the value of the notes linked to SPDR® Gold Trust. Additionally, there is a risk that part or all of the SPDR® Gold Trust's gold could be lost, damaged or stolen due to war, terrorism, theft, natural disaster or otherwise.

**If the Basket includes the SPDR® Gold Trust, commodity prices are characterized by high and unpredictable volatility, which could lead to high and unpredictable volatility in the SPDR® Gold Trust.**

Market prices of gold tend to be highly volatile and may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships; governmental programs and policies, national and international monetary, trade, political and economic events, wars and acts of terror, changes in interest and exchange rates, speculation and trading activities in commodities and related contracts, weather, and agricultural, trade, fiscal and exchange control policies. The price volatility of each commodity also affects the value of the futures and forward contracts related to that commodity and therefore its price at any such time. The price of any one commodity may be correlated to a greater or lesser degree with any other commodity and factors affecting the general supply and demand as well as the prices of other commodities may affect the particular commodity in question. In respect of commodities in the energy sector, due to the significant level of its continuous consumption, limited reserves, and oil cartel controls, energy prices are subject to rapid price increases in the event of perceived or actual shortages. The commodities markets are subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators and government regulation and intervention. Many commodities are also highly cyclical. These factors, some of which are specific to the nature of each such commodity, may affect the prices of gold and the performance of the SPDR® Gold Trust in varying ways and different factors may cause the value of different commodities to move in inconsistent directions at inconsistent rates. This, in turn, will affect the value of the notes linked to the SPDR® Gold Trust.

**The SPDR® Gold Trust provides one avenue for exposure to gold. The high volatility and cyclical nature of commodity markets may render these investments inappropriate as the focus of an investment portfolio.**

If the Basket includes the SPDR® Gold Trust, the prices of gold are volatile and are affected by numerous factors, certain of which are specific to the market for each underlying commodity. The value of the SPDR® Gold Trust is closely related to the price of gold. A decrease in the price of gold may have a material adverse effect on the value of the notes and your return on your investment in the notes. Gold is subject to the effect of numerous factors, certain of which are specific to the market for each commodity to which your notes may be linked. The price of gold is primarily affected by the global demand for and supply of gold. The market for gold bullion is global, and gold prices are subject to volatile price movements over short periods of time and are affected by numerous factors, including macroeconomic factors such as the structure of and confidence in the global monetary system, expectations regarding the future rate of inflation, the relative strength of, and confidence in, the U.S. dollar (the currency in which the price of gold is usually quoted), interest rates, gold borrowing and lending rates, and global or regional economic, financial, political, regulatory, judicial or other events. Gold prices may be affected by industry factors such as industrial and jewelry demand as well as lending, sales and purchases of gold by the

official sector, including central banks and other governmental agencies and multilateral institutions which hold gold. Additionally, gold prices may be affected by levels of gold production, production costs and short-term changes in supply and demand due to trading activities in the gold market. It is not possible to predict the aggregate effect of all or any combination of these factors.

**If the Basket includes the SPDR® Gold Trust, economic or political events or crises could result in large-scale purchases or sales of gold, which could affect the price of gold and may adversely affect the value of your notes.**

Many investors, institutions, governments and others purchase and sell gold as a hedge against inflation, market turmoil or uncertainty or political events. Under such circumstances, significant large-scale purchases or sales of gold by market participants may affect the price of gold, which could adversely affect the value of your notes. For example, the 1998 Asian financial crisis resulted in significant sales of gold by individuals which depressed the price of gold. Crises in the future may impair gold's price performance which would, in turn, adversely affect the shares of the SPDR® Gold Trust and your investment in the notes. If such a decrease occurs on a Basket Valuation Date, the amount payable at maturity, if any, shall be adversely affected.

**If the Basket includes the SPDR® Gold Trust, substantial sales of gold by governments or public sector entities could result in price decreases, which would adversely affect the value of your notes.**

Governments and other public sector entities, such as agencies of governments and multinational institutions, regularly buy, sell and hold gold as part of the management of their reserves. In the event that economic, political or social conditions or pressures require or motivate public sector entities to sell gold, in a coordinated or uncoordinated manner, the resulting purchases could cause the price of gold to decrease substantially, which could adversely affect the value of your notes.

**If the Basket includes the SPDR® Gold Trust, the relevant exchange for gold has no obligation to consider your interests.**

The value of the SPDR® Gold Trust is closely related to the price of gold. The relevant exchange for gold is responsible for calculating the official settlement price or fixing level, as applicable, for gold. The relevant exchange may alter, discontinue or suspend calculation or dissemination of the official settlement price or fixing level, as applicable, for gold. Any of these actions could adversely affect the value of the notes. The relevant exchange has no obligation to consider your interests in calculating or revising the official settlement price or fixing level, as applicable, for gold.

**There are risks in securities relating to commodities trading on the London Bullion Market Association.**

In the case of a Basket that includes the SPDR® Gold Trust, the value of the notes is closely related to the price of gold. Gold is traded on the London Bullion Market Association (the "LBMA"). The LBMA is a self-regulatory association of bullion market participants. Although all market-making members of the LBMA are supervised by the Bank of England and are required to satisfy a capital adequacy test, the LBMA itself is not a regulated entity. If the LBMA should cease operations, or if bullion trading should become subject to a value added tax or other tax or any other form of regulation currently not in place, the role of LBMA price fixings as a global benchmark for the value of gold may be adversely affected. The LBMA is a principals' market which operates in a manner more closely analogous to over-the-counter physical commodity markets than regulated futures markets, and certain features of U.S. futures contracts are not present in the context of LBMA trading. For example, there are no daily price limits on the LBMA, which would otherwise restrict fluctuations in the prices of commodities trading on the LBMA. In a declining market, it is possible that prices would continue to decline without limitation within a trading day or over a period of trading days.

**In the case of a Basket that includes the SPDR® Gold Trust, termination or liquidation of the SPDR® Gold Trust could adversely affect the value of the notes.**

In the case of a Basket that includes the SPDR® Gold Trust, the underlying shares are shares of the SPDR® Gold Trust. The SPDR® Gold Trust may be required to terminate and liquidate at a time that is disadvantageous to you. If the SPDR® Gold Trust is required to terminate and liquidate, such termination and liquidation could occur at a time which is disadvantageous to you, such as when gold prices are lower than the gold prices at the time when you purchased your securities.

**In the case of a Basket that includes the SPDR® Gold Trust, the policies of the sponsor of the SPDR® Gold Trust and changes that affect such Basket Fund could affect the amount payable on your notes and its market value.**

The policies of the sponsors of the SPDR® Gold Trust (World Gold Trust Services, LLC) concerning the net asset value of the SPDR® Gold Trust, additions, deletions or substitutions of assets in the SPDR® Gold Trust and the manner in which changes affecting the SPDR® Gold Trust are reflected in the prices of the SPDR® Gold Trust could affect the price of the SPDR® Gold Trust and, therefore, the Ending Basket Level and the amount payable on your notes at maturity and the value of your notes before that date. The amount payable on your notes and their value could also be affected if World Gold Trust Services, LLC change these policies, for example, by changing the manner in which it calculates the price of the Basket Fund or if World Gold Trust Services, LLC discontinues or suspends calculation or publication of the relevant closing price, in which case it may become difficult to determine the value of your notes.

**If the Basket includes the SPDR® Gold Trust, prices for the gold may change unpredictably and affect the value of the notes in unanticipated ways.**

Investments in securities such as notes linked to the price of a single commodity are considered speculative. The SPDR® Gold Trust attempt to mirror as closely as possible, before fees and expenses, the performance of the price of gold bullion and the value of the underlying shares relate directly to the value of the gold held by the SPDR® Gold Trust. The gold market is generally subject to temporary distortions or other disruptions due to various factors, including the lack of liquidity in the markets, the participation of speculators, and government regulation and intervention.

The value of the SPDR® Gold Trust is closely related to the price of gold. A decline in the price of gold may have a material adverse effect on the value of the notes and your return on an investment in the notes. The prices of commodities are affected by numerous factors, including: changes in supply and demand relationships, governmental programs and policies, national and international political and economic events, changes in interest and exchange rates, speculation and trading activities in commodities and related contracts, general weather conditions, and trade, fiscal, monetary and exchange control policies. Many commodities are also highly cyclical. These factors may cause the value of the commodities to move in inconsistent directions at inconsistent rates. This, in turn, may affect the value of the notes. It is not possible to predict the aggregate effect of all or any combination of these factors.

**The performance of the SPDR® Gold Trust may not correlate with the price of gold.**

A discrepancy may exist between the performance of the SPDR® Gold Trust and the price of gold. In addition, because the shares of the SPDR® Gold Trust are traded on an exchange and are subject to market supply and investor demand, the market value of one share of the SPDR® Gold Trust may differ from the net asset value per share of the SPDR® Gold Trust. Because of the potential discrepancies identified above, the SPDR® Gold Trust return may not correlate with the return on gold over the same period.

## **Risks Related to an Equity Index or Basket Fund**

**If the notes are linked in whole or in part to an Equity Index that is not a total return index, your return on the notes will not reflect dividends on the equity securities included in such Equity Index.**

If the notes are linked in whole or in part to an Equity Index that is not a total return index, your return on the notes will not reflect the return you would realize if you actually owned the equity securities included in such Equity Index and received the dividends paid on those equity securities. This is because the calculation agent will calculate the amount payable to you at maturity of the notes by reference to the Index Closing Level. The Index Closing Level reflects the prices of the equity securities as calculated in such Equity Index without taking into consideration the value of dividends paid on those equity securities.

**You will have no shareholder rights with respect to a Basket Fund or the securities composing an Equity Index or held by a Basket Fund.**

As an owner of the notes, you will not have voting rights or rights to receive dividends or other distributions or other rights with respect to a Basket Fund or the securities composing an Equity Index or held by a Basket Fund.

**If the Basket includes a foreign Equity Index or a foreign Basket Fund, if the prices of the equity securities composing a foreign Equity Index or held by a foreign Basket Fund are not converted into U.S. dollars for purposes of calculating the value of the foreign Equity Index or the net asset value of the foreign Basket Fund, the amount payable on the notes at maturity will not be adjusted for changes in exchange rates that might affect the foreign Equity Index or foreign Basket Fund.**

Because the prices of the equity securities composing a foreign Equity Index or held by a foreign Basket Fund are not converted into U.S. dollars for purposes of calculating the value of that foreign Equity Index or the net asset value of that foreign Basket Fund and although the equity securities composing that foreign Equity Index or held by that foreign Basket Fund are traded in currencies other than U.S. dollars, and the notes, which are linked in whole or in part to that foreign Equity Index or foreign Basket Fund, are denominated in U.S. dollars, the amount payable on the notes at maturity, if any, will not be adjusted for changes in the exchange rate between the U.S. dollar and each of the currencies in which the equity securities composing that foreign Equity Index or held by that foreign Basket Fund are denominated. Changes in exchange rates, however, may reflect changes in various non-U.S. economies that in turn may affect the Basket Return for the notes. The amount we pay in respect of the notes (including the Additional Amount, if any) on the maturity date will be determined solely in accordance with the procedures described in “Description of Notes — Payment at Maturity” and “Description of Notes — Interest Payments,” if applicable.

**If the Basket includes a foreign Equity Index or a foreign Basket Fund, if the prices of the equity securities composing a foreign Equity Index or held by a foreign Basket Fund are converted into U.S. dollars for purposes of calculating the value of that foreign Equity Index or the net asset value of that foreign Basket Fund, the notes will be subject to currency exchange risk.**

Because the prices of the equity securities composing a foreign Equity Index or held by a foreign Basket Fund are converted into U.S. dollars for the purposes of calculating the value of that foreign Equity Index or the net asset value of that foreign Basket Fund, the holders of the notes will be exposed to currency exchange rate risk with respect to each of the currencies in which the equity securities composing that foreign Equity Index or held by that foreign Basket Fund trade. An investor's net exposure will depend on the extent to which such currencies strengthen or weaken against the U.S. dollar and the relative weight of the equity securities composing that foreign Equity Index or held by that foreign Basket Fund denominated in each such currency. If, taking into account such weighting, the U.S. dollar strengthens against such currencies, the value of that foreign Equity Index or the net asset value of that foreign Basket Fund will be adversely affected and the payment at maturity of the notes may be reduced.

Of particular importance to potential currency exchange risk are:

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

All of these factors are in turn sensitive to the monetary, fiscal and trade policies pursued by the governments of various component countries and the United States and other countries important to international trade and finance.

**If the Basket includes a foreign Equity Index or a foreign Basket Fund, if the prices of the equity securities composing a foreign Equity Index or held by a foreign Basket Fund are converted into U.S. dollars for purposes of calculating the value of that foreign Equity Index or the net asset value of that foreign Basket Fund, changes in the volatility of exchange rates, and the correlation between those rates and the value of that foreign Equity Index or the net asset value of that foreign Basket Fund are likely to affect the market value of the notes.**

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

Because the value of a foreign Equity Index or the net asset value of a foreign Basket Fund is calculated, in part, by converting the closing prices of the equity securities composing that foreign Equity Index or held by that foreign Basket Fund into U.S. dollars, the volatility of the exchange rate between the U.S. dollar and each of the currencies in which those equity securities are denominated could affect the market value of the notes.

The correlation of the exchange rate between the U.S. dollar and each of the currencies in which the equity securities composing a foreign Equity Index or held by a foreign Basket Fund trade are denominated and the value of that foreign Equity Index or the net asset value of that foreign Basket Fund trade refers to the relationship between the percentage changes in that exchange rate and the percentage changes in the value of that foreign Equity Index or the net asset value of that foreign Basket Fund, as applicable. The direction of the correlation (whether positive or negative) and the extent of the correlation between the percentage changes in the exchange rate between the U.S. dollar and each of the currencies in which the equity securities composing that foreign Equity Index or held by that foreign Basket Fund trade are denominated and the percentage changes in the value of that foreign Equity Index or the net asset value of that foreign Basket Fund trade could affect the value of the notes.

**If the Basket includes the Russell 2000® Index, an investment in the notes is subject to risks associated with small capitalization stocks.**

The stocks that constitute the Russell 2000® Index are issued by companies with relatively small market capitalization. The stock prices of smaller companies may be more volatile than stock prices of large capitalization companies. Small capitalization companies may be less able to withstand adverse economic, market, trade and competitive conditions relative to larger companies. These companies tend to be less well-established than large market capitalization companies. Small capitalization companies

are less likely to pay dividends on their stocks, and the presence of a dividend payment could be a factor that limits downward stock price pressure under adverse market conditions.

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

A Basket Fund may have limited operating history. Even if a Basket Fund is listed for trading and a number of similar products have been traded for varying periods of time on various securities exchanges, there is no assurance that an active trading market will continue for the shares of a Basket Fund or that there will be liquidity in the trading market.

Basket Funds are also subject to management risk, which is the risk that the investment strategy of a Basket Fund's investment advisor, the implementation of which is subject to a number of constraints, may not produce the intended results. See the relevant index description below or any related index supplement or the relevant terms supplement for additional information.

**The policies of an investment advisor for a Basket Fund, and the sponsor of an index underlying a Basket Fund, could affect the value and the amount payable on the notes.**

The policies of an investment advisor concerning the calculation of a Basket Fund's net asset value, additions, deletions or substitutions of equity securities held by a Basket Fund and manner in which changes affecting a Basket Fund are reflected in a Basket Fund could affect the market price of the shares of the Basket Fund and, therefore, affect the amount payable on the notes at maturity, if any, and the value of the notes before maturity. The amount payable on the notes and their value could also be affected if an investment advisor changes these policies, for example, by changing the manner in which it calculates a Basket Fund's net asset value, or if an investment advisor discontinues or suspends calculation or publication of a Basket Fund's net asset value, in which case it may become difficult to determine the value of the notes.

In addition, the sponsor of the index underlying a Basket Fund is responsible for the design and maintenance of such index. The policies of such sponsor concerning the calculation of such index, including decisions regarding the addition, deletion or substitution of the equity securities included in such index, could affect the level of such index and, consequently, could affect the market prices of the shares of such Basket Fund and, therefore, the amount payable on the notes at maturity, if any, and the value of the notes before maturity.

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

The iShares® MSCI Emerging Markets Index Fund uses a representative sampling strategy (as described under "The iShares® MSCI Emerging Markets Index Fund — Representative Sampling") to attempt to track the performance of the MSCI Emerging Markets Index. The iShares® MSCI Emerging Markets Index Fund invests in a representative sample of equity securities included in the MSCI Emerging Markets Index; however, the iShares® MSCI Emerging Markets Index Fund may not hold all or substantially all of the equity securities included in the MSCI Emerging Markets Index. Therefore, while the performance of the iShares® MSCI Emerging Markets Index Fund is linked principally to the performance of the MSCI Emerging Markets Index, the performance of the iShares® MSCI Emerging Markets Index Fund is also generally linked in part to shares of other exchange traded funds because BFA may invest up to 10% of the iShares® MSCI Emerging Markets Index Fund's assets in other securities, including securities not included in the MSCI Emerging Markets Index, futures contracts, options on futures contracts, other types of options, and swaps related to the MSCI Emerging Markets Index as well as cash and cash equivalents, including shares of money market funds advised by BFA or its affiliates. In addition, the performance of the iShares® MSCI Emerging Markets Index Fund will reflect additional transaction costs and fees that are not included in the calculation of the MSCI Emerging Markets Index. Also, corporate actions with respect to the sample of equity securities (such as mergers and spin-offs) may impact the variance between the iShares® MSCI Emerging Markets Index Fund and the MSCI Emerging Markets Index. Finally, because the shares of the iShares® MSCI Emerging Markets Index Fund are traded on the NYSE Arca and are subject to market supply and investor demand, the

market value of one share of the iShares® MSCI Emerging Markets Index Fund may differ from the net asset value per share of the iShares® MSCI Emerging Markets Index Fund.

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

**The performance of the iShares® MSCI EAFE Index Fund may not correlate with the performance of the MSCI EAFE Index.**

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

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

**The performance of the iShares® Barclays TIPS Bond Fund may not correlate with the performance of the Barclays TIPS Index.**

The iShares® Barclays TIPS Bond Fund uses a representative sampling strategy (as described under “iShares® Barclays TIPS Bond Fund — Representative Sampling”) to attempt to track the performance of the Barclays TIPS Index. The iShares® Barclays TIPS Bond Fund invests in a representative sample of equity securities included in the Barclays TIPS Index; however, the iShares® Barclays TIPS Bond Fund may not hold all or substantially all of the equity securities included in the Barclays TIPS Index. Therefore, while the performance of the iShares® Barclays TIPS Bond Fund is linked principally to the performance of the Barclays TIPS Index, the performance of the iShares® Barclays TIPS Bond Fund is also generally linked in part to shares of other exchange traded funds because BFA may invest up to 10% of the iShares® Barclays TIPS Bond Fund’s assets in securities not included in the Barclays TIPS Index but which BFA believes will help the iShares® Barclays TIPS Bond Fund track the Barclays TIPS Index and in futures contracts, options on futures contracts, options and swaps as well as cash and cash equivalents, including shares of money market funds advised by BFA. In addition, the performance of the iShares® Barclays TIPS Bond Fund will reflect additional transaction costs and fees that are not included

in the calculation of the Barclays TIPS Index. Finally, because the shares of the iShares<sup>®</sup> Barclays TIPS Bond Fund are traded on the NYSE Arca and are subject to market supply and investor demand, the market value of one share of the iShares<sup>®</sup> Barclays TIPS Bond Fund may differ from the net asset value per share of the iShares<sup>®</sup> Barclays TIPS Bond Fund.

For all of the foregoing reasons, the performance of the iShares<sup>®</sup> Barclays TIPS Bond Fund may not correlate with the performance of the Barclays TIPS Index. Consequently, the return on the notes will not be the same as investing directly in the iShares<sup>®</sup> Barclays TIPS Bond Fund or in the securities held by the iShares<sup>®</sup> Barclays TIPS Bond Fund or included in the Barclays TIPS Index, and will not be the same as investing in a debt security with a payment at maturity linked to the performance of the Barclays TIPS Index.

**In the case of a Basket that includes a Basket Fund, the anti-dilution protection is limited.**

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

**The sponsor of a Basket Index (the “Index Sponsor”) may adjust such Basket Index in a way that affects its level, and such Index Sponsor has no obligation to consider your interests.**

The Index Sponsor for a particular Basket Index is responsible for calculating and maintaining such Basket Index. Such Index Sponsor can add, delete or substitute the equity securities or future contracts, as applicable, underlying such Basket Index or make other methodological changes that could change the level of such Basket Index. You should realize that the changing of equity securities or future contracts, as applicable, included in such Basket Index may affect such Basket Index, as a newly added equity security or future contract, as applicable, may perform significantly better or worse than the equity security or future contracts, as applicable, it replaces. Additionally, such Index Sponsor may alter, discontinue or suspend calculation or dissemination of such Basket Index. Any of these actions could adversely affect the value of the notes. The Index Sponsor of a Basket Index has no obligation to consider your interests in calculating or revising such Basket Index. See the relevant index description section below or any related underlying supplement for additional information.

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

We are currently one of the companies that make up the S&P 500<sup>®</sup> Index and the Russell 3000<sup>®</sup> Index. To our knowledge, we are not currently affiliated with any of the other companies whose equity security is represented in the Basket Components. As a result, we will have no ability to control the actions of such other companies, including actions that could affect the value of the equity securities underlying the Basket Components or your notes. None of the money you pay us will go to any Index Sponsor or any of the other companies included in the Basket Components and none of those companies will be involved in the offering of the notes in any way. Neither those companies nor we will have any obligation to consider your interests as a holder of the notes in taking any corporate actions that might affect the value of your notes.

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

The underlying equity securities that compose the foreign Equity Indices and foreign Basket Funds have been issued by non-U.S. companies. Investments in securities indexed to the value of such non-U.S. equity securities involve risks associated with the securities markets in those countries, including risks of volatility in those markets, governmental intervention in those markets and cross shareholdings in companies in certain countries. Also, there is generally less publicly available information about companies in some of these jurisdictions than about U.S. companies that are subject to the reporting

requirements of the United States Securities and Exchange Commission ("SEC"), and generally non-U.S. companies are subject to accounting, auditing and financial reporting standards and requirements and securities trading rules different from those applicable to U.S. reporting companies.

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

The economies of emerging market countries in particular face several concerns, including relatively unstable governments which may present the risks of nationalization of businesses, restrictions on foreign ownership and prohibitions on the repatriation of assets, and which may have less protection of property rights than more developed countries. These economies may also be based on only a few industries, be highly vulnerable to changes in local and global trade conditions and may suffer from extreme and volatile debt burdens or inflation rates. In addition, local securities markets may trade a small number of securities and may be unable to respond effectively to increases in trading volume, potentially making prompt liquidation of holdings difficult or impossible at times. These risks of economies of emerging market countries are relevant for notes where the Basket includes a Basket Fund or a Basket Index composed of securities traded in one or more emerging market countries.

Some or all of these factors may influence the closing level or closing price of a foreign Equity Index or a foreign Basket Fund. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You cannot predict the future performance of such Basket Components based on their historical performance. The value of any such Basket Component may decrease such that you may not receive any return of your investment. There can be no assurance that the closing level or closing price of any such Basket Component will not decrease so that at maturity, you will not lose some or all of your investment.

**If the Basket includes a Basket Component not described in this product supplement, a separate underlying supplement may provide additional risk factors relating to such Basket Component.**

## USE OF PROCEEDS

Unless otherwise specified in the relevant terms supplement, the net proceeds we receive from the sale of the notes will be used for general corporate purposes and, in part, by us or by one or more of our affiliates in connection with hedging our obligations under the notes. The original issue price of the notes includes each agent's commissions (as shown on the cover page of the relevant terms supplement) paid with respect to the notes and the estimated cost of hedging our obligations under the notes. We may have hedged our obligations under the notes through certain affiliates or unaffiliated counterparties.

Unless otherwise specified in the relevant terms supplement, each agent's commissions will include the projected profit that our affiliates expect to realize in consideration for assuming the risks inherent in hedging our obligations under the notes. Because hedging our obligations entails risk and may be influenced by market forces beyond our or our affiliates' control, our projected profit resulting from such hedging may result in a profit that is more or less than expected, or could result in a loss. See also "Use of Proceeds" in the accompanying prospectus.

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

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

## THE AMEX HONG KONG 30 INDEX

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

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

### AMEX Hong Kong 30 Index Composition and Maintenance

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

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

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

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

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

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

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

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

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

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

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

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

## **License Agreement with the NYSE Euronext**

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

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

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

## THE EURO STOXX 50® INDEX

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

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

### EURO STOXX 50® Index Composition and Maintenance

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

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

The free float factors for each component stock used to calculate the EURO STOXX 50® Index, as described below, are reviewed, calculated and implemented on a quarterly basis and are fixed until the next quarterly review. Each component's weight is capped at 10% of the index's total free float market capitalization.

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

### EURO STOXX 50® Index Calculation

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

$$\text{Index} = \frac{\text{free float market capitalization of the EURO STOXX 50® Index}}{\text{Divisor of the EURO STOXX 50® Index}}$$

The "free float market capitalization of the EURO STOXX 50® Index" is equal to the sum of the products of the market capitalization and free float factor for each component stock as of the time the EURO STOXX 50® Index is being calculated.

The EURO STOXX 50® Index is also subject to a divisor, which is adjusted to maintain the continuity of EURO STOXX 50® Index values despite changes due to corporate actions. The following is a summary of the adjustments to any component stock made for corporate actions and the effect of such adjustment on the divisor, where shareholders of the component stock will receive "B" number of shares for every "A" share held (where applicable).

<p>1) <i>Special cash dividend:</i></p> <p>Adjusted price = closing price – dividend announced by the company × (1 – withholding tax)</p> <p>Divisor: decreases</p>	<p>2) <i>Split and reverse split:</i></p> <p>Adjusted price = closing price × A/B</p> <p>New number of shares = old number of shares × B/A</p> <p>Divisor: no change</p>
<p>3) <i>Rights offering:</i></p> <p>Adjusted price = <math>\frac{\text{closing price} \times A + \text{subscription price} \times B}{A + B}</math></p> <p>New number of shares = old number of shares × (A + B) / A</p> <p>Divisor: increases</p>	<p>4) <i>Stock dividend:</i></p> <p>Adjusted price = closing price × A / (A + B)</p> <p>New number of shares = old number of shares × (A + B) / A</p> <p>Divisor: no change</p>
<p>5) <i>Stock dividend of another company:</i></p> <p>Adjusted price = <math>\frac{\text{closing price} \times A - \text{price of other company} \times B}{A}</math></p> <p>Divisor: decreases</p>	<p>6) <i>Return of capital and share consideration:</i></p> <p>Adjusted price = <math>\frac{\text{closing price} - \text{dividend announced by company} \times (1 - \text{withholding tax})}{A}</math></p> <p>New number of shares = old number of shares × B / A</p> <p>Divisor: decreases</p>
<p>7) <i>Repurchase shares / self tender:</i></p> <p>Adjusted price = <math>\frac{(\text{price before tender} \times \text{old number of shares}) - (\text{tender price} \times \text{number of tendered shares})}{\text{old number of shares} - \text{number of tendered shares}}</math></p> <p>New number of shares = old number of shares – number of tendered shares</p> <p>Divisor: decreases</p>	
<p>8) <i>Spin-off:</i></p> <p>Adjusted price = <math>\frac{\text{closing price} \times A - \text{price of spun-off shares} \times B}{A}</math></p> <p>Divisor: decreases</p>	
<p>9) <i>Combination stock distribution (dividend or split) and rights offering:</i>  For this corporate action, the following additional assumptions apply:  Shareholders receive B new shares from the distribution and C new shares from the rights offering for every A share held.  If A is not equal to one share, all the following “new number of shares” formulae need to be divided by A:</p>	
<p>- <i>If rights are applicable after stock distribution (one action applicable to other):</i></p> <p>Adjusted price = <math>\frac{\text{closing price} \times A + \text{subscription price} \times C}{(1 + B/A) \times ((A + B) \times (1 + C/A))}</math></p> <p>New number of shares = <math>\frac{\text{old number of shares} \times ((A + B) \times (1 + C/A))}{A}</math></p> <p>Divisor: increases</p>	<p>- <i>If stock distribution is applicable after rights offering (one action applicable to other):</i></p> <p>Adjusted price = <math>\frac{\text{closing price} \times A + \text{subscription price} \times C}{(A + C) \times (1 + B/A)}</math></p> <p>New number of shares = <math>\frac{\text{old number of shares} \times ((A + C) \times (1 + B/A))}{A}</math></p> <p>Divisor: increases</p>
<p>- <i>Stock distribution and rights (neither action is applicable to the other):</i></p> <p>Adjusted price = <math>\frac{\text{closing price} \times A + \text{subscription price} \times C}{A + B + C}</math></p> <p>New number of shares = <math>\frac{\text{old number of shares} \times (A + B + C)}{A}</math></p> <p>Divisor: increases</p>	

## **License Agreement with STOXX Limited**

We have entered into an agreement with STOXX Limited providing us and certain of our affiliates or subsidiaries identified in that agreement with a non-exclusive license and, for a fee, with the right to use the EURO STOXX 50<sup>®</sup> Index, which is owned and published by STOXX Limited, in connection with certain securities, including the notes.

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

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

On May 6, 2009, UBS completed its acquisition of the commodity index business of AIG Financial Products Corp. (“AIG-FP”), including AIG-FP’s rights to the Dow Jones — AIG Commodity Index<sup>SM</sup>. Effective on May 7, 2009, the Dow Jones — AIG Commodity Index<sup>SM</sup> is rebranded as “Dow Jones — UBS Commodity Index<sup>SM</sup>.”

The Dow Jones — UBS Commodity Index<sup>SM</sup> is reported by Bloomberg, L.P. under the ticker symbol “DJUBS.”

### Overview

The Dow Jones — UBS Commodity Index<sup>SM</sup> was introduced in July of 1998 to provide a unique, diversified, economically rational and liquid benchmark for commodities as an asset class. The Dow Jones — UBS Commodity Index<sup>SM</sup> currently is composed of the prices of nineteen exchange-traded futures contracts on physical commodities. A futures contract is a bilateral agreement providing for the purchase and sale of a specified type and quantity of a commodity or financial instrument during a stated delivery month for a fixed price. For a general description of the commodity futures markets, please see “The Commodity Futures Markets.” The commodities included in the Dow Jones — UBS Commodity Index<sup>SM</sup> for 2010 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, unleaded gasoline, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybean oil, soybeans, sugar, wheat and zinc. Futures contracts and options on futures contracts on the Dow Jones — UBS Commodity Index<sup>SM</sup> are currently listed for trading on the Chicago Board of Trade (“CBOT”).

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

Dow Jones and UBS publish both a total return version and excess return version of the Dow Jones — UBS Commodity Index<sup>SM</sup>. The total return version of the Dow Jones — UBS Commodity Index<sup>SM</sup> is equivalent to the excess return version, except that the total return version also reflects interest that could be earned on funds committed to the trading of the underlying futures contracts. If the notes are linked to the Dow Jones — UBS Commodity Index<sup>SM</sup>, the relevant terms supplement will specify whether the relevant Basket Component is the Dow Jones — UBS Commodity Index Total Return or the Dow Jones — UBS Commodity Index Excess Return.

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

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

### **The Dow Jones — UBS Commodity Index Supervisory and Advisory Committees**

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

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

For example, the composition of the Dow Jones — UBS Commodity Index<sup>SM</sup> for 2010 was approved by the Dow Jones-UBS Index Oversight Committee in October of 2009 and published on October 30, 2009. The January 2010 reweighting and rebalancing is based on the following percentages:

### **The Dow Jones — UBS Commodity Index<sup>SM</sup> 2010 Commodity Index Percentages**

COMMODITY	WEIGHTING
Crude Oil	14.3379660%
Natural Gas	11.5521870%
Gold	9.1165550%
Soybeans	7.9124970%
Copper	7.6413770%
Corn	7.0924320%
Aluminum	5.7492810%
Wheat	4.7046020%
Heating Oil	3.5824070%
Live Cattle	3.5537300%
Unleaded Gasoline	3.5274400%
Silver	3.2869700%
Zinc	3.0199730%
Soybean Oil	2.9955620%
Sugar	2.8928600%

Coffee	2.5646150%
Nickel	2.3668280%
Lean Hogs	2.1027200%
Cotton	2.0000000%

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

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

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

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

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

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

As of the date of this product supplement, the 23 commodities available for inclusion in the Dow Jones — UBS Commodity Index<sup>SM</sup> were aluminum, cocoa, coffee, copper, corn, cotton, crude oil, gold, heating oil, lead, lean hogs, live cattle, natural gas, nickel, platinum, silver, soybean oil, soybeans, sugar, tin, unleaded gasoline, wheat and zinc.

The 19 Dow Jones — UBS Commodities for 2010 are as follows: aluminum, coffee, copper, corn, cotton, crude oil, gold, heating oil, lean hogs, live cattle, natural gas, nickel, silver, soybean oil, soybeans, sugar, unleaded gasoline, wheat and zinc.

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

The Designated Contracts for 2009 Dow Jones — UBS Commodities are as follows:

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

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

Commodity	Designated Contract	Exchange	Units	Price quote
Zinc	Special High Grade Zinc	LME	25 metric tons	\$/metric ton

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

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

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

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

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

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

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

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

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

The Commodity Group Breakdown set forth below is based on the weightings and composition of the Dow Jones — UBS Commodity Index<sup>SM</sup> set forth under "The Dow Jones — UBS Commodity Index<sup>SM</sup> 2009 Commodity Index Percentages."

Energy	33.00%
Precious Metals	10.75%
Industrial Metals	20.33%
Livestock	6.69%
Grains	21.00%
Softs	8.23%

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

the annual weightings for the next calendar year are publicly announced and implemented the following January.

### **Determination of Relative Weightings**

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

### **Diversification Rules**

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

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

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

### **Commodity Index Multipliers**

Following application of the diversification rules discussed above, CIPs are incorporated into the Dow Jones — UBS Commodity Index<sup>SM</sup> by calculating the new unit weights for each Index Commodity. Near the beginning of each new calendar year (the “CIM Determination Date”), the CIPs, along with the settlement prices on that date for Designated Contracts included in the Dow Jones — UBS Commodity Index<sup>SM</sup>, are used to determine a Commodity Index Multiplier (“CIM”) for each Index Commodity. This CIM is used to achieve the percentage weightings of the Dow Jones — UBS Commodities, in dollar terms, indicated by their respective CIPs. After the CIMs are calculated, they remain fixed throughout the

year. As a result, the observed price percentage of each Index Commodity will float throughout the year, until the CIMs are reset the following year based on new CIPs.

## **Calculations**

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

## **The Dow Jones — UBS Commodity Index<sup>SM</sup> Is a Rolling Index**

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

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

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

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

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

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## THE GSCI INDICES

We have obtained all information contained in this product supplement regarding the S&P GSCI™ Excess Return Index and each of the following sub-indices, the S&P GSCI™ Agriculture Index Excess Return, the S&P GSCI™ Energy Index Excess Return, the S&P GSCI™ Industrial Metals Index Excess Return, the S&P GSCI™ Livestock Index Excess Return and the S&P GSCI™ Precious Metals Index Excess Return (each a “GSCI Sub-Index,” and together, the “GSCI Sub-Indices”, and together with S&P GSCI™ Excess Return Index, the “GSCI Indices” ) including, without limitation, their make-up, method of calculation and changes in their components, from publicly available information. Such information reflects the policies of, and is subject to change by, Standard & Poor’s (“S&P”), a division of the McGraw Hill Companies, Inc., the publisher of the GSCI Indices. The GSCI Indices are determined, composed and calculated by S&P without regard to the notes. S&P acquired the rights to the S&P GSCI™ from Goldman, Sachs & Co. in February 2007. Goldman, Sachs & Co. established and began calculating the S&P GSCI™ in May 1991. The former name of the S&P GSCI™ was the Goldman Sachs Commodity Index, or GSCI®. We make no representation or warranty as to the accuracy or completeness of such information. S&P calculates four separate but related indices based on the S&P GSCI™ (including the S&P GSCI™ Excess Return Index) and a number of sub-indices representing components of the S&P GSCI™ (Including the GSCI Sub-Indices).

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

The S&P GSCI™ Agriculture Index Excess Return is a world production-weighted index of certain agricultural commodities in the world economy. As of May 13, 2010, the S&P GSCI™ Agriculture Index Excess Return composed 12.48% of the total S&P GSCI™ Excess Return Index. As of that date, the components of the S&P GSCI™ Agriculture Index Excess Return had the following weights in the total S&P GSCI™ Excess Return Index: 2.76% - futures contracts for Wheat (Chicago Wheat), 0.56% - futures contracts for Red Wheat (Kansas Wheat), 3.12% - futures contracts for Corn, 2.24% - futures contracts for Soybeans, 1.22% - futures contracts for Cotton, 1.53% - futures contracts for Sugar, 0.71% - futures contracts for Coffee and 0.35% - futures contracts for Cocoa.

The S&P GSCI™ Energy Index Excess Return is a world production-weighted index of certain energy commodities in the world economy, including WTI Crude Oil, Brent Crude Oil, RBOB Gasoline, Heating Oil, Gasoil and Natural Gas. As of May 13, 2010, the S&P GSCI™ Energy Index Excess Return composed 70.85% of the total S&P GSCI™ Excess Return Index. As of that date, the components of the S&P GSCI™ Energy Index Excess Return had the following weights in the total S&P GSCI™ Excess Return Index: 36.39% - futures contracts for WTI Crude Oil, 15.15% - futures contracts for Brent Crude Oil, 4.71% - futures contracts for RBOB Gasoline, 4.66% - futures contracts for No. 2 Heating Oil, 5.98% - futures contracts for Gas Oil and 3.96% - futures contracts for Natural Gas.

The S&P GSCI™ Industrial Metals Index Excess Return is a world production-weighted index of certain industrial metals commodities in the world economy, including High Grade Primary Aluminum, Copper, Standard Lead, Primary Nickel and Special High Grade Zinc. As of May 13, 2010, the S&P GSCI™ Industrial Metals Index Excess Return composed 8.25% of the total S&P GSCI™ Excess Return Index. As of that date, the components of the S&P GSCI™ Industrial Metals Index Excess Return had the following weights in the total S&P GSCI™ Excess Return Index: 2.57% - futures contracts for High

Grade Primary Aluminum, 3.61% - futures contracts for Copper Grade A, 0.47% - futures contracts for Standard Lead, 0.91% - futures contracts for Primary Nickel and 0.69% - futures contracts for Special High Grade Zinc.

The S&P GSCI™ Livestock Index Excess Return is a world production-weighted index of certain livestock commodities in the world economy, including live cattle, feeder cattle and lean hogs. As of May 13, 2010, the S&P GSCI™ Livestock Index Excess Return composed 4.95% of the total S&P GSCI™ Excess Return Index. As of that date, the components of the S&P GSCI™ Livestock Index Excess Return had the following weights in the total S&P GSCI™ Excess Return Index: 2.69% - futures contracts for Live Cattle, 0.48% - futures contracts for Feeder Cattle and 1.78% - futures contracts for Lean Hogs.

The S&P GSCI™ Precious Metals Index Excess Return is a world production-weighted index consisting of two precious metals commodities in the world economy: Gold and Silver. As of May 13, 2010, the S&P GSCI™ Precious Metals Index Excess Return composed 3.46% of the total S&P GSCI™ Excess Return Index. As of that date, the components of the S&P GSCI™ Precious Metals Index Excess Return had the following weights in the total S&P GSCI™ Excess Return Index: 3.08% - futures contracts for Gold and 0.38% - futures contracts for Silver.

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

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

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

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

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

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

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

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

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

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

The commodity must be the subject of a contract that:

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

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

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

At and after the time a contract is included in the S&P GSCI™ Excess Return Index, the daily contract reference price for such contract must be published between 10:00 a.m. and 4:00 p.m., New York City time, on each business day relating to such contract by the trading facility on or through which it is traded and must generally be available to all members of, or participants in, such facility (and to S&P) on the same day from the trading facility or through a recognized third-party data vendor. Such publication must include, at all times, daily contract reference prices for at least one expiration or settlement date that is five months or more from the date the determination is made, as well as for all expiration or settlement dates during such five-month period.

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

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

In addition:

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

are included, the portion of the S&P GSCI™ Excess Return Index attributable to all commodities is recalculated. The selection procedure described above is then repeated with respect to the contracts on the commodity that then has the smallest portion of the S&P GSCI™ Excess Return Index attributable to it.

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

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

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

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

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

## **Contract Expirations**

Because the S&P GSCI™ Excess Return Index comprises actively traded contracts with scheduled expirations, it can only be calculated by reference to the prices of contracts for specified expiration, delivery or settlement periods, referred to as “contract expirations.” The contract expirations included in the S&P GSCI™ Excess Return Index for each commodity during a given year are designated by S&P, in consultation with the Advisory Panel, provided that each such contract must be an “active contract.” An “active contract” for this purpose is a liquid, actively traded contract expiration, as defined or identified by

the relevant trading facility or, if no such definition or identification is provided by the relevant trading facility, as defined by standard custom and practice in the industry.

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

### **Contract Daily Return**

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

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

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

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

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

The daily contract reference price used in calculating the dollar weight of each commodity on any given day is the most recent daily contract reference price made available by the relevant trading facility, except that the daily contract reference price for the most recent prior day will be used if the exchange is

closed or otherwise fails to publish a daily contract reference price on that day. In addition, if the trading facility fails to make a daily contract reference price available or publishes a daily contract reference price that, in the reasonable judgment of S&P, reflects manifest error, the relevant calculation will be delayed until the price is made available or corrected; provided, that, if the price is not made available or corrected by 4:00 p.m., New York City time, S&P may, if it deems such action to be appropriate under the circumstances, determine the appropriate daily contract reference price for the applicable futures contract in its reasonable judgment for purposes of the relevant S&P GSCI™ Excess Return Index calculation.

### **Value of the GSCI Indices**

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

The value of any of the GSCI Sub-Indices on any S&P GSCI™ business day is calculated in the same manner as the S&P GSCI™ Excess Return Index, except that the calculations are limited to the underlying futures contracts included in the relevant sub-index and a separate normalizing constant (calculated by S&P) for each relevant Sub-Index.

### **Information**

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

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

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

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

The S&P GSCI™ Excess Return Index and the GSCI Sub-Indices are licensed by S&P for use in connection with an issuance of the notes.

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## **THE FTSE™ 100 INDEX**

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

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

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

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

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

### **License Agreement with FTSE**

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

The notes are not in any way sponsored, endorsed, sold or promoted by FTSE or by the LSE or by The Financial Times Limited ("FT") and neither FTSE, the LSE or FT makes any warranty or

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## THE FTSE/XINHUA CHINA 25 INDEX

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

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

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

### Computation of the Index

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

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

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

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

Free float less than or equal to 15% .....	Ineligible for inclusion in the FTSE/Xinhua China 25 Index, unless free float is also greater than 5% and the full market capitalization is greater than US\$2.5 billion (or local currency equivalent), in which case actual free float is used.
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Free float greater than 15% but less than or equal to 20% .....	20%
Free float greater than 20% but less than or equal to 30% .....	30%
Free float greater than 30% but less than or equal to 40% .....	40%
Free float greater than 40% but less than or equal to 50% .....	50%
Free float greater than 50% but less than or equal to 75% .....	75%
Free float greater than 75% .....	100%

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

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

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

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

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

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

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

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

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

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

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

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

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

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## THE KOREA STOCK PRICE INDEX 200

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

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

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

### Selection Criteria

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

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

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

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

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

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

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

### **KOSPI 200 Calculation**

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

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

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

### **Stock Revision**

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

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

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

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

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

### **The Korea Stock Exchange**

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

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

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

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

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

## **License Agreement with Korea Exchange**

The notes are not sponsored, endorsed, sold or promoted by KRX, the successor of Korea Stock Exchange who calculates the KOSPI 200 and owns the intellectual property rights over it. KRX makes no representation or warranty, express or implied, to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly or the ability of the KOSPI 200 to track general stock market performance. KRX's only relationship to JPMorgan Chase & Co. is the licensing of certain trademarks and trade names of KRX and of the KOSPI 200 which is determined, composed and calculated by KRX without regard to JPMorgan Chase & Co. or the notes. KRX has no obligation to take the needs of JPMorgan Chase & Co. or the owners of the notes into consideration in determining, composing or calculating the KOSPI 200. KRX is not responsible for and has not participated in the determination of the prices and amount of the notes or the timing of the issuance or sale of the notes or in the determination or calculation of the equation by which the notes is to be converted into cash. KRX has no obligation or liability in connection with the administration, marketing or trading of the notes.

KRX DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE KOSPI 200 OR ANY DATA INCLUDED THEREIN AND KRX SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. KRX MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY JPMORGAN CHASE & CO., OWNERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE KOSPI 200 OR ANY DATA INCLUDED THEREIN. KRX MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE KOSPI 200 OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL KRX HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

## **THE MSCI INDICES**

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

### **Transition**

On March 28, 2007, MSCI announced changes to the methodology used by MSCI to calculate its Standard and Small Cap Indices. The transition of the Standard and Small Cap Indices to the MSCI Indices occurred in two phases, the first completed as of November 30, 2007 and the second completed as of May 30, 2008. The current index calculation methodology used to formulate the MSCI Indices (and which is also used to formulate the indices included in the MSCI Global Index Series) (the “MSCI Global Investable Market Indices Methodology”) was implemented as of June 1, 2008.

### **The MSCI EAFE<sup>®</sup> Index**

The MSCI EAFE<sup>®</sup> Index is a free float-adjusted market capitalization index intended to measure the equity market performance of certain developed markets. The MSCI EAFE<sup>®</sup> Index is calculated daily in U.S. dollars and published in real time every 15 seconds during market trading hours. As of May 14, 2010, the MSCI EAFE<sup>®</sup> Index consisted of the following 21 developed market country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom. Effective May 2010, Israel will be reclassified as a developed market and will be included in the MSCI EAFE<sup>®</sup> Index. The MSCI EAFE<sup>®</sup> Index is reported by Bloomberg L.P. under the ticker symbol “MXEA.”

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

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of global emerging markets. The MSCI Emerging Markets Index is calculated daily in U.S. dollars and published in real time every 15 seconds during market trading hours. As of May 14, 2010, the MSCI Emerging Markets Index consisted of the following 22 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Israel, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. Effective May 2010, Israel will be reclassified as a developed market and will no longer be included in the MSCI Emerging Markets Index. The MSCI Emerging Markets Index is reported by Bloomberg L.P. under the ticker symbol “MXEF.”

### **The MSCI Singapore Index**

The MSCI Singapore Index is a free float-adjusted market capitalization index of securities listed on the Singapore Stock Exchange. The MSCI Singapore Index is calculated daily in the local currencies and published in real time every 15 seconds during market trading hours. The MSCI Singapore Index is reported by Bloomberg, L.P. under the ticker symbol “SGY.”

## **The MSCI Taiwan Index**

The MSCI Taiwan Index is a free float-adjusted market capitalization index of securities listed on the Taiwan Stock Exchange. The MSCI Taiwan Index is calculated daily in the local currencies and published in real time every 15 seconds during market trading hours. The MSCI Taiwan Index is reported by Bloomberg, L.P. under the ticker symbol “TWY.”

## **Constructing the MSCI Global Investable Market Indices**

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

The “relevant market” with respect to a single country index is equivalent to the single country, except in DM-classified countries in Europe (as described below), where all such countries are first aggregated into a single market for index construction purposes. Subsequently, individual DM Europe country indices within the MSCI Europe Index are derived from the constituents of the MSCI Europe Index under the MSCI Global Investable Market Indices Methodology.

The “relevant market” with respect to a composite index includes each of the single countries which comprise the composite index.

The “Equity Universe” is the aggregation of all Market Investable Equity Universes. The “DM Investable Equity Universe” is the aggregation of all the Market Investable Equity Universes for Developed Markets.

### *Defining the Equity Universe*

(i) **Identifying Eligible Equity Securities:** The Equity Universe initially looks at securities listed in any of the countries in the MSCI Global Index Series, which will be classified as either Developed Markets (“DM”) or Emerging Markets (“EM”). All listed equity securities, or listed securities that exhibit characteristics of equity securities, except mutual funds, exchange traded funds, equity derivatives, limited partnerships, and most investment trusts, are eligible for inclusion in the Equity Universe. Real Estate Investment Trusts (“REITs”) in some countries and certain income trusts in Canada are also eligible for inclusion.

(ii) **Country Classification of Eligible Securities:** Each company and its securities (*i.e.*, share classes) are classified in one and only one country, which allows for a distinctive sorting of each company by its respective country.

### *Determining the Market Investable Equity Universes*

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

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

- (i) **Equity Universe Minimum Size Requirement:** This investability screen is applied at the company level. In order to be included in a Market Investable Equity Universe, a company must have the required minimum full market capitalization. A company will meet this requirement if its

cumulative free float-adjusted market capitalization is within the top 99% of the sorted Equity Universe.

- (ii) **Equity Universe Minimum Float-Adjusted Market Capitalization Requirement:** This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have a free float-adjusted market capitalization equal to or higher than 50% of the Equity Universe Minimum Size Requirement.
- (iii) **DM and EM Minimum Liquidity Requirement:** This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security must have adequate liquidity as measured by the Annualized Traded Value Ratio ("ATVR") and the Frequency of Trading. The ATVR screens out extreme daily trading volumes, taking into account the free float-adjusted market capitalization size of securities. The aim of the 12-month and 3-month ATVR together with 3-month Frequency of Trading is to select securities with a sound long and short-term liquidity. A minimum liquidity level of 20% of 3-month ATVR and 90% of 3-month Frequency of Trading over the last 4 consecutive quarters, as well as 20% of 12-month ATVR are required for the inclusion of a security in a Market Investable Equity Universe of a Developing Market. A minimum liquidity level of 15% of 3-month ATVR and 80% of 3-month Frequency of Trading over the last 4 consecutive quarters, as well as 15% of 12-month ATVR are required for the inclusion of a security in a Market Investable Equity Universe of an Emerging Market.

In instances when a security does not meet the above criteria, the security will be represented by a relevant liquid eligible Depository Receipt if it is trading in the same geographical region. Depository Receipts are deemed liquid if they meet all the above mentioned criteria for 12-month ATVR, 3-month ATVR and 3-month Frequency of Trading.

- (iv) **Global Minimum Foreign Inclusion Factor Requirement:** This investability screen is applied at the individual security level. To be eligible for inclusion in a Market Investable Equity Universe, a security's Foreign Inclusion Factor ("FIF") must reach a certain threshold. The FIF of a security is defined as the proportion of shares outstanding that is available for purchase in the public equity markets by international investors. This proportion accounts for the available free float of and/or the foreign ownership limits applicable to a specific security (or company). In general, a security must have an FIF equal to or larger than 0.15 to be eligible for inclusion in a Market Investable Equity Universe.
- (v) **Minimum Length of Trading Requirement:** This investability screen is applied at the individual security level. For an initial public offering ("IPO") to be eligible for inclusion in a Market Investable Equity Universe, the new issue must have started trading at least four months before the implementation of the initial construction of the index or at least three months before the implementation of a Semi-Annual Index Review. This requirement is applicable to small new issues in all markets. Large IPOs are not subject to the Minimum Length of Trading Requirement and may be included in a Market Investable Equity Universe and the Standard Index outside of a Quarterly or Semi-Annual Index Review.

#### *Defining Market Capitalization Size Segments for Each Market*

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

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

- Small Cap Index

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

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

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

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

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

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

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

All securities in the Global Investable Equity Universe are assigned to the industry that best describes their business activities. To this end, MSCI has designed, in conjunction with Standard & Poor's, the Global Industry Classification Standard ("GICS"). The GICS entails four levels of classification: (1) sector; (2) industry groups; (3) industries; (4) sub-industries. Under the GICS, each company is assigned uniquely to one sub-industry according to its principal business activity. Therefore, a company can belong to only one industry grouping at each of the four levels of the GICS.

### **Maintenance of the MSCI Indices**

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

In particular, index maintenance involves:

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

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

(ii) Quarterly Index Reviews (“QIRs”) in February and August of the Size Segment Indices aimed at:

- Including significant new eligible securities (such as IPOs that were not eligible for earlier inclusion) in the index.
- Allowing for significant moves of companies within the Size Segment Indices, using wider buffers than in the SAIR.
- Reflecting the impact of significant market events on FIFs and updating NOS.

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

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

### **Announcement Policy**

The results of the SAIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of May and November. The results of the QIRs are announced at least two weeks in advance of their effective implementation dates as of the close of the last business day of February and August. All changes resulting from corporate events are announced prior to their implementation.

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

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

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

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

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

## Index Calculation

### Price Index Level

The MSCI Indices are calculated using the Laspeyres' concept of a weighted arithmetic average together with the concept of chain-linking. As a general principle, today's index level is obtained by applying the change in the market performance to the previous period index level.

$$PriceIndexLevelUSD_t = PriceIndexLevelUSD_{t-1} \times \frac{IndexAdjustedMarketCapUSD_t}{IndexInitialMarketCapUSD_t}$$

$$PriceIndexLevelLocal_t = PriceIndexLevelLocal_{t-1} \times \frac{IndexAdjustedMarketCapForLocal_t}{IndexInitialMarketCapUSD_t}$$

Where:

- $PriceIndexLevelUSD_{t-1}$  is the Price Index level in USD at time t-1
- $IndexAdjustedMarketCapUSD_t$  is the Adjusted Market Capitalization of the index in USD at time t
- $IndexInitialMarketCapUSD_t$  is the Initial Market Capitalization of the index in USD at time t
- $PriceIndexLevelLocal_{t-1}$  is the Price Index level in local currency at time t-1
- $IndexAdjustedMarketCapForLocal_t$  is the Adjusted Market Capitalization of the index in USD converted using FX rate as of t-1 and used for local currency index at time t

Note:  $IndexInitialMarketCapUSD$  was previously called  $IndexUnadjustedMarketCapPreviousUSD$

### Security Price Index Level

$$SecurityPriceIndexLevel_t = SecurityPriceIndexLevel_{t-1} \times \frac{SecurityAdjustedMarketCapForLocal_t}{SecurityInitialMarketCapUSD_t}$$

$$SecurityAdjustedMarketCapForLocal_t =$$

$$\frac{IndexNumberOfShares_{t-1} \times PricePerShare_t \times InclusionFactor_t \times PAF_t}{FXrate_{t-1}} \times \frac{ICI_t}{ICI_{t-1}}$$

$$SecurityInitialMarketCapUSD_t = \frac{IndexNumberOfShares_{t-1} \times PricePerShare_{t-1} \times InclusionFactor_t}{FXrate_{t-1}}$$

Where:

- $SecurityPriceIndexLevel_{t-1}$  is Security Price Index level at time t-1

- $SecurityAdjustedMarketCapForLocal_t$  is the Adjusted Market Capitalization of security s in USD converted using FX rate as of t-1
- $SecurityInitialMarketCapUSD_t$  is the Initial Market Capitalization of security s in USD at time t
- $IndexNumberOfShares_{t-1}$  is the number of shares of security s at time t-1.
- $PricePerShare_t$  is the price per share of security s at time t.
- $PricePerShare_{t-1}$  is the price per share of security s at time t-1.
- $InclusionFactor_t$  is the inclusion factor of security s at time t. The inclusion factor can be one or the combination of the following factors: Foreign Inclusion Factor, Domestic Inclusion Factor Growth Inclusion Factor, Value Inclusion Factor, Index Inclusion Factor.
- $PAF_t$  is the Price Adjustment Factor of security s at time t.
- $FXrate_{t-1}$  is the FX rate of the price currency of security s vs USD at time t-1. It is the value of 1 USD in foreign currency.
- $ICI_t$  is the Internal Currency Index of price currency at time t. The ICI is different than 1 when a country changes the internal value of its currency (e.g. from Turkish Lira to New Turkish Lira – ICI = 1,000,000).
- $ICI_{t-1}$  is the Internal Currency Index of price currency at time t-1.
- Index Market Capitalization

$IndexAdjustedMarketCapUSD_t =$

$$\sum_{S \in I, t} \frac{IndexNumberOfShares_{t-1} \times PricePerShare_t \times InclusionFactor_t \times PAF_t}{FXrate_t}$$

$IndexAdjustedMarketCapForLocal_t =$

$$\sum_{S \in I, t} \frac{IndexNumberOfShares_{t-1} \times PricePerShare_t \times InclusionFactor_t \times PAF_t}{FXrate_{t-1}} \times \frac{ICI_t}{ICI_{t-1}}$$

$IndexInitialMarketCapUSD_t =$

$$\sum_{S \in I, t} \frac{IndexNumberOfShares_{t-1} \times PricePerShare_t \times InclusionFactor_t}{FXrate_{t-1}}$$

Where:

- $IndexNumberOfShares_{t-1}$  is the number of shares of security s at time t-1.
- $PricePerShare_t$  is the price per share of security s at time t.
- $PricePerShare_{t-1}$  is the price per share of security s at time t-1.
- $InclusionFactor_t$  is the inclusion factor of security s at time t. The inclusion factor can be one or the combination of the following factors: Foreign Inclusion Factor, Domestic Inclusion Factor Growth Inclusion Factor, Value Inclusion Factor, Index Inclusion Factor.
- $PAF_t$  is the Price Adjustment Factor of security s at time t.

- $FXrate_t$  is the FX rate of the price currency of security s vs USD at time t. It is the value of 1 USD in foreign currency.
- $FXrate_{t-1}$  is the FX rate of the price currency of security s vs USD at time t-1. It is the value of 1 USD in foreign currency.
- $ICI_t$  is the Internal Currency Index of price currency at time t. The ICI is different than 1 when a country changes the internal value of its currency (e.g. from Turkish Lira to New Turkish Lira – ICI = 1,000,000).
- $ICI_{t-1}$  is the Internal Currency Index of price currency at time t-1.

## Corporate Events

### *Mergers and Acquisitions*

As a general principle, MSCI implements M&As as of the close of the last trading day of the acquired entity or merging entities (last offer day for tender offers), regardless of the status of the securities (index constituents or non-index constituents) involved in the event. MSCI uses market prices for implementation. This principle applies if all necessary information is available prior to the completion of the event and if the liquidity of the relevant constituent(s) is not expected to be significantly diminished on the day of implementation. Otherwise, MSCI will determine the most appropriate implementation method and announce it prior to the changes becoming effective in the indices.

### *Tender Offers*

In tender offers, the acquired or merging security is generally deleted from the applicable MSCI Indices at the end of the initial offer period, when the offer is likely to be successful and / or if the free float of the security is likely to be substantially reduced (this rule is applicable even if the offer is extended), or once the results of the offer have been officially communicated and the offer has been successful and the security's free float has been substantially reduced, if all required information is not available in advance or if the offer's outcome is uncertain. The main factors considered by MSCI when assessing the outcome of a tender offer (not in order of importance) are: the announcement of the offer as friendly or hostile, a comparison of the offer price to the acquired security's market price, the recommendation by the acquired company's board of directors, the major shareholders' stated intention whether to tender their shares, the required level of acceptance, the existence of pending regulatory approvals, market perception of the transaction, official preliminary results if any, and other additional conditions for the offer.

In certain cases, securities may be deleted earlier than the last offer day. For example, in the case of tender offers in the United Kingdom, a security is typically deleted two business days after the offer is declared unconditional in all respects.

If a security is deleted from an index, the security will not be reinstated immediately after its deletion even when the tender offer is subsequently declared unsuccessful and/or the free float of the security is not substantially reduced. It may be reconsidered for index inclusion in the context of a quarterly index review or annual full country index review. MSCI uses market prices for implementation.

### *Late Announcements of Completion of Mergers and Acquisitions*

When the completion of an event is announced too late to be reflected as of the close of the last trading day of the acquired or merging entities, implementation occurs as of the close of the following day or as soon as practicable thereafter. In these cases, MSCI uses a calculated price for the acquired or merging entities. The calculated price is determined using the terms of the transaction and the price of the acquiring or merged entity, or, if not appropriate, using the last trading day's market price of the acquired or merging entities.

### *Conversions of Share Classes*

Conversions of a share class into another share class resulting in the deletion and/or addition of one or more classes of shares are implemented as of the close of the last trading day of the share class to be converted.

### *Spin-Offs*

On the ex-date of a spin-off, a PAF is applied to the price of the security of the parent company. The PAF is calculated based on the terms of the transaction and the market price of the spun-off security. If the spun-off entity qualifies for inclusion, it is included as of the close of its first trading day. If appropriate, MSCI may link the price history of the spun-off security to a security of the parent company.

In cases of spin-offs of partially-owned companies, the post-event free float of the spun-off entity is calculated using a weighted average of the existing shares and the spun-off shares, each at their corresponding free float. Any resulting changes to FIFs and/or DIFs are implemented as of the close of the ex-date.

When the spun-off security does not trade on the ex-date, a “detached” security is created to avoid a drop in the free float-adjusted market capitalization of the parent entity, regardless of whether the spun-off security is added or not. The detached security is included until the spun-off security begins trading, and is deleted thereafter. Generally, the value of the detached security is equal to the difference between the cum price and the ex price of the parent security.

### *Corporate Actions*

Corporate actions such as splits, bonus issues and rights issues, which affect the price of a security, require a price adjustment. In general, the PAF is applied on the ex-date of the event to ensure that security prices are comparable between the ex-date and the cum date. To do so, MSCI adjusts for the value of the right and/or the value of the special assets that are distributed. In general, corporate actions do not impact the free float of the securities because the distribution of new shares is carried out on a pro rata basis to all existing shareholders. Therefore, MSCI will generally not implement any pending number of shares and/or free float updates simultaneously with the event.

If a security does not trade for any reason on the ex-date of the corporate action, the event will be generally implemented on the day the security resumes trading.

### *Share Placements and Offerings*

Changes in number of shares and FIF resulting from primary equity offerings representing more than 5% of the security's number of shares are generally implemented as of the close of the first trading day of the new shares, if all necessary information is available at that time. Otherwise, the event is implemented as soon as practicable after the relevant information is made available. A primary equity offering involves the issuance of new shares by a company. Changes in number of shares and FIF resulting from primary equity offerings representing less than 5% of the security's number of shares are deferred to the next regularly scheduled Quarterly Index Review following the completion of the event. For public secondary offerings of existing constituents representing more than 5% of the security's number of shares, where possible, MSCI will announce these changes and reflect them shortly after the results of the subscription are known. Secondary public offerings that, given lack of sufficient notice, were not reflected immediately will be reflected at the next Quarterly Index Review. Secondary offerings involve the distribution of existing shares of current shareholders' in a listed company and are usually pre-announced by a company or by a company's shareholders and open for public subscription during a pre-determined period.

### *Debt-to-Equity Swaps*

In general, large debt-to-equity swaps involve the conversion of debt into equity originally not convertible at the time of issue. In this case, changes in numbers of shares and subsequent FIF and/or DIF changes are implemented as of the close of the first trading day of the newly issued shares, or shortly

thereafter if all necessary information is available at the time of the swap. In general, shares issued in debt-to-equity swaps are assumed to be issued to strategic investors. As such, the post event free float is calculated on a pro forma basis assuming that all these shares are non-free float. Changes in numbers of shares and subsequent FIF and/or DIF changes due to conversions of convertible bonds or other convertible instruments, including periodical conversions of preferred stocks and small debt-to-equity swaps are implemented as part of the quarterly index review.

#### *Suspensions and Bankruptcies*

MSCI will remove from the MSCI Indices as soon as practicable companies that file for bankruptcy, companies that file for protection from their creditors and/or are suspended and for which a return to normal business activity and trading is unlikely in the near future. When the primary exchange price is not available, MSCI will delete securities at an over the counter or equivalent market price when such a price is available and deemed relevant. If no over the counter or equivalent price is available, the security will be deleted at the smallest price (unit or fraction of the currency) at which a security can trade on a given exchange. For securities that are suspended, MSCI will carry forward the market price prior to the suspension during the suspension period.

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## THE NIKKEI 225 INDEX

We have derived all information regarding the Nikkei 225 Index contained in this product supplement, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by Nikkei Inc. The Nikkei 225 Index was developed by Nikkei Inc. and is calculated, maintained and published by Nikkei Digital Media, Inc., a wholly owned subsidiary of Nikkei Inc. We make no representation or warranty as to the accuracy or completeness of such information. Nikkei Inc. and Nikkei Digital Media, Inc. have no obligation to continue to publish, and may discontinue publication of, the Nikkei 225 Index.

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

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

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

The Nikkei 225 Index is a modified, price-weighted index (*i.e.*, a Nikkei Underlying Stock’s weight in the Nikkei 225 Index is based on its price per share rather than the total market capitalization of the issuer) which is calculated by (i) multiplying the per share price of each Nikkei Underlying Stock by the corresponding weighting factor for such Nikkei Underlying Stock (a “Weight Factor”), (ii) calculating the sum of all these products and (iii) dividing such sum by a divisor (the “Divisor”). The Divisor was initially set at 225 for the date of May 16, 1949 using historical numbers from May 16, 1949, the date on which the TSE was reopened. The Divisor was 24.687 as of October 1, 2008 and is subject to periodic adjustments as set forth below. Each Weight Factor is computed by dividing ¥50 by the par value of the relevant Nikkei Underlying Stock, so that the share price of each Nikkei Underlying Stock when multiplied by its Weight Factor corresponds to a share price based on a uniform par value of ¥50. The stock prices used in the calculation of the Nikkei 225 Index are those reported by a primary market for the Nikkei Underlying Stocks (currently the TSE). The level of the Nikkei 225 Index is calculated once per minute during TSE trading hours.

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

after such change multiplied by the applicable Weight Factor and divided by the new Divisor (*i.e.*, the level of the Nikkei 225 Index immediately after such change) will equal the level of the Nikkei 225 Index immediately prior to the change.

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

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

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### **The Tokyo Stock Exchange**

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

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

The TSE has adopted certain measures, including daily price floors and ceilings on individual stocks, intended to prevent any extreme short-term price fluctuations resulting from order imbalances. In general, any stock listed on the TSE cannot be traded at a price lower than the applicable price floor or

higher than the applicable price ceiling. These price floors and ceilings are expressed in absolute Japanese yen, rather than percentage limits based on the closing price of the stock on the previous trading day. In addition, when there is a major order imbalance in a listed stock, the TSE posts a “special bid quote” or a “special asked quote” for that stock at a specified higher or lower price level than the stock’s last sale price in order to solicit counter-orders and balance supply and demand for the stock. Prospective investors should also be aware that the TSE may suspend the trading of individual stocks in certain limited and extraordinary circumstances, including, for example, unusual trading activity in that stock. As a result, changes in the Nikkei 225 Index may be limited by price limitations or special quotes, or by suspension of trading, on individual stocks that make up the Nikkei 225 Index, and these limitations, in turn, may adversely affect the value of the notes.

## THE RUSSELL 2000® INDEX

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

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

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

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

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

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

The primary criteria used to determine the initial list of securities eligible for the Russell 3000E™ Index is total market capitalization, which is defined as the price of the shares times the total number of available shares. All common stock share classes are combined in determining market capitalization. If multiple share classes have been combined, the price of the primary trading vehicle (usually the most liquid) is used in the calculations. In cases where the common stock share classes act independently of each other (e.g., tracking stocks), each class is considered for inclusion separately. Stocks must trade at or above \$1.00 on May 31<sup>st</sup> of each year to be eligible for inclusion in the Russell 2000® Index. However,

if a stock falls below \$1.00 intra-year, it will not be removed until the next reconstitution if it is still trading below \$1.00.

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

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

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

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

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

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

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

- Rule for Re-Classification and Re-Incorporation – For re-classification of shares, adjustments will be made at the open of the ex-date using previous day closing prices. For re-incorporations, deleted entities will be removed either after the close of the current day using the last traded price, if the re-incorporation achieves final status prior to 2:00 p.m. Eastern Standard Time, or after the close of the following day at the last traded price, if the re-incorporation achieves final status after 2:00 p.m. Eastern Standard Time.

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

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

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## THE RUSSELL 3000® INDEX

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

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

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

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

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

The following securities are specifically excluded from the Russell 3000® Index: (i) stocks that are not traded on a major U.S. exchange; (ii) preferred stock, convertible preferred stock, redeemable shares, participating preferred stock, warrants and rights; and (iii) trust receipts, royalty trusts, limited liability companies, OTC Bulletin Board companies, pink sheets, over-the-counter traded securities, closed-end investment companies and limited partnerships. In addition, Berkshire Hathaway is excluded as a special exception.

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

The Russell 3000<sup>®</sup> Index is reconstituted annually to reflect changes in the marketplace. The list of companies is ranked based on total market capitalization as of May 31, with the actual reconstitution effective on the first trading day following the final Friday of June each year, except that if the last Friday of June of any year is the 28<sup>th</sup>, 29<sup>th</sup> or 30<sup>th</sup>, reconstitution will occur on the preceding Friday. Changes in the constituents are pre-announced and subject to change if any corporate activity occurs or if any new information is received prior to release.

*Capitalization Adjustments.* As a capitalization-weighted index, the Russell 3000<sup>®</sup> Index reflects changes in the capitalization, or market value, of the Russell 3000 Component Stocks relative to the capitalization on a base date. The current Russell 3000<sup>®</sup> Index value is calculated by adding the market values of the Russell 3000 Component Stocks, which are derived by multiplying the price of each stock by the number of available shares, to arrive at the total market capitalization of the 3,000 stocks. The total market capitalization is then divided by a divisor, which represents the “adjusted” capitalization of the Russell 3000<sup>®</sup> Index on the base date of December 31, 1986. To calculate the Russell 3000<sup>®</sup> Index, last sale prices will be used for exchange-traded and NASDAQ stocks. If a Russell 3000 Component Stock is not open for trading, the most recently traded price for that security will be used in calculating the Russell 3000<sup>®</sup> Index. In order to provide continuity for the Russell 3000<sup>®</sup> Index’s value, the divisor is adjusted periodically to reflect events including changes in the number of common shares outstanding for Russell 3000 Component Stocks, company additions or deletions, corporate restructurings and other capitalization changes.

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

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

- ESOP or LESOP shares – corporations that have Employee Stock Ownership Plans that comprise 10% or more of the shares outstanding are adjusted;
- Corporate cross-owned shares – corporate cross-ownership occurs when shares of a company in the Russell 3000<sup>®</sup> Index are held by another member of a Russell index (including Russell Global Indexes). Any percentage held in this class will be adjusted;
- Large private and corporate shares – large private and corporate holdings are defined as those shares held by an individual, a group of individuals acting together or a corporation not in the Russell 3000<sup>®</sup> Index that own 10% or more of the shares outstanding. However, not to be included in this class are institutional holdings, which are: investment companies not in the Russell 3000<sup>®</sup> Index, partnerships, insurance companies not in the Russell 3000<sup>®</sup> Index, mutual funds, banks not in the Russell 3000<sup>®</sup> Index or venture capital funds;
- Unlisted share classes – classes of common stock that are not traded on a U.S. securities exchange; and
- Initial public offering lock-ups – shares locked-up during an initial public offering are not available to the public and will be excluded from the market value at the time the initial public offering enters the Russell 3000<sup>®</sup> Index.

*Corporate Actions Affecting the Russell 3000<sup>®</sup> Index.* The following summarizes the types of Russell 3000<sup>®</sup> Index maintenance adjustments and indicates whether or not a Russell 3000<sup>®</sup> Index adjustment is required.

- “No Replacement” Rule – Securities that leave the Russell 3000<sup>®</sup> Index, between reconstitution dates, for any reason (e.g., mergers, acquisitions or other similar corporate activity) are not replaced. Thus, the number of securities in the Russell 3000<sup>®</sup> Index over a year will fluctuate according to corporate activity.

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

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

*Updates to Share Capital Affecting the Russell 3000® Index.* Each month, the Russell 3000® Index is updated for changes to shares outstanding as companies report changes in share capital to the SEC. Effective April 30, 2002, only cumulative changes to shares outstanding greater than 5% are reflected in the Russell 3000® Index. This does not affect treatment of major corporate events, which are effective on the ex-date.

*Pricing of Securities Included in the Russell 3000® Index.* Effective on January 1, 2002, primary exchange closing prices are used in the daily Russell 3000® Index calculations. FT Interactive data is used as the primary source for U.S. security prices, income, and total shares outstanding. Prior to January 1, 2002, composite closing prices, which are the last trade price on any U.S. exchange, were used in the daily Russell 3000® Index calculations.

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## **THE iSHARES® BARCLAYS TIPS BOND FUND**

All publicly available information contained herein reflects the policies of, and is subject to change by, iShares® Inc. ("iShares"), iShares® Trust, BlackRock Institutional Trust Company, N.A. ("BTC"), and BlackRock Fund Advisors ("BFA"). Prior to December 1, 2009, BTC was known as Barclays Global Investors, N.A. On December 1, 2009, BlackRock, Inc. announced that it completed its merger with Barclays Global Investors, including the iShares exchange traded funds business. The combined firm operates under the BlackRock name and retains the iShares brand.

The iShares Trust is a registered investment company that consists of numerous separate investment portfolios, including the iShares Barclays TIPS Bond Fund. Information provided to or filed with the SEC by iShares pursuant to the Securities Act of 1933, as amended, and the Investment Company Act of 1940, as amended, can be located by reference to SEC file numbers 333-92935 and 811-09729, respectively, through the SEC's website at <http://www.sec.gov>. For additional information regarding iShares, BFA and the iShares Barclays TIPS Bond Fund, please see the prospectus dated July 1, 2009 as revised December 1, 2009 for the iShares Barclays TIPS Bond Fund. In addition, information about the iShares Barclays TIPS Bond Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the iShares website. Information contained in the iShares website is not incorporated by reference in, and should not be considered a part of, this product supplement.

### **Investment Objective and Strategy**

The iShares Barclays TIPS Bond Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of The Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L) (the "Barclays TIPS Index"). Inflation-protected public obligations of the U.S. Treasury, commonly known as "TIPS," are securities issued by the U.S. Treasury that are designed to provide inflation protection to investors. TIPS are income-generating instruments whose interest and principal payments are adjusted for inflation—a sustained increase in prices that erodes the purchasing power of money. The inflation adjustment, which is typically applied monthly to the principal of the bond, follows a designated inflation index, such as the consumer price index. A fixed coupon rate is applied to the inflation-adjusted principal so that as inflation rises, both the principal value and the interest payments increase. This can provide investors with a hedge against inflation, as it helps preserve the purchasing power of an investment. Because of this inflation adjustment feature, inflation-protected bonds typically have lower yields than conventional fixed-rate bonds. The iShares Barclays TIPS Bond Fund generally invests at least 90% of its assets in the bonds included in the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L) and at least 95% of its assets in U.S. government bonds. The iShares Barclays TIPS Bond Fund may invest up to 10% of its assets in U.S. government bonds not included in the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L), but which BlackRock Fund Advisors ("BFA"), the investment advisor to the iShares Barclays TIPS Bond Fund, believes will help the iShares Barclays TIPS Bond Fund track the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L). BFA is a wholly-owned subsidiary of BlackRock Institutional Trust Company, N.A. ("BTC"), which in turn is a wholly-owned subsidiary of BlackRock, Inc. The shares of the iShares Barclays TIPS Bond Fund are listed for trading on the NYSE Arca. Trading prices of the iShares Barclays TIPS Bond Fund are reported by Bloomberg under the ticker symbol "TIP UP."

### **Representative Sampling**

The iShares Barclays TIPS Bond Fund pursues a "representative sampling" strategy in attempting to track the performance of the Barclays TIPS Index, and generally does not hold all of the equity securities included in the Barclays TIPS Index. The iShares Barclays TIPS Bond Fund invests in a representative sample of securities in the Barclays TIPS Index, which have a similar investment profile as the Barclays TIPS Index. Securities selected have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings

valuation and yield) and liquidity measures similar to those of the Barclays TIPS Index.

### **Correlation**

The Barclays TIPS Index is a theoretical financial calculation, while the iShares® Barclays TIPS Bond Fund is an actual investment portfolio. The performance of the iShares® Barclays TIPS Bond Fund and the Barclays TIPS Index will vary somewhat due to transaction costs, market impact and timing variances. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called “tracking error.” The iShares® Barclays TIPS Bond Fund, using a representative sampling strategy, can be expected to have a greater tracking error than a fund using replication strategy. Replication is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

### **Concentration Policy**

The Barclays TIPS Bond Fund will concentrate its investments (*i.e.*, hold 25% or more of its total assets in the stocks of a particular type) to approximately the same extent that the Barclays TIPS Index does. The Barclays TIPS Index is concentrated in the securities of the U.S. government (including its agencies and instrumentalities).

### **Historical Performance of the iShares® Barclays TIPS Bond Fund**

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

### **Disclaimer**

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

### **Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L)**

We have derived all information contained in this product supplement no. 32-A-II regarding the Barclays TIPS Index, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. The Barclays TIPS Index is a bond index calculated, published and disseminated by Barclays Capital Inc. (“BCI”) through numerous data vendors. BCI has no obligation to continue to calculate and publish, and may discontinue calculation and publication of the Barclays TIPS Index.

The Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L) measures the performance of inflation-protected public obligations of the U.S. Treasury. The Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L) is market capitalization weighted, includes all publicly issued U.S. inflation-protected securities that meet the criteria for inclusion and is rebalanced once a month on the last calendar day of the month. The U.S. inflation-protected securities included in the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L) must have a remaining maturity of at least one year, are rated investment grade, have \$250 million or more of outstanding face value and have settled on or before the rebalancing date. In addition, the securities must be denominated in U.S. dollars and must be fixed-rate and non-convertible. In calculating the Barclays Capital U.S. Treasury Inflation Protected Securities (TIPS) Index (Series-L), income from coupons is reinvested on the monthly rebalancing date.

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

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

iShares<sup>®</sup>, Inc. is a registered investment company that consists of numerous separate investment portfolios, including the iShares<sup>®</sup> MSCI Emerging Markets Index Fund. Information provided to or filed with the SEC by iShares<sup>®</sup>, Inc. pursuant to the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to SEC file numbers 033-97598 and 811-09102, respectively, through the SEC’s website at <http://www.sec.gov>. For additional information regarding iShares<sup>®</sup>, Inc., BFA and the iShares<sup>®</sup> MSCI Emerging Markets Index Fund, please see the Prospectus, dated January 1, 2010 (as supplemented on February 2, 2010). In addition, information about iShares<sup>®</sup> and the iShares<sup>®</sup> MSCI Emerging Markets Index Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the iShares<sup>®</sup> website at [www.ishares.com](http://www.ishares.com). We make no representation or warranty as to the accuracy or completeness of such information. Information contained in the iShares<sup>®</sup> website is not incorporated by reference in, and should not be considered a part of, this product supplement or any terms supplement.

### Investment Objective and Strategy

The iShares<sup>®</sup> MSCI Emerging Markets Index Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in emerging markets, as measured by the MSCI Emerging Markets Index (the “MSCI EM Underlying Index”). The iShares<sup>®</sup> MSCI Emerging Markets Index Fund holds equity securities traded primarily in the global emerging markets. The MSCI EM Underlying Index was developed by MSCI Inc. (“MSCI”) as an equity benchmark for international stock performance, and is designed to measure equity market performance in the global emerging markets. For more information about the MSCI Emerging Markets Index, please see “The MSCI Indices.”

As of March 31, 2010, the iShares<sup>®</sup> MSCI Emerging Markets Index Fund holdings by country consisted of the following 23 countries: Bermuda, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Ireland, Israel, Malaysia, Mexico, Peru, Philippines, Poland, Russia, South Africa, South Korea, Taiwan, Thailand and Turkey. In addition, as of such date, the iShares<sup>®</sup> MSCI Emerging Markets Index Fund’s three largest holdings by country were China, Brazil and South Korea. As of April 30, 2010 its three largest equity securities were Samsung Electronics Co., Ltd., Petroleo Brasileiro S.A. and Taiwan Semiconductor Manufacturing Co., Ltd., and its three largest sectors were financials, energy and materials.

The iShares<sup>®</sup> MSCI Emerging Markets Index Fund uses a representative sampling strategy (as described below under “— Representative Sampling”) to try to track the MSCI EM Underlying Index. In addition, iShares<sup>®</sup> MSCI Emerging Markets Index Fund may invest up to 10% of its assets in other securities, including securities not in the MSCI EM Underlying Index, futures contracts, options on futures contracts, other types of options and swaps related to the MSCI EM Underlying Index, as well as cash and cash equivalents, including shares of money market funds affiliated with BFA or its affiliates.

## Representative Sampling

The iShares® MSCI Emerging Markets Index Fund pursues a “representative sampling” strategy in attempting to track the performance of the MSCI EM Underlying Index, and generally does not hold all of the equity securities included in the MSCI EM Underlying Index. The iShares® MSCI Emerging Markets Index Fund invests in a representative sample of securities in the MSCI EM Underlying Index, which have a similar investment profile as the MSCI EM Underlying Index. Securities selected have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the MSCI EM Underlying Index.

## Correlation

The MSCI EM Underlying Index is a theoretical financial calculation, while the iShares® MSCI Emerging Markets Index Fund is an actual investment portfolio. The performance of the iShares® MSCI Emerging Markets Index Fund and the MSCI EM Underlying Index will vary somewhat due to transaction costs, foreign currency valuation, asset valuations, corporate actions (such as mergers and spin-offs), timing variances, and differences between the iShares® MSCI Emerging Markets Index Fund’s portfolio and the MSCI EM Underlying Index resulting from legal restrictions (such as diversification requirements) that apply to the iShares® MSCI Emerging Markets Index Fund but not to the MSCI EM Underlying Index or the use of representative sampling. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called “tracking error.” BFA expects that, over time, the iShares® MSCI Emerging Markets Index Fund’s tracking error will not exceed 5%. The iShares® MSCI Emerging Markets Index Fund, using a representative sampling strategy, can be expected to have a greater tracking error than a fund using replication strategy. Replication is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

## Industry Concentration Policy

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

## Holdings Information

As of April 30, 2010, 99.52% of the iShares® MSCI Emerging Markets Index Fund’s holdings consisted of equity securities, 0.32% consisted of cash and 0.15% was in other assets, including dividends booked but not yet received. The following tables summarize the iShares® MSCI Emerging Markets Index Fund’s top holdings in individual companies and by sector as of such date.

### Top holdings in individual securities as of April 30, 2010

Company	Percentage of Total Holdings
Samsung Electronics Co., Ltd.	3.18%
Petroleo Brasileiro S.A.	2.12%
Taiwan Semiconductor Manufacturing Co., Ltd.	2.02%
Banco Itaú Holding Financeira S.A.	1.74%
Vale SA	1.73%
China Mobile, Ltd.	1.71%
Petroleo Brasileiro S.A.	1.70%
Banco Bradesco	1.51%
OAO Gazprom	1.49%
Teva Pharmaceutical Industries Ltd.	1.48%

**Top holdings by sector as of March 31, 2010**

<b>Sector</b>	<b>Percentage of Total Holdings</b>
Financials	24.29%
Energy	14.61%
Materials	14.41%
Information Technology	14.03%
Telecommunication Services	8.67%
Industrials	6.25%
Consumer Discretionary	5.84%
Consumer Staples	4.95%
Utilities	3.67%
Health Care	2.31%

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

**Historical Performance of the iShares<sup>®</sup> MSCI Emerging Markets Index Fund**

We will provide historical price information with respect to the shares of the iShares<sup>®</sup> MSCI Emerging Markets Index Fund in the relevant terms supplement. You should not take any such historical prices as an indication of future performance.

**Disclaimer**

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

## THE iSHARES® MSCI EAFE INDEX FUND

We have derived all information contained in this product supplement regarding the iShares® MSCI EAFE Index Fund, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, iShares® Trust, BlackRock Institutional Trust Company, N.A. (“BTC”) and BlackRock Fund Advisors (“BFA”). The iShares® MSCI EAFE Index Fund is an investment portfolio maintained and managed by iShares® Trust. BFA is currently the investment adviser to the iShares® MSCI EAFE Index Fund. The iShares® MSCI EAFE Index Fund is an exchange traded fund (“ETF”) that trades on the NYSE Arca under the ticker symbol “EFA.” We make no representations or warranty as to the accuracy or completeness of the information derived from these public sources.

iShares® Trust is a registered investment company that consists of numerous separate investment portfolios, including the iShares® MSCI EAFE Index Fund. Information provided to or filed with the SEC by iShares® Trust pursuant to the Securities Act of 1933 and the Investment Company Act of 1940 can be located by reference to SEC file numbers 333-92935 and 811-09729, respectively, through the SEC’s website at <http://www.sec.gov>. For additional information regarding iShares® Trust, BFA, the iShares® MSCI EAFE Index Fund, please see the Prospectus, dated December 1, 2009 (as supplemented on February 2, 2010). In addition, information about iShares® and the iShares® MSCI EAFE Index Fund may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the iShares® website at [www.ishares.com](http://www.ishares.com). We make no representation or warranty as to the accuracy or completeness of such information. Information contained in the iShares® website is not incorporated by reference in, and should not be considered a part of, this product supplement or any terms supplement.

### Investment Objective and Strategy

The iShares® MSCI EAFE Index Fund seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of publicly traded securities in developed European, Australasian and Far Eastern markets, as measured by the MSCI EAFE® Index (the “MSCI EAFE Underlying Index”). The iShares® MSCI EAFE Index Fund holds equity securities traded primarily in certain developed markets. The MSCI EAFE Underlying Index was developed by MSCI Inc. (“MSCI”) as an equity benchmark for international stock performance, and is designed to measure equity market performance in certain developed markets. For more information about the MSCI EAFE Underlying Index, please see “The MSCI Indices.”

As of March 31, 2010, the iShares® MSCI EAFE Index Fund holdings by country consisted of the following 27 countries: Australia, Austria, Belgium, Bermuda, China, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Jersey, Luxembourg, Macau, Mauritius, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. In addition, as of such date, the iShares® MSCI EAFE Index Fund’s three largest holdings by country were Japan, the United Kingdom and France. As of April 30, 2010 its three largest equity securities were HSBC Holdings PLC, Nestle SA-REG, BP PLC, and its three largest sectors were financials, industrials and materials.

The iShares® MSCI EAFE Index Fund uses a representative sampling strategy (as described below under “— Representative Sampling”) to try to track the MSCI EAFE Underlying Index. In addition, the iShares® MSCI EAFE Index Fund may invest up to 10% of its assets in securities not included in the MSCI EAFE Underlying Index but which BFA believes will help the iShares® MSCI EAFE Index Fund track the MSCI EAFE Underlying Index and in futures contracts, options on futures contracts, options and swaps as well as cash and cash equivalents, including shares of money market funds advised by BFA.

## Representative Sampling

The iShares® MSCI EAFE Index Fund pursues a “representative sampling” strategy in attempting to track the performance of the MSCI EAFE Underlying Index, and generally does not hold all of the equity securities included in the MSCI EAFE Underlying Index. The iShares® MSCI EAFE Index Fund invests in a representative sample of securities in the MSCI EAFE Underlying Index, which have a similar investment profile as the MSCI EAFE Underlying Index. Securities selected have aggregate investment characteristics (based on market capitalization and industry weightings), fundamental characteristics (such as return variability, earnings valuation and yield) and liquidity measures similar to those of the MSCI EAFE Underlying Index.

## Correlation

The MSCI EAFE Underlying Index is a theoretical financial calculation, while the iShares® MSCI EAFE Index Fund is an actual investment portfolio. The performance of the iShares® MSCI EAFE Index Fund and the MSCI EAFE Underlying Index will vary somewhat due to transaction costs, foreign currency valuation, asset valuations, corporate actions (such as mergers and spin-offs), timing variances, and differences between the iShares® MSCI EAFE Index Fund's portfolio and the MSCI EAFE Underlying Index resulting from legal restrictions (such as diversification requirements) that apply to the iShares® MSCI EAFE Index Fund but not to the MSCI EAFE Underlying Index or the use of representative sampling. A figure of 100% would indicate perfect correlation. Any correlation of less than 100% is called “tracking error.” BFA expects that, over time, the iShares® MSCI EAFE Index Fund's tracking error will not exceed 5%. The iShares® MSCI EAFE Index Fund, using a representative sampling strategy, can be expected to have a greater tracking error than a fund using replication strategy. Replication is a strategy in which a fund invests in substantially all of the securities in its underlying index in approximately the same proportions as in the underlying index.

## Industry Concentration Policy

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

## Holdings Information

As of April 30, 2010, 99.38% of the iShares® MSCI EAFE Index Fund's holdings consisted of equity securities, 0.03% consisted of cash and 0.59% was in other assets, including dividends booked but not yet received. The following tables summarize the iShares® MSCI EAFE Index Fund's top holdings in individual companies and by sector as of such date.

### Top holdings in individual securities as of April 30, 2010

<b><u>Company</u></b>	<b><u>Percentage of Total Holdings</u></b>
HSBC Holdings PLC.	1.75%
Nestle SA-REG	1.68%
BP PLC	1.63%
BHP Billiton Ltd	1.26%
Vodafone Group PLC	1.15%
Total SA	1.14%
Toyota Motor Corp.	1.13%
Roche Holding AG-Genusschein	1.10%
Royal Dutch Shell Plc-A Shares	1.09%
Novartis AG-Reg	1.06%

**Top holdings by sector as of March 31, 2010**

<b><u>Sector</u></b>	<b><u>Percentage of Total Holdings</u></b>
Financials	25.24%
Industrials	11.82%
Materials	10.39%
Consumer Staples	9.92%
Consumer Discretionary	9.84%
Health Care	8.01%
Energy	7.98%
Telecommunication Services	5.51%
Utilities	5.50%
Information Technology	5.18%

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

**Historical Performance of the iShares® MSCI EAFE Index Fund**

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

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## THE S&P 500® INDEX

We have derived all information regarding the S&P 500® Index contained in this product supplement, including, without limitation, its make-up, method of calculation and changes in its components, from publicly available information. Such information reflects the policies of, and is subject to change by, Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P"). The S&P 500® Index was developed by S&P and is calculated, maintained and published by S&P. We make no representation or warranty as to the accuracy or completeness of such information.

The S&P 500® Index is intended to provide a performance benchmark for the U.S. equity markets. The calculation of the level of the S&P 500® Index (discussed below in further detail) is based on the relative value of the aggregate Market Value (as defined below) of the common stocks of 500 companies (the "Component Stocks") as of a particular time as compared to the aggregate average Market Value of the common stocks of 500 similar companies during the base period of the years 1941 through 1943. Historically, the "Market Value" of any Component Stock was calculated as the product of the market price per share and the number of the then outstanding shares of such Component Stock. As discussed below, on March 21, 2005, S&P began to use a new methodology to calculate the Market Value of the Component Stocks and on September 16, 2005, S&P completed its transition to the new calculation methodology. The 500 companies are not the 500 largest companies listed on the New York Stock Exchange (the "NYSE") and not all 500 companies are listed on such exchange. S&P chooses companies for inclusion in the S&P 500® Index with the objective of achieving a distribution by broad industry groupings that approximates the distribution of these groupings in the common stock population of the U.S. equity market. S&P may from time to time, in its sole discretion, add companies to, or delete companies from, the S&P 500® Index to achieve the objectives stated above. Relevant criteria employed by S&P include the viability of the particular company, the extent to which that company represents the industry group to which it is assigned, the extent to which the company's common stock is widely-held and the Market Value and trading activity of the common stock of that company.

On March 21, 2005, S&P began to calculate the S&P 500® Index based on a half float-adjusted formula, and on September 16, 2005, the S&P 500® Index became fully float adjusted. S&P's criteria for selecting stocks for the S&P 500® Index was not changed by the shift to float adjustment. However, the adjustment affects each company's weight in the S&P 500® Index (*i.e.*, its Market Value).

Under float adjustment, the share counts used in calculating the S&P 500® Index reflect only those shares that are available to investors, not all of a company's outstanding shares. S&P defines three groups of shareholders whose holdings are subject to float adjustment:

- holdings by other publicly traded corporations, venture capital firms, private equity firms, strategic partners, or leveraged buyout groups;
- holdings by government entities, including all levels of government in the United States or foreign countries; and
- holdings by current or former officers and directors of the company, founders of the company or family trusts of officers, directors or founders, as well as holdings of trusts, foundations, pension funds, employee stock ownership plans, or other investment vehicles associated with and controlled by the company.

However, treasury stock, stock options, restricted shares, equity participation units, warrants, preferred stock, convertible stock and rights are not part of the float. In cases where holdings in a group exceed 10% of the outstanding shares of a company, the holdings of that group will be excluded from the float-adjusted count of shares to be used in the S&P 500® Index calculation. Mutual funds, investment advisory firms, pension funds or foundations not associated with the company and investment funds in insurance companies, shares of a U.S. company traded in Canada as "exchangeable shares," shares that trust beneficiaries may buy or sell without difficulty or significant additional expense beyond typical brokerage fees, and, if a company has multiple classes of stock outstanding, shares in an unlisted or

non-traded class if such shares are convertible by shareholders without undue delay and cost, are also part of the float.

For each stock, an investable weight factor ("IWF") is calculated by dividing the available float shares, defined as the total shares outstanding less shares held in one or more of the three groups listed above where the group holdings exceed 10% of the outstanding shares, by the total shares outstanding. (On March 21, 2005, the S&P 500<sup>®</sup> Index moved halfway to float adjustment, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500<sup>®</sup> Index between March 21, 2005 and September 16, 2005 was 0.90. On September 16, 2005, S&P began to calculate the S&P 500<sup>®</sup> Index on a fully float-adjusted basis, meaning that if a stock has an IWF of 0.80, the IWF used to calculate the S&P 500<sup>®</sup> Index on and after September 16, 2005 is 0.80.) The float-adjusted S&P 500<sup>®</sup> Index is calculated by dividing the sum of the IWF multiplied by both the price and the total shares outstanding for each stock by the Index Divisor. For companies with multiple classes of stock, S&P calculates the weighted average IWF for each stock using the proportion of the total company market capitalization of each share class as weights.

As of the date of this product supplement, the S&P 500<sup>®</sup> Index is calculated using a base-weighted aggregate methodology: the level of the S&P 500<sup>®</sup> Index reflects the total Market Value of all 500 Component Stocks relative to the S&P 500<sup>®</sup> Index's base period of 1941–43 (the "Base Period").

An indexed number is used to represent the results of this calculation in order to make the value easier to work with and track over time.

The actual total Market Value of the Component Stocks during the Base Period has been set equal to an indexed value of 10. This is often indicated by the notation 1941–43=10. In practice, the daily calculation of the S&P 500<sup>®</sup> Index is computed by dividing the total Market Value of the Component Stocks by a number called the Index Divisor. By itself, the Index Divisor is an arbitrary number. However, in the context of the calculation of the S&P 500<sup>®</sup> Index, it is the only link to the original Base Period level of the S&P 500<sup>®</sup> Index. The Index Divisor keeps the S&P 500<sup>®</sup> Index comparable over time and is the manipulation point for all adjustments to the S&P 500<sup>®</sup> Index ("Index Maintenance").

Index Maintenance includes monitoring and completing the adjustments for company additions and deletions, share changes, stock splits, stock dividends and stock price adjustments due to company restructurings or spin-offs.

To prevent the level of the S&P 500<sup>®</sup> Index from changing due to corporate actions, all corporate actions which affect the total Market Value of the S&P 500<sup>®</sup> Index require an Index Divisor adjustment. By adjusting the Index Divisor for the change in total Market Value, the level of the S&P 500<sup>®</sup> Index remains constant. This helps maintain the level of the S&P 500<sup>®</sup> Index as an accurate barometer of stock market performance and ensures that the movement of the S&P 500<sup>®</sup> Index does not reflect the corporate actions of individual companies in the S&P 500<sup>®</sup> Index. All Index Divisor adjustments are made after the close of trading and after the calculation of the closing levels of the S&P 500<sup>®</sup> Index. Some corporate actions, such as stock splits and stock dividends, require simple changes in the common shares outstanding and the stock prices of the companies in the S&P 500<sup>®</sup> Index and do not require Index Divisor adjustments.

The table below summarizes the types of Index maintenance adjustments and indicates whether or not an Index Divisor adjustment is required.

Type of Corporate Action	Comments	Index Divisor Adjustment Required
Company added/ deleted	Net change in market value determines Index Divisor adjustment.	Yes
Change in shares outstanding	Any combination of secondary issuance, share repurchase or buy back – share counts revised to reflect change.	Yes
Stock split	Share count revised to reflect new count. Index Divisor adjustment is not required since the share count and price changes are offsetting.	No
Spin-off	If spun-off company is not being added to the index, the divisor adjustment reflects the decline in index market value ( <i>i.e.</i> , the value of the spun-off unit).	Yes
Spin-off	Spun-off company added to the index, no company removed from the index.	No
Spin-off	Spun-off company added to the index, another company removed to keep number of names fixed. Index Divisor adjustment reflects deletion.	Yes
Change in IWF due to a corporate action or a purchase or sale by an inside holder.	Increasing (decreasing) the IWF increases (decreases) the total market value of the index. The Index Divisor change reflects the change in market value caused by the change to an IWF.	Yes
Special Dividend	When a company pays a special dividend the share price is assumed to drop by the amount of the dividend; the divisor adjustment reflects this drop in index market value.	Yes
Rights offering	Each shareholder receives the right to buy a proportional number of additional shares at a set (often discounted) price. The calculation assumes that the offering is fully subscribed. Index Divisor adjustment reflects increase in market cap measured as the shares issued multiplied by the price paid.	Yes

Stock splits and stock dividends do not affect the Index Divisor, because following a split or dividend, both the stock price and number of shares outstanding are adjusted by S&P so that there is no change in the Market Value of the Component Stock. All stock split and dividend adjustments are made after the close of trading on the day before the ex-date.

Each of the corporate events exemplified in the table requiring an adjustment to the Index Divisor has the effect of altering the Market Value of the Component Stock and consequently of altering the aggregate Market Value of the Component Stocks (the “Post-Event Aggregate Market Value”). In order that the level of the S&P 500® Index (the “Pre-Event Index Value”) not be affected by the altered Market Value (whether increase or decrease) of the affected Component Stock, a new Index Divisor (“New Divisor”) is derived as follows:

$$\frac{\text{Post - Event Aggregate Market Value}}{\text{New Divisor}} = \text{Pre - Event Index Value}$$

$$\text{New Divisor} = \frac{\text{Post - Event Aggregate Market Value}}{\text{Pre - Event Index Value}}$$

A large part of the Index maintenance process involves tracking the changes in the number of shares outstanding of each of the S&P 500® Index companies. Four times a year, on a Friday close to the end of each calendar quarter, the share totals of companies in the S&P 500® Index are updated as required by any changes in the number of shares outstanding. After the totals are updated, the Index Divisor is adjusted to compensate for the net change in the total Market Value of the S&P 500® Index. In addition, changes in a company's shares outstanding of 5% or more due to mergers, acquisitions, public offerings, private placements, tender offers, Dutch auctions or exchange offers are made as soon as reasonably possible. Other changes of 5% or more (due to, for example, company stock repurchases, redemptions, exercise of options, warrants, conversion of preferred stock, notes, debt, equity participations or other recapitalizations) are made weekly, and are announced on Tuesdays for implementation after the close of trading on Wednesday. In the case of certain rights issuances, in which the number of rights issued and/or terms of their exercise are deemed substantial, a price adjustment and share increase may be implemented immediately.

IWFs are reviewed annually based on the most recently available data filed with various regulators and exchanges. Revised IWFs are applied on the third Friday of September. Changes in IWFs resulting from corporate actions which exceed 10 percentage points will be implemented as soon as possible; changes of less than 10 percentage points are implemented at the next annual review.

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The notes are not sponsored, endorsed, sold or promoted by Standard & Poor's, a division of The McGraw-Hill Companies, Inc., which we refer to as S&P. S&P makes no representation or warranty, express or implied, to the owners of the notes or any member of the public regarding the advisability of investing in securities generally or in the notes particularly, or the ability of the S&P 500® Index to track general stock market performance. S&P's only relationship to JPMorgan Chase & Co. is the licensing of certain trademarks and trade names of S&P without regard to JPMorgan Chase & Co. or the notes. S&P has no obligation to take the needs of JPMorgan Chase & Co. or the holders of the notes into consideration in determining, composing or calculating the S&P 500® Index. S&P is not responsible for and has not participated in the determination of the timing, price or quantity of the notes to be issued or in the determination or calculation of the amount due at maturity of the notes. S&P has no obligation or liability in connection with the administration, marketing or trading of the notes.

**S&P DOES NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN AND S&P SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS OR INTERRUPTIONS THEREIN. S&P MAKES NO WARRANTY, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY JPMORGAN CHASE & CO., HOLDERS OF THE NOTES, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.**

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ADVISABILITY OF PURCHASING ANY OF THE NOTES.**

## THE SPDR<sup>®</sup> GOLD TRUST

We have derived all information contained in this product supplement no. 32-A-II regarding the SPDR<sup>®</sup> Gold Trust, including, without limitation, its structure, the creation and redemption of its shares and their valuation, from publicly available information. Such information reflects the policies of, and is subject to change by, the SPDR<sup>®</sup> Gold Trust (the “Gold Trust”) and World Gold Trust Services, LLC, the sponsor of the SPDR<sup>®</sup> Gold Trust. BNY Mellon Asset Servicing, a division of The Bank of New York Mellon, is the trustee of the SPDR<sup>®</sup> Gold Trust, and HSBC Bank USA, N.A. is the custodian of the SPDR<sup>®</sup> Gold Trust. The Gold Trust is an investment trust, formed on November 12, 2004 that seeks to mirror as closely as possible the price of gold bullion, before fees and expenses. The Gold Trust trades under the ticker symbol “GLD” on the NYSE Arca<sup>®</sup>. We make no representations or warranty as to the accuracy or completeness of the information derived from these public sources.

Information provided to or filed with the Securities and Exchange Commission (the “SEC”) by SPDR<sup>®</sup> Gold Trust pursuant to the Securities Act of 1933 and the Securities Exchange Act of 1934 can be located by reference to SEC file numbers 333-153150 and 001-32356, respectively, through the SEC's website at <http://www.sec.gov>. For additional information regarding the SPDR<sup>®</sup> Gold Trust, please see the SPDR<sup>®</sup> Gold Trust's Prospectus, dated March 19, 2009. In addition, information about the SPDR<sup>®</sup> Gold Trust may be obtained from other sources including, but not limited to, press releases, newspaper articles and other publicly disseminated documents and the public website of the SPDR<sup>®</sup> Gold Trust maintained by the sponsor at <http://www.spdrgoldshares.com>. We make no representation or warranty as to the accuracy or completeness of such information. Information contained in the SPDR<sup>®</sup> Gold Trust website is not incorporated by reference in, and should not be considered a part of, this product supplement no. 32-A-II or any terms supplement.

### **Investment Objective and Strategy**

The investment objective of the Gold Trust is to reflect the performance of the price of gold bullion, less the Gold Trust's expenses. The Gold Trust seeks to mirror as closely as possible the price of gold bullion, before fees and expenses. The Gold Trust holds gold bars and issues shares in exchange for deposits of gold and distributes gold in connection with the redemption of shares. The shares of the Gold Trust are intended to offer investors an opportunity to participate in the gold market through an investment in securities. The ownership of the shares of the Gold Trust is intended to overcome certain barriers to entry in the gold market, such as the logistics of buying, storing and insuring gold.

The shares of the Gold Trust represent units of fractional undivided beneficial interest in and ownership of the Gold Trust, the primary asset of which is allocated (or unsecured) gold. The Gold Trust is not managed like a corporation or an active investment vehicle. The gold held by the Gold Trust will only be sold: (1) on an as-needed basis to pay the Gold Trust's expenses, (2) in the event the Gold Trust terminates and liquidates its assets, or (3) as otherwise required by law or regulation.

The Gold Trust's assets only consist of allocated gold bullion, gold credited to an unallocated gold account, gold receivable when recorded; representing gold covered by contractually binding orders for the creation of shares where the gold has not yet been transferred to the Gold Trust's account and, from time to time, cash, which will be used to pay expenses.

### *Creation and Redemption*

The Gold Trust creates and redeems the shares of the Gold Trust (“Shares”) from time to time, but only in one or more baskets (a “Basket” equals a block of 100,000 Shares). The creation and redemption of Baskets requires the delivery to the Gold Trust or the distribution by the Gold Trust of the amount of gold and any cash represented by the Baskets being created or redeemed, the amount of which is based on the combined net asset value of the number of Shares included in the Baskets being created or

redeemed. The initial amount of gold required for deposit with the Gold Trust to create Shares for the period from the formation of the Gold Trust to the first day of trading of the Shares on the NYSE was 10,000 ounces per Basket. The number of ounces of gold required to create a Basket or to be delivered upon the redemption of a Basket gradually decreases over time, due to the accrual of the Gold Trust's expenses and the sale of the Gold Trust's gold to pay the Gold Trust's expenses. Baskets may be created or redeemed only by authorized participants, who pay a transaction fee for each order to create or redeem Baskets and may sell the Shares included in the Baskets they create to other investors.

#### *Valuation of Gold; Computation of Net Asset Value*

The Net Asset Value ("NAV") of the Gold Trust is the aggregate value of the Gold Trust's assets less its liabilities (which include estimated accrued but unpaid fees and expenses). In determining the NAV of the Gold Trust, the trustee values the gold held by the Gold Trust on the basis of the price of an ounce of gold as set by the afternoon session of the twice daily fix of the price of an ounce of gold which starts at 3:00 PM London, England time and is performed by the five members of the London gold fix. Once the value of the gold has been determined, the trustee subtracts all estimated accrued but unpaid fees (other than the fees accruing for the evaluation day which are computed by reference to the ANAV of the Gold Trust or the custody fees accruing for the evaluation day which are based on the value of the gold held by the Gold Trust), expenses and other liabilities of the Gold Trust from the total value of the gold and all other assets of the Gold Trust (other than any amounts credited to the Gold Trust's reserve account, if established). The resulting figure is the "ANAV" of the Gold Trust. The ANAV of the Gold Trust is used to compute the fees of the sponsor, the trustee and the marketing agent. To determine the Gold Trust's NAV, the trustee subtracts the amount of estimated accrued but unpaid fees accruing for the evaluation day which are computed by reference to the ANAV of the Gold Trust and to the value of the gold held by the Gold Trust from the ANAV of the Gold Trust. The resulting figure is the NAV of the Gold Trust. The trustee also determines the NAV per Share by dividing the NAV of the Gold Trust by the number of the Shares outstanding as of the close of trading on NYSE Arca (which includes the net number of any Shares created or redeemed on such evaluation day). The trustee determines the NAV of the Gold Trust on each day the NYSE Arca is open for regular trading, at the earlier of the London PM Fix for the day or 12:00 PM New York time. If no London PM Fix is made on a particular evaluation day or if the London PM Fix has not been announced by 12:00 PM New York time on a particular evaluation day, the next most recent London gold price fix (AM or PM) is used in the determination of the NAV of the Gold Trust, unless the trustee, in consultation with the sponsor, determines that such price is inappropriate to use as the basis for such determination. The trustee also determines the NAV per Share, which equals the NAV of the Gold Trust, divided by the number of outstanding Shares. As of February 19, 2010, the NAV per Share of the Gold Trust was \$108.98.

#### **Termination of the SPDR® Gold Trust**

The sponsor may, and it is anticipated that the sponsor will, direct the trustee to terminate and liquidate the Gold Trust at any time after the first anniversary of the Gold Trust's formation when the NAV of the Gold Trust is less than \$350 million (as adjusted for inflation). The sponsor may also direct the trustee to terminate the Gold Trust if the Commodity Futures Trading Commission, or the CFTC, determines that the Gold Trust is a commodity pool under the Commodity Exchange Act of 1936, as amended, or the CEA. The trustee may also terminate the Gold Trust upon the agreement of shareholders owning at least 66 2/3% of the outstanding Shares. The trustee may terminate the Gold Trust upon the agreement of shareholders owning at least 66 2/3% of the outstanding Shares of the SPDR® Gold Trust.

The trustee will terminate and liquidate the SPDR® Gold Trust if any of the following events occur:

- Depository Trust Company, the securities depository for the Shares, is unwilling or unable to perform its functions under the Gold Trust Indenture and no suitable replacement is available;

- The Shares are de-listed from the NYSE Arca and are not listed for trading on another US national securities exchange or through the NASDAQ Stock Market within five business days from the date the Shares are de-listed;
- The NAV of the Gold Trust remains less than \$50 million for a period of 50 consecutive business days;
- The sponsor resigns or is unable to perform its duties or becomes bankrupt or insolvent and the trustee has not appointed a successor and has not itself agreed to act as sponsor;
- The trustee resigns or is removed and no successor trustee is appointed within 60 days;
- The custodian resigns and no successor custodian is appointed within 60 days;
- The sale of all of the Gold Trust's assets;
- The Gold Trust fails to qualify for treatment, or ceases to be treated, for US federal income tax purposes, as a grantor trust; or
- The maximum period for which the Gold Trust is allowed to exist under New York law ends.

Upon the termination of the Gold Trust, the trustee will, within a reasonable time after the termination of the Gold Trust, sell the Gold Trust's gold bars and, after paying or making provision for the Gold Trust's liabilities, distribute the proceeds to the shareholders.

#### **Historical Performance of the SPDR® Gold Trust**

We will provide historical price information with respect to the Shares of the SPDR® Gold Trust in the relevant terms supplement. You should not take any such historical prices as an indication of future performance.

#### **Disclaimer**

The Shares of the SPDR® Gold Trust are neither interest in nor obligations of the sponsor, the trustee or State Street Global Markets, LLC, as the marketing agent. The notes are not sponsored, endorsed, sold, or promoted by the sponsor, the trustee or the marketing agent. The sponsor, the trustee or the marketing agent makes no representations or warranties to the owners of the notes or any member of the public regarding the advisability of investing in the notes. Neither the sponsor, the trustee nor the marketing agent has any obligation or liability in connection with the operation, marketing, trading or sale of the notes.

## **OTHER COMPONENTS**

If the Basket includes an index or a fund not described in this product supplement, the terms supplement or a separate underlying supplement will provide additional information relating to such index or fund.

## GENERAL TERMS OF NOTES

### Calculation Agent

JPMSI will act as the calculation agent. The calculation agent will determine, among other things, the Index Return and Index Closing Level for each Basket Index and each Fund Return, Initial Share Price and Final Share Price for each Basket Fund, the Starting Basket Level, the Ending Basket Level, the Basket Return, the Additional Amount, if any, we will pay you at maturity, the closing level or closing price of each Basket Component on each Initial Averaging Date, if applicable, the Share Adjustment Factor and anti-dilution adjustments, if any, related to the Basket Fund, and the Basket Closing Level on any Basket Valuation Date, as well as, if applicable, whether a Knock-Out Event has occurred (for notes with a Knock-Out feature), whether the Ending Basket Level is equal to or greater than the Starting Basket Level and, if the notes bear interest, the amount of interest payable, if any, on any Interest Payment Date. In addition, the calculation agent will determine whether there has been a market disruption event or a discontinuation of any Basket Component, the Option Value of your notes on the commodity hedging disruption date in the event of a commodity hedging disruption event, and whether there has been a material change in the method of calculation of any of the Basket Components and, if the notes bear interest, whether a day is an interest payment date, as well as which exchange traded fund will be substituted for a Basket Fund (or relevant successor fund, if applicable) if such Basket Fund (or relevant successor fund, if applicable) is de-listed, liquidated or otherwise terminated; whether the index underlying a Basket Fund, if applicable (or the index related to the relevant successor fund, if applicable) has been changed in a material respect and whether a Basket Fund (or relevant successor fund, if applicable) has been modified so that such Basket Fund (or relevant successor fund, if applicable) does not, in the opinion of the calculation agent, fairly represent the price of such Basket Fund (or relevant successor fund, if applicable) had those modifications not been made. All determinations made by the calculation agent will be at the sole discretion of the calculation agent and will, in the absence of manifest error, be conclusive for all purposes and binding on you and on us. We may appoint a different calculation agent from time to time after the date of the relevant terms supplement without your consent and without notifying you.

The calculation agent will provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, of the amount to be paid at maturity and each Interest Payment Date, if applicable, on or prior to 11:00 a.m., New York City time, on the business day preceding the maturity date and each Interest Payment Date, if applicable.

All calculations with respect to the Starting Basket Level, the Ending Basket Level, the Basket Return including each Index Return and Index Closing Level for each Basket Index and each Fund Return, Initial Share Price and Final Share Price for each Basket Fund on the pricing date will be rounded to the nearest one hundred-thousandth, with five one-millionths rounded upward (*e.g.*, .876545 would be rounded to .87655); all dollar amounts related to determination of the Additional Amount payable at maturity, if any, per \$1,000 principal amount note will be rounded to the nearest ten-thousandth, with five one hundred-thousandths rounded upward (*e.g.*, .76545 would be rounded up to .7655); and all dollar amounts paid on the aggregate principal amount of notes per holder will be rounded to the nearest cent, with one-half cent rounded upward.

### Market Disruption Events

Certain events may prevent the calculation agent from calculating the Closing Level or closing price of a Basket Component on any Initial Averaging Date, if applicable, the Basket Closing Level, Basket Valuation Date and, consequently, the Basket Return and the Additional Amount, if any, that we will pay to you at maturity of the notes. These events may include disruptions or suspensions of trading on the markets as a whole. In addition, certain events may prevent us or our affiliates from hedging our obligations under the notes including, but not limited to, changes in laws or regulations applicable to the commodity futures contracts underlying the Commodity Indices. In the case of such an event we have the right, but not the obligation, to determine the Option Value of your notes on the commodity hedging disruption date, and pay at maturity the amount described under "General Terms of Notes — Consequences of a Commodity Hedging Disruption Event." We refer to each of the events described in the following paragraph individually as a "market disruption event."

With respect to each Equity Index and any relevant successor index, a “market disruption event,” unless otherwise specified in the relevant terms supplement, means:

- a suspension, absence or material limitation of trading of equity securities then constituting 20% or more of the level of such Equity Index (or the relevant successor index) on the relevant exchanges (as defined below) for such securities for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such relevant exchange; or
- a breakdown or failure in the price and trade reporting systems of any relevant exchange as a result of which the reported trading prices for equity securities then constituting 20% or more of the level of such Equity Index (or the relevant successor index) during the one hour preceding the close of the principal trading session on such relevant exchange are materially inaccurate; or
- a suspension, absence or material limitation of trading on the primary exchange or market for trading in futures or options contracts related to such Equity Index (or the relevant successor index) for more than two hours of trading during, or during the one hour period preceding the close of, the principal trading session on such exchange or market; or
- a decision to permanently discontinue trading in the relevant futures or options contracts;

in each case as determined by the calculation agent in its sole discretion; and

- a determination by the calculation agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the notes.

For the purpose of determining whether a market disruption event with respect to an Equity Index (or the relevant successor index) exists at any time, if trading in a security included in such Equity Index (or the relevant successor index) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of such Equity Index (or the relevant successor index) will be based on a comparison of:

- the portion of the level of such Equity Index (or the relevant successor index) attributable to that security relative to
- the overall level of such Equity Index (or the relevant successor index),

in each case immediately before that suspension or limitation.

For purposes of determining whether a market disruption event with respect to an Equity Index (or the relevant successor index) has occurred, unless otherwise specified in the relevant terms supplement:

- a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange, or the primary exchange or market for trading in futures or options contracts related to such Equity Index (or the relevant successor index);
- limitations pursuant to the rules of any relevant exchange similar to NYSE Rule 80B (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80B as determined by the calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;

- a suspension of trading in futures or options contracts on such Equity Index (or the relevant successor index) by the primary exchange or market trading in such contracts by reason of
  - a price change exceeding limits set by such exchange or market,
  - an imbalance of orders relating to such contracts, or
  - a disparity in bid and ask quotes relating to such contracts

will, in each such case, constitute a suspension, absence or material limitation of trading in futures or options contracts related to such Equity Index (or the relevant successor index); and

- a “suspension, absence or material limitation of trading” on any relevant exchange or on the primary exchange or market on which futures or options contracts related to such Equity Index (or the relevant successor index) are traded will not include any time when such exchange or market is itself closed for trading under ordinary circumstances.

“Relevant exchange” means, with respect to each Equity Index or the relevant successor index, the primary exchange or market of trading for any security (or any combination thereof) then included in such Equity Index or such successor index, as applicable.

With respect to the Commodity Indices or any relevant successor index, a “market disruption event,” unless otherwise specified in the relevant terms supplement, means:

- the termination or suspension of, or material limitation or disruption in the trading of any exchange-traded futures contract included in such Commodity Index (or the relevant successor index); or
- the settlement price of any such contract has increased or decreased by an amount equal to the maximum permitted price change from the previous day’s settlement price; or
- such Commodity Index (or the relevant successor index) is not published; or
- the settlement price is not published for any individual reference contract;

in each case as determined by the calculation agent in its sole discretion; and

- a determination by the calculation agent in its sole discretion that the event described above materially interfered with our ability or the ability of any of our affiliates to adjust or unwind all or a material portion of any hedge with respect to the notes.

The following events will not be market disruption events with respect to a Commodity Index (or the relevant successor index), unless otherwise specified in the relevant terms supplement:

- a limitation on the hours or number of days of trading, but only if the limitation results from an announced change in the regular business hours of the relevant exchange or market; or
- a decision to permanently discontinue trading in the option or futures contracts relating to a Commodity Index (or the relevant successor index) or any Index Commodity.

“Relevant Exchange” means, with respect to each Commodity Index or the relevant successor index, any organized exchange or market of trading for any futures contract (or any combination thereof) then included in such Commodity Index or such successor index, as applicable.

With respect to a Basket Fund or any successor fund, a “market disruption event,” unless otherwise specified in the relevant terms supplement, means:

- the occurrence or existence of a suspension, absence or material limitation of trading of the shares of the Basket Fund (or the relevant successor fund or such other security) on the primary market for such shares (or the relevant successor fund or such other security) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session in such market;
- a breakdown or failure in the price and trade reporting systems of the primary market for the shares of the Basket Fund (or the relevant successor fund or such other security) as a result of which the reported trading prices for such shares (or the relevant successor fund or such other security) during the last one-half hour preceding the close of the principal trading session in such market are materially inaccurate; or
- the occurrence or existence of a suspension, absence or material limitation of trading on the primary market for trading in futures or options contracts related to the shares of the Basket Fund (or the relevant successor fund or such other security), if available, during the one-half hour period preceding the close of the principal trading session in the applicable market,

in each case, as determined by the calculation agent in its sole discretion; or

- the occurrence or existence of a suspension, absence or material limitation of trading of securities then constituting 20 percent or more of the level of the underlying index (or the relevant successor fund or such other security) on the Relevant Exchanges for such securities for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on such Relevant Exchange, in each case as determined by the calculation agent in its sole discretion; or
- the occurrence or existence of a suspension, absence or material limitation of trading on any major U.S. securities market for trading in futures or options contracts related to the applicable underlying index (or the underlying index related to the relevant successor fund) or shares of the Basket Fund (or the relevant successor fund or such other security) for more than two hours of trading during, or during the one-half hour period preceding the close of, the principal trading session on such market, in each case as determined by the calculation agent in its sole discretion; and

in each case, a determination by the calculation agent in its sole discretion that any event described in the clauses above materially interfered with our ability or the ability of any of our affiliates to unwind or adjust all or a material portion of the hedge position with respect to the notes.

For the purpose of determining whether a market disruption event with respect to a Basket Fund (or the relevant successor fund) exists at any time, if trading in a security included in the underlying index, if applicable, (or the underlying index related to the relevant successor fund) is materially suspended or materially limited at that time, then the relevant percentage contribution of that security to the level of the Underlying Index (or the underlying index related to the relevant successor fund) will be based on a comparison of (x) the portion of the level of the Underlying Index, if applicable, (or the underlying index related to the relevant successor fund) attributable to that security relative to (y) the overall level of the applicable underlying index, if applicable, (or the underlying index related to the relevant successor fund), in each case immediately before that suspension or limitation.

For the purpose of determining whether a market disruption event with respect to a Basket Fund (or the relevant successor fund) has occurred:

- (1) a limitation on the hours or number of days of trading will not constitute a market disruption event if it results from an announced change in the regular business hours of the relevant exchange or market or the primary exchange or market for trading in futures or options contracts related to the shares of the Basket Fund (or the relevant successor fund);

- (2) a decision to permanently discontinue trading in the relevant futures or options contract or exchange traded fund will not constitute a market disruption event;
- (3) limitations pursuant to the rules of any Relevant Exchange similar to NYSE Rule 80A (or any applicable rule or regulation enacted or promulgated by any other self-regulatory organization or any government agency of scope similar to NYSE Rule 80A as determined by the calculation agent) on trading during significant market fluctuations will constitute a suspension, absence or material limitation of trading;
- (4) a suspension of trading in futures or options contracts on the applicable underlying index (or the underlying index related to the relevant successor fund) or shares of the Basket Fund (or the relevant successor fund or such other security) by the primary securities market trading in such contracts by reason of (a) a price change exceeding limits set by such securities exchange or market, (b) an imbalance of orders relating to such contracts or (c) a disparity in bid and ask quotes relating to such contracts, will constitute a suspension, absence or material limitation of trading in futures or options contracts related to the applicable underlying index (or the underlying index related to the related successor fund) or the shares of the Basket Fund (or the relevant successor fund or such other security); and
- (5) a suspension, absence or material limitation of trading on any Relevant Exchange or on the primary market on which futures or options contracts related to the applicable underlying index (or the underlying index related to the successor fund) or the shares of the Basket Fund (or the relevant successor fund or such other security) are traded will not include any time when such securities market is itself closed for trading under ordinary circumstances.

“Relevant Exchange” means, with respect to each Basket Fund or any relevant successor fund, the primary exchange or market of trading for the shares of such Basket Fund, or the relevant successor fund, as applicable, or any security (or any combination thereof) then included in the applicable underlying index, or any underlying index related to the relevant successor fund, as applicable.

In addition, “commodity hedging disruption event”, which in each case is also a “market disruption event,” means:

(a) due to (i) the adoption of, or any change in, any applicable law, regulation, rule or order (including, without limitation, any tax law); or (ii) the promulgation of, or any change in, the interpretation, application, exercise or operation by any court, tribunal, regulatory authority, exchange or trading facility or any other relevant entity with competent jurisdiction of any applicable law, rule, regulation, order, decision or determination (including, without limitation, as implemented by the CFTC or any exchange or trading facility), in each case occurring on or after the pricing date, the calculation agent determines in good faith that it is contrary (or upon adoption, it will be contrary) to such law, rule, regulation, order, decision or determination for us to purchase, sell, enter into, maintain, hold, acquire or dispose of our or our affiliates’ (A) positions or contracts in securities, options, futures, derivatives or foreign exchange or (B) other instruments or arrangements, in each case, in order to hedge individually or in the aggregate on a portfolio basis our obligations under the notes (“hedge positions”), including, without limitation, if such hedge positions (in whole or in part) are (or, but for the consequent disposal thereof, would otherwise be) in excess of any allowable position limit(s) in relation to any commodity traded on any exchange(s) or other trading facility (it being within the sole and absolute discretion of the calculation agent to determine which of the hedge positions are counted towards such limit); or

(b) for any reason, we or our affiliates are unable, after using commercially reasonable efforts, to (i) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) the calculation agent deems necessary to hedge the risk of entering into and performing our commodity-related obligations with respect to the notes, or (ii) realize, recover or remit the proceeds of any such transaction(s) or asset(s).

Please see the risk factor entitled “In the case of a Basket that includes a Commodity Index, the commodity futures contracts underlying such Commodity Index are subject to legal and regulatory

regimes that may change in ways that could affect our ability to hedge our obligations under the notes, and/or could lead to an early determination of the Option Value of your notes, which will impact your payment at maturity.” for more information.

### **Consequences of a Commodity Hedging Disruption Event**

If a commodity hedging disruption event occurs, we will have the right, but not the obligation, to adjust your payment at maturity. In making such adjustment, on the date on which we declare a commodity hedging disruption event (such date, a “commodity hedging disruption date”) the calculation agent will determine, in good faith and in a commercially reasonable manner, the forward price of the embedded option representing the Additional Amount payable on the notes at maturity (the “Option Value”). The commodity hedging disruption event may occur prior to the Observation Date or the final Ending Averaging Date, as applicable. We will provide, or cause the calculation agent to provide, written notice of our election to exercise such right to the trustee at its New York office. We (or the calculation agent) will deliver this notice as promptly as possible and in no event later than the fifth (5<sup>th</sup>) business day immediately following the commodity hedging disruption date. Additionally, we will specify in such notice the Option Value as determined on the commodity hedging disruption date.

If a commodity hedging disruption event occurs and we decide to exercise our right to adjust your payment at maturity and in doing so determine the Option Value of your notes, such Option Value will be a fixed amount representing the Additional Amount payable at maturity; *provided* that such Additional Amount will not be less than zero (or if applicable, the Minimum Return).

Notwithstanding the foregoing, the amount due and payable per \$1,000 principal amount note will not be less than \$1,000 for each \$1,000 principal amount note and will be due and payable only at maturity. We will pay you at maturity, instead of the amounts set forth under “Description of Notes — Payment at Maturity,” an amount equal to:

- (1) an Additional Amount equal to the Option Value; *provided* that such Additional Amount will not be less than zero (or if applicable, the Minimum Return); *plus*
- (2) \$1,000 for each \$1,000 principal amount note.

For the avoidance of doubt, the determination set forth above is only applicable to the amount due with respect to an early determination of the Option Value as a result of a commodity hedging disruption event.

### **Discontinuation of a Basket Index; Alteration of Method of Calculation**

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

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

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

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

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

#### **Discontinuation of a Basket Fund; Alternate Calculation of Closing Price**

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

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

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

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

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

### **Anti-Dilution Adjustments**

The Share Adjustment Factor is subject to adjustment by the calculation agent as a result of the anti-dilution adjustments described in this section.

No adjustments to the Share Adjustment Factor will be required unless the Share Adjustment Factor adjustment would require a change of at least 0.1% in the Share Adjustment Factor then in effect. The Share Adjustment Factor resulting from any of the adjustments specified in this section will be rounded to the nearest one ten-thousandth with five one hundred-thousandths being rounded upward. The calculation agent will not be required to make any adjustments to the Share Adjustment Factor after the close of business on the business day immediately preceding the maturity date.

No adjustments to the Share Adjustment Factor will be required other than those specified below. The required adjustments specified in this section do not cover all events that could affect the closing price of one share of a Basket Fund on any trading day during the term of the notes.

With respect to each Basket Fund or any successor fund, anti-dilution adjustments will be calculated as follows:

#### *Share Splits and Reverse Share Splits*

If the shares of a Basket Fund (or the relevant successor fund) are subject to a share split or reverse share split, then once such split has become effective, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- the number of shares that a holder of one share of such Basket Fund (or such successor fund) before the effective date of the share split or reverse share split would have owned or been entitled to receive immediately following the applicable effective date.

#### *Share Dividends or Distributions*

If a Basket Fund (or the relevant successor fund) is subject to (i) a share dividend, *i.e.*, an issuance of additional shares of the Basket Fund (or the relevant successor fund) that is given ratably to all or substantially all holders of shares of the Basket Fund (or the relevant successor fund) or (ii) a distribution of shares of such Basket Fund (or such successor fund) as a result of the triggering of any provision of the corporate charter of such Basket Fund (or such successor fund), then, once the dividend or distribution has become effective and the shares of such Basket Fund (or such successor fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the prior Share Adjustment Factor plus the product of:

- the prior Share Adjustment Factor, and
- the number of additional shares issued in the share dividend or distribution with respect to one share of such Basket Fund (or such successor fund).

#### *Non-Cash Distributions*

If a Basket Fund (or the relevant successor fund) distributes shares of capital stock, evidences of indebtedness or other assets or property of such Basket Fund (or such successor fund) to all or substantially all holders of shares of such Basket Fund (or such successor fund) (other than (i) share dividends or distributions referred to under “— Share Dividends or Distributions” above and (ii) cash dividends referred under “— Cash Dividends or Distributions” below), then, once the distribution has become effective and the shares of such Basket Fund (or such successor fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of one share of such Basket Fund (or such successor fund) and the denominator of which is the amount by which such Current Market Price exceeds the Fair Market Value of such distribution.

The “Current Market Price” of each Basket Fund (or the relevant successor fund) means the closing price of one share of such Basket Fund (or such successor fund) on the trading day immediately preceding the ex-dividend date of the dividend or distribution requiring an adjustment to the Share Adjustment Factor.

“Ex-dividend date,” with respect to a dividend or other distribution for a Basket Fund (or the relevant successor fund), shall mean the first trading day on which transactions in the shares of such Basket Fund (or such successor fund) trade on the relevant exchange without the right to receive that dividend or other distribution.

The “Fair Market Value” of any such distribution means the value of such distribution on the ex-dividend date for such distribution, as determined by the calculation agent. If such distribution consists of property traded on the ex-dividend date on a U.S. national securities exchange, the Fair Market Value will equal the closing price of such distributed property on such ex-dividend date.

#### *Cash Dividends or Distributions*

If the issuer of any shares of a Basket Fund (or the relevant successor fund) pays dividends or makes other distributions consisting exclusively of cash to all or substantially all holders of shares of such Basket Fund (or such successor fund) during any dividend period during the term of the notes, in an aggregate amount that, together with other such cash dividends or distributions made previously during such dividend period with respect to which an adjustment to the Share Adjustment Factor has not previously been made under this “—Cash Dividends or Distributions” section, exceeds the Dividend Threshold, then, once the dividend or distribution has become effective and the shares of such Basket Fund (or such successor fund) are trading ex-dividend, the Share Adjustment Factor will be adjusted so that the new Share Adjustment Factor will equal the product of:

- the prior Share Adjustment Factor, and
- a fraction, the numerator of which is the Current Market Price of one share of such Basket Fund (or such successor fund) and the denominator of which is the amount by which such Current Market Price exceeds the aggregate amount in cash per share of such Basket Fund (or such successor fund) distributes in such cash dividend or distribution together with any cash dividends or distributions made previously during such dividend period with respect to which an adjustment to the Share Adjustment Factor has not previously been made under this “—Cash Dividends or Distributions” section to holders of shares of such Basket Fund (or such successor fund) in excess of the Dividend Threshold.

For the avoidance of doubt, the Share Adjustment Factor may be adjusted more than once in any particular dividend period because of cash dividends or distributions that exceed the Dividend Threshold. If the Share Adjustment Factor has been previously adjusted in a particular dividend period because of cash dividends or distributions that exceed the Dividend Threshold, subsequent adjustments will be made

if the relevant Basket Fund (or the relevant successor fund) pays cash dividends or makes other distributions during such dividend period in an aggregate amount that, together with other such cash dividends or distributions since the last adjustment to the Share Adjustment Factor (because of cash dividends or distributions that exceed the Dividend Threshold) exceeds the Dividend Threshold. Such subsequent adjustments to the Share Adjustment Factor will only take into account the cash dividends or distributions during such dividend period made since the last adjustment to the Share Adjustment Factor because of cash dividends or distributions that exceed the Dividend Threshold.

The “Dividend Threshold” is equal to the sum of (x) the immediately preceding cash dividend(s) or other cash distribution(s) paid in the preceding dividend period, if any, per share of a Basket Fund (or the relevant successor fund) plus (y) 10% of the closing price of one share of such Basket Fund (or such successor fund) on the trading day immediately preceding the ex-dividend date, unless otherwise specified in the relevant terms supplement.

The “dividend period” means any period during the term of the notes for which dividends are paid on a regular and consistent basis to shareholders of a Basket Fund (or the relevant successor fund).

The calculation agent will be solely responsible for the determination and calculation of any adjustments to the Share Adjustment Factor and of any related determinations and calculations, and its determinations and calculations with respect thereto will be conclusive in the absence of manifest error.

The calculation agent will provide information as to any adjustments to the Share Adjustment Factor upon written request by any investor in the notes.

## **Events of Default**

Under the heading “Description of Debt Securities — Events of Default and Waivers” in the accompanying prospectus is a description of events of default relating to debt securities including the notes.

## **Alternate Additional Amount Calculation in Case of an Event of Default**

Unless otherwise specified in the relevant terms supplement, in case an event of default with respect to the notes shall have occurred and be continuing, the amount declared due and payable per \$1,000 principal amount note upon any acceleration of the notes will be equal to \$1,000 (or a portion of \$1,000 if there is a Partial Principal Protection Percentage set forth in the relevant terms supplement) plus the Additional Amount calculated as if the date of acceleration were the final Basket Valuation Date, plus, if applicable, any accrued and unpaid interest on the notes. If the notes have more than one Basket Valuation Date, then for each Basket Valuation Date scheduled to occur after the date of acceleration, the trading days immediately preceding the date of acceleration (in such number equal to the number of Basket Valuation Dates in excess of one) will be the corresponding Basket Valuation Dates, unless otherwise specified in the relevant terms supplement. Upon any acceleration of the notes, any interest will be calculated on the basis of a 360-day year of twelve 30-day months and the actual number of days elapsed from and including the previous Interest Payment Date for which interest was paid.

If the maturity of the notes is accelerated because of an event of default as described above, we will, or will cause the calculation agent to, provide written notice to the trustee at its New York office, on which notice the trustee may conclusively rely, and to DTC of the cash amount due with respect to the notes as promptly as possible and in no event later than two business days after the date of acceleration.

## **Modification**

Under the heading “Description of Debt Securities — Modification of the Indenture” in the accompanying prospectus is a description of when the consent of each affected holder of debt securities is required to modify the indenture.

**Defeasance**

The provisions described in the accompanying prospectus under the heading “Description of Debt Securities — Discharge, Defeasance and Covenant Defeasance” are not applicable to the notes, unless otherwise specified in the relevant terms supplement.

**Listing**

The notes will not be listed on any securities exchange, unless otherwise specified in the relevant terms supplement.

**Book-Entry Only Issuance — The Depository Trust Company**

DTC will act as securities depository for the notes. The notes will be issued only as fully-registered securities registered in the name of Cede & Co. (DTC’s nominee). One or more fully-registered global notes certificates, representing the total aggregate principal amount of the notes, will be issued and will be deposited with DTC. See the descriptions contained in the accompanying prospectus supplement under the headings “Description of Notes — Forms of Notes” and “The Depository.”

**Registrar, Transfer Agent and Paying Agent**

Payment of amounts due at maturity on the notes will be payable and the transfer of the notes will be registrable at the principal corporate trust office of The Bank of New York Mellon in The City of New York.

The Bank of New York Mellon or one of its affiliates will act as registrar and transfer agent for the notes. The Bank of New York Mellon will also act as paying agent and may designate additional paying agents.

Registration of transfers of the notes will be effected without charge by or on behalf of The Bank of New York Mellon, but upon payment (with the giving of such indemnity as The Bank of New York Mellon may require) in respect of any tax or other governmental charges that may be imposed in relation to it.

**Governing Law**

The notes will be governed by and interpreted in accordance with the laws of the State of New York.

## **CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES**

The following is a general discussion of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of notes. This discussion applies to you if you are an initial holder of notes purchasing the notes at their issue price for cash and if you hold the notes as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the “Code”).

This summary is based on the Code, existing and proposed Treasury regulations, revenue rulings, administrative interpretations and judicial decisions, in each case as currently in effect, all of which are subject to change, possibly with retroactive effect. This summary does not address all aspects of the U.S. federal income taxation of the notes that may be relevant to you in light of your particular circumstances or if you are a holder of notes who is subject to special treatment under the U.S. federal income tax laws, such as:

- a financial institution;
- an insurance company;
- a “regulated investment company” as defined in Section 851 of the Code;
- a “real estate investment trust” as defined in Section 856 of the Code;
- a tax-exempt entity, including an “individual retirement account” or “Roth IRA” as defined in Section 408 or Section 408A of the Code, respectively;
- a dealer in securities or foreign currencies;
- a person holding the notes as part of a hedging transaction, “straddle,” conversion transaction, or integrated transaction, or who has entered into a “constructive sale” with respect to the notes;
- a U.S. Holder (as defined below) whose functional currency is not the U.S. dollar;
- a trader in securities or foreign currency who elects to apply a mark-to-market method of tax accounting; or
- a partnership or other entity classified as a partnership for U.S. federal income tax purposes.

As the law applicable to the U.S. federal income taxation of instruments such as the notes is technical and complex, the discussion below necessarily represents only a general summary. Moreover, the effects of any applicable state, local or foreign tax laws are not discussed. You should consult your tax adviser concerning the U.S. federal income tax consequences of owning and disposing of the notes, as well as any consequences under the laws of any state, local or foreign taxing jurisdiction.

The following discussion does not apply to notes with a Fixed Payment. Prospective holders of these notes will be provided with a supplemental disclosure statement in the relevant terms supplement, describing the tax consequences relating to them.

### **Tax Treatment of the Notes**

We expect to seek an opinion from Sidley Austin LLP, our special tax counsel, regarding the treatment of the notes as debt for U.S. federal income tax purposes. The relevant terms supplement will describe Sidley Austin LLP’s level of comfort on this issue, which will depend on the facts of the particular offering, its receipt of certain factual representations from us at the time of the relevant offering and any additional considerations that may be relevant to the particular offering. The following discussion describes the treatment of the notes assuming that Sidley Austin LLP has provided us an opinion that the notes will be treated as debt for U.S. federal income tax purposes.

We will not attempt to ascertain whether any of the issuers of the component equity securities of the Equity Indices or Basket Fund included in the Basket would be treated as “passive foreign investment companies” (“PFICs”), within the meaning of Section 1297 of the Code or as “U.S. real property holding

corporations" ("USRPHCs"), within the meaning of Section 897 of the Code ("FIRPTA"). If any of the issuers of the component equity securities were so treated, certain adverse U.S. federal income tax consequences might apply, to a U.S. holder in the case of a PFIC and to a non-U.S. holder in the case of a USRPHC, upon the sale, exchange or retirement of a note. You should refer to information filed with the SEC or another governmental authority by such issuers and consult your tax adviser regarding the possible consequences to you if any of the issuers of the component equity securities are or become PFICs or USRPHCs.

### **Tax Consequences to U.S. Holders**

The following discussion applies to you only if you are a "U.S. Holder" of notes. You are a "U.S. Holder" if you are a beneficial owner of a note for U.S. federal income tax purposes and you are:

- a citizen or resident of the United States;
- a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States, any State thereof or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

### **Notes with a Term of Not More Than One Year**

If the term of the notes (including either the issue date or the last possible date that the notes could be outstanding, but not both) is not more than one year, the following discussion applies. No statutory, judicial or administrative authority directly addresses the treatment of these notes or similar instruments for U.S. federal income tax purposes, and no ruling will be requested from the IRS with respect to the notes. As a result, certain aspects of the U.S. federal income tax consequences of an investment in these notes are uncertain.

#### ***Tax Treatment Prior to Maturity***

Because the term of these notes is not more than one year, they will be treated as short-term debt instruments for U.S. federal income tax purposes. Cash-method holders will not be required to recognize income with respect to the notes prior to maturity, other than with respect to amounts received upon a sale or exchange, as described below. Although accrual-method holders and certain other holders are generally required to accrue interest on short-term notes on a straight-line basis, because the amount of interest that will be received with respect to the notes is uncertain, it is not clear how such accruals should be determined. If the amount of interest that will be received has become fixed (or the likelihood of interest not being a fixed amount has become "remote") prior to the maturity date, it is likely that the amount of interest to be accrued will be determined based on the fixed amount. You should consult your tax adviser regarding the determination of the amount of any interest accruals on the notes.

#### ***Sale, Exchange or Redemption of the Notes***

Upon a sale or exchange of a short-term note (including redemption of the notes at maturity), you should recognize gain or loss in an amount equal to the difference between the amount you receive and your adjusted tax basis in the note. Your adjusted tax basis in the note should equal the sum of the amount you paid to acquire the note and interest that you have previously included in income but not received, if any.

The amount of any resulting loss will be treated as a capital loss, and may be subject to special reporting requirements if the loss exceeds certain thresholds. In the case of any gain resulting from redemption at maturity, the gain should be treated as ordinary interest income. It is not clear, however, whether or to what extent gain from a sale or exchange prior to maturity should be treated as capital gain or ordinary interest income. If the amount of interest to be received at maturity has become fixed (or the likelihood of such amount not being a fixed amount has become "remote") prior to a sale or exchange, it is likely that the portion of gain on such sale or exchange that should be treated as accrued interest (and, therefore, taxed as ordinary interest income) will be determined based on the fixed amount. You should

consult your tax adviser regarding the proper treatment of any gain or loss recognized upon a sale or exchange (including redemption at maturity) of a short-term note.

### ***Interest on Indebtedness Incurred to Purchase the Notes***

To the extent you have not previously included interest income on short-term notes, you may be required to defer deductions for interest paid on indebtedness incurred to purchase or carry the notes until the maturity of the notes or until you dispose of your notes in a taxable transaction. You should consult your tax adviser regarding the possibility of this deferral.

### **Notes with a Term of More Than One Year**

Unless otherwise provided in the relevant terms supplement, if the term of the notes (including either the issue date or last possible date that the notes could be outstanding, but not both) is more than one year, the notes will be treated as “contingent payment debt instruments” for U.S. federal income tax purposes, with the consequences described below. The notes will generally be subject to the original issue discount (“OID”) provisions of the Code and the Treasury regulations issued thereunder, and you will be required to accrue as interest income the OID on the notes as described below.

We are required to determine a “comparable yield” for the notes. The “comparable yield” is the yield at which we could issue a fixed-rate debt instrument with terms similar to those of the notes, including the level of subordination, term, timing of payments and general market conditions, but excluding any adjustments for the riskiness of the contingencies or the liquidity of the notes. Solely for purposes of determining the amount of interest income that you will be required to accrue, we are also required to construct a “projected payment schedule” in respect of the notes representing a series of payments the amount and timing of which would produce a yield to maturity on the notes equal to the comparable yield.

Unless otherwise provided in the relevant terms supplement, we will provide, and you may obtain, the comparable yield for a particular offering of notes, and the related projected payment schedule, in the final terms supplement for such notes, which we will file with the SEC.

**Neither the comparable yield nor the projected payment schedule constitutes a representation by us regarding the actual amount that we will pay on the notes.**

For U.S. federal income tax purposes, you are required to use our determination of the comparable yield and projected payment schedule in determining interest accruals and adjustments in respect of a note, unless you timely disclose and justify the use of other estimates to the IRS. Regardless of your accounting method, you will be required to accrue as interest income OID on the notes at the comparable yield, adjusted upward or downward to reflect the difference, if any, between the actual and the projected amount of the contingent payment(s) on the notes (as described below).

The amount of interest (i.e., OID) accrued on a note for each accrual period is determined by multiplying the comparable yield of the note, adjusted for the length of the accrual period, by the note's adjusted issue price at the beginning of the accrual period, determined in accordance with the rules set forth in the Treasury regulations applicable to contingent payment debt instruments. The amount of OID so determined is then allocated on a ratable basis to each day in the accrual period that you held the note.

In addition to interest accrued based upon the comparable yield as described above, you will be required to recognize interest income equal to the amount of any net positive adjustment, i.e., the excess of actual payments over projected payments, in respect of a note for a taxable year. A net negative adjustment, i.e., the excess of projected payments over actual payments, in respect of a note for a taxable year:

- will first reduce the amount of interest in respect of the note that you would otherwise be required to include in income in the taxable year; and

- to the extent of any excess, will give rise to an ordinary loss, but only to the extent that the amount of all previous interest inclusions under the note exceeds the total amount of your net negative adjustments treated as ordinary loss on the note in prior taxable years.

A net negative adjustment is not subject to the limitation imposed on miscellaneous itemized deductions under Section 67 of the Code. Any net negative adjustment in excess of the amounts described above will be carried forward to offset future interest income in respect of the note or to reduce the amount realized on a sale, exchange or retirement of the note.

Upon a sale, exchange or retirement of a note (including at its maturity), you generally will recognize taxable gain or loss equal to the difference between the amount received from the sale, exchange or retirement and your adjusted tax basis in the note. Your adjusted tax basis in a note will equal the cost thereof, increased by the amount of interest income previously accrued by you in respect of the note (determined without regard to any of the positive or negative adjustments to interest accruals described above) and decreased by the amount of any prior projected payments in respect of the note made to you. Subject to the discussion in the next paragraph, you generally must treat any gain as interest income and any loss as ordinary loss to the extent of previous interest inclusions (reduced by the total amount of net negative adjustments previously taken into account as ordinary losses), and the balance as capital loss. These losses are not subject to the limitation imposed on miscellaneous itemized deductions under Section 67 of the Code. The deductibility of capital losses, however, is subject to limitations. Additionally, if you recognize a loss above certain thresholds, you may be required to file a disclosure statement with the IRS. You should consult your tax adviser regarding these limitations and reporting obligations.

Special rules may apply if the payment at maturity becomes fixed more than six months prior to the maturity date. For purposes of the preceding sentence, the payment at maturity will be treated as fixed if all remaining contingencies with respect to it are remote or incidental within the meaning of the applicable Treasury regulations. Thus, for notes with a Knock-Out Level, if the Basket Closing Level is greater than or equal to the Knock-Out Level on any of the trading days specified in the relevant terms supplement, these special rules could apply to the notes. Generally, under these rules, you would be required to account for the difference between the present value of the originally projected payment at maturity and the present value of the actual fixed payment at maturity in a reasonable manner over the period to which the difference relates. In addition, you may be required to make adjustments to, among other things, your accrual periods and your adjusted basis in the notes. The character of any gain or loss on a sale or exchange of the notes could also be affected. You should consult your tax adviser concerning the application of these special rules.

### **Tax Consequences to Non-U.S. Holders**

The following discussion applies to you only if you are a “Non-U.S. Holder” of notes. You are a “Non-U.S. Holder” if you are a beneficial owner of a note for U.S. federal income tax purposes and you are:

- a nonresident alien individual;
- a foreign corporation; or
- a nonresident alien fiduciary of a foreign estate or trust.

You are not a “Non-U.S. Holder” for purposes of this discussion if you are an individual present in the United States for 183 days or more in the taxable year of disposition. In this case, you should consult your own tax adviser regarding the U.S. federal income tax consequences of the sale, exchange or other disposition of a note.

Payments to you on the notes, and any gain realized on a sale or exchange of the notes (including at maturity), will be exempt from U.S. federal income tax (including withholding tax) *provided* generally, in the case of notes with a term of more than 183 days, that (i) you are not a bank receiving interest on an extension of credit made pursuant to a loan agreement entered into in the ordinary course of your trade or business, (ii) you do not actually or constructively own 10 percent or more of the total combined voting power of our stock entitled to vote, (iii) you are not a controlled foreign corporation related, directly or

indirectly, to us through stock ownership, (iv) you certify on IRS Form W-8BEN, under penalties of perjury, that you are not a U.S. person and provide your name and address or otherwise satisfy applicable documentation requirements, and (v) these amounts are not effectively connected with your conduct of a U.S. trade or business.

Notwithstanding the preceding paragraph, if the notes have a term to maturity of 183 days or less and you do not provide a properly executed IRS Form W-8BEN, you may be subject to backup withholding, as described below, unless you provide documentation of your status as a non-U.S. person.

If you are engaged in a trade or business in the United States and if the income or gain on the note, if any, is effectively connected with your conduct of that trade or business, although exempt from the withholding tax discussed above, you will generally be subject to regular U.S. income tax on this income or gain in the same manner as if you were a U.S. Holder, except that in lieu of the certificate described in the second preceding paragraph, you will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding tax. If this paragraph applies to you, you should consult your tax adviser with respect to other U.S. tax consequences of the ownership and disposition of the notes, including the possible imposition of a 30% branch profits tax if you are a corporation.

If you are an individual, your notes will not be included in your estate for U.S. federal estate tax purposes, *provided* that interest on the notes is not then effectively connected with your conduct of a U.S. trade or business.

### **Backup Withholding and Information Reporting**

Interest (including OID) accrued or paid on the notes and the proceeds received from a sale, exchange or other disposition (including at maturity) of notes will be subject to information reporting if you are not an "exempt recipient" (such as a domestic corporation) and may also be subject to backup withholding at the rates specified in the Code if you fail to provide certain identifying information (such as an accurate taxpayer identification number, if you are a U.S. Holder) or meet certain other conditions. If you are a Non-U.S. Holder and you comply with the identification procedures described in the preceding section, you will generally establish an exemption from backup withholding.

Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, *provided* the required information is timely furnished to the IRS.

## **PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)**

Under the terms and subject to the conditions contained in the Master Agency Agreement entered into between JPMorgan Chase & Co. and JPMSI, as agent (an "Agent"), and certain other agents that may be party to the Master Agency Agreement, as amended or supplemented, from time to time (each an "Agent" and collectively with JPMSI, the "Agents"), JPMSI has agreed and any additional Agents will agree to use reasonable efforts to solicit offers to purchase the principal amount of notes set forth in the cover page of the relevant terms supplement. We will have the sole right to accept offers to purchase the notes and may reject any offer in whole or in part. Each Agent may reject, in whole or in part, any offer it solicited to purchase notes. We will pay an Agent, in connection with sales of these notes resulting from a solicitation that Agent made or an offer to purchase the Agent received, a commission as set forth in the relevant terms supplement. An Agent will allow a concession to other dealers, or we may pay other fees, in the amount set forth on the cover page of the relevant terms supplement.

We may also sell notes to an Agent as principal for its own account at discounts to be agreed upon at the time of sale as disclosed in the relevant terms supplement. That Agent may resell notes to investors and other purchasers at a fixed offering price or at prevailing market prices, or prices related thereto at the time of resale or otherwise, as that Agent determines and as we will specify in the relevant terms supplement. An Agent may offer the notes it has purchased as principal to other dealers. That Agent may sell the notes to any dealer at a discount and, unless otherwise specified in the relevant terms supplement, the discount allowed to any dealer will not be in excess of the discount that Agent will receive from us. After the initial public offering of notes that the Agent is to resell on a fixed public offering price basis, the Agent may change the public offering price, concession and discount.

We own, directly or indirectly, all of the outstanding equity securities of JPMSI. The underwriting arrangements for this offering comply with the requirements of NASD Rule 2720 regarding a FINRA member firm's underwriting of securities of an affiliate. In accordance with NASD Rule 2720, neither JPMSI nor any other affiliated Agent of ours may make sales in this offering to any of its discretionary accounts without the prior written approval of the customer.

JPMSI or another Agent may act as principal or agent in connection with offers and sales of the notes in the secondary market. Secondary market offers and sales will be made at prices related to market prices at the time of such offer or sale; accordingly, the Agents or a dealer may change the public offering price, concession and discount after the offering has been completed.

In order to facilitate the offering of the notes, JPMSI may engage in transactions that stabilize, maintain or otherwise affect the price of the notes. Specifically, JPMSI may sell more notes than it is obligated to purchase in connection with the offering, creating a naked short position in the notes for its own account. JPMSI must close out any naked short position by purchasing the notes in the open market. A naked short position is more likely to be created if JPMSI is concerned that there may be downward pressure on the price of the notes in the open market after pricing that could adversely affect investors who purchase in the offering. As an additional means of facilitating the offering, JPMSI may bid for, and purchase, notes in the open market to stabilize the price of the notes. Any of these activities may raise or maintain the market price of the notes above independent market levels or prevent or retard a decline in the market price of the notes. JPMSI is not required to engage in these activities, and may end any of these activities at any time.

No action has been or will be taken by us, JPMSI or any dealer that would permit a public offering of the notes or possession or distribution of this product supplement no. 32-A-II, any related underlying supplement or the accompanying prospectus supplement, prospectus or terms supplement, other than in the United States, where action for that purpose is required. No offers, sales or deliveries of the notes, or distribution of this product supplement no. 32-A-II, any related underlying supplement or the accompanying prospectus supplement, prospectus or terms supplement or any other offering material relating to the notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and will not impose any obligations on us, the Agents or any dealer.

Each Agent has represented and agreed, and each dealer through which we may offer the notes has represented and agreed, that it (i) will comply with all applicable laws and regulations in force in each

non-U.S. jurisdiction in which it purchases, offers, sells or delivers the notes or possesses or distributes this product supplement no. 32-A-II, any related underlying supplement and the accompanying prospectus supplement, prospectus and terms supplement and (ii) will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the notes under the laws and regulations in force in each non-U.S. jurisdiction to which it is subject or in which it makes purchases, offers or sales of the notes. We shall not have responsibility for any Agent's or any dealer's compliance with the applicable laws and regulations or obtaining any required consent, approval or permission. For additional information regarding sellins restrictions, please see "Notice to Investors" in this product supplement.

Unless otherwise specified in the relevant terms supplement, the settlement date for the notes will be the third business day following the pricing date (which is referred to as a "T+3" settlement cycle).

## **NOTICE TO INVESTORS**

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

You must (i) comply with all applicable laws and regulations in force in any jurisdiction in connection with the possession or distribution of this product supplement no. 32-A-II, any related underlying supplement and the accompanying prospectus supplement, prospectus and terms supplement and the purchase, offer or sale of the notes and (ii) obtain any consent, approval or permission required to be obtained by you for the purchase, offer or sale by you of the notes under the laws and regulations applicable to you in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales.

### **Argentina**

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

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

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

### **The Bahamas**

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

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

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

#### **Bermuda**

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

#### **Brazil**

The notes have not been and will not be registered with the “Comissão de Valores Mobiliários” — the Brazilian Securities and Exchange Commission (“CVM”) and accordingly, the notes may not and will not be sold, promised to be sold, offered, solicited, advertised and/or marketed within the Federal Republic of Brazil, except in circumstances that cannot be construed as a public offering or unauthorized distribution of securities under Brazilian laws and regulations. The notes are not being offered into Brazil. Documents relating to an offering of the notes, as well as the information contained herein and therein, may not be supplied or distributed to the public in Brazil nor be used in connection with any offer for subscription or sale of the notes to the public in Brazil.

#### **British Virgin Islands**

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

#### **Cayman Islands**

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

#### **Chile**

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

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

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

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

### **Colombia**

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

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

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

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

### **El Salvador**

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

United States Free Trade Agreements, and other applicable laws or regulations of the Republic of El Salvador.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), each Agent has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the “Relevant Implementation Date”) it has not made and will not make an offer of notes which are the subject of the offering contemplated by this product supplement no. 32-A-II, any related underlying supplement and the accompanying prospectus, prospectus supplement and terms supplement to the public in that Relevant Member State prior to the publication of a prospectus in relation to the notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive except that it may, with effect from and including the Relevant Implementation Date, make an offer of such notes to the public in that Relevant Member State:

(a) at any time to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Agent; or

(d) at any time in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of notes to the public” in relation to any notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

This European Economic Area selling restriction is in addition to any other selling restrictions set out herein.

### **Hong Kong**

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

### **Jersey**

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

### **Mexico**

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

### **The Netherlands**

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

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

2. Investment Funds and Entities: any entity whose corporate purpose is solely to invest in securities (which includes, without limitation, hedge funds);

3. Governmental institutions: the Dutch State, the Dutch Central Bank, Dutch regional, local or other decentralized governmental institutions, international treaty organizations and supranational organizations;

4. Self certified Small and Medium Sized Enterprises ("SMEs"): any company having its registered office in The Netherlands which does not meet at least two of the three criteria mentioned in (6) below and which has (a) expressly requested the Netherlands Authority for the Financial Markets (the "AFM") to be considered as a qualified investor, and (b) been entered on the register of qualified investors maintained by the AFM;

5. Self certified Natural Persons: any natural person who is resident in The Netherlands if this person meets at least two (2) of the following criteria:

- (i) the investor has carried out transactions of a significant size on securities markets at an average frequency of, at least, ten (10) per quarter over the previous four (4) quarters;
  - (ii) the size of the investor's securities portfolio exceeds €500,000;
  - (iii) the investor works or has worked for at least one (1) year in the financial sector in a professional position which requires knowledge of investment in securities,
- provided this person has:

- (a) expressly requested the AFM to be considered as a qualified investor; and
- (b) been entered on the register of qualified investors maintained by the AFM;

6. Large Enterprises: any company or legal entity which meets at least two of the following three criteria according to its most recent consolidated or non consolidated annual accounts:

- (a) an average number of employees during the financial year of at least 250;
- (b) total assets of at least €43,000,000; or
- (c) an annual net turnover of at least €50,000,000.

7. Discretionary individual portfolio managers: any portfolio manager in The Netherlands who or which purchases the notes for the account of clients who are not Qualified Investors on the basis of a contract of agency that allows for making investment decisions on the client's behalf without specific instructions of or consultation with any such client;

8. Minimum consideration: any person or entity for a minimum consideration of €50,000 or more (or equivalent in foreign currency) for each offer of notes; or

9. Fewer than 100 Offerees: fewer than 100 natural or legal persons (other than Qualified Investors).

For the purposes of this provision, the expression:

(a) an "offer to the public" in relation to any notes means making a sufficiently determined offer as meant in Section 217(1) of Book 6 of the Dutch Civil Code (Burgerlijk Wetboek) addressed to more than one person to conclude a contract to purchase or otherwise acquire notes, or inviting persons to make an offer in respect of such notes;

(b) "Qualified Investors" means the categories of investors listed under (1) up to and including (6) above.

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

### **Panama**

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

### **Peru**

The notes have been and will be offered only to institutional investors (as defined by the Peruvian Securities Market Law — "Ley de Mercado de Valores" enacted by Legislative Decree No. 861 — Unified Text of the Law approved by Supreme Decree No. 093 2002 EF) and not to the public in general or a segment of it. The placement of the notes shall comply with article 5 of the Peruvian Securities Market Law.

### **Singapore**

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

### **Switzerland**

The notes have not been and will not be offered or sold, directly or indirectly, to the public in Switzerland, and this product supplement no. 32-A-II, any related underlying supplement and the

accompanying prospectus supplement, prospectus and terms supplement do not constitute a public offering prospectus as that term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations.

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

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

### **United Kingdom**

Each Agent has represented and agreed that:

(a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the "FSMA") by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the notes in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the notes in, from or otherwise involving the United Kingdom.

### **Uruguay**

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

### **Venezuela**

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

## **BENEFIT PLAN INVESTOR CONSIDERATIONS**

A fiduciary of a pension, profit-sharing or other employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), including entities such as collective investment funds, partnerships and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") should consider the fiduciary standards of ERISA in the context of the ERISA Plan's particular circumstances before authorizing an investment in the notes. Among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the ERISA Plan.

Section 406 of ERISA and Section 4975 of the Internal Revenue Code of 1986, as amended, (the "Code") prohibit ERISA Plans, as well as plans (including individual retirement accounts and Keogh plans) subject to Section 4975 of the Code (together with ERISA Plans, "Plans"), from engaging in certain transactions involving the "plan assets" with persons who are "parties in interest" under ERISA or "disqualified persons" under the Code (in either case, "Parties in Interest") with respect to such Plans. As a result of our business, we may be a Party in Interest with respect to many Plans. Where we are a Party in Interest with respect to a Plan (either directly or by reason of our ownership interests in our directly or indirectly owned subsidiaries), the purchase and holding of the notes by or on behalf of the Plan could be a prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code, unless exemptive relief were available under an applicable exemption (as described below).

Certain prohibited transaction class exemptions ("PTCEs") issued by the U.S. Department of Labor may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the notes. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts), and PTCE 84-14 (for certain transactions determined by independent qualified asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of the notes and related lending transactions, provided that neither the issuer of the notes nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more than adequate consideration in connection with the transaction (the so-called "service provider exemption").

Accordingly, the notes may not be purchased or held by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchaser or holder is eligible for the exemptive relief available under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14 or the service-provider exemption or there is some other basis on which the purchase and holding of the notes will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code. Each purchaser or holder of the notes or any interest therein will be deemed to have represented by its purchase or holding of the notes that (a) its purchase and holding of the notes is not made on behalf of or with "plan assets" of any Plan or (b) its purchase and holding of the notes will not result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Employee benefit plans that are governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA) and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to these "prohibited transaction" rules of ERISA or Section 4975 of the Code, but may be subject to similar rules under other applicable laws or regulations ("Similar Laws"). Accordingly, each such purchaser or holder of the notes shall be required to represent (and deemed to have represented by its purchase of the notes) that such purchase and holding is not prohibited under applicable Similar Laws.

Due to the complexity of these rules, it is particularly important that fiduciaries or other persons considering purchasing the notes on behalf of or with “plan assets” of any Plan consult with their counsel regarding the relevant provisions of ERISA, the Code or any Similar Laws and the availability of exemptive relief under PTCE 96-23, 95-60, 91-38, 90-1 or 84-14, the service provider exemption, or some other basis on which the acquisition and holding will not constitute a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a violation of any applicable Similar Laws.

Each purchaser and holder of the notes has exclusive responsibility for ensuring that its purchase and holding of the notes does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any applicable Similar Laws. The sale of any notes to any Plan is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan, or that such an investment is appropriate for Plans generally or any particular Plan.