UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549-3010

DIVISION OF
CORPORATION FINANCE

March 9, 2009

Anthony J. Horan
Corporate Secretary
Office of the Secretary
JPMorgan Chase & Co.
270 Park Avenue
New York, NY 10017-2070

Re: JPMorgan Chase & Co.
Incoming letter dated January 9, 2009

Dear Mr. Horan:

This is in response to your letters dated January 9, 2009 and February 5, 2009 concerning the shareholder proposal submitted to JPMorgan Chase by the AFSCME Employees Pension Plan. We also have received a letter from the proponent dated January 30, 2009. Our response is attached to the enclosed photocopy of your correspondence. By doing this, we avoid having to recite or summarize the facts set forth in the correspondence. Copies of all of the correspondence also will be provided to the proponent.

In connection with this matter, your attention is directed to the enclosure, which sets forth a brief discussion of the Division's informal procedures regarding shareholder proposals.

Sincerely,

Heather L. Maples
Senior Special Counsel

Enclosures

cc: Charles Jurgonis
Plan Secretary
AFSCME Employees Pension Plan
1625 L Street, N.W.
Washington, DC 20036-5687

March 9, 2009

Response of the Office of Chief Counsel
Division of Corporation Finance

Re: JPMorgan Chase & Co.
Incoming letter dated January 9, 2009

The proposal urges the Compensation & Management Development Committee to make specified changes to the Key Executive Performance Plan as applied to senior executives.

We are unable to concur in your view that JPMorgan Chase may exclude the proposal under rule 14a-8(i)(3). Accordingly, we do not believe that JPMorgan Chase may omit the proposal from its proxy materials in reliance on rule 14a-8(i)(3).

Sincerely,

Julie F. Bell
Attorney-Adviser

DIVISION OF CORPORATION FINANCE
INFORMAL PROCEDURES REGARDING SHAREHOLDER PROPOSALS

The Division of Corporation Finance believes that its responsibility with respect to matters arising under Rule 14a-8 [17 CFR 240.14a-8], as with other matters under the proxy rules, is to aid those who must comply with the rule by offering informal advice and suggestions and to determine, initially, whether or not it may be appropriate in a particular matter to recommend enforcement action to the Commission. In connection with a shareholder proposal under Rule 14a-8, the Division's staff considers the information furnished to it by the Company in support of its intention to exclude the proposals from the Company's proxy materials, as well as any information furnished by the proponent or the proponent's representative.

Although Rule 14a-8(k) does not require any communications from shareholders to the Commission's staff, the staff will always consider information concerning alleged violations of the statutes administered by the Commission, including argument as to whether or not activities proposed to be taken would be violative of the statute or rule involved. The receipt by the staff of such information, however, should not be construed as changing the staff's informal procedures and proxy review into a formal or adversary procedure.

It is important to note that the staff's and Commission's no-action responses to Rule 14a-8(j) submissions reflect only informal views. The determinations reached in these no-action letters do not and cannot adjudicate the merits of a company's position with respect to the proposal. Only a court such as a U.S. District Court can decide whether a company is obligated to include shareholder proposals in its proxy materials. Accordingly a discretionary determination not to recommend or take Commission enforcement action, does not preclude a proponent, or any shareholder of a company, from pursuing any rights he or she may have against the company in court, should the management omit the proposal from the company's proxy material.

JPMORGAN CHASE & CO.

February 5, 2009

Anthony J. Horan
Corporate Secretary
Office of the Secretary

VIA E-MAIL
Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *Supplemental Letter Regarding Shareholder Proposal of AFSCME Employees Pension Plan*
Exchange Act of 1934—Rule 14a-8

Dear Ladies and Gentlemen:

On January 9, 2009, JPMorgan Chase & Co. (the "Company") submitted a letter (the "No-Action Request") notifying the staff of the Division of Corporation Finance (the "Staff") of the Securities and Exchange Commission that the Company intended to omit from its proxy statement and form of proxy for its 2009 Annual Meeting of Shareholders (collectively, the "2009 Proxy Materials") a shareholder proposal (the "Proposal") and statements in support thereof submitted by the AFSCME Employees Pension Plan (the "Proponent"). The Proposal requests that the Company's Compensation & Management Development Committee change the Key Executive Performance Plan to defer a portion of bonuses awarded thereunder to the Company's "senior executives," and to adjust the unpaid portion according to the quality and sustainability of the results on which the bonuses were based.

The No-Action Request indicates our belief that the Proposal may be excluded pursuant to Rule 14a-8(i)(3) because the Proposal is impermissibly vague and indefinite so as to be inherently misleading. Subsequently, on January 30, 2009, the Proponent submitted a letter to the Staff in which it disagrees with the Company's analysis that the Proposal's failure to define the term "senior executives" renders the Proposal vague and indefinite (the "Proponent's Response"). *See* Exhibit A. We write supplementally to respond to the Proponent's Response.

The Proponent cites *Avaya Inc.* (avail. Oct. 18, 2006) and *The AES Corp.* (avail. Mar. 12, 2008) for the proposition that the Staff has declined to concur with the position that failure to define the term "senior executives" renders a shareholder proposal impermissibly vague and indefinite so as to be excludible under Rule 14a-8(i)(3). However, these cases are distinguishable from the instant case because the companies in *Avaya Inc.* and *The AES Corp.* failed to explain why the term "senior executives" was vague and misleading. In *The AES Corp.*, the company stated that the proposal did not "define what a 'senior executive' is or which executives of the Company would be included within the scope of 'senior executives,'" without providing any additional information as to why this rendered the proposal vague and indefinite. In *Avaya Inc.*, the company provided four alternative definitions of the term "senior executives," but did not explain why these were reasonable interpretations. In contrast, our No-Action Request provides a list of alternative interpretations of the term "senior executives" and explains why each interpretation is reasonable, demonstrating why it is likely that shareholders could interpret the term "senior executives" in a different manner from each other and/or the Company.

Specifically, several factors unique to the Company and the Proposal render the term "senior executives" susceptible to multiple reasonable interpretations, including:

1) There are at least three distinct groups of executives who could potentially be considered "senior executives" based on the Company's 2008 Proxy Statement: the Executive Committee, the Operating Committee and the named executive officers. Moreover, as described in the No-Action Request, the Company's 2008 Proxy Statement specifically identified the Executive and Operating Committees to be the Company's "senior executives" and "senior management committee," respectively. In contrast, neither Avaya, Inc. nor The AES Corp. identified different groups of executives who could reasonably be considered "senior executives" in their proxy statements for the year prior to receiving the proposals. In this regard, Avaya, Inc. did not use the term "senior executives" in its 2005 Proxy Statement, and The AES Corp. used the term "senior executives" in its 2007 Proxy Statement but did not define the term.

2) The Proponent's supporting statement refers to the "named executive officers," suggesting that "senior executives" is intended to mean this group of executives. In contrast, the supporting statements in *Avaya Inc.* and *The AES Corp.* consistently used the term "senior executives."

3) The Company's Key Executive Performance Plan, which the Proposal seeks to amend, was established so that certain forms of compensation for a specific group of executive officers—a separate group from the Executive and Operating Committees and the named executive officers—would be deductible under Section 162(m) of the Internal Revenue Code of 1986. This group of executive officers could therefore reasonably be considered "senior executives." In both *Avaya Inc.* and *The AES Corp.*, the proposals did not identify a particular plan to which the proposals would apply.

In summary, the *Avaya Inc.* and *The AES Corp.* cases are distinguishable from the instant case because they did not explain why the failure to provide a definition for "senior executives" rendered the proposals vague and misleading. The Staff has stated that it will "concur in the company's reliance on rule 14a-8(i)(3) to exclude or modify a proposal or statement only where that company has demonstrated objectively that the proposal or statement is *materially* false or misleading." *See* Staff Legal Bulletin No. 14B (Sept. 15, 2004). As discussed above and in the No-Action Request, the term "senior executives" in the Proposal is susceptible to multiple interpretations, each of which would be reasonable for shareholders to assume when reading the Proposal. Thus, the Proponent's failure to define this term renders the Proposal inherently vague and misleading.

The Proponent's Response also states that the Company's analysis "contradicts the Division's own articulation of its approach to the ordinary business exclusion." The Proponent cites the fact that the Staff used the term "senior executives" in Staff Legal Bulletin No. 14A (July 12, 2002) without providing a definition and distinguished "senior executives" from employees with respect to the ordinary business exclusion. However, the Staff's failure to define "senior executives" in this context does not indicate that the term's meaning is clear or that the term has universal application. Rather, the failure to define "senior executives" is reflective of the fact that the determination of "senior executives" is company-specific. While the term "senior executives" clearly does not include a company's rank-and-file employees—the distinction the Staff made in Staff Legal Bulletin 14A in the context of the ordinary business exclusion—the precise group of executive officers to which the term applies depends upon the particular company.

For the reasons set forth above and in the No-Action Request, the Company believes that the Proposal may be excluded from the 2009 Proxy Materials pursuant to Rule 14a-8(i)(3).

Pursuant to Rule 14a-8(j), we have concurrently sent a copy of this correspondence to the Proponent. We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. If we can be of any further assistance in this matter, please do not hesitate to call me at (212) 270-7122 or Amy L. Goodman of Gibson, Dunn & Crutcher LLP at (202) 955-8653.

Sincerely,

Horan

Anthony J. Horan

Enclosures

cc: Amy L. Goodman, Gibson, Dunn & Crutcher LLP
Charles Jurgonis, AFSCME Employees Pension Plan
Gerald W. McEntee, AFSCME Employees Pension Plan

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AFSCME
We Make America Happen

EMPLOYEES PENSION PLAN

January 30, 2009

VIA ELECTRONIC MAIL
Securities and Exchange Commission
Division of Corporation Finance
Office of Chief Counsel
100 F Street, NE
Washington, DC 20549

Re: Shareholder proposal of AFSCME Employees Pension Plan; request by JPMorgan Chase & Co. for no-action determination

Dear Sir/Madam:

Pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, the American Federation of State, County and Municipal Employees, Employees Pension Plan (the "Plan") submitted to JPMorgan Chase & Co. ("JPMC" or the "Company") a shareholder proposal (the "Proposal") urging the board's Compensation & Management Development Committee (the "Committee") to change the Company's annual incentive plan, the Key Executive Performance Plan ("KEPP"), to defer some portion of bonuses awarded thereunder to JPMC senior executives and to adjust the unpaid portion, if necessary, based on the quality and sustainability of the results on which the bonuses were based.

In a letter dated January 9, 2009, JPMC stated that it intends to omit the Proposal from its proxy materials being prepared for the 2009 annual meeting of shareholders. JPMC argues that it should be allowed to exclude the Proposal in reliance on Rule 14a-8(i)(3) because it is impermissibly vague and indefinite. As discussed below in more detail, the Proposal defines important terms such that both shareholders and the Company know what actions would need to be taken in order to implement the Proposal; accordingly, JPMC's request should be denied.

Rule 14a-8(i)(3) allows a company to omit a proposal that violates any of the Commission's other proxy rules, including Rule 14a-9's prohibition on false or misleading statements. The Staff of the Division of Corporation Finance have interpreted this exclusion as allowing omission of a proposal that is impermissibly vague and indefinite.

JPMC's objection centers on the application of the Proposal to "senior executives" of the Company. This term, JPMC asserts, could have multiple meanings, making it impossible for JPMC to know how to implement the Proposal and confusing shareholders about what adoption of the Proposal would entail.

American Federation of State, County and Municipal Employees, AFL-CIO
TEL (202) 775-8142 FAX (202) 785-4606 1625 L Street, N.W., Washington, D.C. 20036-5687

JPMC cites numerous determinations allowing exclusion based on the failure to define terms including "executive," "Industry Peer Group," "compensation," "officers and directors responsible for" a reduced stock dividend, "perks," "benefits" and "average wage." JPMC does not point to a single determination, however, in which the failure to define the term "senior executive" was the basis for exclusion on Rule 14a-8(i)(3) grounds.

In fact, JPMC's precise argument has recently been rejected by the Staff. For example, in Avaya Inc. (available October 18, 2006) and The AES Corporation (available March 12, 2008), the proposals (which were substantially identical) sought the adoption of a "pay-for-superior-performance" standard for "senior executive" compensation. Avaya and AES argued that the term "senior executive," on which the proposal did not elaborate, was too vague, justifying exclusion of the proposal. Like JPMC, Avaya listed four different possible interpretations of "senior executive," ranging from only the named executive officers to section 16 reporting officers to all individuals with the title of vice president or higher. The Staff declined to concur with Avaya and AES's positions.

The use of the term "senior executive" is unavoidable when drafting proposals dealing with executive compensation. Under the Division's interpretation of Rule 14a-8(i)(7)'s ordinary business exclusion, a proposal must relate solely to "senior executive" compensation in order to avoid exclusion on ordinary business grounds. In Staff Legal Bulletin 14A, the Staff explained the distinction it employs:

> Since 1992, we have applied a bright-line analysis to proposals concerning equity or cash compensation:
>
> - We agree with the view of companies that they may exclude proposals that relate to general employee compensation matters in reliance on rule 14a-8(i)(7); and
>
> - We do not agree with the view of companies that they may exclude proposals that concern <u>only</u> senior executive and director compensation in reliance on rule 14a-8(i)(7).
>
> (Staff Legal Bulletin 14A (July 12, 2002) (footnotes omitted))

Neither Staff Legal Bulletin 14A nor any of the Division's determinations defines the term "senior executive."

In sum, JPMC's argument that the Proposal is excessively vague and indefinite because it does not define the term "senior executive" flies in the face of recent Staff determinations. It also contradicts the Division's own articulation of its approach to the ordinary business exclusion in Staff Legal Bulletin 14A. Accordingly, JPMC's request for relief should not be granted.

* * * *

If you have any questions or need additional information, please do not hesitate to call me at (202) 429-1007. The Plan appreciates the opportunity to be of assistance to the Staff in this matter.

Very truly yours,

Charles Jurgonis

Charles Jurgonis
Plan Secretary

CJ:tem

cc: Anthony J. Horan
Corporate Secretary
JPMorgan Chase & Co.
Fax # 212-270-4240
Email: ANTHONY.HORAN@chase.com

JPMorgan Chase & Co.

Anthony J. Horan
Corporate Secretary
Office of the Secretary

January 9, 2009

VIA E-MAIL
Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *Shareholder Proposal of AFSCME Employees Pension Plan*
Exchange Act of 1934—Rule 14a-8

Dear Ladies and Gentlemen:

This letter is to inform you that JPMorgan Chase & Co. (the "Company") intends to omit from its proxy statement and form of proxy for its 2009 Annual Meeting of Shareholders (collectively, the "2009 Proxy Materials") a shareholder proposal (the "Proposal") and statements in support thereof received from the AFSCME Employees Pension Plan (the "Proponent").

Pursuant to Rule 14a-8(j), we have:

- filed this letter with the Securities and Exchange Commission (the "Commission") no later than eighty (80) calendar days before the Company intends to file its definitive 2009 Proxy Materials with the Commission; and

- concurrently sent copies of this correspondence to the Proponent.

Rule 14a-8(k) and Staff Legal Bulletin No. 14D (Nov. 7, 2008) ("SLB 14D") provide that shareholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the Commission or the staff of the Division of Corporation Finance (the "Staff"). Accordingly, we are taking this opportunity to inform the Proponent that if the Proponent elects to submit additional correspondence to the Commission or the Staff with respect to this Proposal, a copy of that correspondence should concurrently be furnished to the undersigned on behalf of the Company pursuant to Rule 14a-8(k) and SLB 14D.

270 Park Avenue, New York, New York 10017-2070
Telephone 212 270 7122 Facsimile 212 270 4240 anthony.horan@chase.com

THE PROPOSAL

The Proposal states:

RESOLVED that shareholders of JPMorgan Chase & Co. ("JPM") urge the Compensation & Management Development Committee (the "Committee") to make the following changes to the Key Executive Performance Plan ("KEPP") as applied to senior executives, in order to promote a longer-term perspective:

1. An award to a senior executive under the KEPP (a "Bonus") that is based on one or more financial measurements (each, a "Financial Metric") whose performance measurement period ("PMP") is one year or shorter shall not be paid in full for a period of three years (the "Deferral Period") following the end of the PMP;

2. The Committee shall develop a methodology for (a) determining what proportion of a Bonus should be paid immediately, (b) adjusting the remainder of the Bonus over the Deferral Period to reflect performance on the Financial Metric(s) during the Deferral Period and (c) paying out the remainder of the Bonus, adjusted if required, during and at the end of the Deferral Period; and

3. The adjustment described in 2(b) should not require achievement of new performance goals but should focus on the quality and sustainability of performance on the Financial Metric(s) during the Deferral Period.

The policy should be implemented in a way that does not violate any existing contractual obligation of JPM or the terms of any compensation or benefit plan currently in effect.

A copy of the Proposal, as well as related correspondence with the Proponent, is attached to this letter as Exhibit A.

BASIS FOR EXCLUSION

We hereby respectfully request that the Staff concur in our view that the Proposal may be excluded from the 2009 Proxy Materials pursuant to Rule 14a-8(i)(3) because the Proposal is impermissibly vague and indefinite so as to be inherently misleading.

ANALYSIS

I. The Proposal May Be Excluded under Rule 14a-8(i)(3) Because the Proposal Is Impermissibly Vague and Indefinite so as to Be Inherently Misleading.

Rule 14a-8(i)(3) permits the exclusion of a shareholder proposal if the proposal or supporting statement is contrary to any of the Commission's proxy rules or regulations, including Rule 14a-9, which prohibits materially false or misleading statements in proxy soliciting materials. For the reasons discussed below, the Proposal is so vague and indefinite as to be misleading and, therefore, is excludable under Rule 14a-8(i)(3).

The Staff consistently has taken the position that vague and indefinite shareholder proposals are inherently misleading and therefore excludable under Rule 14a-8(i)(3) because shareholders cannot make an informed decision on the merits of a proposal without at least knowing what they are voting on. *See* Staff Legal Bulletin No. 14B (Sept. 15, 2004) ("SLB 14B") (noting that "neither the stockholders voting on the proposal, nor the company in implementing the proposal (if adopted), would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires"); *see also Dyer v. SEC*, 287 F.2d 773, 781 (8th Cir. 1961) ("[I]t appears to us that the proposal, as drafted and submitted to the company, is so vague and indefinite as to make it impossible for either the board of directors or the stockholders at large to comprehend precisely what the proposal would entail.").

Moreover, the Staff has concurred, on numerous occasions, that a shareholder proposal was sufficiently misleading so as to justify its exclusion where a company and its shareholders might interpret the proposal differently, such that "any action ultimately taken by the [c]ompany upon the implementation of the proposal could be significantly different from the actions envisioned by shareholders voting on the proposal." *Fuqua Industries, Inc.* (avail. Mar. 12, 1991); *see also Bank of America Corp.* (avail. June 18, 2007) (concurring with the exclusion of a shareholder proposal in reliance on Rule 14a-8(i)(3) calling for the board of directors to compile a report "concerning the thinking of the Directors concerning representative payees" as "vague and indefinite"); *Puget Energy, Inc.* (avail. Mar. 7, 2002) (permitting exclusion of a proposal requesting that the company's board of directors "take the necessary steps to implement a policy of improved corporate governance").

In the instant case, the Proposal is so vague and indefinite as to be misleading because it fails to define a key term or otherwise provide guidance as to how the proposal is to be implemented such that neither the shareholders nor the Company can determine exactly what measures the Proposal requires. The Proposal requests that the Company make specified "changes to the Key Executive Performance Plan ("KEPP") as applied to senior executives." However, the operative language of the Proposal fails to define the term "senior executives" or otherwise provide guidance as to the term's meaning. Similarly, the Proposal's supporting statement fails to provide a definition. In addition, the Key Executive Performance Plan (the "KEPP"), attached hereto as <u>Exhibit B</u>, makes no reference to the term "senior executives," and defines a plan participant as any employee designated by the committee as eligible to receive an award. As a result, it is unclear to whom the Proposal would apply, and any attempt to comprehend the Proposal results in at least four reasonable interpretations of "senior executives":

- **Interpretation 1**: "senior executives" means all members of the Company's Executive Committee;

- **Interpretation 2**: "senior executives" means only members of the Company's Operating Committee;

- **Interpretation 3**: "senior executives" means the Company's named executive officers ("NEOs"); or

- **Interpretation 4**: "senior executives" means the Company's chief executive officer and the three other most highly compensated officers who are NEOs other than the chief financial officer.

Interpretation 1 would require all members of the Company's Executive Committee to be subject to the Proposal. The Company's Executive Committee, as described on page 13 of its 2008 Proxy Statement in the Compensation Discussion and Analysis ("CD&A"), attached hereto as Exhibit C, is "a management committee of 48 senior executives." Interpretation 1 is a reasonable interpretation of the meaning of "senior executives" because, as disclosed to the Company's shareholders in the CD&A, the Executive Committee is composed of "senior executives." Interpretation 2 would require all members of the Company's Operating Committee to be subject to the Proposal. The Company's Operating Committee, as described on page 9 of its 2008 Proxy Statement in the CD&A, attached hereto as Exhibit C, is the Company's "most senior management committee" and includes the "executive officers" of the Company, meaning the Company's chief executive officer, the chief executive officers of the Company's six major businesses, and the heads of principal functional areas. This group currently consists of 15 individuals. Interpretation 2 is a reasonable interpretation of the meaning of "senior executives" because the Operating Committee is composed of "senior management." Moreover, while the Proposal is silent as to how senior an executive must be to qualify as a "senior executive," members of the Operating Committee are more directly responsible than members of the Executive Committee for "promot[ing] the creation of sustainable value" – a priority for the Proponent according the Proposal's supporting statement. Interpretation 3 would require only the Company's NEOs to be subject to the Proposal. The NEOs are the group of employees whose compensation is required to be disclosed in the Company's proxy statement – currently a group of five individuals, including the Company's chief executive officer, chief financial officer, CEO of Asset Management, and both co-CEOs of the Investment Bank. Interpretation 3 is a reasonable interpretation of "senior executives" because the Proponent, in the Proposal's supporting statement, makes reference to the 2007 bonuses of the "named executive officers." This suggests that the Proponent may have intended the term "senior executives" to mean the NEOs. Interpretation 4 is a reasonable interpretation of "senior executives" because the KEPP was adopted in response to the provisions of Section 162(m) of the Internal Revenue Code, which has the effect, except as modified by the Emergency Economic Stabilization Act of 2008, of generally eliminating a federal income tax deduction for annual compensation in excess of $1,000,000 paid to applicable officers unless that compensation meets the standards of Section 162(m). The limitations of Section 162(m) apply to the Company's chief executive officer and to the three other most highly compensated executive officers who are NEOs, other than the chief financial officer. *See* Internal Revenue Service Notice 2007-49.

These various interpretations result in significant differences in the individuals covered by the Proposal. Thus, neither the shareholders in voting on the Proposal nor the Company in implementing the Proposal can determine precisely what the Proposal requires, and the Company's implementation of the Proposal could be different from what the shareholders voting on the Proposal envisioned.

Moreover, apart from the ambiguity of which executives are covered by the Proposal, the Proposal is unclear as to the determination date for deciding who is covered by the Proposal. For example, does an individual have to be a "senior executive" as of the date the award is granted in order for the requested amendments to the KEPP to be applicable or would an individual who becomes a "senior executive" after the date the award is granted but before the date the award is paid be covered by the Proposal? Similarly, would an individual who was a "senior executive" as of the date the award is granted but is not a "senior executive" as of the date the award is paid be covered?

Staff precedent permits the exclusion of proposals as vague and indefinite where it is unclear to whom the proposal would apply. In this regard, the Staff permitted the exclusion of a shareholder proposal requesting "that the officers and directors responsible for . . . [the reduced stock dividend] . . . have their pay reduced" as vague and indefinite because the identity of the affected executives was susceptible to multiple interpretations as the proponent failed to provide any guidance as to how the proposal was to be implemented. *International Business Machines Corp.* (avail. Feb. 2, 2005). The Staff also has permitted the exclusion of a shareholder proposal requesting that future executive salary be limited as vague as indefinite because, among other reasons, it was unclear who would be considered an "executive" for purposes of the proposal. *Otter Tail Corp.* (avail. Jan. 12, 2004). Similar to *International Business Machines Corp.* and *Otter Tail Corp.*, it is unclear to whom the Proposal would apply because the Proponent fails to provide any guidance as to the meaning of "senior executives."

Furthermore, the Staff has permitted the exclusion of several proposals related to executive compensation under Rule 14a-8(i)(3) as vague and indefinite because they failed to define other key terms or provide guidance as to how the proposal was to be implemented. *See Verizon Communications Inc.* (avail. Feb. 21, 2008) (concurring with the exclusion of a proposal seeking the adoption of a "new policy for the compensation of the senior executives . . . which would incorporate the [proposal's] criteria for future awards of short and long term incentive compensation" because the proposal failed to define "Industry Peer Group" and "relevant time period"); *Prudential Financial, Inc.* (avail. Feb. 16, 2007) (concurring with the exclusion of a proposal, which was susceptible to a different interpretation if read literally than if read in conjunction with the supporting statement, as vague and indefinite); *International Business Machines Corp.* (avail. Feb. 2, 2005) (discussed above); *Otter Tail Corp.* (avail. Jan. 12, 2004) (discussed above); *Woodward Governor Co.* (avail. Nov. 26, 2003) (concurring with the exclusion of a proposal seeking to implement "a policy for compensation of the executives . . . based on stock growth" because the proposal failed to specify whether "compensation" meant all executive compensation or merely stock-based compensation); *Eastman Kodak Co.* (avail.

Mar. 3, 2003) (concurring with the exclusion of a proposal seeking to cap executive salaries at $1 million, including "bonus, perks and stock options" because the proposal failed to define various terms, including "perks," and did not indicate how stock options would be valued); *General Electric Co.* (avail. Feb. 5, 2003) (concurring with the exclusion of a proposal seeking "shareholder approval of all compensation for Senior Executives and Board members not to exceed 25 times the average wage of hourly working employees" because the proposal failed to define the terms "compensation" and "average wage" or otherwise provide guidance as to how the proposal would be implemented); *General Electric Co.* (avail. Jan. 23, 2003) (concurring with the exclusion of a proposal seeking "an individual cap on salaries and benefits of one million dollars" because the proposal failed to define the term "benefits"). Similarly, in the instant case, the Proposal fails to define a key term: "senior executives."

Finally, the Staff frequently has concurred with the exclusion of proposals susceptible to multiple interpretations as vague and indefinite because the company and its shareholders might interpret the proposal differently, such that "any action ultimately taken by the company upon implementation [of the proposal] could be significantly different from the actions envisioned by shareholders voting on the proposal." *Fuqua Industries, Inc.* (avail. Mar. 12, 1991). Recently, in *SunTrust Banks, Inc*. (avail. Dec. 31, 2008), the proposal requested that the board implement a series of executive compensation reforms in the event that the company decides to participate in the TARP Program under the Economic Emergency Stabilization Act. The Staff permitted the exclusion of the proposal under Rule 14a-8(i)(3) as vague and indefinite because, based upon subsequent correspondence, it appeared that the proponent intended the reforms to remain in place only for the duration of the company's participation in the TARP Program, but the proposal, on its face, "appears to impose no limitation on the duration of the specified reforms." Also, in *Ford Motor Co.* (avail. Feb. 27, 2008), the proposal requested a report on efforts to increase fuel economy "such that no Ford vehicles will indicate there is a need for any country in the world to buy oil from the Middle East to fuel the new Ford vehicles." Recognizing that the proposal was susceptible to multiple interpretations, ranging from international advocacy for a boycott of oil from the Middle East to recommendations for the design of indicator lights in Ford vehicles, the Staff concurred with the exclusion of the proposal as vague and indefinite. *See also Philadelphia Electric Co.* (avail. Jul. 30, 1992) (noting that the proposal, which was susceptible to multiple interpretations due to ambiguous syntax and grammar, was "so inherently vague and indefinite that neither the shareholders . . . nor the company . . . would be able to determine with any reasonable certainty exactly what actions or measures the proposal requires"). In the instant case, the Proposal is susceptible to multiple alternative interpretations with respect to who is covered by the Proposal and is ambiguous as to the determination date for deciding who is covered, thus rendering it impossible for either the shareholders or the Company to determine exactly what the Proposal requires.

Consistent with the Staff precedent, the Company's shareholders cannot be expected to make an informed decision on the merits of the Proposal if they are unable "to determine with any reasonable certainty exactly what actions or measures the proposal requires." SLB 14B. *See also Verizon Communications Inc.* (avail. Feb. 21, 2008) (excluding an executive compensation-related proposal under Rule 14a-8(i)(3) where the company argued that its shareholders would not "be able to determine with any reasonable certainty exactly what actions or measures the

Proposal requires"); *Capital One Financial Corp.* (avail. Feb. 7, 2003) (excluding a proposal under Rule 14a-8(i)(3) where the company argued that its shareholders "would not know with any certainty what they are voting either for or against"). Here, the Proposal fails to define a key term or otherwise provide guidance as to how the Proposal is to be implemented. Accordingly, neither the Company's shareholders nor its board would be able to determine with any certainty what actions the Company would be required to take in order to comply with the Proposal. Therefore, we believe that as a result of the vague and indefinite nature of the Proposal, the Proposal is inherently misleading and, thus, excludable in its entirety under Rule 14a-8(i)(3).

CONCLUSION

Based upon the foregoing analysis, we respectfully request that the Staff concur that it will take no action if the Company excludes the Proposal from its 2009 Proxy Materials. We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject.

If we can be of any further assistance in this matter, please do not hesitate to call me at (212) 270-7122 or Amy L. Goodman of Gibson, Dunn & Crutcher LLP at (202) 955-8653.

Sincerely,

AHoran

Anthony J. Horan

AJB/akb
Enclosures

cc: Amy L. Goodman, Gibson, Dunn & Crutcher LLP
Charles Jurgonis, AFSCME Employees Pension Plan
Gerald W. McEntee, AFSCME Employees Pension Plan

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EXHIBIT A

American Federation of State, County & Municipal Employees

1625 L Street, NW, Washington, DC 20036

RECEIVED BY THE
OFFICE OF THE SECRETARY

NOV 2 0 2008

Office of Pension Investment Policy

(202) 223-3255 Fax Number

Facsimile Transmittal

DATE: November 20, 2008

To: Anthony Horan, Corporate Secretary, JPMorgan Chase (212) 270-4240

From: John Keenan

Number of Pages to Follow: 4

Message: Attached please find AFSCME Employees Pension Plan shareholder proposal.

PLEASE CALL (202) 429-1215 IF ANY PAGES ARE MISSING. Thank You

AFSCME
We Make America Happen

EMPLOYEES PENSION PLAN

November 20, 2008

Via Overnight Mail and Telecopier (212) 270-4240
JPMorgan Chase & Co.
270 Park Avenue
New York, New York 10017
Attention: Anthony J. Horan, Corporate Secretary

Dear Mr. Horan:

On behalf of the AFSCME Employees Pension Plan (the "Plan"), I write to give notice that pursuant to the 2008 proxy statement of JPMorgan Chase (the "Company") and Rule 14a-8 under the Securities Exchange Act of 1934, the Plan intends to present the attached proposal (the "Proposal") at the 2009 annual meeting of shareholders (the "Annual Meeting"). The Plan is the beneficial owner of 48,065 shares of voting common stock (the "Shares") of the Company, and has held the Shares for over one year. In addition, the Plan intends to hold the Shares through the date on which the Annual Meeting is held.

The Proposal is attached. I represent that the Plan or its agent intends to appear in person or by proxy at the Annual Meeting to present the Proposal. I declare that the Plan has no "material interest" other than that believed to be shared by stockholders of the Company generally. Please direct all questions or correspondence regarding the Proposal to Charles Jurgonis at (202) 429-1007.

Sincerely,

GERALD W. McENTEE
Chairman

Enclosure

RESOLVED that shareholders of JPMorgan Chase & Co. ("JPM") urge the Compensation & Management Development Committee (the "Committee") to make the following changes to the Key Executive Performance Plan ("KEPP") as applied to senior executives, in order to promote a longer-term perspective:

1. An award to a senior executive under the KEPP (a "Bonus") that is based on one or more financial measurements (each, a "Financial Metric") whose performance measurement period ("PMP") is one year or shorter shall not be paid in full for a period of three years (the "Deferral Period") following the end of the PMP;
2. The Committee shall develop a methodology for (a) determining what proportion of a Bonus should be paid immediately, (b) adjusting the remainder of the Bonus over the Deferral Period to reflect performance on the Financial Metric(s) during the Deferral Period and (c) paying out the remainder of the Bonus, adjusted if required, during and at the end of the Deferral Period; and
3. The adjustment described in 2(b) should not require achievement of new performance goals but should focus on the quality and sustainability of performance on the Financial Metric(s) during the Deferral Period.

The policy should be implemented in a way that does not violate any existing contractual obligation of JPM or the terms of any compensation or benefit plan currently in effect.

SUPPORTING STATEMENT

As long-term shareholders, we support compensation policies that promote the creation of sustainable value. We are concerned that short-term incentive plans, if not designed with effective safeguards, can encourage senior executives to manage for the short term and take on excessive risk. The current financial crisis provides a stark example of what can happen when executives are rewarded for short-term financial performance without any effort to ensure that the performance is sustainable.

The 2007 bonus awards for the named executive officers as a multiple of base salary ranged from 7.5 to 14.5 times salary. According to the 2008 proxy, bonus awards are made under the KEPP, which gives the Committee substantial discretion in making awards.

Accordingly, this proposal urges that the KEPP be changed to encourage a longer-term orientation on the part of senior executives. Specifically, the proposal asks that the Committee develop a system for holding back some portion of each bonus based on short-term financial metrics for a period of three years and adjusting the unpaid portion to account for performance during that period. The proposal gives the Committee discretion to set the terms and mechanics of this process.

In November 2008, UBS AG announced that it would adopt a variable compensation system similar to the one suggested in this proposal. In explaining why it made the change, UBS stated that the new program "should bring about a cultural shift in the company. Those who are rewarded will be those who deliver good results over several years without assuming unnecessarily high risk." (Press release dated Nov. 17, 2008)

We urge shareholders to vote FOR this proposal.

AFSCME
We Make America Happen

EMPLOYEES PENSION PLAN

November 20, 2008

VIA Overnight Mail and Telecopier (212) 270-4240
JPMorgan Chase & Co.
270 Park Avenue
New York, New York 10017
Attention: Anthony J. Horan, Corporate Secretary

Dear Mr. Horan:

On behalf of the AFSCME Employees Pension Plan (the "Plan"), I write to provide you with verified proof of ownership from the Plan's custodian. If you require any additional information, please do not hesitate to contact me at the address above.

Sincerely,

Charles Jurgonis
Plan Secretary

Enclosure

STATE STREET.

Timothy Stone
Assistant Vice President
Specialized Trust Services

STATE STREET BANK
200 Newport Avenue - JQB7
N. Quincy, MA 02171

Telephone: 617-985-2509
Facsimile: 617-769-6695
tstone@statestreet.com

November 20, 2008

Lonita Waybright
A.F.S.C.M.E.
Benefits Administrator
1625 L Street N.W.
Washington, D.C. 20036

Re: Shareholder Proposal Record Letter for JP MORGAN CHASE (cusip 46625H100)

Dear Ms Waybright:

State Street Bank and Trust Company is Trustee for **48,065 shares of JP Morgan Chase** common stock held for the benefit of the American Federation of State, County and Municiple Employees Pension Plan ("Plan"). The Plan has been a beneficial owner of at least 1% or $2,000 in market value of the Company's common stock continuously for at least one year prior to the date of this letter. The Plan continues to hold the shares of **JP Morgan Chase** stock.

As Trustee for the Plan, State Street holds these shares at its Participant Account at the Depository Trust Company ("DTC"). Cede & Co., the nominee name at DTC, is the record holder of these shares.

If there are any questions concerning this matter, please do not hesitate to contact me directly.

Sincerely,

Timothy Stone

JPMORGAN CHASE & CO.

Anthony J. Horan
Corporate Secretary
Office of the Secretary

November 20, 2008

Mr. Charles Jurgonis
American Federation of State, County and Municipal Employees
1625 L Street, N.W.
Washington, DC 20036-5687

Dear Mr. Jurgonis:

This will acknowledge receipt of the letter dated November 20, 2008, from Gerald McEntee, advising JPMorgan Chase & Co. of the intention of the AFSCME Employees Pension Plan (Plan), to submit a proposal to be voted upon at our 2009 Annual Meeting. The proposal requests changes to KEPP in order to promote a longer-term perspective.

We also acknowledge receipt of the letter dated November 20, 2008, from State Street Bank and Trust Company, verifying that AFSCME Employees Pension Plan are the beneficial owners of shares of JPMorgan Chase common stock with a market value of at least $2,000.00 in accordance with Rule 14a-8(b)(2) of the Securities and Exchange Commission.

Sincerely,

Horan

270 Park Avenue, New York, New York 10017-2070
Telephone 212 270 7122 Facsimile 212 270 4240 anthony.horan@chase.com

JPMorgan Chase & Co.

EXHIBIT B

Exhibit 10.7

KEY EXECUTIVE PERFORMANCE PLAN
OF
J.P. MORGAN CHASE & CO.
AS RESTATED EFFECTIVE AS OF
JANUARY 1, 2005

SECTION 1 — PURPOSE

1.1 The Key Executive Performance Plan of the J.P. Morgan Chase & Co. (the "Plan") is designed to attract and retain the services of selected employees who are in a position to make a material contribution to the successful operation of the business of J.P. Morgan Chase & Co. or one or more of its Subsidiaries. The Plan shall become effective as of January 1, 2005, subject to approval by stockholders in the manner required by Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code").

SECTION 2 — DEFINITIONS

2.1 For purposes of this Plan, the following terms shall have the following meanings:

(a) "Award" means an amount payable to a Participant pursuant to Section 4 of this Plan.

(b) "Board of Directors" means the Board of Directors of the Corporation.

(c) "Compensation Committee" or "Committee" means the Compensation and Management Development Committee of the Board of Directors.

(d) "Corporation" means J.P. Morgan Chase & Co.

(e) "Participant" means an employee of the Corporation or of a Subsidiary who has been designated by the Committee as eligible to receive an Award pursuant to the Plan for the Plan Year.

(f) "Plan Year" means the calendar year.

(g) "Subsidiary" means (i) any corporation, domestic or foreign, more than 50 percent of the voting stock of which is owned or controlled, directly or indirectly, by the Corporation; or, (ii) any partnership, more than 50 percent of the profits interest or capital interest of which is owned or

[redacted]

SECTION 3 — DETERMINATION OF BONUS POOL

3.1 Not later than three months after the beginning of the Plan Year, the Committee shall prescribe an objective formula pursuant to which a pool of funds (a "bonus pool") will be created for that Plan Year. The bonus pool will consist of a percentage, established by the Committee, of the Corporation's income before income tax expense for that Plan Year in excess of a percentage, established by the Committee, of total stockholders' equity of the Corporation at the beginning of that Plan Year. At the time that it determines the bonus pool formula, the Committee may make provision for excluding the effect of extraordinary events and changes in accounting methods, practices or policies on the amount of the bonus pool.

SECTION 4 — AWARDS

4.1 Coincident with the establishment of the formula under which the bonus pool will be created for a Plan Year the Committee shall assign shares of the bonus pool for that Plan Year to those individuals whom the Committee designates as Participants for that Plan Year; provided that such shares shall not exceed, in the aggregate, 100% of the bonus pool. The maximum annual Award which can be made to any one Participant for a Plan Year is the sum of (a) .2% of the Corporation's total income before income tax expense, extraordinary items and effect of accounting changes, as set forth on the Corporation's Consolidated Statement of Income for such Plan Year and (b) $1 million.

4.2 Notwithstanding the provisions of Section 4.1, the Committee may, in its sole discretion, reduce the amount otherwise payable to a Participant at any time prior to the payment of the Award to the Participant.

SECTION 5 — ELIGIBILITY FOR PAYMENT OF AWARDS

5.1 Subject to Section 4.2, a Participant who has been assigned a share of the bonus pool shall receive payment of an Award if he or she remains employed by the Corporation or its Subsidiaries through the end of the applicable Plan Year; provided, however, that no Participant shall be entitled to payment of an Award hereunder until the Committee certifies in writing that the performance goals and any other material terms of the Plan have in fact been satisfied. (Such written certification may take the form of minutes of the Committee).

SECTION 6 — FORM AND TIMING OF PAYMENT OF AWARDS

6.1 Awards may be paid, in whole or in part, in cash, in the form of grants of stock based awards (other than options) made under the Corporation's Long Term Incentive Plan, as amended from time to time, or any successor plan, or in any other form prescribed by the Committee, and may be subject to such additional restrictions as the Committee, in its sole discretion, shall impose. Where Awards are paid in property other than cash, the value of such Awards, for purposes of the Plan, shall be determined by reference to the fair market value of the property on the date of the Committee's certification required by Section 5.1. For this purpose the fair market of shares of common stock of the Corporation on a particular date shall equal the "Fair Market Value" (as determined under the Long–Term Incentive Plan as in effect on January 1, 1999) of such shares on that date.

6.2 If an Award is payable in shares of common stock of the Corporation or in another form permitted under the Long–Term Incentive Plan, such Awards will be issued in accordance with the Long–Term Incentive Plan.

6.3 Subject to Sections 5 and 7 hereof, Awards shall be paid at such time as the Committee may determine.

SECTION 7 — DEFERRAL OF PAYMENT OF AWARDS

7.1 The Committee may, in its sole discretion, permit a Participant to defer receipt of a cash Award, subject to such terms and conditions as the Committee shall impose.

SECTION 8 — ADMINISTRATION

8.1 The Plan shall be administered by the Compensation Committee.

8.2 Subject to the provisions of the Plan, the Committee shall have exclusive power to determine the amounts that shall be available for Awards each Plan Year and to establish the guidelines under which the Awards payable to each Participant shall be determined.

8.3 The Committee's interpretation of the Plan, grant of any Award pursuant to the Plan, and all actions taken within the scope of its authority under the Plan, shall be final and binding on all Participants (or former Participants) and their executors.

8.4 The Committee shall have the authority to establish, adopt or revise such rules or regulations relating to the Plan as it may deem necessary or advisable for the administration of the Plan.

SECTION 9 — AMENDMENT AND TERMINATION

9.1 The Board of Directors or a designated committee of the Board of Directors (including the Committee) may amend any provision of the Plan at any time; provided that no amendment which requires stockholder approval in order for bonuses paid pursuant to the Plan to be deductible under the Code, as amended, may be made without the approval of the stockholders of the Corporation. The Board of Directors shall also have the right to terminate the Plan at any time.

SECTION 10 — MISCELLANEOUS

10.1 The fact that an employee has been designated a Participant shall not confer on the Participant any right to be retained in the employ of the Corporation or one or more of its Subsidiaries, or to be designated a Participant in any subsequent Plan Year.

10.2 No Award under this Plan shall be taken into account in determining a Participant's compensation for the purpose of any group life insurance or other employee benefit plan unless so provided in such benefit plan.

10.3 This Plan shall not be deemed the exclusive method of providing incentive compensation for an employee of the Corporation and its Subsidiaries, nor shall it preclude the Committee or the Board of Directors from authorizing or approving other forms of incentive compensation.

10.4 All expenses and costs in connection with the operation of the Plan shall be borne by the Corporation and its Subsidiaries.

10.5 The Corporation or other Subsidiary making a payment under this Plan shall withhold therefrom such amounts as may be required by federal, state or local law, and the amount payable under the Plan to the person entitled thereto shall be reduced by the amount so withheld.

10.6 The Plan and the rights of all persons under the Plan shall be construed and administered in accordance with the laws of the State of New York to the extent not superseded by federal law.

10.7 In the event of the death of a Participant, any payment due under this Plan shall be made to his or her estate (or designated beneficiary, with respect to amounts payable in the form of the common stock of the Corporation).

EXHIBIT C

Compensation Discussion and Analysis

Summary

The business results discussed in the Management's Discussion and Analysis (MD&A) section of our 2007 Annual Report, along with the discussion of our strategies and challenges, are a starting point for how the Compensation & Management Development Committee (the Compensation Committee) ultimately decided to compensate our CEO, CFO and other Named Executive Officers. Each of the Named Executive Officers is a member of the Operating Committee, the Firm's most senior management committee. Members of our Operating Committee are the executive officers of the Firm and include Mr. Dimon, the CEOs of our six major businesses and the heads of principal functional areas.

As evidenced by the MD&A, there are many factors that we weigh in determining compensation, especially in a firm and industry as complex as ours. The benefits of our business mix and strategies, including attention to the balance sheet, capital management and risk management, became more apparent over the course of the year. The diversified nature of our business across multiple geographies and the six core operating units helped us weather a difficult operating environment and allowed us to produce balanced, positive results relative to our peers.

The Compensation Committee and Board considered a number of qualitative and quantitative factors in determining 2007 compensation, including quality of earnings, progress on key growth initiatives, improvements in systems and technology, and market leadership positions.

Summarized below are some of the key quantitative factors considered:

- The Firm reported a second consecutive year of record earnings and revenue.
- Income from continuing operations increased by $1.7 billion (13%) to $15.4 billion.
- Total net revenue grew $9.4 billion (15%) to $71.4 billion.
- Tier 1 capital ratio remained strong at 8.4%.
- Results were achieved even as credit reserves were increased by $2.3 billion to more than $10.1 billion.
- Total shareholder return (TSR) over the last 3 years was 23.6% compared to an average 16.4% for the core competitors listed in the table on page 12. However, more recent TSR comparisons indicate better absolute and relative performance against the same group, with TSR over the last 2 years of 16.9% versus 2.3% and a decline of 6.9% versus a 20.8% decline for these competitors in 2007.

Our primary compensation element is an annual incentive award that is delivered in a mix of cash and equity. The Compensation Committee believes that because the amount of total incentive compensation awarded is based on several integrated performance criteria, a significant set of performance requirements is already embedded in the entire incentive amount. Once the incentive amount is decided, what remains is determining the mix between cash and equity awards. Equity awards are granted in lieu of cash to tie the value of incentive compensation to the Firm's long-term performance and stock price and to add the risk of forfeiture if the executive does not remain with the company.

Also, the Compensation Committee looks for sustained performance at the highest levels and across multiple factors. In light of the performance results achieved in 2007, the Compensation Committee believes that the overall level of compensation was appropriate and well aligned with both the short- and longer-term performance of the Firm.

Compensation program

Shareholders should expect the Firm to use its compensation resources wisely and resourcefully to build long-term value creation. We believe that our compensation philosophy and program approach are consistent with this expectation. The success of our compensation program should be measured by the long-term performance of JPMorgan Chase since the program is intended to reinforce strong and sustainable financial performance, operational discipline and shareholder value creation.

Elements of executive compensation

The key components of our executive compensation program operate in concert to deliver the appropriate level of total compensation. We believe that the mix of cash and equity compensation and the balance of current and long-term incentives help achieve the Firm's objectives. Current compensation includes base salary and the cash portion of annual incentive compensation. Long-term compensation includes the equity portion of annual incentive compensation and any periodic equity awards. The Firm minimizes the use of perquisites and generally does not provide dues for private clubs, car allowances, financial planning, tax gross-ups and similar executive perquisites. The CEO is required to use Firm aircraft and automobiles whenever feasible for business and personal travel and the Firm augments other security measures for the CEO. A list of the compensation and benefits elements as they relate to senior executives of the Firm is found in the following table.

Compensation element	*Description*	*Other features*
Base salary	On average less than 5% of total compensation for members of the Operating Committee. Provides a measure of certainty and predictability to meet certain living and other financial commitments.	Reviewed annually and subject to increase if, among other reasons, the executive acquires material additional responsibilities, or the market changes substantially.
Annual incentive compensation	Performance based incentive which can vary significantly from year to year. The cash portion is paid and the equity portion is awarded in January following the performance year. The equity portion is awarded in the form of RSUs determined by a formula representing a portion of the entire incentive award – for 2007, RSUs for the Operating Committee represented at least 50% of their incentive award.	50% of the RSU portion of the award vests on the second anniversary of the grant and 50% vests on the third anniversary of the grant. Shares received upon vesting are subject to the 75% retention requirement described at page 13.
Periodic equity awards	Periodically the Firm grants special equity awards to select senior officers to reward and encourage leadership, including awards in 2007 made in the form of stock appreciation rights to be settled in shares only.	Become exercisable ratably on each of the first five anniversaries of grant and must be held for at least 5 years after the grant. Shares received upon exercise are subject to the 75% retention requirement described at page 13.
Deferred compensation	Senior executives can voluntarily defer up to the lesser of 90% of their annual cash incentive or $1,000,000.	Beginning in 2005 a lifetime $10,000,000 cap on future cash deferrals was instituted. Deferred amounts are credited to various unfunded hypothetical investment options, generally index funds, at the executive's election.
Pension and retirement	Firm-wide qualified cash balance pension plan based on first $225,000 of base salary only (in 2007). Non-qualified excess pension plan based on base salary in excess of $225,000 up to $1 million. Voluntary 401(k) plan.	Incentive awards not eligible for pension credits. Officers with a base salary and cash incentives equal to or greater than $250,000, including all Operating Committee members, receive no Firm matching contribution in the 401(k) plan. Paid in lump sum or annuity following retirement.
Health and Welfare benefits	Firm-wide benefits such as life insurance, medical and dental coverage, and disability insurance.	No special programs for senior executives. In medical and dental plans, the higher the employee's compensation, the higher the employee's portion of the premium.
Severance plan	Firm-wide severance pay plan providing up to 65 weeks of base salary, based on years of service. Benefits paid in periodic installments following termination of employment, contingent on release of claims and restrictive covenants.	Continued eligibility for certain welfare plan benefits during severance pay period.

Philosophy and approach

Our long-term success as a premier financial services firm depends in large measure on the talents of our employees. Our compensation system plays a significant role in our ability to attract, retain and motivate the highest quality workforce. The principal underpinnings of that system are an acute focus on performance, shareholder alignment, a sensitivity to the relevant market place, and a long-term orientation.

Performance – For senior level employees, a significant portion of compensation should be, and is, variable, and the Firm seeks real differentiation in compensation among our most senior employees based on their accomplishments.

As a general matter, in assessing performance, we consider:

- Performance of the individual employee, the relevant line of business, and the Firm as a whole.
- Performance that is based on measurable and sustained financial results through the business cycle.
- Performance that is both relative and absolute, in that each year's performance is compared not just to our own prior performance or achievement of current goals, but also to appropriately chosen comparison companies that compete in similar markets and provide similar financial products and services. Those comparison companies are disclosed below under the discussion of our relevant market place.

The performance criteria we use include a robust set of quantitative and qualitative factors focused on financial performance, management effectiveness, growth, people development and risk/control management. While specific factors will differ from business to business and function to function, among the most important factors that commonly apply are:

Quantitative criteria

- Operating earnings
- Credit and risk management
- Revenue growth
- Expense management
- Contribution across business lines
- Return on capital
- Investing for growth – business expansion and technology
- Improving client satisfaction
- Executing other major projects
- Improving operational efficiency
- Capital and liquidity management

Qualitative criteria

- Quality of earnings
- Establishing, refining and executing long-term strategic plans
- Achieving and maintaining market leadership positions in key businesses
- Attracting, developing and retaining highly effective and diverse leaders
- Executing acquisition integration tasks
- Building an inclusive culture
- Thinking beyond your own business
- Maintaining compliance and controls
- Protecting the integrity and reputation of the Firm
- Supporting the Firm's values
- Supporting and strengthening the communities we serve worldwide

The Compensation Committee considers these factors in total. While our approach is disciplined, it is not formulaic. We rely on our business judgment to determine the most appropriate compensation to recognize the contributions and potential of our leaders. In view of the wide variety and complexity of factors considered in connection with its evaluation of the Firm, business and individual executive performance, the Compensation Committee does not find it useful, and does not attempt, to rank or otherwise assign relative weight to these factors. Executive performance must be sustained at the highest levels over multiple time periods, and superior performance must be achieved across multiple factors to be considered outstanding. In considering the factors described above, individual members of the Compensation Committee and the Board of Directors may have given different weight to different factors.

Shareholder-alignment – We believe that an ownership stake in the Firm best aligns our employees' interests with those of our shareholders. Our compensation programs are designed to annually deliver a meaningful portion of total compensation in equity to employees who can have the greatest impact on the bottom line and to increase the significance to our most senior employees of the equity portion of their compensation to strengthen their alignment with shareholders. JPMorgan Chase pays a larger portion of our executive compensation in equity-based long-term incentives when compared to many in our comparison group companies. Employees whose incentive compensation is $20,000 receive 10% in the form of RSUs. The percentage awarded as RSUs increases as compensation increases. That enhanced alignment to shareholder interests is deliberate and focuses executive activities and decisions on those areas that increase shareholder value. We further believe that competitive, annual equity awards subject to multi-year vesting and termination/forfeiture provisions effectively emphasize the long-term view of our business and bolster the retention of our top talent.

Relevant market place – We operate in a very competitive market for talent. We use comparison groups, or benchmarking, to understand market practices and trends, to evaluate the competitiveness of our programs and to assess the efficiency of these programs. Each of our lines of business operates under our overall compensation framework, but uses compensation programs appropriate to its competitive environment. Given the diversity of our businesses, our global operations and the complexity of the products and services we provide, our comparison group is also diverse, global and complex. As a result, the Compensation Committee reviews actual compensation levels, generally from public data, for companies that either directly compete with us for business and/or talent or are global organizations with similar scope, size or other characteristics to JPMorgan Chase. The Compensation Committee did not engage the services of a compensation consultant in 2007. Comparative compensation data was provided to the Compensation Committee by the Executive Compensation unit of Corporate Human Resources.

Accordingly, our businesses generally benchmark against direct business competitors, while functional areas benchmark against a blend of financial services and large, globally integrated businesses. We view benchmarking as important for an understanding of the market, but we use market factors to inform, not override, our focus on pay for performance. Each element of executive compensation is combined for comparison purposes using a total compensation approach, but the Compensation Committee does not attempt to mirror any particular company's approach to delivering compensation. Assessments are then made between comparison company compensation and JPMorgan Chase's total compensation with an additional assessment of our mix of compensation between base salary, annual cash incentives and long-term incentives (annual and periodic grants). Because we view our executive officers as highly talented executives capable of rotating among the leadership positions of our businesses and key functions, we also place importance on the internal pay relationships among members of our Operating Committee.

The core comparison companies are:

Company	*CEO, CFO and Functional Staff*	*Investment Bank*	*Asset Management*	*Retail Financial Services*	*Card Services*	*Commercial Banking*	*Treasury & Securities Services*
American Express	✓				✓		
Bank of America	✓	✓	✓	✓	✓	✓	✓
Citi	✓	✓	✓	✓	✓	✓	✓
Goldman Sachs	✓	✓	✓				
Lehman Brothers	✓	✓	✓				
Merrill Lynch	✓	✓	✓				
Morgan Stanley	✓	✓	✓				
Wachovia	✓			✓		✓	✓
Wells Fargo	✓			✓	✓	✓	

Additional comparison companies are:

CEO, CFO and Functional Staff: Bear Stearns, Credit Suisse, Deutsche Bank and UBS. For functional heads we also review relevant positions at the following large multinational companies: Dupont, General Electric, HP, IBM, Johnson & Johnson, Merck, 3M, Procter & Gamble, Time Warner and Walt Disney.

Investment Bank: Bear Stearns, Credit Suisse, Deutsche Bank and UBS.

Asset Management: Credit Suisse, Deutsche Bank and UBS. We also review Alliance Capital, Blackrock, Eaton Vance, Franklin Templeton Investments, Legg Mason, Federated Investors, Northern Trust, Nuveen Investments, Putnam Investments, Schroders, T. Rowe Price, US Trust and Wellington Management.

Retail Financial Services: Countrywide Financial and Washington Mutual.

Card Services: Capital One, Discover, HSBC and Washington Mutual.

Commercial Banking: Fifth Third, Key Corp. and SunTrust.

Treasury & Securities Services: ABN Amro, Bank of New York Mellon, State Street and Northern Trust.

Long-term orientation – We strive for a long-term orientation both in the way we assess performance and in the way we structure compensation. The aim of our compensation programs and policies is to motivate all employees at JPMorgan Chase to attain strong and sustained performance, both on an absolute and relative basis. We achieve this through processes and tools that are clear, transparent and effective at driving behaviors that expand the depth and breadth of our positive impact on clients. Our goal is to significantly differentiate executive compensation through the annual compensation process and through periodic equity awards to appropriately recognize outstanding performance.

Certain features of our compensation programs are targeted to help us achieve individual objectives, and other elements help us achieve multiple objectives simultaneously. Our vesting periods for stock awards generally provide that one-half vests after two years and the balance vests after three years. As a result of these awards, employees share the same interest in the Firm's long-term success as other shareholders, and we believe that such ownership is a positive factor in retaining key employees. We also use these features to focus executives across all lines of business on longer-term strategy and the overall results of the Firm, particularly at more senior levels where executives can have a greater influence on our long-term success.

Compensation review processes

Compensation of Operating Committee members depends not only on how they as individuals perform, but also on how the Firm as a whole performs. We assess their specific performance based on short-, medium- and longer-term objectives tailored to specific lines of business and functional areas.

Our disciplined compensation processes involve a series of reviews and assessments by successive levels of management within lines of business, the Operating Committee, the CEO, the Compensation Committee and the Board of Directors. The CEO presents his assessment of individual performance and a recommended set of compensation actions for the other Operating Committee members to the Compensation Committee for their consideration. The CEO does not make any recommendation regarding his own compensation. The Compensation Committee discusses the CEO's compensation entirely in their independent executive session and seeks full Board ratification of their determinations. No member of the Operating Committee other than the CEO has a role in making a recommendation to the Compensation Committee as to the compensation of any member of the Operating Committee.

Compensation governance practices

The Firm and Compensation Committee also rely on other governance practices summarized below in seeking appropriate decisions and shareholder aligned outcomes.

Authorities and responsibilities – In addition to approving compensation for Operating Committee members, the Compensation Committee approves the formula, pool calculation and performance goals for the Key Executive Performance Plan as required by Section 162(m) of the Internal Revenue Code (KEPP), reviews line of business total incentive accruals versus performance throughout the year, approves final aggregate incentive funding, and approves total equity grants under the Firm's long-term incentive plan and the terms and conditions for each type of award. The Compensation Committee has delegated authority to the Director Human Resources to administer the compensation and benefits programs. The Director Human Resources, with concurrence of an Operating Committee member, may approve awards under the Firm's long-term incentive plan to prospective hires and to current officers who are not Section 16 officers for retention purposes.

Bonus recoupment policy – In 2006, we formalized a bonus recoupment policy that enables us to recover previous incentives paid to executives in the event those incentives were the result of misconduct that leads to a material restatement of financial information. This policy can be found on our Web site at www.jpmorganchase.com under Governance.

Deductibility of executive compensation – To maintain flexibility in compensating executive officers, the Compensation Committee does not require all compensation to be awarded in a tax-deductible manner, but it is their intent to do so to the fullest extent possible and consistent with overall corporate goals. To that end, shareholders have approved KEPP, which covers all executive officers, including the Named Executive Officers, and their annual cash incentive awards and RSUs are delivered under the plan.

A proposal has been included on page 30 of the proxy statement recommending reapproval of KEPP.

Equity grant practices – Equity grants are awarded as part of the annual compensation process, as periodic long-term awards and as part of employment offers for new hires. In each case, the grant price is the average of the high and the low prices of JPMorgan Chase common stock on the grant date. Grants made as part of the annual compensation process are generally awarded in January after earnings are released and generally in the form of RSUs. RSUs carry no voting rights; however, dividend equivalents are paid on units at the time actual dividends are paid on shares of JPMorgan Chase common stock. Stock options granted by Bank One in 2002 and earlier included a feature that provided for the issuance of restorative options that will remain in effect until expiration of the original option. The Firm no longer grants options with restoration rights. The Firm prohibits repricing of stock options and SARs.

A proposal has been included on page 26 of the proxy statement recommending an amendment to the 2005 Long-Term Incentive Plan to extend the term and increase the number of shares available under the plan.

Continued equity ownership – Our policies require share ownership for directors and executive officers and encourage continued ownership for others. Senior executives are expected to establish and maintain a significant level of direct ownership. Mr. Dimon and other members of the Operating Committee and the Executive Committee (a management committee of 48 senior executives that includes members of the Operating Committee) are required to retain at least 75% of the shares they receive from equity-based awards, including options, after deduction for option exercise costs and taxes. In January 2008, certain executives received more than 50% of their incentive compensation in the form of RSUs. The retention requirement will not apply to the excess over 50% when such RSUs vest.

Shareholdings of directors and executive officers are shown in the table at page 8.